

OFFICIAL STATEMENT DATED FEBRUARY 13, 2018**NEW ISSUE -- BOOK-ENTRY ONLY****Rating: S&P: BBB**
See "RATING" herein

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, assuming continuing compliance by the Issuer after the date of delivery of the Series 2018 Bonds with certain covenants described in the Bond Indenture and Loan Agreement, and subject to the matters described herein under "Tax Matters" herein, interest on the Series 2018 Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") to the date of delivery of the Series 2018 Bonds and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.



\$28,540,000
BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2018

Dated: Date of Issuance**Due:** July 15, as shown below

The Bexar County Health Facilities Development Corporation Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 (the "Series 2018 Bonds") are being issued to refund certain bonds previously issued to finance and refinance a portion of the costs relating to certain capital improvements made to the continuing care retirement community known as the "Army Residence Community" or "ARC," which is owned by Army Retirement Residence Supporting Foundation (the "Borrower") and operated by The Army Retirement Residence Foundation - San Antonio (the "Corporation" and together with the Borrower, the "Co-Obligors"). See "PLAN OF FINANCING."

The Series 2018 Bonds are issuable only as fully registered bonds initially in denominations of \$5,000 and integral multiples thereof. All of the Series 2018 Bonds initially will be maintained under a book-entry system and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2018 Bonds. Purchases of the Series 2018 Bonds will be in book-entry form only. So long as the Series 2018 Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2018 Bonds will be made when due by The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"), to DTC in accordance with the Bond Indenture of Trust and Security Agreement between the Bexar County Health Facilities Development Corporation, a nonstock nonprofit health facilities development corporation (the "Issuer"), duly organized and existing pursuant to the provisions of the Texas Health Facilities Development Act, Chapter 221, Health and Safety Code, as amended (the "Act"), and the Bond Trustee (the "Bond Indenture"), and the Bond Trustee will have no obligation to make any payments to any beneficial owner of any Series 2018 Bonds. See "THE SERIES 2018 BONDS - Book-Entry Only System." The first Interest Payment Date for the Series 2018 Bonds will be July 15, 2018.

The Series 2018 Bonds will be issued under and pursuant to (i) the constitution and statutes of the State of Texas (the "State"), including the Act, in conformity with the provisions, restrictions and limitations thereof and (ii) the Bond Indenture.

The Series 2018 Bonds will constitute limited obligations of the Issuer payable solely from payments by the Borrower to the Issuer pursuant to the Loan Agreement between the Issuer and the Borrower (the "Loan Agreement") and under the promissory note (a "Note") issued by the Borrower under the terms of the Master Indenture of Trust and Security Agreement by and among the Co-Obligors, and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"), as amended and supplemented. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS."

The Series 2018 Bonds are limited obligations of the Issuer. None of Bexar County, Texas (the "County"), the State or any political subdivision thereof, including the Issuer, shall be obligated to pay the Series 2018 Bonds or the interest thereon except from the revenues and moneys pledged therefor, and neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof, including the Issuer, is pledged to the payment of the principal of or the interest on the Series 2018 Bonds. The Issuer has no taxing power. The Series 2018 Bonds do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the State, the County, the Issuer or any other municipality, county or other municipal or political corporation or subdivision of the State. The Series 2018 Bonds do not create a moral obligation on the part of the State, the County or any other municipality, county or other municipal or political corporation or subdivision of the State, and each such entity is prohibited by the Act from making any payments with respect to the Series 2018 Bonds.

*The Series 2018 Bonds are subject to redemption prior to maturity as described herein under
"The Series 2018 Bonds -- Redemption Provisions."*

\$11,395,000 SERIAL BONDS

DUE		INTEREST			DUE		INTEREST		
(JULY 15)	AMOUNT	RATE	YIELD	CUSIP	(JULY 15)	AMOUNT	RATE	YIELD	CUSIP
2018	\$ 885,000	4.00%	1.98%	088354FX8	2024	\$1,065,000	5.00%	3.07%	088354GD1
2019	845,000	5.00	2.15	088354FY6	2025	1,120,000	5.00	3.24	088354GE9
2020	880,000	5.00	2.36	088354FZ3	2026	1,170,000	5.00	3.40	088354GF6
2021	925,000	5.00	2.54	088354GA7	2027	1,230,000	5.00	3.54*	088354GG4
2022	970,000	5.00	2.73	088354GB5	2028	1,285,000	5.00	3.65*	088354GH2
2023	1,020,000	5.00	2.92	088354GC3					
\$7,430,000 5.00% Term Bonds due July 15, 2033 - Yield 3.910%** CUSIP 088354GJ8									
\$6,400,000 5.00% Term Bonds due July 15, 2037 - Yield 4.02%*** CUSIP 088354GK5									
\$3,315,000 5.00% Term Bonds due July 15, 2042 - Yield 4.10%*** CUSIP 088354GL3									

The Series 2018 Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel and counsel to the Issuer, the approval of certain legal matters by Foley & Lardner LLP, Chicago, Illinois, counsel to the Co-Obligors, and McKennon Shelton & Henn LLP, Baltimore, Maryland, counsel to the Underwriter, and to certain other conditions. It is expected that the Series 2018 Bonds will be available for delivery on or about February 28, 2018.

RAYMOND JAMES®

*Yield to July 15, 2023, the first optional call date for the Series 2018 Bonds.

**Yield to July 15, 2026.

***Yield to July 15, 2028.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Issuer, the Co-Obligors or the Underwriter to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Co-Obligors and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Issuer. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Series 2018 Bonds.

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 CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw-Hill Financial, and none of the Issuer, the Underwriter or the Co-Obligors takes any responsibility for the accuracy thereof. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services.

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,” “forecast” or other similar words. Such forward-looking statements include, among others, certain of the information in “Certain Bondholders’ Risks” herein and in Appendix A. The achievement of certain results or other expectations 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. The Co-Obligors do not plan to issue any updates or revisions to those forward looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

All quotations from and summaries and explanations of provisions 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 the delivery of this Official Statement nor any sale of the Series 2018 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Co-Obligors since the date hereof.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	UNDERWRITING.....	57
ESTIMATED SOURCES AND USES OF FUNDS	3	RATING.....	58
PLAN OF FINANCING	3	TAX MATTERS.....	58
THE SERIES 2018 BONDS	5	LEGAL MATTERS.....	61
THE ISSUER	12	FINANCIAL ADVISORS.....	61
SECURITY AND SOURCES OF PAYMENT		LITIGATION	62
FOR THE SERIES 2018 BONDS	14	INDEPENDENT AUDITOR.....	62
ANNUAL DEBT SERVICE REQUIREMENTS		ELIGIBILITY FOR CERTAIN INVESTMENTS IN TEXAS.....	62
ON OUTSTANDING SECURED DEBT.....	18	VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	63
CERTAIN BONDHOLDERS’ RISKS.....	19	RELATIONSHIPS.....	63
STATE OF TEXAS REGULATION OF CONTINUING		CONTINUING DISCLOSURE.....	63
CARE RETIREMENT COMMUNITIES.....	51	MISCELLANEOUS	64
PARITY DEBT	56		

Appendix A	-- Information regarding Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation – San Antonio
Appendix B	-- Audited Financial Statements of The Army Residence Community and Affiliate for the Fiscal Years ended June 30, 2017 and 2016
Appendix C-1	-- Conformed Copies of the Master Indenture of Trust and Security Agreement, as supplemented and Deed of Trust, Assignment of Rents and Leases, and Security Agreement
Appendix C-2	-- Proposed Forms of Bond Indenture of Trust and Security Agreement, Loan Agreement, and Master Indenture Supplement No.4
Appendix D	-- Proposed Form of Opinion of Bond Counsel
Appendix E	-- Form of Continuing Disclosure Agreement

OFFICIAL STATEMENT

relating to

\$28,540,000

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION REVENUE REFUNDING BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2018

INTRODUCTORY STATEMENT

General

This Official Statement, the cover page (exclusive of prices and yields) and appendices set forth certain information for use in connection with the issuance by Bexar County Health Facilities Development Corporation (the “Issuer”), a nonstock nonprofit health facilities development corporation duly organized and existing pursuant to the provisions of the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, in conformity with the provisions, restrictions and limitations thereof (the “Act”), of its Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds are issued under and pursuant to (i) the constitution and statutes of the State of Texas (the “State” or “Texas”), including the Act, and (ii) a Bond Indenture of Trust and Security Agreement (the “Bond Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”). For the definitions of certain other words and terms used in this Official Statement, see Appendix C-1 and Appendix C-2.

The Series 2018 Bonds are being issued at the request of Army Retirement Residence Supporting Foundation, a nonprofit, non-stock membership corporation organized and existing under the laws of the State (the “Borrower”), in order (i) to refund all of the Issuer’s outstanding Refunding Revenue Bonds (Army Retirement Residence Foundation Project), Series 2007 (the “Series 2007 Bonds”) in the aggregate principal amount of \$17,585,000 (the “Refunded Series 2007 Bonds”) and all of the outstanding Issuer’s Revenue Bonds (Army Retirement Residence Foundation Project), Series 2012-1 and Series 2012-2 (the “Series 2012 Bonds”) in the aggregate principal amount of \$14,775,000 (the “Refunded Series 2012 Bonds” and together with the Refunded Series 2007 Bonds, the “Refunded Bonds”), the proceeds of which were applied to finance and refinance the costs relating to certain capital projects of the Borrower with respect to the Community (as defined below), and (ii) to pay certain costs of the issuing the Series 2018 Bonds. See “PLAN OF FINANCING.” The proceeds of the Series 2018 Bonds will be loaned to the Borrower pursuant to a loan agreement between the Issuer and the Borrower (the “Loan Agreement”).

Upon the issuance of the Series 2018 Bonds and the refunding of the Refunded Bonds there will remain outstanding under the Master Indenture of Trust and Security Agreement dated

as of January 1, 2007 (sometimes referred to herein as the “Original Master Indenture”) among the Borrower and the Corporation, as the members of the Obligated Group (collectively, the “Co-Obligors” or sometimes referred to as “members of the Obligated Group”) and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”), as amended and supplemented (as so amended and supplemented, the “Master Indenture”), \$85,580,000 aggregate principal amount of indebtedness constituting Secured Debt under the Master Indenture secured equally and ratably on parity with the obligations of the Borrower under the Loan Agreement with respect to the Series 2018 Bonds. See “PARITY DEBT.”

The Borrower owns the Army Residence Community (the “Community”), a continuing care retirement community also known as the “ARC” which offers three levels of care on its approximately 150-acre campus located in San Antonio, Texas to approximately 750 residents, consisting of independent living, assisted living and skilled nursing care, which is managed and operated by The Army Retirement Residence Foundation – San Antonio (the “Corporation”). The Corporation is a nonprofit, non-stock membership corporation organized and existing under the laws of the District of Columbia. The Community is the sole continuing care retirement community owned by the Borrower and operated by the Corporation and is accredited by the Continuing Care Accreditation Commission of the American Association of Homes and Services for the Aging.

For detailed information concerning the Borrower, the Corporation, and the Community, see Appendix A. Appendix B sets forth recent audited consolidated financial statements of the Borrower and Affiliates, audited by Fisher, Herbst & Kemble, P.C., independent auditors. Such financial statements include an affiliate of the Borrower, South Texas Army Residence Beverages, Inc., that is *not* a member of the Obligated Group and has no liability with respect to the Series 2018 Bonds.

Certain risk factors that should be considered by prospective investors in the Series 2018 Bonds with respect to the Co-Obligors and the Series 2018 Bonds is set forth herein under the heading “CERTAIN BONDHOLDERS’ RISKS.” No prospective purchaser of the Series 2018 Bonds should make a decision to purchase any Series 2018 Bonds without first reading and considering in full the information under the caption “CERTAIN BONDHOLDERS’ RISKS” to determine the suitability of investing in the Series 2018 Bonds.

[Remainder of Page Intentionally Left Blank]

ESTIMATED SOURCES AND USES OF FUNDS

The estimated uses and the sources of funds are as follows:

Sources of funds:

Series 2018 Bonds	\$28,540,000
Original issue premium	2,477,109
Amounts on deposit in funds pledged to Series 2007 Bonds	1,811,372
Amounts on deposit in funds pledged to Series 2012 Bonds	562,062
Equity Contribution.....	<u>147,326</u>
Total sources of funds	<u>\$33,537,869</u>

Uses of funds:

Amount required to refund the Refunded Bonds	\$32,769,293	
Costs of issuance	<u>768,576</u>	(1)
Total uses of funds	<u>\$33,537,869</u>	

(1) Includes the Underwriter's discount, certain fees and expenses of the financial advisors to the Issuer and the Co-Obligors, Bond Counsel, legal counsel to the Co-Obligors, the Issuer and the Underwriter and certain accounting fees, as well as printing costs, fees and expenses of the Bond Trustee and the Master Trustee and other miscellaneous expenses.

PLAN OF FINANCING

The proceeds of the Series 2018 Bonds and other available funds will be used (i) to refund the Refunded Bonds and (ii) to pay the Underwriter's compensation and other administrative, legal, financing and miscellaneous expenses related to the issuance of the Series 2018 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Pursuant to the Loan Agreement, the Issuer will lend the proceeds of the Series 2018 Bonds to the Borrower. Under the Loan Agreement, the Borrower has agreed to make payments to the Bond Trustee to provide for the full and prompt payment when due of the principal of, premium, if any, and interest on the Series 2018 Bonds. The obligation of the Borrower to pay the Series 2018 Bonds will be secured by a promissory note of the Borrower in principal amount equal to the aggregate principal amount of the Series 2018 Bonds (the "2018 Note"). The 2018 Note will constitute Secured Debt under the Master Indenture. Pursuant to the Bond Indenture, the Issuer will assign to the Bond Trustee all of its right, title and interest in and to the Loan Agreement and the 2018 Note, except for Indemnity Payments.

In order to effect the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2018 Bonds and other available money will be applied to the purchase of United States government securities or ownership interests therein (collectively, "Federal Securities"), which will be deposited with The Bank of New York Mellon Trust Company, N.A. (in its capacity as escrow agent and as bond trustee for the Series 2007 Bonds) and Wells Fargo Bank, National Association (in its capacity as escrow agent and as bond trustee for the Series 2012 Bonds) under Escrow Deposit Agreements, each among the Issuer, the respective escrow deposit agent and bond trustee and the Borrower. Such Federal Securities will be payable as to principal and interest at such times and in such amounts as will be sufficient, together with any initial cash

deposit, (i) to pay the principal of and interest on the Refunded Series 2007 Bonds upon their redemption on or about March 30, 2018 and (ii) to pay the principal of and interest on the Refunded Series 2012 Bonds upon their redemption on or about March 30, 2018. See “Verification of Mathematical Computations.” Such Federal Securities will be pledged only to the payment of the Refunded Bonds and will not be available for the payment of the Series 2018 Bonds. After the deposit of the Federal Securities and cash as described above, the Issuer and the Co-Obligors will be discharged from all of their obligations with respect to the Refunded Bonds.

The obligations of the Borrower under the Loan Agreement and the 2018 Note will be secured by the lien of the Master Indenture, together with the other outstanding Secured Debt previously issued under the Master Indenture. The Master Indenture provides for the creation of an Obligated Group, currently consisting of the Co-Obligors, whose members are jointly and severally liable for the payment of obligations secured by the Master Indenture on a parity basis, including the note securing the Issuer’s Revenue Bonds (Army Retirement Residence Foundation Project), Series 2010 (the “Series 2010 Bonds” and such note being referred to herein as the “2010 Note”), and the note securing the Issuer’s Revenue Refunding Bonds (Army Retirement Residence Foundation Project), Series 2016 (the “Series 2016 Bonds” and such note being referred to herein as the “2016 Note” and the 2010 Note and the 2016 Note being referred to herein together as the “Existing Notes”), the 2018 Note and any other notes outstanding from time to time in accordance with the terms and conditions of the Master Indenture that constitute Secured Debt. See “PARITY DEBT.”

As security for the performance of its obligations under the Master Indenture, the Obligated Group has granted a security interest to the Master Trustee in its Revenues and certain other property of the Obligated Group. In addition, as security for the performance of its obligations under the Master Indenture, the Borrower and the Corporation have each granted to the Master Trustee a lien on the Community and the site thereof (the “Mortgaged Premises”) and a security interest in certain tangible and intangible personal property of the Borrower and the Corporation under a Deed of Trust, Assignment of Rents and Leases, and Security Agreement, as amended and supplemented (the “Deed of Trust”). The liens created by the Master Indenture and the Deed of Trust are subject to certain Permitted Encumbrances and the right of the Borrower and the Corporation to dispose of assets and to obtain a partial release of the Deed of Trust, in each case under certain circumstances. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS -- Loan Agreement and Deed of Trust,” “FACILITIES AND SERVICES -- Mortgaged Property” in Appendix A and “Covenants and Warranties -- Limitation on Disposition of Assets” in the conformed copy of the Master Indenture Supplement No. 1 included in Appendix C-1. The Borrower and the Corporation are currently the only members of the Obligated Group under the Master Indenture.

THE SERIES 2018 BONDS

General

The Series 2018 Bonds are dated as of February 1, 2018 but will bear interest from the date of their initial delivery at the rates set forth on the cover page of this Official Statement, payable on July 15, 2018, and semiannually thereafter on each January 15 and July 15 and, subject to the redemption and purchase provisions set forth below, will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2018 Bonds are issued only as fully registered bonds in denominations of \$5,000 and integral multiples thereof. The Series 2018 Bonds initially shall be maintained under a book-entry system. Beneficial Owners shall have no right to receive physical possession of the Series 2018 Bonds and payments of the principal and Redemption Price of and interest on the Series 2018 Bonds will be made as described below under “Book-Entry Only System.”

If the book-entry system is discontinued, interest on the Series 2018 Bonds will be payable by check mailed by the Bond Trustee to the persons in whose names the Series 2018 Bonds are registered as of the Regular Record Date for each Interest Payment Date (or such other day as shall be established by the Bond Trustee as described under “Terms and Issue of the Bonds -- Payment of Interest on Bonds; Interest Rights Preserved” in the proposed form of the Bond Indenture included in Appendix C-2) at the address shown on the registration books maintained by the Bond Trustee, which is registrar and paying agent for the Series 2018 Bonds and the principal or Redemption Price of the Series 2018 Bonds will be payable only upon presentation and surrender of such Bonds at the principal corporate trust office of the Bond Trustee.

Redemption Provisions

Optional Redemption

The Series 2018 Bonds maturing on and after July 15, 2024 will be subject to optional redemption prior to their Stated Maturity at any time beginning on July 15, 2023 at the option of the Issuer, at the direction of the Borrower, in whole or in part, and, if in part, in denominations of \$5,000 and integral multiples thereof, at the following prices, expressed as percentages of the principal amount of the Series 2018 Bonds to be redeemed, plus accrued interest thereon to the date set for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
July 15, 2023 through July 14, 2024	105%
July 15, 2024 through July 14, 2025	104
July 15, 2025 through July 14, 2026	103
July 15, 2026 through July 14, 2027	102
July 15, 2027 through July 14, 2028	101
July 15, 2028 and thereafter	100

Sinking Fund Redemption

The Series 2018 Bonds maturing on July 15, 2033, July 15, 2037 and July 15, 2042 will be subject to redemption prior to maturity, at the principal amount thereof plus accrued interest to the redemption date, without premium, from mandatory sinking fund redemption on each July 15 as follows:

BONDS MATURING JULY 15, 2033

<u>Date (July 15)</u>	<u>Sinking Fund Installment</u>
2029	\$1,350,000
2030	1,410,000
2031	1,490,000
2032	1,550,000
2033*	1,630,000

*Stated maturity

BONDS MATURING JULY 15, 2037

<u>Date (July 15)</u>	<u>Sinking Fund Installment</u>
2034	\$1,150,000
2035	1,205,000
2036	1,265,000
2037*	2,780,000

*Stated maturity

BONDS MATURING JULY 15, 2042

<u>Date (July 15)</u>	<u>Sinking Fund Installment</u>
2038	\$595,000
2039	630,000
2040	660,000
2041	700,000
2042*	730,000

*Stated maturity

The principal amount of Series 2018 Bonds so to be redeemed in any year shall be reduced, upon Borrower Request, by an amount equal to the principal amount of Series 2018 Bonds (a) surrendered uncanceled and in transferable form by the Borrower to the Bond Trustee not less than sixty (60) days prior to such Redemption Date or (b) redeemed (not less than sixty

(60) days prior to such Redemption Date) pursuant to optional or extraordinary optional redemption, if in either case such Series 2018 Bonds shall not have previously served as the basis for any such reduction.

The average lives of the Series 2018 Bonds maturing on July 15, 2033, July 15, 2037 and July 15, 2042 are approximately 13.475 years, 18.267 years and 22.483 years, respectively.

Extraordinary Optional Redemption

The Series 2018 Bonds are subject to extraordinary optional redemption by the Issuer, upon the request of the Borrower not more than 90 days after the occurrence of the event described below and not less than 60 days prior to the date of redemption in whole or in part and, if in part, in denominations of \$5,000 and integral multiples thereof, on any date within such 90 day period at a redemption price equal to the principal amount thereof (without premium) plus accrued interest thereon to the date set for redemption, without premium:

(1) in whole or in part, if any property of the Borrower shall have been damaged or destroyed to the extent that, in the reasonable judgment of the Borrower, (a) restoration and repair of a substantial portion of the properties of the Borrower is required and either could not reasonably be expected to be completed within a period of six months or is not economically practicable or desirable or (b) the Borrower is prevented or would likely be prevented from using a substantial portion of its properties for their normal purposes for a period of six months or more; or

(2) in whole or in part, if title to any property of the Borrower or the use or possession thereof shall have been taken or condemned by a competent authority for any public use or purpose to such an extent that the Borrower is prevented or, in the reasonable judgment of the Borrower, would likely be prevented from using a substantial portion of its properties for their normal purposes for a period of six months or more or the repair, rebuilding or restoration of such property or the acquisition of other property of at least equal value and economic utility to that taken or condemned and suitable for the proper and efficient operation of the properties of the Borrower is substantial and is not economically practicable or desirable.

Selection of Bonds to Be Redeemed

If fewer than all of the Series 2018 Bonds are to be optionally redeemed or redeemed pursuant to an extraordinary redemption, the Series 2018 Bonds to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Borrower and the particular Series 2018 Bonds of a maturity to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Bond Trustee, by lot or such method as the Bond Trustee shall deem fair and appropriate from the Series 2018 Bonds which have not previously been called for redemption (and except in the case of mandatory sinking fund redemptions of the Series 2018 Bonds which were outstanding on the date of the Borrower's election to optionally redeem any of the Series 2018 Bonds). If less than all the Series 2018 Bonds are to be redeemed, the particular Series 2018 Bonds to be redeemed pursuant to the mandatory sinking fund redemption schedule for the Series 2018 Bonds shall be selected not more than 60 days prior to the

Redemption Date by the Bond Trustee, by lot or such method as the Bond Trustee shall deem fair and appropriate, from the Series 2018 Bonds subject to mandatory sinking fund redemption pursuant to the Bond Indenture which have not previously been called for redemption. See “Selection by Bond Trustee of Bonds to be Redeemed; Possible Serialization of Bonds” in the proposed form of the Bond Indenture included in Appendix C-2.

So long as the Series 2018 Bonds are maintained under a book-entry system, if fewer than all of the Series 2018 Bonds of any one maturity are to be redeemed or purchased as described in the foregoing paragraph, the selection of individual ownership interests in the Series 2018 Bonds to be credited with any partial redemption or purchase shall be made as described below under “Book-Entry Only System.” At any other time, if fewer than all of the Series 2018 Bonds of any one maturity shall be called for redemption or purchase, the particular Series 2018 Bonds to be redeemed or purchased shall be selected by the Bond Trustee, by such method as the Bond Trustee shall deem fair and appropriate.

Notice of Redemption

So long as the Series 2018 Bonds are maintained under a book-entry system, notice of the call for any redemption or purchase of the Series 2018 Bonds shall be given as described below under “Book-Entry Only System” and shall be made at least 30 days (but in no event more than 60 days) prior to the redemption date. At any other time, the Bond Trustee shall mail notice of the call for any redemption or purchase at least 30 days (but not more than 60 days) before the redemption date to the registered owners of the Series 2018 Bonds to be redeemed or purchased at their addresses as they appear on the Bond Register, but neither the failure to give any such notice nor any defect therein shall affect the sufficiency of notice properly given to Bondholders. Such notice shall specify any condition to such redemption. The Series 2018 Bonds so called for redemption or purchase will cease to bear interest on the specified redemption date (unless the Issuer shall default in the payment of the Redemption Price or the purchase price) and shall no longer be secured by the Bond Indenture.

Purchase in Lieu of Redemption

At any time that the Series 2018 Bonds are subject to redemption in whole or in part, the Bond Trustee may purchase such Series 2018 Bonds for the account of the Borrower. The purchase price of such Series 2018 Bonds, excluding accrued interest, shall not exceed the applicable Redemption Price of the Series 2018 Bonds that would otherwise have been redeemed. Such option may be exercised by delivery to the Bond Trustee on or prior to the Business Day preceding the Redemption Date of a written Borrower Order specifying that the Series 2018 Bonds shall not be redeemed, but instead shall be subject to purchase. Upon delivery of such Borrower Order, the Series 2018 Bonds shall not be redeemed but shall instead be subject to mandatory tender on the date that would have been the Redemption Date.

Book-Entry Only System

The information in this section has been obtained from The Depository Trust Company and the Issuer, the Co-Obligors and the Underwriter believe such information to be reliable, but

none of the Issuer, the Co-Obligors or the Underwriter takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC” or, together with any successor securities depository for the Series 2018 Bonds, the “Securities Depository”), will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each maturity of the Series 2018 Bonds will be issued in a principal amount equal to the aggregate principal amount of each such maturity of the Series 2018 Bonds and will be deposited with DTC or its agent.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of United States and non-United States 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 United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

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

Ownership of Bonds

Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018 Bond (the “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 Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018 Bonds except in the event that use of the book-entry only system for the Series 2018 Bonds is discontinued under the circumstances described below under “Discontinuance of Book-Entry Only System.”*

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct and Indirect Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 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 Bond Trustee and request that copies of the notices be provided directly to them.

So long as a nominee of DTC is the registered owner of the Series 2018 Bonds, references herein to the Bondholders or the holders or owners of the Series 2018 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2018 Bonds. The Issuer and the Bond Trustee will recognize DTC or its nominee as the holder of all of the Series 2018 Bonds for all purposes, including the payment of the principal or Redemption Price of and interest on, and the purchase price of, the Series 2018 Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Bond Indenture. Neither the Issuer nor the Bond Trustee will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.

Payments on and Redemption or Purchase of Series 2018 Bonds

So long as the Series 2018 Bonds are held by DTC under a book-entry system, principal and interest payments on the Series 2018 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the Bond Trustee on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Bond Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Bond Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

So long as the Series 2018 Bonds are held by DTC under a book-entry only system, the Bond Trustee will send any notice of redemption or purchase with respect to the Series 2018 Bonds only to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption or purchase of the Series 2018 Bonds or of any other action premised on such notice. If fewer than all of the Series 2018 Bonds of any one maturity are selected for redemption or purchase, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed or purchased, except as otherwise directed by the Issuer.

None of the Issuer, the Bond Trustee, the Underwriter or the Co-Obligors can give any assurances that DTC or the Direct or Indirect Participants will distribute payments of the principal or Redemption Price of and interest on the Series 2018 Bonds paid to DTC or its nominee, as the registered owner of the Series 2018 Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuance of Book-Entry Only System

DTC may discontinue its services as a securities depository for the Series 2018 Bonds at any time by giving reasonable notice to the Issuer, the Borrower and the Bond Trustee, or the Issuer may discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bonds are required to be printed and delivered in fully certificated form to the Direct Participants shown on the records of DTC provided to the Bond Trustee or, to the extent requested by any Direct Participant, to the Beneficial Owners of the Series 2018 Bonds shown on the records of such Direct Participant provided to the Bond Trustee.

Registration and Exchange of Series 2018 Bonds

So long as the Series 2018 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2018 Bonds will be made as described above under “Book-Entry Only System.” If the book-entry only system is discontinued, any Series 2018 Bond may be exchanged for other Series 2018 Bonds of any authorized denominations and of the same aggregate principal amount as the Series 2018 Bonds to be exchanged, and the transfer of any Series 2018 Bond may be registered, upon presentation and surrender of such Series 2018 Bond at the designated office of the Bond Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative. The Issuer may require the person requesting any such exchange or transfer to pay any tax or other governmental charge payable in connection therewith. The Issuer is not required to issue, transfer, or exchange any Series 2018 Bond (1) during a period beginning at the opening of business five days before the day of the mailing of a notice of redemption of Series 2018 Bonds and ending at the close of business on the day of such mailing or (2) which is selected for redemption in whole or in part.

Acceleration

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Series 2018 Bonds may be accelerated. See “Default and Remedies” in the proposed form of the Bond Indenture included in Appendix C-2.

THE ISSUER

The Issuer is a public, nonprofit health facilities development corporation created pursuant to the provisions of the Act by an order duly adopted by the Commissioners Court of Bexar County, Texas (the “Commissioners Court”). Among other things, the Issuer is authorized under the Act to issue bonds and to loan the proceeds derived from the sale of such bonds for the purpose of acquiring, constructing, providing, improving, financing and refinancing health facilities located in the County, which facilities have been found by the Board of Directors of the Issuer to be required, necessary or convenient for health care, research and education in the State, and to refund such bonds. The Issuer is governed by a Board of Directors consisting of the five members of the Commissioners Court. At present, the members of the Board of Directors of the Issuer and their offices are as follows:

<u>Name</u>	<u>Office</u>
Kevin Wolff	Director and President
Tommy Calvert	Director Vice President
Sergio “Chico” Rodriguez	Director and Secretary/Treasurer
Paul Elizondo	Director
Nelson W. Wolff	Director

The Series 2018 Bonds and the interest thereon are special, limited obligations of the Issuer, payable solely from the trust estate and give rise to no pecuniary liability of the Issuer. The Series 2018 Bonds and the interest thereon neither constitute nor give rise to a pecuniary liability, general or moral obligation or pledge of the full faith and credit or taxing power, if any, of the Issuer, the County, the State or any political subdivision of the State within the meaning of any constitutional or statutory limitations. None of the State, any political subdivision of the State, the Issuer or the County will be obligated to pay the principal of the Series 2018 Bonds, the interest thereon or other costs incident thereto except from revenues pledged therefor under the Bond Indenture, all as more fully set forth in the Bond Indenture. Neither the full faith and credit nor the taxing power, if any, of the Issuer, the County, the State, nor any political subdivision thereof, is pledged to the payment of the principal of the Series 2018 Bonds or the interest thereon or other costs incident thereto.

None of the Board of Directors of the Issuer or any person executing the Series 2018 Bonds will be personally liable on the Series 2018 Bonds or will be subject to any personal liability or accountability by reason of the issuance of the Series 2018 Bonds. Each Holder of the Series 2018 Bonds as a condition of their purchase agrees to the foregoing condition of ownership of the Series 2018 Bonds.

THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2018 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF TEXAS, THE COUNTY OR OF ANY OTHER POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR IN ACCORDANCE WITH THE BOND INDENTURE. THE ISSUANCE OF THE SERIES 2018 BONDS UNDER THE PROVISIONS OF THE ACT DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF TEXAS, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION FOR THE PAYMENT THEREOF OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT AND SUCH SERIES 2018 BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT NOW AND SHALL NEVER CONSTITUTE A DEBT OF THE STATE OF TEXAS OR THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE OF TEXAS OR THE COUNTY AND DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE STATE OF TEXAS, THE COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF. NO BREACH BY THE ISSUER OF ANY SUCH PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT MAY IMPOSE ANY LIABILITY, PECUNIARY OR OTHERWISE, UPON THE STATE OF TEXAS, THE COUNTY OR ANY CHARGE UPON THEIR GENERAL CREDIT OR AGAINST THEIR TAXING POWER.

Except for the information contained under the caption "THE ISSUER," the Issuer has not provided any of the information contained in this Official Statement. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made (or any other information provided) by the Co-Obligors, the Underwriter or any other person.

The Issuer has previously issued bonds for the purpose of financing other projects for other borrowers which are payable from revenues received from such other borrowers. Revenue bonds issued by the Issuer for other borrowers have been, and may be, in default as to principal or interest. The source of payment for other bonds previously issued by the Issuer for other borrowers is separate and distinct from the source of payment for the Series 2018 Bonds, and accordingly, any default by any such other borrower with respect to any of such other bonds is not considered a material fact with respect to the payment of the Series 2018 Bonds.

The firm SAMCO Capital Markets has been retained as financial advisor to the Issuer in connection with the issuance of its debt obligations and certain other financial matters.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS

Limited Obligation

The Series 2018 Bonds are limited obligations of the Issuer payable solely from the Trust Estate. None of the County, the State or any other political subdivision thereof, including the Issuer, shall be obligated to pay the Series 2018 Bonds or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the County, the State or any other political subdivision thereof, including the Issuer, is pledged to the payment of the principal of or the interest on the Series 2018 Bonds. The issuance of the Series 2018 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the County, the State or any other political subdivision thereof, including the Issuer, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Issuer has no taxing power.

Master Indenture

Under the Master Indenture, the Co-Obligors are authorized to issue Secured Debt to evidence or secure Funded Debt or Hedging Transactions. Following the refunding of the Refunded Bonds, the 2018 Note will be secured under the Master Indenture on a parity basis with the 2010 Note, the 2016 Note and any other Secured Debt hereafter issued. Under the Master Indenture, the Co-Obligors have unconditionally and irrevocably agreed to pay the principal of, and premium, if any, and interest on the 2018 Note and other outstanding Secured Debt and all other amounts payable by the Co-Obligors under the Master Indenture. See “PARITY DEBT.”

Obligated Group

Under the Master Indenture, the Obligated Group is composed of the Co-Obligors. At the time of issuance of the Series 2018 Bonds, the Borrower and the Corporation will be the only Co-Obligors. The Master Indenture provides that any non-stock corporation or limited liability company, the sole member of which is a non-stock corporation, may be admitted to the Obligated Group from time to time and that any future Co-Obligors other than the Borrower and the Corporation may at any time withdraw from the Obligated Group, subject in each case to the satisfaction of certain requirements of the Master Indenture. See “Co-Obligors” in the

conformed copy of the Original Master Indenture and “Amendments to Original Master Indenture” in the conformed copy of the Master Indenture Supplement No. 1 included in Appendix C-1. The Borrower and the Corporation may not withdraw from the Obligated Group and have no present intention of admitting any other Person to the Obligated Group.

During the period in which any Person is a member of the Obligated Group, such member, as co-obligor and not as guarantor, will jointly and severally covenant to pay the principal of, and premium, if any, and interest on the Secured Debt and to perform any and all other agreements and obligations of any other member of the Obligated Group under the Master Indenture. See “Covenants and Warranties -- Payment of Outstanding Secured Debt; Subrogation” in the conformed copy of the Original Master Indenture included in Appendix C-1.

Security Interest in Revenues

Under the Master Indenture, the Co-Obligors have granted to the Master Trustee a security interest in the Revenues, subject to the Permitted Encumbrances. Under the Master Indenture, “Revenues” include accounts receivable and contract rights, including agreements respecting Medicare, Medicaid and any other governmental health care programs, and other contract rights now or hereafter owned, held or possessed by or on behalf of each Co-Obligor, and the proceeds thereof.

Rate Covenant

The Obligated Group covenants in the Master Indenture to establish, charge and collect rates, fees and charges for goods and services furnished by, and for the use of, the properties of the Obligated Group such that the Coverage Ratio as of the last day of each Fiscal Year is not less than 1.20. The “Coverage Ratio” is defined under the Master Indenture as the ratio of Net Revenues of the Obligated Group to Maximum Annual Debt Service Requirements on Funded Debt of the Obligated Group. The covenant described in this paragraph is referred to herein as the “Rate Covenant.”

If the Coverage Ratio is less than 1.20, the Obligated Group shall engage a Management Consultant within 30 days after the close of such Fiscal Year to make, and the Obligated Group shall implement, recommended changes permitted under then existing state and federal laws and regulations, in the rates, fees and charges or expenses or in such other affairs of the Obligated Group such that the Coverage Ratio for the immediately succeeding Fiscal Year is at least 1.20. If, in the opinion of the Management Consultant, the Obligated Group is precluded by the then existing federal or state laws or regulations from implementing the changes necessary to produce a Coverage Ratio for the immediately succeeding Fiscal Year of at least 1.20, the Management Consultant will make, and the Obligated Group shall implement, recommended changes in the rates, fees and charges or expenses or in such other affairs of the Obligated Group such that the Coverage Ratio will be the maximum amount permitted under then existing federal and state laws and regulations.

If the Obligated Group follows the recommendations of the Management Consultant, then the failure to satisfy the Coverage Ratio in such Fiscal Year will not be an Event of Default

under the Master Indenture, provided that an Event of Default will be deemed to have occurred to the extent provided in the Master Indenture if the Coverage Ratio is less than 1.00 for two consecutive Fiscal Years unless the Obligated Group has at least 300 Days of Operating Requirements as of the last day of the second such Fiscal Year. If the Obligated Group fails to achieve a Coverage Ratio of at least 1.00 for three consecutive Fiscal Years, such failure shall constitute an Event of Default under the Master Indenture.

Liquidity Covenant

The Obligated Group covenants in the Master Indenture to maintain unrestricted cash and investments in an amount at least equal to 120 Days of Operating Requirements. The covenant described in this paragraph is referred to as the “Liquidity Covenant.” Compliance with the Liquidity Covenant shall be tested as of June 30 of each Fiscal Year.

If as of June 30 of any year, the aggregate amount of unrestricted cash and investments maintained by the Obligated Group is less than the amount required by the Liquidity Covenant, the Obligated Group shall engage a Management Consultant to make, and the Obligated Group shall implement, recommended changes such that the Obligated Group shall be in compliance with the Liquidity Covenant.

The failure to satisfy the Liquidity Covenant on any June 30 will not be an Event of Default under the Master Indenture, provided that an Event of Default will be deemed to have occurred to the extent provided in the Master Indenture if unrestricted cash and investments equal to (i) at least 45 days of Operating Requirements is not maintained by the Obligated Group on such calculation date or (ii) at least 120 Days of Operating Requirements is not maintained by the Obligated Group on the next succeeding calculation date.

Disposition of Assets

The ability of the Obligated Group to convey, transfer or lease any of its assets is limited as described under “Covenants and Warranties -- Limitation on Disposition of Assets” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1.

Additional Debt

Upon the issuance of the Series 2018 Bonds, in addition to the 2018 Note, the other outstanding indebtedness of the Borrower and the Corporation issued under the Master Indenture will be the 2010 Note and the 2016 Note. In addition, the Obligated Group may issue or incur other indebtedness subject to the conditions described in “Covenants and Warranties -- Limitations on Debt” in the conformed copy of the Original Master Indenture and “Amendments to Original Master Indenture” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1.

Loan Agreement and Deed of Trust

Loan Agreement

The Loan Agreement is an absolute, irrevocable, complete and unconditional general obligation of the Borrower and will remain in full force and effect until all of the Series 2018 Bonds and the interest thereon have been paid or provision for the payment thereof has been made in accordance with the Bond Indenture. The Loan Agreement requires the Borrower to make payments in such amounts and at such times as shall be sufficient to provide for the payment of the principal of and premium, if any, and interest on the Series 2018 Bonds when due, in accordance with the Bond Indenture.

Pursuant to the Bond Indenture, the Issuer pledges and assigns to the Bond Trustee as security for the payment of the Series 2018 Bonds all right, title and interest of the Issuer in and to, among other things, (i) the Loan Agreement (except for certain indemnity payments), including the Loan Payments and the 2018 Note, (ii) any and all security heretofore or hereafter granted or held for the payment of amounts owing under the Loan Agreement, but excluding certain indemnity payments, (iii) all money and investments held for the credit of the funds and accounts established by or under the Bond Indenture, excluding the Rebate Fund and certain other money excluded pursuant to the terms of the Bond Indenture, and all money and investments held for the credit of such funds, (iv) all rents, issues, profits, revenues and other income and proceeds of the property subjected or required to be subjected to the lien established by or under the Bond Indenture and (v) any and all property that may be subjected to the lien and security interest of the Bond Indenture to the extent provided in the Bond Indenture.

Deed of Trust

Under the Deed of Trust, as security for the outstanding Secured Debt, including the 2018 Note, the Existing Notes and any other Secured Debt hereafter issued, the Borrower and the Corporation have granted to the Master Trustee a lien on certain real property and a security interest in all personal property of the Borrower and the Corporation. The land subject to the Deed of Trust includes approximately 150 acres in Bexar County, Texas, which includes the land on which the Community is situated. The liens created by the Deed of Trust are subject to Permitted Encumbrances and to the right of the Borrower and the Corporation to obtain a partial release of certain property from the lien of the Deed of Trust and to dispose of assets under certain conditions. See “Amendments to Original Master Indenture” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1.

No Debt Service Reserve Fund

The Series 2018 Bonds shall *not* be secured by a debt service reserve fund.

[Remainder of Page Intentionally Left Blank]

ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING SECURED DEBT

The following table sets forth for each 12-month period ending July 15: (i) the principal due on the Series 2018 Bonds (whether at maturity or by mandatory redemption); (ii) the interest due on the Series 2018 Bonds; (iii) the total debt service requirements of the Series 2018 Bonds; (iv) the total debt service requirements of the Series 2010 Bonds and the Series 2016 Bonds that will be outstanding on the date of issuance of the Series 2018 Bonds (the “Outstanding Bonds”); and (v) the total debt service requirements of the Series 2018 Bonds and the Outstanding Bonds.

Year	<u>Series 2018 Bonds</u>			Total Debt Service on <u>Outstanding Bonds</u>	Total Debt Service on Outstanding Bonds and Series <u>2018 Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2018	\$885,000	\$ 539,685 ⁽¹⁾	\$1,424,685	\$3,215,700	\$4,640,385
2019	845,000	1,382,750	2,227,750	3,217,388	5,445,138
2020	880,000	1,340,500	2,220,500	3,221,463	5,441,963
2021	925,000	1,296,500	2,221,500	3,219,863	5,441,363
2022	970,000	1,250,250	2,220,250	3,224,738	5,444,988
2023	1,020,000	1,201,750	2,221,750	3,226,850	5,448,600
2024	1,065,000	1,150,750	2,215,750	3,226,100	5,441,850
2025	1,120,000	1,097,500	2,217,500	3,223,100	5,440,600
2026	1,170,000	1,041,500	2,211,500	3,227,850	5,439,350
2027	1,230,000	983,000	2,213,000	3,219,850	5,432,850
2028	1,285,000	921,500	2,206,500	3,230,650	5,437,150
2029	1,350,000 ⁽²⁾	857,250	2,207,250	3,224,250	5,431,500
2030	1,410,000 ⁽²⁾	789,750	2,199,750	3,231,250	5,431,000
2031	1,490,000 ⁽²⁾	719,250	2,209,250	3,221,050	5,430,300
2032	1,550,000 ⁽²⁾	644,750	2,194,750	3,234,250	5,429,000
2033	1,630,000 ⁽²⁾	567,250	2,197,250	3,234,850	5,432,100
2034	1,150,000 ⁽³⁾	485,750	1,635,750	3,788,250	5,424,000
2035	1,205,000 ⁽³⁾	428,250	1,633,250	3,787,250	5,420,500
2036	1,265,000 ⁽³⁾	368,000	1,633,000	3,793,050	5,426,050
2037	2,780,000 ⁽³⁾	304,750	3,084,750	2,335,250	5,420,000
2038	595,000 ⁽⁴⁾	165,750	760,750	4,674,000	5,434,750
2039	630,000 ⁽⁴⁾	136,000	766,000	4,673,750	5,439,750
2040	660,000 ⁽⁴⁾	104,500	764,500	4,675,500	5,440,000
2041	700,000 ⁽⁴⁾	71,500	771,500	4,678,750	5,450,250
2042	730,000 ⁽⁴⁾	36,500	766,500	4,678,000	5,444,500
2043	-	-	-	5,602,000	5,602,000
2044	-	-	-	5,602,800	5,602,800
2045	-	-	-	5,605,600	5,605,600

(1) Approximately 4.5 months.

(2) Principal payments for Sinking Fund Installment for Term Bonds due July 15, 2033.

(3) Principal payments for Sinking Fund Installment for Term Bonds due July 15, 2037.

(4) Principal payments for Sinking Fund Installment for Term Bonds due July 15, 2042.

CERTAIN BONDHOLDERS' RISKS

The Series 2018 Bonds are payable solely from the payments to be made by the Borrower pursuant to the Loan Agreement and the 2018 Note. Future revenues and expenses of the Co-Obligors are subject to conditions which may change in the future to an extent that cannot be determined at this time.

The paragraphs below discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the Co-Obligors and the Community or the purchase or holding of the Series 2018 Bonds. The order in which such risks are presented does not necessarily reflect the relative importance of such risks or the likelihood that any of the events or circumstances described below will occur or exist.

Caution Regarding Forward-Looking Statements

When used in this Official Statement and in any continuing disclosure by the Co-Obligors, in a Co-Obligors' press release or in oral statements made with the approval of an authorized officer of a Co-Obligor, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward looking statements." Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. The Co-Obligors caution readers not to place undue reliance on any such forward-looking statements. The Co-Obligors advise readers that certain factors could affect the financial performance of the Obligated Group and could cause the actual results of the Obligated Group for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

General

No representation can be made or assurance given that revenues will be realized by the Co-Obligors in amounts sufficient to make the payments necessary to meet the obligations of the Co-Obligors, including the obligations of the Borrower under the Loan Agreement and the 2018 Note. Future revenues and expenses of the Co-Obligors are subject to, among other things, the capabilities of the management of the Co-Obligors and future economic conditions and other conditions which are unpredictable, and which may affect revenues and the ability of the Co-Obligors to make payments of principal of and interest on the 2018 Note sufficient to pay the Series 2018 Bonds and other Secured Debt of the Co-Obligors under the Master Indenture, including the 2018 Note. Such conditions may include an inability to generate entrance fees for the Community (the "Entrance Fees") and the monthly fees payable by residents of the Community (the "Monthly Maintenance Fees"), respectively, or to control personal care costs and skilled nursing care costs, in a period of inflation or rising health care costs and difficulties in increasing Entrance Fees, Monthly Maintenance Fees and third-party payments while maintaining the amount and quality of services offered by the Corporation at the Community or to properly manage and control expenses at the facilities, including utility costs, changes in

government licensing procedures, regulation and competition and changes in the rules and guidelines governing reimbursement for health care by third party payors.

Limited Obligations

The Series 2018 Bonds are special obligations of the Issuer, the principal or Redemption Price of and interest on which are payable solely from the Trust Estate and, to the extent provided in the Bond Indenture, the proceeds of the Series 2018 Bonds.

None of the State or any other political subdivision thereof, including the Issuer, shall be obligated to pay the Series 2018 Bonds or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or any other political subdivision thereof, including the Issuer, is pledged to the payment of the principal of or the interest on the Series 2018 Bonds. The issuance of the Series 2018 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State or any other political subdivision thereof, including the Issuer, to levy or to pledge any form of taxation whatever thereof or to make any appropriation for their payment. The Issuer has no taxing power.

Obligated Group

The Obligated Group is currently composed of the Borrower and the Corporation. The Master Indenture provides that other entities may be admitted to the Obligated Group from time to time and that Co-Obligors that become part of the Obligated Group, other than the Borrower or the Corporation, may withdraw from the Obligated Group upon the satisfaction of certain conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS -- Master Indenture -- Obligated Group.” Thus, there is no assurance that any Person that may in the future become a Co-Obligor will remain a part of the Obligated Group. See “Co-Obligors” in the conformed copy of the Original Master Indenture and “Amendments to Original Master Indenture” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1. The covenants included in the Master Indenture apply only to Co-Obligors.

Security for the Series 2018 Bonds

Security Interest in Revenues

The Master Trustee’s security interest in the Revenues is subject to Permitted Encumbrances and certain other liens and encumbrances as set forth under “Covenants and Warranties -- Limitation on Liens” in the conformed copy of the Original Master Indenture and “Amendments to Original Master Indenture” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1, and, among others, to the following:

- (i) statutory liens or rights arising in favor of the Master Trustee;
- (ii) other statutory liens;

(iii) rights arising in favor of the United States of America or any agency thereof;

(iv) prohibitions against assignment contained in state or federal statutes, including those governing Medicare and Medicaid, and the absence of an express provision permitting assignment of receivables due under contracts with other third party payors;

(v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;

(vi) state and federal insolvency or bankruptcy laws affecting Revenues earned by a Co-Obligor within the statutorily prescribed preference period prior to any effectual institution of bankruptcy proceedings by or against a Co-Obligor and thereafter;

(vii) rights of third parties in any Revenues, including Revenues converted to cash, not in the possession of the Master Trustee; and

(viii) the requirement that appropriate financing statements be filed in accordance with the Uniform Commercial Code and that such financing statements be continued in accordance with applicable law from time to time.

The Revenues will not include any revenues generated from the use and operation of a Co-Obligor's property after any person other than a Co-Obligor obtains possession of such property, whether by voluntary transfer, foreclosure under a mortgage or other security agreement or enforcement of a statutory or judicially created lien. The Master Indenture permits the Co-Obligors to dispose of assets and to pledge, mortgage or grant a security interest in revenues, property and other assets of the Co-Obligors to secure other obligations of the Co-Obligors, subject to certain limitations stated therein. Such liens and any liens created in violation of the Master Indenture may give the holders of the obligations secured thereby priority in payment over the Secured Debt, including the 2018 Note securing the Series 2018 Bonds, from the property so encumbered in the event of the enforcement thereof. See "Covenants and Warranties -- Limitation on Liens" in the conformed copy of the Original Master Indenture and "Amendments to Original Master Indenture" in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1.

Recovery Value of Mortgaged Property

The Community is specifically designed and constructed as a continuing care retirement facility and may not be practically suited to alternative uses. The number of entities that could be expected to purchase or lease the Community in the event of a default under the Master Indenture is therefore limited and, as a result, the remedies available to the Master Trustee may be limited. The realization of revenues from the sale or leasing of the Community following foreclosure of the Deed of Trust might thus be materially and adversely affected. No appraisal has been undertaken to determine the fair market value of the Mortgaged Premises. If any Event of Default were to occur under the Master Indenture, the amount received upon any foreclosure

and sale of the Mortgaged Premises may not be sufficient to pay the principal of and interest on the outstanding Secured Debt.

The value of the Community also may be limited by (i) any failure of any Co-Obligor to maintain any of its required licenses and (ii) actual or asserted rights of residents. See “FEDERAL AND STATE REGULATION” below.

While governmental taxes, assessments and charges are common claims against property, there are other, less common claims that may affect the value and marketability of property. One of the most serious is a claim related to the release, presence or handling of hazardous substances on property. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition on property, whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. If any part of the Mortgaged Premises is affected by a hazardous substance, the marketability and value of the property may be reduced by the cost of remedying the condition.

Priority of the Liens

The liens created under the Deed of Trust are subject to Permitted Encumbrances and are subordinate to liens for general property taxes, special taxes and assessments. Additional special taxes or assessments taking priority over the liens created by the Deed of Trust may be imposed on the Mortgaged Property in the future.

The Co-Obligors covenant in the Master Indenture not to create or permit to exist any mortgage or other lien on their property, except Permitted Encumbrances. However, under certain conditions, the Master Indenture permits the Co-Obligors to dispose of assets, including (without limitation) accounts receivable, and to pledge, mortgage or grant a security interest in revenues, property and other assets of the Co-Obligors to secure other obligations of such Co-Obligors, subject to certain limitations stated therein, which may under certain circumstances be prior to the lien of the Master Indenture and the Deed of Trust. See “Covenants and Warranties -- Limitation on Liens” in the conformed copy of the Original Master Indenture and “Amendments to Original Master Indenture” in the conformed copy of Master Indenture Supplement No. 1 included in Appendix C-1. Any lien on accounts receivable or other property of the Co-Obligors created by the Master Indenture or the Deed of Trust and the proceeds thereof would terminate and be immediately released upon the sale of such property or the enforcement by the holder of any lien on such property that is prior to the lien of the Master Indenture and the Deed of Trust, whether such lien is permitted by the Master Indenture or constitutes a statutory lien (such as liens for enforcement of tax and environmental laws) or is created in violation of the Master Indenture. Further, the existence of any such liens could have an adverse effect on the treatment of holders of the Secured Debt, including the 2018 Note securing the Series 2018 Bonds, in any bankruptcy proceeding involving a Co-Obligor and any future members of the Obligated Group. See “Bankruptcy” below.

Foreclosure Rights under Texas Law

In the State, foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust that authorizes the trustee to sell the mortgaged property to a third party upon default by the borrower under the terms of the note or bond secured by the deed of trust or under the terms of the deed of trust.

In the State, a sale of real property under a power of sale conferred by a deed of trust or other contract lien must be a public sale at auction held on the first Tuesday of a month at the county courthouse in the county in which the land is located. Notice of the sale must be given at least 21 days before the date of the sale. The borrower, any successor in interest to the borrower, or any beneficiary under a junior deed of trust or any other person having a subordinate lien or encumbrance, may pay, prior to the proposed sale, the entire principal due as a result of the acceleration of the indebtedness secured by the prior lien, with interest and the costs and expenses actually incurred in enforcing the obligation. In both a judicial and non-judicial foreclosure of a deed of trust, the beneficiary of the deed of trust under foreclosure need not bid cash at the sale, but may instead make a "credit bid" to the extent of the amount due under the deed of trust, including legally cognizable costs and expenses incurred in enforcing the deed of trust.

A sale of real property by a trustee conducted in accordance with the terms of the power of sale contained in a deed of trust confers legal title to the real property to the purchaser, but the purchaser takes the foreclosed property "as is" without any expressed or implied warranties, except as to warranties of title, and at purchaser's own risk. The foreclosure, though, would eliminate all junior mortgages or deeds of trust and all other liens and claims subordinate to the deed of trust under which the sale is made (with the exception of certain governmental liens).

Because of the difficulty a potential buyer at the sale would have in undertaking any due diligence regarding the mortgaged property (*e.g.*, determining any liens or other encumbrances that may run with the property after foreclosure, assessing the physical condition of the property, etc.), a third party may not be likely to purchase the mortgaged property at a foreclosure sale, whether that sale is a judicial sale or a trustee's sale. If a third-party does purchase the mortgaged property at a foreclosure sale, it may be for a purchase price less than the unpaid principal balance of the indebtedness, in which case the borrower would remain liable for any deficiency remaining after the application of the proceeds of foreclosure to the outstanding debt; provided, however, recovery of any such deficiency is governed by §51.003 of the Texas Property Code, as amended. Perhaps more common is for the lender (or its designee) to purchase the mortgaged property from the trustee for an amount which may be as high as the unpaid principal balance of the note, plus accrued and unpaid interest and the costs and expenses of foreclosure. Thereafter, the lender will assume the burdens of ownership, including servicing any senior deed of trust, obtaining hazard insurance and making such repairs (at its own expense) as are necessary to render the mortgaged property suitable for sale.

Bankruptcy

The Series 2018 Bonds, the Master Indenture, the Bond Indenture, the Loan Agreement, the 2018 Note and the Deed of Trust are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2018 Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the State legislature affecting the time and manner of payment or imposing other constraints upon enforcement. The obligation of the Co-Obligors and any future Co-Obligor to make payments of debt service on the Series 2018 Bonds may not be enforceable under applicable state insolvency, fraudulent conveyance, bankruptcy, trust and other laws affecting any Co-Obligors. Further, the obligations of the Co-Obligors to make payments of debt service on any Secured Debt, the proceeds of which were not loaned or otherwise made available to such Co-Obligors, may not be enforceable under applicable state insolvency, fraudulent conveyance, bankruptcy, trust and other laws affecting any Co-Obligor.

If the Borrower or the Corporation or any future Co-Obligor were to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Borrower, the Corporation and any future Co-Obligor and their property, respectively. If the bankruptcy court so ordered, the Borrower, the Corporation and any future Co-Obligor, including their accounts receivable and proceeds thereof, could be used for the benefit of the Co-Obligors despite the claims of its creditors.

In a case under the Bankruptcy Code, the Borrower, the Corporation and any future Co-Obligors could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the debtor, and could result in the modification of rights of creditors generally, or the rights of any class of creditors, secured or unsecured. Under certain circumstances, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If less than all the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests bound thereby. There is also a risk that in a bankruptcy case, the rights of the residents of the Community under state law, including among other things their right to any refund obligations on their Entrance Fees, could be found to preempt the Bankruptcy Code, thereby giving the claims of such residents a higher priority compared against the claims of other creditors than such claims would otherwise receive in a bankruptcy reorganization. See "Rights of Residents" below

The Bankruptcy Code permits a bankruptcy court to modify the rights of a secured creditor. In the event of a bankruptcy proceeding involving the Borrower, the Corporation or any future Co-Obligor, the Master Trustee could be treated under the Bankruptcy Code as one holding a secured claim, to the extent provided in the Master Indenture and the Deed of Trust. The potential effects of the bankruptcy of the Borrower, the Corporation or any future Co-Obligor could be to delay substantially the enforcement of remedies otherwise available to the Master Trustee and to allow the bankruptcy court, under certain circumstances (i) to substitute

other assets of the Borrower, the Corporation or any future Co-Obligor for collateral under the Master Indenture and the Deed of Trust, (ii) to sell all or part of the collateral under the Master Indenture or the Deed of Trust without application of the proceeds to the payment of the Secured Debt, (iii) to subordinate the Master Indenture and the Deed of Trust to liens securing borrowings approved by the bankruptcy court, (iv) to permit the Borrower, the Corporation and any future Co-Obligors to cure defaults and reinstate the Master Indenture or the Deed of Trust, (v) to compel the termination of the Master Indenture or the Deed of Trust by payment of an amount determined by the bankruptcy court to be the value of the collateral pledged by the Co-Obligors thereunder (even though less than the total amount of Secured Debt outstanding), or (vi) to modify the terms of or payments due under the Master Indenture or the Deed of Trust. For additional detail, reference is made to the Bankruptcy Code, 11 U.S.C. §101 *et seq.*

The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of obligations issued by one corporation in favor of the creditors of another, including the obligation of the Borrower, the Corporation and any future Co-Obligor to make payments on indebtedness issued on behalf of any other Co-Obligor, is unsettled and the ability to enforce such obligations under the Master Indenture against the Borrower, the Corporation or any future Co-Obligor which would be rendered insolvent thereby or would thereby become undercapitalized could be subject to challenge. In particular, such obligations may be voidable under the Bankruptcy Code or applicable state fraudulent conveyance statutes if (i) the obligation is incurred without “fair” and “fairly equivalent” consideration to the obligor, (ii) the incurrence of the obligation thereby renders the Borrower, the Corporation or such future Co-Obligor, respectively, insolvent or (iii) the Borrower, the Corporation or such future Co-Obligor is undercapitalized or intended to incur or believed or reasonably should have believed that it would incur debts beyond its ability to pay such debts as they become due. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the Bankruptcy Code and state fraudulent conveyance statutes and judicial opinions with respect to them.

In determining whether various covenants and tests contained in the Master Indenture are met, the Borrower, the Corporation and any future Co-Obligor will be combined, notwithstanding uncertainties as to the enforceability of certain obligations of the Borrower, the Corporation and any future Co-Obligor contained in the Master Indenture which bear on the availability of the revenues of the Borrower, the Corporation and any future Co-Obligor for payment of debt service on Secured Debt, including the 2018 Note securing the Series 2018 Bonds.

Rights of Residents

Although under the current residency contracts relating to the Community (the “Residency Contracts”), residents have no lien on or claim against any property of the Co-Obligors, there can be no certainty that residents could not successfully claim or otherwise restrict the use of the Co-Obligors’ property in bankruptcy proceedings or other disputes. In the event that the Master Trustee seeks to enforce any of the remedies provided by the Master Indenture and the Deed of Trust upon the occurrence of a default thereunder, it is impossible to predict any judicial resolution of competing claims between the Master Trustee and the residents

of the Community who have fully complied with all the terms and conditions of their Residency Contracts. The ability of the Master Trustee to foreclose its lien on the Mortgaged Premises or enforce other rights and remedies under the Master Indenture may be adversely affected by litigation on behalf of residents.

Additional Limitations on Enforceability

In addition to the limitations described above under “Bankruptcy,” the obligation of the Borrower, the Corporation and any future Co-Obligors to make payments of debt service with respect to any Secured Debt, the proceeds of which were not loaned or otherwise made available to such Co-Obligors, is subject to the application of charitable trust principles which may vary from jurisdiction to jurisdiction and may not be enforceable to the extent that such payments (i) will be made on Secured Debt issued for a purpose that is not consistent with the charitable purposes of the entity from which such payment is requested; (ii) will be made from any property that is donor restricted or that is subject to a direct or express trust that does not permit the use of such property for such payments; (iii) would result in the cessation or discontinuation of any material portion of the services previously provided by the entity from which such payment is requested; or (iv) will be made pursuant to any loan violating applicable usury laws. Due to the absence of clear legal precedent in this area, the extent to which the property of the Borrower, the Corporation and any future Co-Obligor may be described above cannot be determined and could be substantial.

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such a corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court’s own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses. A court could restrict the ability of the Master Trustee to compel the liquidation of the Borrower, the Corporation or any future Co-Obligor and its property to pay a judgment against it for payment of the Secured Notes because it is a nonprofit corporation carrying out charitable purposes.

As described above under “Bankruptcy,” in determining whether various covenants and tests contained in the Master Indenture are met, the Borrower, the Corporation and any future Co-Obligor will be combined, notwithstanding uncertainties as to the enforceability of certain obligations of the Borrower, the Corporation and any future Co-Obligor contained in the Master Indenture.

In addition to the limitations on enforceability described above, the realization of any rights under the Master Indenture, the Bond Indenture, the Loan Agreement and the Deed of Trust upon a default by the Borrower, the Corporation and any future Co-Obligor depends upon the exercise of various remedies specified in the Master Indenture, the Bond Indenture, the Loan

Agreement and the Deed of Trust, respectively. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Master Indenture, the Bond Indenture, the Loan Agreement and the Deed of Trust may not be readily available or may be limited. For example, a court may decide not to order the specific performance of certain covenants contained in the Master Indenture, the Bond Indenture, the Loan Agreement and the Deed of Trust. Accordingly, the ability of the Master Trustee or the Bond Trustee to exercise remedies under the Master Indenture, the Bond Indenture, the Loan Agreement or the Deed of Trust upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Requirements of Other Credit Facility Providers

Any future credit arrangements entered into by any Co-Obligor (the “Other Credit Agreements”) may contain certain terms that are more restrictive than those described herein, including, among others, requirements that any such Co-Obligor generate a greater debt service coverage ratio, maintain a certain level of unrestricted cash and marketable securities, maintain certain credit ratings and meet other financial tests, as well as certain limitations on the incurrence by such Co-Obligor of additional indebtedness and other obligations and on dispositions of assets, that have been required by banks and swap counterparties providing such credit facilities. Any such future terms may be waived by the respective credit facility providers without notice to or the consent of the holders of the Series 2018 Bonds. Any default under any such terms that is not remedied within any applicable cure period or waived by such credit facility provider could cause an Event of Default under the Master Indenture, which could result in a decline in the market value of the Series 2018 Bonds and acceleration of the Series 2018 Bonds.

Discretion of Board and Management

The Co-Obligors and any future Co-Obligor may enter into transactions that could materially affect their business, organizational structure and control, subject to certain limitations contained in the Master Indenture. Such transactions could include, among others, divestitures of affiliates, substantial new joint ventures and mergers, consolidations or other forms of affiliations in which control of a Co-Obligor could be materially changed. The ability of the Co-Obligors to generate revenues sufficient to pay debt service on the 2018 Note securing the Series 2018 Bonds and other Secured Debt is dependent in large measure on the decisions of management with respect to any such transactions.

Failure to Achieve and Maintain Occupancy

The economic viability of the Community depends on, among other things, a relatively steady level of occupancy and income from fees paid by residents of the Community.

Various factors may adversely affect the marketing of units in the Community. Occupancy of the Community (and, accordingly, the Corporation’s revenues) could be adversely affected by continued economic instability and any further decline in economic conditions generally and in the market area of the Community, which could adversely affect the ability of

prospective residents to sell their homes and reduce the net worth of prospective residents, resulting in an inability or reluctance of the prospective residents to pay the Entrance Fees and the Monthly Maintenance Fees required for residency in the Community.

Further, if a substantial number of residents live beyond the life expectancies anticipated by management of the Corporation, new residents will be admitted at a slower rate and the receipt of additional Entrance Fees will be curtailed with a consequent impairment of the Corporation's cash flow. In addition, even if the anticipated attrition levels are realized and maintained, no assurance can be given that remarketing of vacated units will take place as quickly as assumed by management.

Concentrated Market; Limitation on Eligibility of Resident

The primary market area for the Community is comprised of the metropolitan areas of San Antonio, Texas, Austin, Texas, Fort Hood in Killeen, Texas and Georgetown, Texas. Two-thirds of the current residents in the Community come from this geographical area. Accordingly, the occupancy rates in the Community may be adversely affected by regional and local economic conditions, competitive conditions, applicable local laws and regulations, and general real estate market conditions, including the supply and proximity of senior living communities in such area.

Eligibility for entrance into the Community is open to retired career military officers (minimum of 20 years military service, of which at least ten was served as a commissioned or warrant officer) and their spouses, widows or widowers, and therefore occupancy rates in the Community may be adversely affected by economic or other changes that affect residents and potential residents meeting these criteria. Although the Board of Directors of the Corporation reserves the right to open admissions to other people who do not meet these criteria, there can be no assurance that the Community will be able to market to non-military retirees. See "Admissions Policy and Resident Contracts -- Eligibility and Resident Contract" in Appendix A.

Competition

The Community faces competition from similar facilities in or near its market area and from other facilities throughout the country which cater to retired military officers. See "Selected Market Information -- Competitors and Other Senior Living Options" in Appendix A. The Community may also face additional competition in the future as a result of changing demographic conditions and the construction of new, or the renovation or expansion of existing continuing care facilities in the geographic area served by the Community. Further, the Corporation faces competition from other forms of retirement living, including condominiums, apartment buildings and facilities not specifically designed for the elderly and home health services, some of which may be designed to offer similar facilities, but not necessarily similar services, at lower prices. There are few entry barriers to future competitors because competing facilities do not require a certificate of need for residential living facilities. All of these factors combine to make the elderly housing industry volatile and subject to material change that cannot be currently predicted.

Impact of Market Turmoil

Economic turmoil has historically, from time to time, led to a scarcity of credit, lack of confidence in the financial sector, volatility in the real estate and financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

Any economic instability and any decline in general economic conditions or conditions in the market area of the Community could (i) adversely affect the ability of prospective residents to sell their homes and (ii) cause a decline in the net worth and future investment earnings of prospective residents. These factors could render prospective residents unable or unwilling to pay the Entrance Fees and the Monthly Maintenance Fees required for residency in the Community.

In addition, existing market conditions and any further deterioration of market conditions could adversely affect future investment earnings on the Co-Obligor's available funds.

When investor confidence wanes, investments previously recognized as stable, such as tax-exempt money market funds (which are one of the largest purchasers of tax-exempt bonds), have at times experienced significant withdrawals.

Fluctuation of Investment Earnings

A portion of the Co-Obligor's nonoperating revenues are expected to come from investment earnings on the investment of available funds. Investment income may also be a source of payment of Monthly Maintenance Fees of residents of the Community and fees paid by residents of the Community. The amount of such investment earnings fluctuates with changes in prevailing market conditions.

As described below under "Nature of Income of Elderly," investment income of the residents may be adversely affected by declines in market interest rates and other investment earnings, also resulting in payment difficulties.

The Nature of the Income of the Elderly

A large percentage of the monthly income of some of the residents of the Community is expected to be fixed income derived from military retirement pay, pensions and social security. In addition, some residents of the Community may liquidate assets in order to pay the Monthly Maintenance Fees and other charges for occupancy of the Community. If, due to inflation or otherwise, substantial increases in Monthly Maintenance Fees and other charges are required to cover increases in operating costs, wages, benefits and other expenses without a corresponding cost of living increase in retirement pay, pensions and social security, some residents may have difficulty paying or may be unable to pay such increased Monthly Maintenance Fees and other charges. Furthermore, investment income of the residents may be adversely affected by declines in market interest rates, also resulting in payment difficulties.

Sale of Homes

It is anticipated that many prospective residents of the Community will need to sell their current homes prior to occupancy in order to pay the Entrance Fee and meet the other financial obligations for residence at the Community. Adverse economic conditions over the past eight years resulted in decreases in average home sale prices and increases in the length of time required to sell existing homes in many areas of the country, including the areas where the Community located. If prospective residents encounter difficulties in selling their homes due to the local and national economic conditions affecting the sale of residential real estate or otherwise, they may not have sufficient funds to pay fees or other obligations under their Residency Contracts, thereby causing a delay in marketing the units at the Community. Any such delay could have an adverse impact on the revenues of the Co-Obligors and the ability of the Co-Obligors to pay debt service on its obligations, including the 2018 Note securing the Series 2018 Bonds.

Federal and State Regulation

The Corporation is and any future Co-Obligor may be subject to regulatory actions by a number of federal, state and local agencies. See “STATE OF TEXAS REGULATION OF CONTINUING CARE RETIREMENT COMMUNITIES” below. Failure by the Corporation and any future Co-Obligor to meet applicable standards could result in the loss of licensure, the delay in or loss of reimbursement or an inability to deliver services.

Further, regulatory provisions may be promulgated from time to time, and it is not possible to predict the effect of any such future promulgations on the Co-Obligors. Future actions by the federal, state or local government increasing the required services to be provided to residents of the Community or otherwise changing existing regulations or their interpretation could increase the cost of operation of the Community and adversely affect the revenues of the Co-Obligors. No assurance can be given that any future legislation that is enacted will not materially adversely affect the Co-Obligors.

Federal and State Reimbursement Regulation

The Corporation is and any future Co-Obligor may be subject to regulatory actions by a number of governmental, state and private agencies, including Texas Department of Aging and Disability Services (“DADS”) and Centers for Medicare and Medicaid Services (“CMS”) and those which administer the Medicare and Medicaid programs. On October 4, 2016, the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services published a final rule including extensive revisions to the conditions of participation for long-term care facilities that took effect on November 28, 2016 with additional phases becoming effective November 28, 2017 and November 28, 2019. These new regulations will require skilled nursing facilities to review and modify multiple operational and system activities as well as operational and compliance policies and procedures. In addition, the new regulations require periodic new facility wide assessment of resources. Consequently, the new regulations could have a material adverse effect on the Corporation. The referenced governmental, state and

private agencies may promulgate additional new regulatory provisions from time to time, and it is not possible to predict the effect of any such future promulgations on the Corporation.

The amount of reimbursement available to the Corporation could be adversely affected by various federal cost containment programs designed to reduce federal payments to health care facilities by limiting the amount of reimbursement for health care costs.

Future actions by the federal government with respect to Medicare and by the federal and state governments with respect to Medicaid, reducing the total amount of funds available for either or both of these programs or changing the reimbursement regulations or their interpretation, could adversely affect the amount of reimbursement available to the Corporation. Revision and expansion of effective regulations or the proposal of additional regulations may affect long-term health care facilities and providers which seek payment under the Medicare and Medicaid programs.

The United States Congress ("Congress") and the State legislature have considered a number of proposals, some of which involve comprehensive health care reform, in recent years. The provisions that may be included in future federal or state legislation or regulations and their impact upon the Co-Obligors cannot be determined at this time. No assurance can be given that any future health care legislation that is enacted will not materially adversely affect the Co-Obligors.

The Corporation maintains a total of 12 nursing beds at the Community that are licensed under the federal Medicare program, and there are no nursing beds licensed under the State Medicaid program. While the 12 certified Medicare beds subject the Corporation to the complex federal legislative and regulatory program governing Medicare, approximately 5.6% of the Co-Obligor's revenues in fiscal year 2016 were derived from Medicare payments.

Medicare Audits and Withholdings

Participants of Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs, and the representations upon which such reimbursements are claimed. There can be no assurance that any such future adjustments will not be material or that the Co-Obligor's reserves for such purpose will be adequate to cover any such adjustments. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to the Corporation could have a material adverse effect on the financial condition and results of operations of the Co-Obligors. In addition, contracts between health care providers and third-party payors often have contractual audit, setoff and withhold provisions that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Co-Obligors. No assurance can be given that in the future Medicare payments or other payments will not be withheld, which could materially and adversely affect the financial condition or results of operations of the Co-Obligors.

Under both the Medicare and the Medicaid programs, certain health care providers, including skilled nursing care providers, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. These penalties may be material and could include criminal, civil or administrative liability for making false claims and exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal Civil False Claims Act (the “False Claims Act”) or other federal statutes, subjecting the provider to civil or criminal sanctions. The United States Department of Justice has initiated a number of national investigations involving proceedings under the False Claims Act relating to alleged improper billing practices. These actions have resulted in substantial settlement amounts being paid in certain cases.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established the Medicare Recovery Audit Contract (“RAC”) program was initially a demonstration program developed to identify improper Medicare payments. Under the program, CMS contracts with private contractors (the “RAC Contractors”) to conduct RAC audits, used to identify and recover improper Medicare payments paid to healthcare providers under Medicare plans. RAC Contractors are paid on a contingency fee basis receiving a percentage (typically between 30 and 50 percent) of the improper overpayments and underpayments they collect from providers. RAC Contractors can retrospectively review claims for up to three years from the date the claim was paid and review provider claims for the following types of services: hospital inpatient and outpatient, skilled nursing facility, physician, ambulance and laboratory, as well as durable medical equipment. RAC Contractors use automated software programs to identify potential payment errors in such areas as duplicate payments, fiscal intermediaries’ mistakes, medical necessity and coding, and identified significant overpayments for collection in the demonstration states. The Tax Relief and Health Care Act of 2006 made the RAC program permanent and authorized CMS to expand the program to all 50 states. The Health Care Reform Act expanded RAC audits to Medicare Parts C and D and Medicaid. See “Health Care Reform Act” below.

Authorized by The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the Medicare Integrity Program (“MIP”) was established to deter fraud and abuse in the Medicare program by identifying and addressing fraud, waste, and abuse, which cause improper payments. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the “integrity” of the Medicare program. These entities, Medicare zone program integrity contractors (“ZPICs”), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of the Inspector General (“OIG”). CMS is also planning to enable ZPICs to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies. In February 2006, the Deficit Reduction Act of 2005 was signed into law and created the similar Medicaid Integrity Program under Section 1936 of the Social Security Act, which is similarly committed to combating provider fraud, waste, and

abuse which diverts dollars that could otherwise be spent to safeguard the health and welfare of Medicaid recipients.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay payments to providers pending resolution of the appeals process. The Health Care Reform Act (as defined below) explicitly gives the Department of Health and Human Services (the “HHS”) the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The Fraud Enforcement and Recovery Act of 2009 (the “Fraud Enforcement and Recovery Act” or “FERA”) and the Health Care Reform Act also amended certain provisions of the False Claims Act to include retention of overpayments as a violation and added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the Co-Obligors cannot be predicted.

In light of the complexity of the regulations relating to the Medicare and Medicaid programs, and the threat of ongoing investigations as described above, there can be no assurance that the Corporation will not be the subject of any such investigation.

Exclusions from Medicare or Medicaid Participation.

The term “exclusion” means that no federal or state health care program payment (including Medicare and Medicaid) will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. There are two types of exclusions, “permissive” which are exclusions in which the OIG has discretionary authority to exclude individuals and entities from participation in all federal health care programs and “mandatory” which the OIG is required by law to exclude individuals and entities from participation in all federal health care programs. Generally, the Secretary of HHS must exclude from program participation for not less than five years any individual or entity who has been convicted of a criminal health care offense or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance.

The Secretary of HHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty, or other financial misconduct relating either to the delivery of health care in general, or to participation in a federal, state or local government program. The excluded person or entity and the entity that enters into a contract with the excluded person or entity could be subject to a financial penalty for each item or service furnished by the excluded individual, and the responsible party might have to repay the governmental program three times the amount claimed for each item or service. Any action to exclude the Corporation from participation in the Medicare or Medicaid program could have a material adverse impact on the Co-Obligors.

Health Insurance Portability and Accountability Act of 1996

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the

practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate (“upcoding”), and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could result in civil monetary penalties, which could be substantial.

HIPAA also included administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of information formats and greater use of electronic technology present additional privacy and security risks due to the increased likelihood that databases of individually identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information.

Failure to comply with HIPAA can also result in civil and criminal penalties. Regulations of the HHS designed to protect patient medical records and other protected health information maintained by health care providers, hospitals, health plans, health insurers and health care clearinghouses provide specific federal penalties if a patient’s right to privacy is violated. For non-criminal violations of the privacy standards by the persons subject to the standards, including disclosures made in error, there are civil monetary penalties. In addition, criminal penalties are provided in HIPAA for certain types of violations of the statute that are committed knowingly. The Secretary of HHS has discretion in determining the amount of the penalty based on the nature and extent of the violation and the nature and extent of the harm resulting from the violation. The Secretary of HHS is prohibited from imposing civil penalties (except in cases of willful neglect) if the violation is corrected within 30 days (this time period may be extended at HHS’ discretion). The Corporation may incur additional expense to ensure that its operations and information systems comply with the HIPAA privacy and security regulations.

The OIG received substantial enforcement funding through HIPAA. In addition, U.S. Attorneys are actively prosecuting a number of cases, including criminal False Claims Act cases, against health care providers, some of which are exempt organizations. Failure to comply with the complex Medicare and Medicaid billing laws can result in exclusion from the federal and state health care reimbursement programs as well as civil and criminal penalties. A substantial failure of the Corporation to meet its responsibilities under the law could materially adversely affect the financial condition of the Co-Obligors.

HITECH Act

The federal Health Information Technology for Economic and Clinical Health Act (“HITECH Act”), enacted in 2009, included an approximately \$20 billion appropriation for the development and implementation of health information technology standards and the adoption of electronic health care records. The HITECH Act also significantly expanded the HIPAA privacy and security provisions applicable to covered entities such as the Corporation. 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 has developed guidance and promulgated implementing regulations for these requirements.

The HITECH Act provides that a substantial part of the HIPAA administrative, physical and technical safeguards, as well as security policies, procedures and documentation requirements will now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. As a result of these changes, business associates will be directly regulated by HHS for those requirements, and as a result, will be subject to penalties imposed by HHS or the State Attorney General.

The HITECH Act also added new requirements for notification of individuals and the Secretary of HHS when there has been a breach of unsecured protected health information. There are strict timing and notice content requirements under the HITECH Act and its implementing regulations. 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, including monetary as well as incarceration, 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 or an injunction against the violator. The revised civil monetary penalty provisions establish a tiered system. 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. 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.

The costs of continuing compliance with HIPAA and the Administrative Simplification regulations may be substantial.

The Corporation is currently in continuing compliance with HIPAA and HITECH regulations. However, no guarantee can be made that the Corporation will remain compliant in the future.

Security Breaches and Unauthorized Releases of Personal Information

In addition to penalties that may be assessed under regulations promulgated under the HITECH Act as described above, the public nature of breaches of unsecured protected health information exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations. Similar repercussions exist for failure to comply with the HITECH breach notification regulations.

Health Care Reform

In March, 2010, the United States Congress enacted the Patient Protection and Affordable Care Act, as modified by the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Act"). Some of the provisions of the Health Care Reform Act took effect immediately, while others will take effect or will be phased in over a time period extending as many as ten years following the date of its enactment. The current U.S. President and Republican leaders of Congress have repeatedly cited health care reform, and particularly, repeal and replacement of the Health Care Reform Act, as a key goal, but efforts to repeal all of the Health Care Reform Act have been unsuccessful to date.

On December 22, 2017 the President signed significant federal tax legislation, commonly known as the Tax Cuts and Jobs Act (the "2017 Tax Act"), which, among other things, repeals the Health Care Reform Act's "individual mandate." In general, prior to enactment of the 2017 Tax Act, the Health Care Reform Act required that individuals who were not covered by a health plan that provided at least minimum essential coverage were required to pay a "shared responsibility payment" with their federal tax return. For months beginning after December 31, 2018, the amount of the individual shared responsibility payment is reduced to zero. The prospective repeal of the individual mandate could have a material adverse effect on the Co-Obligor's business or financial condition.

Even without a full repeal, the Health Care Reform Act may instead be further adversely affected through various legislative efforts or executive orders. Management cannot predict whether any additional bill aimed at repealing and replacing all or a portion of the Health Care Reform Act will become law. Any legislative action that reduces federal health care program spending, increases the number of individuals without health insurance, or otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the Co-Obligor's business or financial condition.

Possible impacts on the Corporation include, without limitation, an increase in the number of insured residents and a possible reduction in charity-care and bad-debt write-offs; significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste and abuse; decreased reimbursements from third party payors; significant changes to current payment methodologies for services; and changes to

costs and expenses of providing health insurance coverage to employees. Possible impacts of a repeal or replacement of the Health Care Reform Act on the Corporation include, without limitation, a reduction in the number of insured residents; additional pressure on Medicaid and Medicare funding; decreased reimbursements from third party payors; significant changes to current payment methodologies for services; higher deductibles and less coverage by insurance. The uncertainty of the impact of the Health Care Reform Act, or of any repeal or replacement bill, on the Corporation is likely to continue for the foreseeable future as legislative and judicial attempts to repeal or amend the Health Care Reform Act continue, as noted above.

Health Care Reform Act provisions relating to skilled nursing facilities (“SNFs”) include requirements that facilities (i) make certain disclosures regarding ownership; (ii) implement compliance and ethics programs; and (iii) make certain disclosures regarding expenditures for wages and benefits for direct care staff. In addition, the Health Care Reform Act may affect SNF reimbursement through the creation of value-based purchasing payment and post-acute care payment bundling programs and may place limitations on SNF payments for health care acquired conditions. Investors are encouraged to review legislative, legal, and regulatory developments as they occur and to assess the elements and potential effects of the health care reform initiative as it evolves.

Management of the Corporation is analyzing the Health Care Reform Act and legislation aimed at repealing and replacing all or a portion of 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 Co-Obligors. However, management cannot predict the interim or long-term effects of the Health Care Reform Act on the Corporation with any degree of certainty. The changes mandated by the Health Care Reform Act may have a material adverse impact on the business and operations of the Corporation and consequently, the financial condition of the Co-Obligors.

Anti-Fraud and Abuse Laws

The federal anti-kickback law (the “Anti-Kickback Law”) makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration is to obtain referrals or to induce further referrals. The Health Care Reform Act amended, among other provisions of the Anti-Kickback Law, the intent requirement to provide that a person need not have actual knowledge of the Anti-Kickback Law or specific intent to commit a kickback violation to violate the statute. Violations or alleged violations of the Anti-Kickback Law may result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as a felony, subject to a fine of up to \$250,000 for each act (which may be each item or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medicaid programs. In addition, civil monetary penalties of \$10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or an “assessment” of three times the amount claimed may be imposed. In addition, violations of the

Anti-Kickback Law are increasingly being prosecuted under the False Claims Act (the “FCA”), triggering the FCA penalties discussed above.

In addition, HHS, through the OIG, has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services) and other federal health care programs for not less than five years. There are limited regulatory safe harbors to the Anti-Kickback Law. Arrangements that implicate the Anti-Kickback Law but do not fit within a regulatory safe harbor are not automatically in violation, but are analyzed by OIG on a case-by-case basis. However, such arrangements face a risk of running afoul of the Anti-Kickback Law, which may result in substantial penalties.

HIPAA also established a national Health Care Fraud and Abuse Control Program (HCFAC), under the joint direction of the Attorney General and the HHS, designed to coordinate federal, state and local law enforcement activities with respect to health care fraud and abuse.

Because of the breadth of the Anti-Kickback Law and the narrowness of the safe harbor regulations, there can be no assurance that the Corporation will not be found to have violated the Anti-Kickback Law. Although the Anti-Kickback Law applies only to federal health care programs, a number of states, including Texas, have passed similar statutes that contain similar types of prohibitions that are applicable to all other health plans or third party payors. While the Corporation expects to continue to monitor its contracts and business arrangements, it cannot be certain that all of its agreements with physicians and other covered activities qualify under current regulations.

Stark Law

The federal “Stark” statute prohibits a physician or immediate family member who has a financial relationship with an entity (including a hospital) from referring federal health care program patients to such entity for the furnishing of designated health services, with limited statutory and regulatory exceptions. Designated health services under the Stark Law include physical therapy services, occupational therapy services, outpatient speech language pathology services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in connection with prohibited referrals, exclusion from the federal health care programs and civil penalties, which could be substantial. Knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment

interests and compensation arrangements. Arrangements that implicate the Stark Law that do not fall within a statutory or regulatory exception are not subject to a case-by-case review, unlike violations of the Anti-Kickback Law. Rather, such arrangements are prohibited in all cases by the Stark Law. Medicare may deny payment for all services performed based on a prohibited referral and an entity that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare program. Additionally, violations of the Stark Law, even if inadvertent, carry substantial penalties. If the violations of the Stark statute were knowing, the government may also seek civil monetary penalties of up to almost \$24,000 per claim, and, in some cases, an entity may be excluded from the Medicare and Medicaid programs. In addition, violations of the Stark statute are increasingly being prosecuted under the FCA, triggering the FCA penalties discussed above. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or an alleged violation could have a material adverse impact on the Corporation.

Because of the complexity of the Stark Law and the requirement to meet a statutory or regulatory exception, there can be no assurance that the Corporation will not be found to have violated the Stark Law. Penalties for such violations, which may include exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the future operations and financial condition of the Co-Obligors, as could any significant penalties, demands for refunds or denials of payment. Although the Stark Law applies only to federal health care programs, a number of states have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all types of providers and all other health plans or third party payors. Currently, Texas does not have such a state statute but there is no guarantee that they would not pass such a statute in the future.

False Claims Laws and Civil Monetary Penalties Law

There are principally three federal statutes which address the issue of “false claims.” First, the FCA imposes civil liability (including substantial monetary penalties and damages) on any person or corporation which, including, but not limited to, (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid; (4) knowingly makes, uses or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the government; or (5) knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the government. Specific intent to defraud the federal government is not required to act with knowledge. FCA violations that occurred prior to August 1, 2016 are punishable in an amount not to exceed \$11,000 per claim, plus three times the amount of monetary damages. For FCA violations occurring on or after August 1, 2016, FCA civil penalties increase to as much as almost \$22,000 per claim, plus three times the amount of damages that the federal government sustains because of the false claim. In extreme circumstances, violation of the FCA may result in criminal penalties. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. The FCA also permits

individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government’s primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on health care providers. It is important to note that when FCA penalties increase, so do the financial rewards for whistleblowers, increasing their incentive to allege false or fraudulent claims.

In addition to the False Claims Act, the Civil Monetary Penalties Law (the “CMP”) authorizes the imposition of substantial civil monetary penalties against an entity which engages in certain activities, including, but not limited to, (1) knowingly presenting or causing to be presented a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation in a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; (6) using a payment intended for a federal health care program beneficiary for another use; or (7) knowing of an overpayment and not reporting and returning the overpayment. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute. The CMP authorizes imposition of civil monetary penalties ranging from \$10,000 to \$50,000 for each item or service improperly claimed and each instance of prohibited conduct. Health care providers may be found liable under the CMP even when they did not have actual knowledge of the impropriety of the claim.

Finally, it is a criminal federal healthcare fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and imprisonment and forfeiture of any property derived from proceeds traceable to the offense.

Although the False Claims Act has been in effect for many years, in recent years there has been a significant increase in the number of allegations (sometimes known as “whistle blower” allegations) filed under the False Claims Act, a large number of which involve the health care and pharmaceutical industries. This is due in part to the ability of relators, acting on the government’s behalf, to collect a sizable percentage of the verdict or settlement. In 2009, the Fraud Enforcement and Recovery Act was enacted, which authorized increased funding for fraud investigation and prosecution and expanded the scope of the False Claims Act.

The threats of large monetary penalties and exclusion from participation in Medicare, Medicaid and other federal health care programs, and the significant costs of mounting a

defense, create serious pressures on providers who are targets of false claims actions or investigations to settle. Therefore, an action under the False Claims Act, FERA CMP law or under the criminal federal healthcare fraud offense law could have an adverse financial impact on the Co-Obligors.

As described below under “STATE OF TEXAS REGULATION OF CONTINUING CARE RETIREMENT COMMUNITIES -- Health Insurance Fraud and Unprofessional Conduct Statutes” below, Texas has passed similar statutes expanding the prohibition against the submission of false claims to nonfederal third party payors.

Resident Rights in Skilled Nursing Facilities

Skilled nursing facilities that accept payment from Medicare and Medicaid are required to comply with federal laws that affect the rights of residents, including the Federal Nursing Home Reform Act and related regulations. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect the operations of the Community or the financial condition of the Co-Obligors.

Fair Housing and Anti-Discrimination Laws

There are a number of federal and state laws governing discrimination on the basis of age, disability, familial status, religion, race, and national origin, including the Age Discrimination Act of 1975, the Americans with Disabilities Act, the Fair Housing Amendments Act of 1989, and the Fair Housing Act of 1968. There are no assurances that the Co-Obligors will not be subject to regulatory action to enforce these laws with respect to residents and the Community or legal action by residents to enforce their rights under these laws.

Future Laws and Regulations

The enactment of additional legislation restricting or regulating the operation of residential care facilities, creating additional residents’ rights or requiring certain financial reserves could adversely affect the financial condition of the Co-Obligors and may limit the terms and enforceability of and remedies under Residency Contracts.

Further, new regulatory provisions may be promulgated from time to time, and it is not possible to predict the effect of any such future promulgations on the Co-Obligors. Future actions by the federal, state or local government increasing the required services to be provided to residents of the Community or otherwise changing existing regulations or their interpretation could increase the cost of operation of the Community and adversely affect the revenues of the Co-Obligors. No assurance can be given that any future legislation that is enacted will not materially adversely affect the Co-Obligors.

Organized Resident Activity

The Corporation may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of Monthly Maintenance Fees or other charges without increase. While such pressure from small groups of residents is not unusual, no assurance can be given that such pressure will not escalate into more serious organized activity such as a general payment strike. Moreover, management of the Corporation may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others may wish to hold down monthly service fees and other charges. In such event, no assurance can be given that management of the Corporation will be able to satisfactorily meet the needs of such residents. Any such failure could have a material adverse effect on the Corporation through an increase in the Corporation's expenses or a decrease in the occupancy rate as a result of departure of unsatisfied residents or an inability to attract new residents.

Risks Associated with Residents' Financial Positions

Although the Corporation screens potential residents to ensure that they have adequate assets and income to pay their obligations to the Corporation during their lifetime, there can be no assurance that such assets and income will be sufficient in all cases. The pricing of Entrance Fees, refund provisions, Monthly Maintenance Fees, and health care benefits are determined from actuarial projections of the expected morbidity and mortality of the projected resident population.

The Corporation may assist residents who become unable to pay fees and other charges of the Corporation by reason of circumstances beyond their control. See "Fees and Monthly Charges -- Monthly Maintenance Fees" in Appendix A. However, the increased cost of care resulting from cost increases generally and financial assistance to a significant number of residents could adversely affect the financial condition of the Co-Obligors.

Insurance

The Master Indenture requires the Co-Obligors to carry certain insurance. See "General Information -- Insurance" in Appendix A. Uninsured claims and increases in insurance premiums could, to the extent not covered by increased revenues, adversely affect the financial condition of the Co-Obligors.

To the extent that insurance coverage maintained by any Co-Obligor is inadequate to cover judgments against any of them, such claims may be required to be discharged by payments from the Co-Obligor's own funds. To the extent that insurance coverage maintained by others with whom any Co-Obligor may have joint and several liability is inadequate, such Co-Obligor (or its insurers to the extent of applicable coverage) may incur additional liability for such claims. Further increases in the cost or limitations on the availability of insurance could adversely affect the operating results of the Co-Obligors.

Future Results May Differ from Historical Results

Certain audited financial information regarding the Co-Obligors is set forth in Appendix B. There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results and the variations may be material. Therefore, the historical financial results cannot be taken as a representation that the Co-Obligor will be able to fulfill their obligations under the Master Indenture.

Entrance Fee Refunds

Following departure of a resident from the Community and the termination of the Resident Agreement, the Corporation may be obligated to refund the departing resident's Entrance Fee up to the amount equal to 90% of the Entrance Fee paid, whether or not a new resident is obtained for the departing resident's Living Unit. See "Fees and Monthly Charges -- Entrance Fee Refund Programs" in Appendix A.

Tax Consequences to Residents

Section 7872 (Treatment of Loans with Below Market Interest Rates) of the Code provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or, even if the below market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below market rate loan is the avoidance of federal income taxation.

A refundable entrance fee payment made by a resident to certain continuing care facilities has been determined under Section 7872 to constitute a below market interest rate loan by the resident to the facility to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(h) provides a "safe harbor" exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether the Residency Contracts come within the scope of the continuing care facility safe harbor or within the statute itself.

Provided the Residency Contracts fall within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loan was made pursuant to a continuing care contract, (ii) if the resident (or the resident's spouse) has attained age 62 before the close of the year and (iii) irrespective of the amount of the "loan" by the resident (or the resident's spouse) to the continuing care facility. The Health Care Reform Act amended Section 7872(h) to make the exemption for loans to qualifying care facilities permanent.

Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Community.

Environmental Risks

There are potential risks relating to the release, presence or handling of hazardous substances on property. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable law relating to liability of property owners for environmental hazards with respect to property. If hazardous substances are found to be located on or to have migrated from property, the owner of such property may be held liable for costs and other liabilities related to the removal of such substances. If any part of the Mortgaged Premises is affected by a hazardous substance, the marketability and value of the property may be reduced by the cost of remedying the condition, which could exceed the value of the property. The Co-Obligors have no reason to believe that the Community or the site on which the Community is located has environmental problems of a material nature. However, there can be no assurances that such site is free of environmental concerns.

In their roles as owner and operator of real property, the Borrower and the Corporation may be subject to liability for investigating and remedying any hazardous substances that have come to be located on its real property, including any such substances that may have migrated off its real property. In addition, the Corporation’s operations include the handling, use, storage and disposal of hazardous, infectious and toxic materials and wastes. Such handling and use or any release by the Corporation may produce risks of damage to individuals, property or the environment; interruption of operations or increased costs; legal liability, damages, injunctions or fines, or the triggering of investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Co-Obligors.

Personnel

Management believes that its salary and benefits package for employees is competitive with other comparable institutions in the area in which the Community operates.

In recent years, the health care industry has experienced a shortage of nurses and other health care personnel. The Corporation will compete with other health care providers and with non-health care providers for both professional and non-professional employees. There can be no assurance that labor shortages in the future will not affect their ability to attract and maintain an adequate staff of qualified health care personnel. A lack of qualified personnel could result in significant increases in labor costs or otherwise adversely affect their operating results.

Insurance and Legal Proceedings

The provision of personal and health care services entails an inherent risk of liability. In recent years, participants in the senior living and health care services industry have become subject to an increasing number of lawsuits alleging negligence, malpractice or related theories, many of which involve large claims and result in significant legal defense costs. The Co-Obligors carry property and general liability insurance and professional liability insurance in

amounts deemed adequate by management and consistent with other comparable institutions. See “General Information -- Insurance” in Appendix A. However, there can be no assurance that any future claims will not exceed applicable insurance coverage. A claim against the Co-Obligors not covered by, or in excess of, the insurance carried by the Co-Obligors could have a material adverse effect upon the Co-Obligors.

In addition, the insurance policies of the Co-Obligors must be renewed annually. Because the increased litigation in the retirement and nursing care business has resulted in increased insurance premiums and an increased difficulty in obtaining insurance at reasonable rates, there can be no assurance that insurance coverage will continue to be available to the Co-Obligors at reasonable premiums, if at all.

The Co-Obligors currently are not a party to any legal proceeding that management believes would have a material adverse effect on the business, financial condition or results of operations of the Co-Obligors.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2018 Bonds. The secondary market, if any, for the Series 2018 Bonds will depend upon prevailing market conditions and the financial condition and results of operations of the Co-Obligors. The Series 2018 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Tax Exemptions

Tax-Exempt Status of Interest on the Series 2018 Bonds

The Internal Revenue Code of 1986, as amended and as in effect as of the date of delivery of the Series 2018 Bonds (the “Code”), imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2018 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of the Series 2018 Bonds and the facilities financed or refinanced with such proceeds, limitations on the investment of amounts deemed to be proceeds of the Series 2018 Bonds prior to expenditure, a requirement that certain investment earnings on amounts deemed to be proceeds of the Series 2018 Bonds be paid periodically to the United States and a requirement that the Issuer file an information report with the Internal Revenue Service (the “IRS”).

The Issuer and the Co-Obligors have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2018 Bonds. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2018 Bonds as taxable, retroactively to the date of issuance.

The IRS has increased the number of audits of tax-exempt bonds in the charitable organization sector in recent years. IRS officials have indicated that more resources will be invested in these audits. Tax-exempt organizations must complete certain schedules to IRS Form 990 - Return of Organizations Exempt From Income Tax: Schedule K requires detailed information related to outstanding tax-exempt bond issues, including information regarding operating, management and research contracts as well as private use compliance; and Schedule J requires reporting of compensation information for the organizations' officers, directors, trustees, key employees and other highly compensated employees. There can be no assurance that responses by the Co-Obligors to Form 990 will not lead to an IRS audit.

The Series 2018 Bonds may be subject to audits by the IRS from time to time. No ruling with respect to the tax-exempt status of the Series 2018 Bonds has been or will be sought from the IRS, and the opinion of Bond Counsel as to the excludability from gross income of the interest on the Series 2018 Bonds for federal income tax purposes is not binding on the IRS or the courts. See "TAX MATTERS." In addition, if the Series 2018 Bonds were to be audited, the market for and the market value of the Series 2018 Bonds could be adversely affected during the pendency of the examination and thereafter, even if the outcome of the audit were to be favorable.

Tax-Exempt Status of Co-Obligors

The tax-exempt status of the Series 2018 Bonds presently depends upon the maintenance by the Co-Obligors of their status as organizations described in Section 501(c)(3) of the Code. In addition, if either of the Co-Obligors were to lose their tax-exempt status, their property and their revenues could become subject to federal, state and local income taxation. For this reason, loss of the tax-exempt status of either of the Co-Obligors could have a material adverse effect on the results of operations and financial condition of the Co-Obligors.

The maintenance of the federal tax-exempt status of an organization is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by modern nonprofit organizations.

The IRS has also issued revenue rulings dealing with the manner in which a facility providing residential services to the elderly must operate in order to maintain its exemption under Section 501(c)(3) of the Code. These rulings provide, among other things, that in order to be exempt under Section 501(c)(3) of the Code, such an organization must (1) be dedicated to providing, and actually provide, services for care and housing to aged individuals who otherwise would be unable to provide for themselves without hardship, (2) to the extent of its financial ability, render services to all or a reasonable proportion of its residents at substantially below actual cost, and (3) render services that minister to the needs of the elderly in relative hardship or distress. In addition, certain revenue rulings provide that these facilities may admit only those

tenants who are able to pay full rental charges and that the organization must have an established policy to maintain persons as residents, even if they become unable to pay the monthly charges after being admitted to the facility. While the Corporation believes it operates in compliance with these revenue rulings, because of the complexity of tax laws and the existence of issues upon which reasonable persons can differ, no assurance can be given that the IRS would not take a different view upon any audit or examination. In the event of an audit or examination, the Corporation could face additional taxes, interest or penalties and its tax-exempt status could be lost.

One of the tools available to the IRS to discipline a tax-exempt entity for private inurement or unlawful private benefit is revocation of the entity's tax-exempt status. Although the IRS has not often revoked the tax-exempt status of an organization, it could do so in the future.

Local Tax Assessment

Section 11.18 of the Texas Tax Code offers exemption from property taxes to qualified charitable organizations, specifically to those organizations that offer independent living, assisted living and nursing services to senior citizens on one campus, such as the Community. To be eligible for the exemption, organizations must, among other requirements, provide certain charitable services and community benefits equal to at least 4% of net resident services revenue. The Co-Obligors have obtained exemptions for *ad valorem* taxes on the Community. Failure of the Co-Obligors to maintain such exemption could have an adverse effect on the financial condition of the Co-Obligors.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their real property tax exemptions. In some cases, the real property tax exemption of the organizations has been questioned. The loss of this exemption could adversely affect the financial condition of the Corporation.

Challenges to Real Property Tax Exemption or Increase in Real Property Taxes

Recently, real property tax exemptions applicable to certain nonprofit healthcare providers have been challenged on the grounds that the healthcare providers are not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. It is likely that the loss by the Corporation of federal tax exemption would also result in a challenge to the state tax exemption of the Corporation. Depending on the circumstances, such event could be adverse and material.

Unrelated Business Taxable Income

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to

their exempt activities and the generation of unrelated business taxable income (“UBTI”). Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could affect the tax-exempt status of a Co-Obligor as well as the excludability from gross income for federal income tax purposes of the interest payable on the Series 2018 Bonds and any other tax-exempt debt issued on behalf of the Co-Obligors.

Legislative Developments

Legislative proposals currently under consideration or proposed after issuance and delivery of the Series 2018 Bonds could adversely affect the market value of the Series 2018 Bonds. Further, if enacted into law, any such proposal could cause the interest on the Series 2018 Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described below under “Tax Matters” or their consequences.

The 2017 Tax Act makes a number of sweeping changes, including reduction of the maximum federal corporate tax rate to 21% and repeal of the corporate alternative minimum tax for tax years beginning after 2017.

The 2017 Tax Act also contains a number of new provisions that are generally adverse to 501(c)(3) organizations. These provisions include but are not limited to (1) a requirement that UBTI must be determined in a manner that treats separate unrelated trade or business activities separately, so that, for example, loss-making unrelated business activities may not be netted against separate profit-making activities and (2) the imposition of a new excise tax on compensation over \$1 million for certain employees. Such legislative provisions adverse to exempt organizations may have a material adverse financial effects on the Co-Obligors and may indicate that Congress may in the future consider enactment of other legislation imposing new federal tax burdens on exempt organizations.

In addition, prospective purchasers of the Series 2018 Bonds should consult with their tax advisors as to the effect of the Tax Reform Bill on the federal or state income tax treatment of holders of the Series 2018 Bonds.

Bond Rating

There is no assurance that the rating assigned to the Series 2018 Bonds at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Series 2018 Bonds. See “RATING.”

Additional Debt

The Master Indenture permits the Co-Obligors to incur additional indebtedness, including, under certain circumstances, Debt secured by a lien on the Co-Obligors’ property that

is prior to the liens securing the Secured Debt or that may be equally and ratably secured with the holders of the 2018 Note securing the Series 2018 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS -- Master Indenture -- Additional Debt.” Additional Secured Debt issued under the Master Indenture would be entitled to share ratably with the holders of the Series 2018 Bonds, the Series 2010 Bonds and the Series 2016 Bonds in any moneys realized from the exercise of remedies under the Master Indenture and the Deed of Trust in the event of a default by the Co-Obligors and in the proceeds of certain insurance and condemnation awards.

Prepayment Risks

The Series 2018 Bonds are subject to redemption, in certain cases without premium, in advance of their stated maturities under certain circumstances. See “THE SERIES 2018 BONDS -- Redemption Provisions.” Upon the occurrence of certain events of default, the payment of the principal of and interest on the Series 2018 Bonds may be accelerated. See “Default and Remedies” in the proposed form of the Bond Indenture included in Appendix C-2. Thus, there can be no assurance that the Series 2018 Bonds will remain outstanding until their stated maturities.

Actual Results May Differ from Historical Results

Certain audited financial information regarding the Borrower are forth in Appendix B. There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results and the variations may be material. Therefore, the historical financial results cannot be taken as a representation that the Borrower will be able to fulfill its obligations under the Series 2018 Bonds, the Master Indenture, and the Loan Agreement, respectively.

Other Regulatory and Contractual Matters

The Corporation is subject to extensive federal, State and local regulations governing licensure, conduct of operations at their existing facilities, construction of new facilities, cost containment and reimbursement for services rendered. Failure by the Corporation to meet applicable standards could result in the loss of a license, the delay in or loss of reimbursement or the loss of an ability to deliver services. There can be no assurance that federal, State or local governments will not impose additional restrictions on the operations of the Corporation that might adversely affect its business and as a result, the financial condition of the Obligated Group.

Certain Other Risks

The following factors, among others, may also adversely affect the Co-Obligors, to an extent that cannot be determined at this time:

- (1) changes in key management personnel;

(2) reductions in utilization of continuing care retirement facilities, assisted living facilities and skilled nursing facilities as a result of increased payment for and expansion of home health services, preventive medicine, improved occupational health and safety, development and utilization of medical and scientific research and technological advances and other developments;

(3) future legislation and regulations affecting continuing care retirement facilities, assisted living facilities and skilled nursing facilities, governmental and commercial medical insurance and the long-term care industry in general, including reductions in federal or state funding of Medicare, Medicaid or other government-financed health care reimbursement programs;

(4) cost and availability of malpractice and other insurance in the State, as well as the potential for claims in excess of available insurance funds;

(5) changes in public or private insurance programs;

(6) increased costs of attracting and retaining or decreased availability of a sufficient number of nurses and other health care personnel;

(7) increased costs resulting from unionization of the employees of the Corporation or the utilization by a non-union employee of the Corporation of proceedings available under the National Labor Relations Act;

(8) increased costs resulting from enhanced requirements governing the quality of care or services provided in retirement communities, assisted living facilities and skilled nursing facilities;

(9) increases in costs, including costs associated with, among other things, salaries, wages and fringe benefits, supplies, technology and equipment, insurance, energy and other utilities, compliance with or violation of environmental laws and regulations and other costs that could result in a sizable increase in expenditures without a corresponding increase in revenues;

(10) any inability of the Co-Obligors to obtain future governmental approvals to undertake additional projects necessary to remain competitive as to rates, charges and the quality and scope of care or any limitation on the availability of tax-exempt or other financing for future projects; and

(11) the occurrence of natural disasters, including floods, hurricanes, tornadoes and earthquakes, or the occurrence of criminal or terrorist acts or other calamities that could damage the Community, interrupt utility service or otherwise impair the operations of the Corporation and the generation of revenues from the Community, any losses resulting from the occurrence of any such event that is not covered by insurance covering the Borrower or the Corporation and any insufficiency in available insurance to cover any losses resulting from the occurrence of any such event.

Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events, could have a material adverse effect on the Community's operations or the financial position of the Co-Obligor.

The paragraphs above discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Series 2018 Bonds.

STATE OF TEXAS REGULATION OF CONTINUING CARE RETIREMENT COMMUNITIES

CCRC Act

The Texas Continuing Care Facility Disclosure and Rehabilitation Act of the Texas Health and Safety Code (the "CCRC Act") governs the provision of continuing care, which is defined by the CCRC Act in part as the furnishing of a living unit, together with personal care services, nursing services, medical services or other health-related services, under a contract that requires the payment of an entrance fee by or on behalf of a resident in exchange for the furnishing of continuing care that is effective either for the life of the individual or for more than one year.

Assisted Living Facility Licensing Act

Personal care facilities, or "assisted living" facilities, must be licensed in accordance with the Assisted Living Facility Licensing Act, Chapter 247 of the Texas Health and Safety Code (the "Assisted Living Act"), and must provide each resident with a consumer disclosure statement approved by DADS. Assisted living facilities licensed under the Assisted Living Act are defined under State law as any establishment that (i) furnishes in one or more facilities food and shelter to four or more persons who are unrelated to the proprietor of the establishment, (ii) provides personal care services, which includes assistance with meals, dressing, movement, bathing, or other personal needs or maintenance or general supervision or oversight of the physical and mental well-being of a person who needs assistance to maintain a private and independent residence in an assisted living facility or who needs assistance to manage the person's personal life, regardless of whether a guardian has been appointed for the person, or the administration of medication by a person licensed or otherwise authorized to administer medication, (iii) may provide assistance with or supervision of medical administration and (iv) may provide skilled nursing services for the coordination of resident care with outside home and community support services agencies and other health care professionals; provision or delegation of personal care services and medication administration as described in the Assisted Living Act; assessment of residents to determine the care required; and for periods of time as established by department rule, delivery of temporary skilled nursing treatment for a minor illness, injury, or emergency. Licensees must comply with standards that ensure quality care and protection of the residents' health and safety without excessive cost, including compliance with the "residents' bills of rights" promulgated by DADS, and staff educational requirements. Assisted living

facilities are required to use their state-issued facility identification numbers in all advertisements, solicitations, and promotional materials.

Assisted living facilities that advertise, market or otherwise promote that the facility provides personal care services to residents who have Alzheimer's disease or related conditions must be certified by DADS and meet specific regulations related to the facility and care of such residents. Alzheimer's certified facilities must employ sufficient staff to provide services for and meet the needs of its Alzheimer's residents and must submit and update an Alzheimer's disclosure statement to DADS. The Corporation is not certified to provide specialized Alzheimer's and dementia services in its assisted living facilities.

DADS has the authority to impose penalties on assisted living facilities for deficiencies it finds in a survey or inspection, including suspension or loss of licensure, assessment of administrative penalties and referral to the Office of the Attorney General for the imposition of significant monetary penalties. A loss of licensure or imposition of significant monetary penalties should be expected to negatively impact revenues of the Co-Obligors. While historically, it has been unusual for DADS to impose penalties in assisted living facilities, DADS has recently increased its regulatory scrutiny in this area.

While the Corporation will use best efforts to assure that the operation of its assisted living facilities will result in either deficiency-free surveys or, at most, the imposition of minimal penalties that would not negatively impact the revenues of the Co-Obligors, there can be no assurance that DADS will not seek to impose substantial penalties as a result of inspections or surveys of the Community's assisted living facilities.

Health Care Center

Nursing homes in the State are regulated and inspected in accordance with the terms of the Convalescent and Nursing Homes and Related Institutions Act of the Texas Health and Safety Code (the "Nursing Home Act") and the regulations promulgated thereunder in order to ensure that institutions in the State deliver the highest possible quality of care. Under the Nursing Home Act, a "home" is defined as an establishment that furnishes, in one or more facilities, food and shelter to four or more persons who are unrelated to the proprietor of the establishment; and provides minor treatment under the direction and supervision of a physician licensed by the Texas Medical Board, or other services that meet some need beyond the basic provision of food, shelter, and laundry. The Nursing Home Act and the rules and standards thereunder establish the minimum acceptable levels of care provided by a nursing home. Components of the quality of care addressed by the rules and standards of the Nursing Home Act include: quality of life; access to care; continuity of care; comprehensiveness of care; coordination of services; humaneness of treatment; conservatism in intervention; safety in the environment; professionalism of caregivers; and participation in useful studies. Accordingly, all licensed nursing home facilities in the State must implement certain resident rights and must comply with standards in areas including construction, staffing, education and training, sanitation, diet, equipment, fire safety, and the use and administration of medication. In addition, licensees are subject to periodic inspections, both announced and unannounced, by DADS.

Texas nursing facilities that care for people with Alzheimer's disease and related disorders may be certified by DADS. Facilities applying for certification in accordance with the Nursing Home Act must comply with standards relating to the specialized care and treatments of persons with Alzheimer's and related disorders and are required to file an annual disclosure statement with DADS. While an institution is not required to be certified in order to provide such care and treatment, an institution that is not so certified may not advertise or otherwise communicate that the institution is certified by DADS to provide specialized care. The Corporation does not maintain such a certification and as such, does not advertise that the Community offers specialized care for its residents.

In order to maintain its licensure and Medicare certification, the assisted living and the skilled nursing facilities of the Community (together, the "Health Care Facilities") will be surveyed by DADS at least annually and more often if there are adverse occurrences at the Health Care Facilities that impact the health and safety of the residents. CMS has contracted with DADS to conduct such surveys and inspections of Medicare certified facilities. DADS also conducts surveys of nursing facilities independent of its role as a CMS contract, to ensure compliance with State licensing laws. If DADS finds deficiencies at the Health Care Facilities it may impose certain licensure penalties, including administrative penalties and suspension or termination of the Health Care Facilities licenses. In egregious cases, DADS has the authority, through civil court, to install a trustee in the Health Care Facilities to run the operations until the Health Care Facilities either come back into compliance or are closed pursuant to a court order. CMS has the authority to impose penalties for survey deficiencies, including civil monetary penalties, denial of Medicare payment for new admissions, directed in-service training and, in egregious cases, termination of Medicare certification. The State and the federal government, through several different agencies, also have the authority to impose civil and criminal penalties for wrongful or fraudulent billing for nursing care and for violation of the federal and state anti-kickback laws. The imposition of significant monetary penalties, placement in the Health Care Facilities of a trustee, loss of licensure or Medicare certification, imposition of criminal or substantial civil monetary penalties or exclusion from the Medicare program may negatively impact revenues of the Co-Obligors and could even limit their ability to continue operations in the Health Care Facilities.

The Corporation is subject to ongoing surveys and inspections in the Health Care Facilities and audits of their billing practices. The surveys in the Health Care Facilities have generally been either deficiency-free or have resulted in minimal penalties. The audits of billing practices in the Co-Obligors' operations have reflected appropriate billing practices. While the Corporation will use best efforts to assure that the operation of the Health Care Facilities will result in either deficiency-free surveys or the imposition of minimal penalties that would not negatively impact revenues of the Co-Obligors, there can be no assurance that DADS will not seek to impose substantial penalties as a result of the surveys and inspections of the Health Care Facilities.

Texas Non-Solicitation of Patients Act

The Texas Non-Solicitation of Patients Act ("TSPA") is similar to the federal Anti-Kickback Law. The TSPA prohibits any person, including a physician, from knowingly offering

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

Workers' Compensation Fraud

Additional laws place administrative penalties on worker's compensation fraud, including improper inducements for referring injured employees for services or arranging for the provision of services payable under the workers' compensation program. Sanctions for violations include exclusion from participation in the program and monetary fines.

The Texas workers' compensation system was restructured by the Texas Legislature in 2005 and further revised in 2007. The objective of the legislation is to lower workers' compensation costs for State employers, control medical costs, expand access to care and improve benefits for those hurt on the job so they can return to work sooner. In effect, the legislation placed greater reliance on the use of networks of medical providers and primarily impacts individual providers rather than hospitals. Under the direction of the Texas Department of Insurance, the Division of Workers' Compensation ("DWC") continues its efforts to implement the reforms and rulemaking that have been ongoing. These efforts include rules updating medical fee guidelines for health care providers, establishing a hospital outpatient fee guideline and updating a hospital inpatient fee guideline for the State workers' compensation system. The guidelines establish standardized formats for billing and reimbursement as used in group health and Medicare systems. Also, the medical fee guideline establishes new incentive payments to health care providers caring for injured employees in areas of the State designated as underserved by the DWC. There is no guarantee that reimbursement rates, as they change from time to time, will cover actual costs incurred by the Corporation in providing workers' compensation services. Additional rules implementing this legislation are also anticipated, and only as they are created, implemented, and tested will the complete impact, if any, of this legislation on the Co-Obligors be determinable.

Texas Insurance Claim Fraud Act

The Texas Insurance Claim Fraud Act (the "Insurance Fraud Act") provides that a person commits an offense if the person, with the intent to defraud or deceive an insurer, presents to an insurer, in support of a claim for payment under a health insurance policy, a statement that the person knows contains false or misleading information concerning a material matter and the matter affects a person's right to a payment or the amount of such payment. A person also commits an offense under the Insurance Fraud Act if the person, with the intent to defraud an

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

Health Insurance Fraud and Unprofessional Conduct Statutes

The Texas Legislature has also adopted legislation regarding unprofessional conduct by health care providers. Under the Texas Occupations Code, penalties and disciplinary actions may be imposed against a health care provider that (1) knowingly presents or causes to be presented a false or fraudulent claim for the payment of a loss under an insurance policy; (2) knowingly prepares, makes or subscribes to any writing, with intent to present or use the writing, or to allow it to be presented or used, in support of a false or fraudulent claim under an insurance policy; or (3) knowingly directs or requires a patient to obtain health care goods or services from a niche hospital in which the health care provider or an immediate family member of the provider has a financial interest, unless the provider (a) discloses to the patient, in writing, that the provider or the provider's family member has a financial interest in the niche hospital; and (b) informs the patient that the patient has the option of using an alternative health care facility. Consequently, in addition to other provisions of civil or criminal law, commission of unprofessional conduct constitutes cause for the revocation or suspension of a provider's license, permit, registration, certificate, or other authority or other disciplinary action. Insurers must also adopt an antifraud plan describing its procedures for detecting and investigating possible fraudulent insurance practices.

Medical Records Privacy Act

The Texas Legislature recently adopted a bill which uses HIPAA as a base to create privacy standards for the access and use of health care information in the State by all parties. However, certain privacy protections implemented in the State surpass those requirements enacted under HIPAA. Covered entities under the State statute include any person who for commercial, financial, or professional gain, monetary fees, or dues, or on a cooperative, nonprofit, or pro bono basis, engages, in whole or in part, and with real or constructive knowledge, in the practice of assembling, collecting, analyzing, using, evaluating, storing, or transmitting protected health information. The term includes a business associate, health care payer, governmental unit, information or computer management entity, school, health researcher, health care facility, clinic, health care provider, or person who maintains an Internet site; comes into possession of protected health information; obtains or stores protected health information; or is an employee, agent, or contractor of a person described above insofar as the employee, agent, or contractor creates, receives, obtains, maintains, uses, or transmits protected health information. The State statute requires that covered entities satisfy certain training requirements,

including a requirement that training be provided at least biennially for all employees. The Texas Attorney General is authorized to seek injunctive relief and assess a penalty of up to \$250,000 per violation. In addition to the penalties prescribed by this statute, a violation by a licensed covered entity is subject to investigation and disciplinary proceedings, including probation or suspension by any relevant licensing agency. If there is evidence that violations are egregious and constitute a pattern or practice, the agency may revoke the covered entity's license or refer the covered entity to the attorney general for the institution of an action for civil penalties. The Corporation believes that it operates in compliance with this statute.

Texas Identity Theft Enforcement and Protection Act

Under the Texas Identity Theft Enforcement and Protection Act, a business must maintain reasonable procedures, including taking any appropriate corrective action, to protect from unlawful use or disclosure of any sensitive personal information collected or maintained by the business in the regular course of its business. The Texas Legislature expanded the scope of this law to include information about an individual's physical or mental health or payment for health care services under the definition of "sensitive personal information." Businesses subject to the Texas Identity Theft Enforcement and Protection Act must disclose any breach of system security, after discovering or receiving notification of the breach, to any individual whose sensitive personal information was, or is reasonably believed to have been, acquired by an unauthorized person as quickly as possible. The Corporation believes that it operates in compliance with this statute.

PARITY DEBT

Outstanding Secured Debt

Upon the issuance of the Series 2018 Bonds and the refunding of the Refunded Bonds, there will remain outstanding \$2,380,000 aggregate principal amount of the Series 2010 Bonds and \$54,660,000 aggregate principal amount of the Series 2016 Bonds. The Series 2010 Bonds and the Series 2016 Bonds are fixed rate bonds. The obligations of the Borrower with respect to such bonds are evidenced by the Existing Notes, each of which constitute Secured Debt under the Master Indenture.

Pursuant to the Master Indenture, the 2018 Note will be secured equally and ratably on parity with the Existing Notes and any additional Secured Debt incurred pursuant to the Master Indenture.

Future Parity Debt

The Master Indenture permits the issuance of additional notes ("Additional Notes") which evidence or which constitute Secured Debt. If issued, such Additional Notes would be secured equally and ratably on parity with the Existing Notes and the 2018 Note. See "Covenants and Warranties -- Limitations on Debt" in the conformed copy of the Original Master Indenture and "Amendments to Original Master Indenture" in the conformed copy of the Master Indenture Supplement No. 1 included in Appendix C-1. The Co-Obligors do not

currently intend to issue any Additional Notes to finance or refinance any projects of the Borrower or the Corporation. See “Future Plans” in Appendix A.

UNDERWRITING

The Series 2018 Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Series 2018 Bonds at an aggregate discount of \$214,050 from the initial offering prices set forth on the cover page of this Official Statement. In addition, the Co-Obligors have agreed to pay certain expenses of the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all the Series 2018 Bonds, if any are purchased, and contains the Co-Obligor’s agreement to indemnify the Underwriter and the Issuer against losses, claims, damages and liabilities arising out of certain incorrect statements or information contained in this Official Statement.

The initial offering prices set forth on the cover of this Official Statement may be changed from time to time by the Underwriter.

The Underwriter may offer and sell the Series 2018 Bonds to certain dealers (including dealers depositing the Series 2018 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the offering prices set forth on the cover page hereof.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed and may in the future perform, various financial advisory, commercial banking, investment banking and swap counterparty services for the Co-Obligors, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and the Co-Obligors.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities and instruments.

RATING

S&P Global Ratings (“S&P”) has assigned the Series 2018 Bonds a rating of “BBB.” The Co-Obligors furnished to S&P certain materials and information respecting the Series 2018 Bonds and themselves. Generally, rating agencies base their ratings on such materials and information and on investigations, studies and assumptions by the rating agencies. These ratings reflect only the views of S&P.

The rating of “BBB” assigned by S&P to the Series 2018 Bonds is described as follows:

“An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.”

No assurance can be given that such rating will remain in effect for any given period of time or that they may not be reduced or withdrawn by S&P if in the judgment of S&P circumstances so warrant. Any downward change in or withdrawal of such rating could adversely affect the market price of the Series 2018 Bonds.

One other rating agency has assigned a rating to certain other outstanding indebtedness of the Co-Obligors. The rating carried on such indebtedness is at a level below the published S&P rating assigned to the Series 2018 Bonds. The Co-Obligors have not sought a rating relating to the Series 2018 Bonds from any rating agency other than S&P.

TAX MATTERS

Delivery of the Series 2018 Bonds is subject to the receipt of an opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that assuming continuous compliance with the Indenture and Loan Agreement and the covenants described below, interest on the Series 2018 Bonds (i) will be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code and existing regulations, published rulings and court decisions thereunder, assuming continuing compliance with the covenants described below, and (ii) will not be included in computing the federal alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Series 2018 Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering its opinion, Bond Counsel will rely upon certain representations and certifications of the Issuer and Co-Obligors made in certificates dated the date of initial delivery of the Series 2018 Bonds pertaining to the use, expenditure and investment of the proceeds of the Series 2018 Bonds and the Refunded Bonds and the qualification of Co-Obligors and other benefited affiliates as charitable exempt organizations, and has assumed continuing compliance by the Issuer and Co-Obligors, subsequent to the issuance of the Series 2018 Bonds, with covenants under the Loan Agreement and the Bond Indenture. The Bond Indenture and the Loan Agreement contain covenants by the Issuer and Co-Obligors with respect to, among other matters, the use of the proceeds of the Series 2018 Bonds and the Refunded Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units or organizations described in section 501(c)(3) of the Tax Code, the manner in which the proceeds of the Series 2018 Bonds are to be invested, the periodic calculation of and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds of the Series 2018 Bonds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series 2018 Bonds to be includable in the gross income of the owners thereof from their date of issue. See also “CERTAIN BONDHOLDERS’ RISKS -- Tax-Exemptions.”

Bond Counsel’s opinion is not a guaranty of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer and Co-Obligors described above. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Series 2018 Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the “taxpayer,” and the owners of the Series 2018 Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2018 Bonds, the Issuer may have different or conflicting interests from the owners of the Series 2018 Bonds. Public awareness of any future audit of the Series 2018 Bonds could adversely affect the value and liquidity of the Series 2018 Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2018 Bonds. Prospective purchasers of the Series 2018 Bonds should be aware that the ownership of tax exempt obligations such as the Series 2018 Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States of America, “S corporations” with “subchapter C” earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for an earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax exempt obligations. Prospective purchasers should

consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2018 Bonds. Prospective purchasers of the Series 2018 Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on the Series 2018 Bonds

The initial offering price to be paid for certain of the Series 2018 Bonds (the “Discount Bonds”) may be less than the amount payable on such Discount Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable on such Discount Bond at its maturity constitutes original issue discount to an initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2018 Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during its tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation for taxable years that began before January 1, 2018, for purposes of calculating a corporation’s alternative minimum tax imposed by section 55 of the Code for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of the Series 2018 Bonds (the “Premium Bonds”) may be greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2018 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel and counsel to the Issuer. Certain legal matters will be passed upon for the Underwriter by McKennon Shelton & Henn LLP, Baltimore, Maryland, and for the Co-Obligors by Foley & Lardner LLP, Chicago, Illinois, neither of which is passing upon the validity of the Series 2018 Bonds.

FINANCIAL ADVISORS

Hamlin Capital Advisors LLC (“HCA”) will act as a financial advisor to the Co-Obligors with respect to the Series 2018 Bonds. HCA is a financial advisory firm and is not engaged in the business of underwriting, creating or distributing securities. SAMCO Capital Markets (“SAMCO”) will act as financial advisor to the Issuer with respect to the Series 2018 Bonds. Neither of HCA nor SAMCO is obligated to undertake, and none of them has undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

LITIGATION

There is currently no litigation of any nature to which the Issuer is a party pending in any court in Bexar County, Texas, or, to the knowledge of the Issuer, pending in any other jurisdiction or otherwise threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the Series 2018 Bonds or in any way contesting or affecting the validity of the Series 2018 Bonds or any proceedings taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity of or application of any moneys or the security provided for the Series 2018 Bonds or the existence or powers of the Issuer.

There is currently no litigation of any nature to which the Borrower or the Corporation is a party pending or, to the knowledge of the Borrower or the Corporation, threatened against either the Borrower or the Corporation to restrain or enjoin the issuance, sale, execution or delivery of the Series 2018 Bonds or the issuance by the Borrower of the 2018 Note or in any way contesting or affecting the validity of the Series 2018 Bonds or any proceedings taken with respect to the issuance or sale thereof or the issuance by the Borrower of the 2018 Note, or in any way contesting or affecting the validity of or application of any moneys or the security provided for the Series 2018 Bonds or the existence or powers of the Borrower or the Corporation in connection with the operation of the Community, in the opinion of management, would adversely affect the financial condition or operations of the Borrower or the Corporation or materially alter the security for the Series 2018 Bonds or the ability of the Borrower to perform its obligations under the Loan Agreement or the ability of the Borrower and the Corporation to perform their obligations under the Master Indenture and Deed of Trust, respectively.

INDEPENDENT AUDITOR

The consolidated financial statements of The Army Residence Community and Affiliates as of June 30, 2017 and 2016, and for the years then ended, included in Appendix B, have been audited by Fisher, Herbst & Kemble, P.C., independent certified public accountants, to the extent and for the period indicated in their report thereon. Such consolidated financial statements include an affiliate of the Borrower that has no liability with respect to the Series 2018 Bonds.

ELIGIBILITY FOR CERTAIN INVESTMENTS IN TEXAS

The Texas Legislature has enacted conflicting statutes which pertain to the eligibility of bonds issued by a health facilities development corporation as investments for certain entities and as security for deposits of public funds in Texas: the Act, Chapter 1201, Texas Government Code; Chapter 2256, Texas Government Code; and Chapter 2257, Texas Government Code, each as amended. Reconciliation of these four statutes provides that, unless otherwise prohibited, the Series 2018 Bonds are authorized investments in the State for banks, savings and loan associations, insurance companies, fiduciaries and trustees.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to the Issuer, on or before the date of issuance of the Series 2018 Bonds if issued, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, certain information and assertions provided by the Underwriter with respect to the Refunded Bonds. Included in the scope will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the federal securities deposited with the bond trustees for the Refunded Bonds to pay the principal of and interest on the Refunded Bonds upon their respective redemption dates.

The verification performed by Causey Demgen & Moore P.C. will be solely based upon data, information and documents provided to Causey Demgen & Moore P.C. by the Underwriter. The Causey Demgen & Moore P.C. report will state that Causey Demgen & Moore P.C. has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

RELATIONSHIPS

Norton Rose Fulbright US LLP serves as Bond Counsel and is acting as counsel to the Issuer in connection with the issuance of the Series 2018 Bonds.

HCA, the financial advisor to the Co-Obligors, is an affiliate of Hamlin Capital Management, LLC (“HCM”), which serves as the bondholder representative for the holders of the Series 2012 Bonds for which it serves as investment advisor and as investment manager for a portion of the Co-Obligor’s investment portfolio. HCM may buy or sell Series 2018 Bonds or may serve as bondholder representative or investment advisor for buyers of the Series 2018 Bonds, at their initial issuance or in secondary market transactions, in its sole discretion.

McKennon Shelton & Henn LLP serves as counsel to the Underwriter in connection with the issuance of the Series 2018 Bonds and represents HCA, the financial advisor to the Co-Obligors, in various matters unrelated to the Series 2018 Bonds.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) promulgated by the United States Securities and Exchange Commission, as amended from time to time, the Co-Obligors have undertaken for the benefit of the holders of the Series 2018 Bonds to provide certain financial information or operating data and audited financial statements, and to provide notices of the occurrence of certain events in accordance with the Continuing Disclosure Agreement. A copy of the form of Disclosure Dissemination Agent Agreement is included in this Official Statement as Appendix E.

The Co-Obligors, as “obligated persons” under the Rule with respect to certain obligations previously issued, are in material compliance with all of the continuing disclosure obligations undertaken by it pursuant to written continuing disclosure agreements executed pursuant to the Rule with respect to such obligations during the last five years, except as detailed below:

1. In 2013 through 2017, certain operating data required to be posted on the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access system (“EMMA”) as part of the Co-Obligors’ annual reports were not timely filed in connection with (i) the Series 2007 Bonds, (ii) the Series 2010 Bonds, (iii) the Series 2012 Bonds and (iv) the Series 2016 Bonds. All such operating data is currently on file with EMMA.

2. The quarterly report required to be posted on EMMA for the Quarter Ended December 31, 2016 was filed one day late in connection with (i) the Series 2007 Bonds, (ii) the Series 2010 Bonds, (iii) the Series 2012 Bonds and (iv) the Series 2016 Bonds.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Master Indenture, the Loan Agreement and the Deed of Trust and other materials are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and, for full and complete statements of such provisions, reference is made to such instruments, documents and other materials, copies of which are on file at the offices of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Co-Obligors and official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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

[Remainder of Page Intentionally Left Blank]

The execution and delivery of this Official Statement by the Chief Financial Officer of the Borrower has been duly authorized by the Borrower.

**ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION**

By: /s/ Gordon Shoger
Gordon Shoger
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

INFORMATION REGARDING
ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION
AND
THE ARMY RETIREMENT RESIDENCE FOUNDATION – SAN ANTONIO



[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

BACKGROUND AND HISTORY	A-1
Overview	A-1
History	A-1
CONCEPT AND MISSION	A-2
The Concept and Mission	A-2
CORPORATE GOVERNANCE, MANAGEMENT AND STAFF	A-3
Board of Directors of the Borrower	A-3
Board of Directors of the Corporation	A-8
Finance Committee	A-9
The Obligated Group	A-9
Resident Council	A-9
Management of the Borrower and the Corporation	A-9
Conflict of Interest Policy	A-11
Employees and Employee Relations	A-11
Retirement Plan	A-11
FACILITIES AND SERVICES	A-12
Description of the Facility	A-12
Mortgaged Property	A-16
Resident Benefits	A-16
ADMISSIONS POLICY AND RESIDENT CONTRACTS	A-17
Eligibility and Resident Contracts	A-17
Application for Priority - The Priority List	A-18
Application for Residency - The Waiting List	A-19
FEES AND MONTHLY CHARGES	A-19
Deposit and Down Payment	A-19
Entrance Fee	A-19
Entrance Fee Refund Programs	A-21
Monthly and Daily Maintenance Fees	A-23
Skilled Nursing	A-25
Profile of Residents	A-25
Cancellation Rights	A-26
SELECTED MARKET INFORMATION	A-26
Market Area	A-26
Competitors and Other Senior Living Options	A-27
GENERAL INFORMATION	A-29
Insurance	A-29
Accreditation	A-29
Licenses and Certifications	A-29
Risk Management	A-30
Litigation	A-30
Environmental Surveys	A-30
SELECTED OPERATING RESULTS	A-30
Occupancy	A-30
Selected Financial Information	A-31
Sources of Revenue	A-34
MANAGEMENT’S DISCUSSION AND ANALYSIS	A-34
General	A-34

Results from Operations – Fiscal Years Ended 2017 and 2016	A-34
Results from Operations – Six-Month Period Ended December 31, 2017	A-35
Investment Policy and Procedure	A-35
Cash and Investments	A-36
Historical and Pro Forma Debt Service Coverage Ratios.....	A-36
Swap Policy	A-37
Other Indebtedness	A-37
FUTURE PLANS	A-37

BACKGROUND AND HISTORY

Overview

Army Retirement Residence Supporting Foundation, a non-profit, non-stock membership corporation organized and existing under the laws of the State of Texas (the “Borrower”) is a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Borrower owns The Army Residence Community (the “Community”), which is a “Type A,” all-inclusive, continuing care retirement community located in San Antonio, Texas. The Army Retirement Residence Foundation – San Antonio, a non-profit, non-stock membership corporation organized and existing under the laws of the District of Columbia and doing business as The Army Residence Community (the “Corporation”), has operated the Community for over 30 years. The Corporation is a tax-exempt organization described in Section 501(c)(3) of the Code that was formed by a group of volunteers in 1982 to meet the needs of retired career military officers and their spouses, widows and widowers.

The Community provides services through a combination of independent living units (both apartments and cottages), assisted living and skilled nursing care accommodations to approximately 750 residents on its approximately 150-acre campus located in northeastern San Antonio, Texas. The Community is accredited by the Continuing Care Accreditation Commission of the American Association of Homes and Services for the Aging.

Eligibility for entrance into the Community is open to retired career military officers of any of the four uniformed military services plus the United States Coast Guard having a minimum of 20 years’ military service, active or reserve, at least 10 years of which must have been as a commissioned or warrant officer, and their spouses, widows or widowers. See “Admissions Policy and Resident Contracts – Eligibility and Resident Contracts” below.

The Community’s management and staff strive to create a sense of “home” for its residents and bring to life daily its motto: “Live Longer, Live Healthier, Live Younger.”

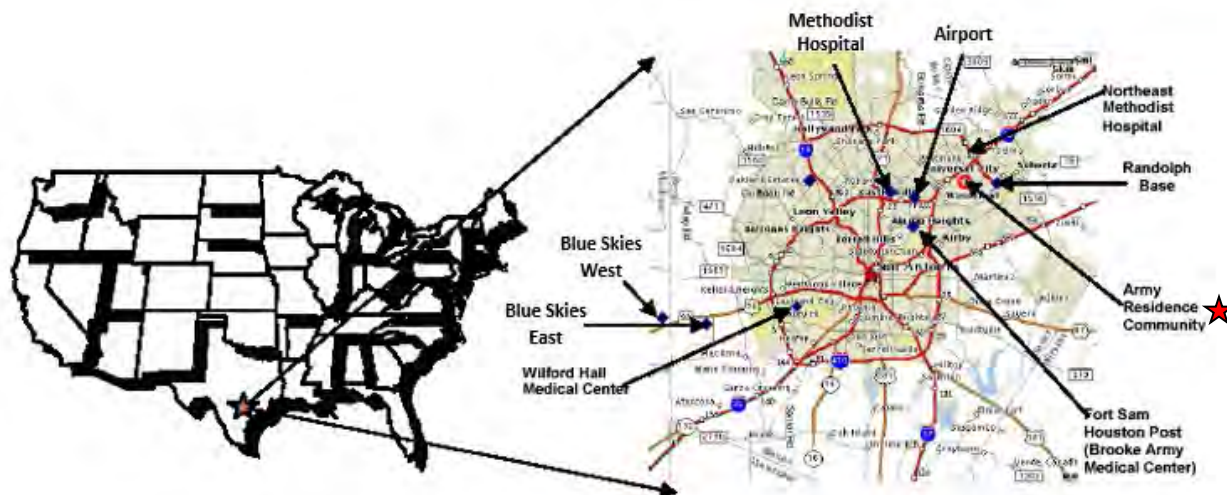
History

The Corporation began development of the Community in 1982 after a survey determined a demand for such a facility. Construction on the Community began in August 1985, and the Community began servicing eligible retirees in January 1987, originally offering 383 independent living cottages and apartments in a 13-story high rise building which also includes 91 skilled nursing beds and 30 assisted living units located on an approximately 50-acre campus (the “Legacy Campus”). Over the ensuing years, the Community has continued to grow and adapt to meet the needs of its current and future residents.

In 2003, the Board of Directors of the Corporation organized the Borrower as an affiliate of the Corporation and transferred the assets and liabilities of the Community to the Borrower in order to enhance the focus of the Corporation’s Board of Directors on operational issues while allowing the Borrower to focus on capital asset preservation and growth. Between 2006 and 2015, the

Borrower, through a series of different land purchases, acquired approximately 95 additional acres of undeveloped land adjacent to the Legacy Campus, which is referred to as the “Lakeside Campus.”

With the acquisition of the Lakeside Campus, the Community embarked on a major expansion project on approximately 55 acres of the campus to grow the capacity of independent and assisted living and to add additional common areas, services, and administrative space. This expansion positioned the Community to meet the changing expectations for retirement of the next generation of military retirees. Phase one of this expansion, which was completed in November 2011, included the construction of 32 large cottages ranging from 1,674 to 2,018 square feet (all of which were occupied as of December 31, 2017), a 48-apartment style assisted living facility (which was 97% occupied as of December 31, 2017), and a large commons area housing a second dining facility, a suite of medical and dental offices, a bank, a convenience store, a movie theater and additional staff office space. The expansion concluded with the addition of 52 more cottages in the final phase, bringing the aggregate number of Lakeside Campus cottages to 84 (all of which were occupied as of December 31, 2017).



CONCEPT AND MISSION

The Concept and Mission

The Community is a continuing care retirement community designed to provide the services and amenities necessary to meet the needs of retired career military officers of all branches of military services, their spouses, widows and widowers, so that residents might achieve the Community Motto “Live Longer, Live Healthier, Live Younger”. Special emphasis is placed on wellness, a values based culture, a sense of home and companionship. Residents live in their own apartments or cottages and have access to the public spaces and health care facilities of the Community. The mission of the Community is to provide the finest atmosphere for retirement living and to allow residents to live as independently as possible in superior surroundings, while being able

to use the Community's services and amenities as they wish, all at a reasonable cost commensurate with the high quality services offered.

CORPORATE GOVERNANCE, MANAGEMENT AND STAFF

Board of Directors of the Borrower

The voting power and authority of the Borrower is vested in its Board of Directors, which is composed of 12 members who serve without compensation. Members of the Board of Directors of the Borrower all have long relationships with the United States Armed Forces either through service in the Armed Forces or as the spouse of a service member, giving each member of the Board of Directors of the Borrower unique insight as to the needs of the residents of the Community. No director may be employed by, or be under contract with, the Corporation or the Borrower. Members of the Board of Directors of the Borrower serve three year terms that are staggered to allow approximately one-third of the terms to expire in any one year. Members of the Board of Directors of the Borrower may serve multiple terms. The Board of Directors of the Borrower is primarily responsible for capital growth and the investment policy of the Corporation, in addition to protecting the financial well-being and the physical integrity of the Community. The Board of Directors of the Borrower holds quarterly meetings.

[Remainder of Page Left Intentionally Blank]

The Board of Directors of the Borrower is comprised of the following members, whose collective and specialized experience contributes to the success of the Community:

<u>Member</u>	<u>Occupation</u>	<u>Years of Service on the Board</u>
COL Herb Coley, U.S. Army (Ret.) President	Senior Healthcare Executive	4
COL Clarence Maxwell, U.S. Army (Ret.) Treasurer	Architect and Facility Planner	4
COL Donna Wright, U.S. Army (Ret.) Secretary	Nursing Administration	4
COL David Hayes, U.S. Army (Ret.)	Physician, ENT – Otolaryngologist	3
COL Jesse Brewer, U.S. Army (Ret.)	Healthcare Executive, Dietician	19
COL Don Mills, U.S. Army (Ret.)	Dental Surgeon	3
Mrs. Barbara Schneider Rattan	Non-profit &Charitable Foundation Leadership	1
Mrs. Barbara Gentry	Non-profit &Charitable Foundation Leadership	1
COL Tom McGuire, U.S. Army (Ret.)	Non-profit &Charitable Foundation Leadership	1
MAJ Joseph Bar Topinka, U.S. Army (Ret)	Healthcare Attorney	1
LTC Larry Luken, U.S. Air Force (Ret.)	Nursing Home Administration	1
Mr. David Dentino	Civil Engineer	1

Selected biographical information regarding the members of the Board of Directors of the Borrower follows:

COL (Ret) Herb Coley (4 years of service on the Board of Directors of the Borrower)

COL Herb Coley, US Army, Retired, served 28 years in command and staff positions with assignments to include the 1st Medical Group, 25th Infantry Division; the Office of The Surgeon General, US Army; and Headquarters, US Army Medical Command (MEDCOM). After leaving active duty, he spent over 3 years as a senior manager for Troy Systems, an information technology company serving the federal government. COL Coley returned to federal service at HQ, MEDCOM as a government civilian in 2001. In January 2009, he was selected to be the Chief of Staff and Deputy to the Commanding General, MEDCOM. Promoted to the Senior Executive Service in October 2009, he retired in December 2012 with nearly 40 years of combined military and civilian service. Herb is a graduate of Trinity University and the US Army-Baylor University Master's Program in Health Administration. He has been on the Board of Directors of the Borrower since 2013.

COL (Ret) Clarence "CEM" Maxwell (4 years of service on the Board of Directors of the Borrower)

Clarence E. "CEM" Maxwell Ph.D, US Air Force, Senior Executive Service: Retired; US Army Colonel, Retired: Licensed Architect, Texas. He served 28 years in the Army in numerous locations – Europe, Korea, Washington D.C. and others. He commanded the US Army Health Facility Planning Agency and was the Commandant and Dean, Army Academy of Health Sciences. He has successfully consulted on health and bio-research facilities. As an Air Force SES, located at Randolph AFB, he was responsible for the execution of Base Realignment and Closure 2005 at the four San Antonio bases, to include the establishment of Joint Base San Antonio and oversight of military construction. COL Maxwell, and his wife, Kathy, have been recognized for their volunteer work in the San Antonio military community. COL Maxwell holds bachelor and doctorate degrees from Texas A&M and a master's degree from Baylor. He has served as a member of the Board of Directors of the Borrower since 2015.

COL (Ret) Donna Wright (4 years of service on the Board of Directors for the Borrower)

COL Donna M. Wright, US Army, Retired, served as an Army Nurse for 27 years in the Active Army and 3 years in the Army Reserve. Her military career included care delivery in acute and ambulatory care settings, postgraduate education (Critical Care Program Director), nursing administration and Consultant to the Surgeon General for Ambulatory Nursing. Her final assignment to the USA Medical Command (MEDCOM) continued for 15 years as a MEDCOM health systems analyst, initially with a national corporation that provided health systems support to Federal Government agencies, and then as a DOD civilian. COL Wright devised strategies and supporting policy that improved health care delivery to DOD beneficiaries across the continuum of care. She retired from Federal Service in 2015. COL Wright has a graduate degree in nursing from the University of Colorado. She is Region IV Director for the Army Nurse Corps Association and joined the Board of Directors of the Corporation in 2014.

COL (Ret) David K. Hayes (3 years of service on the Board of Directors for the Borrower)

COL Hayes received his medical degree from the Medical University of South Carolina in 1983 and completed residency in Otolaryngology-Head & Neck Surgery at Brooke Army Medical Center 1990. During 30 years on active duty, his assignments included staff surgeon at Walter Reed and Brooke Army Medical Centers; Chief of Surgery, and later Chief of Anesthesia and Operative Services at BAMC; Assistant Chief of Staff for Clinical Operations at the Southern Region Medical Command, and Consultant to the Surgeon General for Otolaryngology-Head & Neck Surgery. His operational assignments included Surgeon, 194th Ar Bde (sep); Commander, 53rd Head & Neck Det (deployed - Iraq); Senior Medical Officer, 402nd Civil Affairs BN (deployed - Djibouti); and US Forces Korea Surgeon. He remains active in the care of soldiers and their families at BAMC where he is a staff surgeon. He has served on the Board of Directors of the Corporation since 2014.

COL (Ret) Jessie S. Brewer (19 years of service on the Board of Directors for the Borrower)

COL Brewer, US Army, Retired, served 26 years in hospitals, medical centers, and staff positions directing medical nutrition and food services with assignments to include Brooke Army Medical Center; Walter Reed AMC; Tripler AMC; 249th General Hospital, Japan; 67th Medical Group, Vietnam; Fitzsimmons AMC; Belvoir Army Community Hospital; Madigan AMC; Office of the Army Surgeon General as Career Activities Officer; Chief Dietitian Section and Asst. Chief; then Chief, Army Medical Specialist Corps. After retirement, COL Brewer volunteered with Habitat for Humanity building Women's houses; charter member and past president of Women Working Wonders, a 501 (3) organization teaching women to repair houses for the sick and elderly; church representative for Randolph Area Christian Association Program; past president of AMEDD Museum Foundation; past Commander of Post 612 - Windcrest American Legion.

COL (Ret) Don Mills (3 years of service on the Board of Directors for the Borrower)

COL Mills, served in the US Army for 22 years in clinical, command, and staff positions with assignments as 7th Special Forces Group (Airborne) Dental Surgeon, Chief, Orthodontics at Ft. Benning, Ft. Sill, Wurzburg Germany and Ft. Sam Houston. He also served as Chief of Staff, US Army Dental Command and as Consultant to the Army Surgeon General. COL Mills commanded the US Army Dental Activity at Ft. Riley and Ft. Bliss. After retirement he continued practicing dentistry in his specialty of orthodontics. With 40 years' experience, he continues his practice in a highly successful San Antonio dental group. After graduating from the University of Houston, he earned his Doctorate of Dental Surgery from the University of Texas Dental Branch after which he completed a three-year orthodontic residency.

Mrs. Barbara Schneider Rattan (1 year of service on the Board of Directors for the Borrower)

Mrs. Schneider Rattan has been a resident of the Community since 2011. She is the widow of Lt. General (Ret) William H. Schneider, former commander of the Fifth Army at Ft. Sam Houston, and MG (Ret) Donald "Snapper" Rattan. She holds a Bachelor's Degree in Business Administration from George Mason University and has served in many leadership positions for a

variety of nonprofit organizations throughout her career. She was the former Director of Administration for the National Republican Senatorial Committee in Washington, D.C. Her nonprofit service includes serving as President of the World Affairs Council of San Antonio, a Board member of the Cancer Center Council, Chairman of the Board of the American Red Cross – San Antonio Chapter, a Board Member of the Southwest Foundation Forum, Board Member of the Any Baby Can Alliance, President of the Board of Directors of the Bexar County Women’s Center, Board member of the San Antonio Sports Foundation, Trustee of Texas Military Institute, member of the Rotary Club, past president of the Alamo City Republican Women’s Club, and she is active in the Battle of Flowers Association.

Barbara B. Gentry (1 year of service on the Board of Directors for the Borrower)

Barbara Gentry retired from USAA in September 2012 after nineteen years of service. She retired as Senior Vice President of Community Affairs, President of The USAA Foundation and President of The USAA Educational Foundation. In this role, she was responsible for the USAA philanthropic program, community outreach and volunteer programs for employees, retirees and family members. Prior to joining USAA, she held various positions in the local business community. Mrs. Gentry currently serves on the Boards of Directors of Fisher House Foundation, Goodwill Industries of San Antonio, Haven for Hope, Respite Care San Antonio, San Antonio Museum of Art and San Antonio Women’s Hall of Fame. Additionally, she is a member of the Advisory Council of the San Antonio Food Bank and serves on a number of committees within the local nonprofit community. She earned a BA Degree from St. Mary’s University majoring in Sociology. Mrs. Gentry is married to C. Michael Gentry, a retired attorney and CPA.

COL (Ret) Thomas McGuire (1 year of service on the Board of Directors for the Borrower)

COL McGuire is a retired COL who served in the US Army for 27 years. He currently serves as the Grants Manager for Kronkosky Charitable Foundation in San Antonio, managing over 150 grants awarded to local area non-profit organizations. He previously served as Executive Director, USAA, where he managed a unit responsible for coordinating and integrating the Chief Financial Officer’s (Corporate Finance, Financial Service Center and Internal Audit) Strategic and Operational Plans, Budget and Forecast. He earned a Bachelor of Arts in History from Cameron University, a Master of Education in Human Services from Boston University, and a Master of Arts, National Security and Strategy, Naval War College.

MAJ (Ret) Joseph B. Topinka (1 year of service on the Board of Directors for the Borrower)

MAJ Topinka is a retired military attorney and now an Assistant Professor at Texas State University where he teaches a healthcare administration seminar, employment law for healthcare administrators, and public health for healthcare administrators. He is also an adjunct professor at the University of Incarnate Word’s School of Healthcare Administration where he teaches health law for healthcare administrators and a doctoral student at the University of Texas School of Public Health (San Antonio Campus). Previously, he was an Assistant Professor in the Army-Baylor University Graduate Program in Health and Business Administration and was also a legal instructor for the Army Medical Department Center and School’s Leader Training Center. He is the former Deputy Staff Judge Advocate for the U.S Army Medical Command and the former Command Judge

Advocate and Center Judge Advocate for the Army's Western Regional Medical Command and Madigan Army Medical Center respectively. He holds a Bachelor of Arts from the University of Illinois at Champaign-Urbana; a Juris Doctor from Northern Illinois University; a Master of Business Administration from Saint Martin's University in Lacey, Washington; a Master of Laws, Military Law, United States Army Judge Advocate General's School, Charlottesville, Virginia; a Master of Health Administration from Chapman University in Orange, California; and a Master of Laws, Health Law, Loyola University Chicago. He has published or co-published many works over the last ten years. He is a member of the Illinois, Washington, and Texas bars. He is a Fellow in the American College of Healthcare Executives, a Fellow in the Healthcare Management Association, a Fellow of the American Bar Association Foundation, the certification chair for the South Texas Chapter of the Healthcare Financial Management Association; and is very involved in the San Antonio Bar Association's Health Law Section.

LTC (Ret) Larry Luken (1 year of service on the Board of Directors for the Borrower)

LTC Luken has been a resident of the Community since 2011. He served in the USAF for 22 years and retired from INTEL in 1982. He holds a B.A. in International Relations from San Francisco State College, an M.A. in East Asian Studies from Florida State University, and a Certificate in Long-Term Care Administration from George Washington University. Following his military career, he served as Development Director for the National Lutheran Home for the Aged CCRC, and was Nursing Home Administrator for Manor Care Nursing Homes in San Antonio. He also served as Administrator for Four Seasons Nursing Home Northwest and Assistant Administrator for Four Seasons Nursing Home Pecan Valley and Windcrest. His volunteer work includes Friendly Visitor in Fairfax County, Hospice of N. Virginia as a Bereavement Counselor, Bexar County AACOG Nursing Home Ombudsman, Universal City Zoning and Planning Commission, and the Universal City Animal Shelter Committee. His volunteer service at the Community includes the ARC Angels, the Special Activities Committee, the Movie Committee, and the Philanthropy Advisory Assistance Team.

David Dentino (1 year of service on the Board of Directors for the Borrower)

David Dentino is a licensed civil engineer. As a member of the Air Force Senior Executive Service (government civilian equivalent to flag officer rank), he currently serves as the Director of Installation Support, Air Force Installation & Mission Support Center, Joint Base San Antonio. He previously served as Deputy Director, Installations Directorate, Air Force Civil Engineer Center, Joint Base San Antonio. He earned a Bachelor of Science in Civil Engineering from the University of Texas, a Master's of Engineering Management from George Washington University and in 2007 graduated from Air War College, USAF, Air University, Maxwell AFB, AL. His parents, LTC Robert and Patricia Dentino live at the Community.

Board of Directors of the Corporation

The voting power and authority of the Corporation is vested in its Board of Directors, which is composed of 12 members who serve without compensation. The members of the Board of Directors of the Corporation are selected for their subject matter expertise and experience, coupled with their willingness to serve the unique military officer resident population of the Community.

The President of the Resident Council (described below) serves *ex officio* as a non-voting member of the Board of Directors of the Corporation. No director may be employed by, or be under contract with, the Corporation or the Borrower. Members of the Board of Directors of the Corporation serve three year terms that are staggered to allow approximately one-third of the terms to expire in any one year. The primary responsibilities of the Board of Directors of the Corporation include governance and policy development and oversight, strategic planning, oversight of management performance, quality monitoring, and insuring the financial stability of the Community. The Board of Directors of the Corporation holds regular quarterly meetings.

The Board of Directors of the Corporation is comprised of the same individuals who make up the Board of Directors of the Borrower.

Finance Committee

A Finance Committee serves as an advisory committee to the Board of Directors of the Borrower and the Board of Directors of the Corporation and is comprised of members appointed by the President of the Board of Directors of the Borrower. The Finance Committee makes recommendations on matters pertaining to capital growth, investment policies, and other financial matters affecting the Borrower and the Corporation.

The Obligated Group

Under the Master Indenture between the Borrower, the Corporation and The Bank of New York Mellon Trust Company, N.A. (the “Master Trustee”) dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 1 dated as of February 1, 2010, Master Indenture Supplement No. 2 dated as of October 1, 2012, Master Trust Indenture Supplement No. 3 dated as of October 1, 2016 and the Master Trust Indenture Supplement No. 4 dated as of February 1, 2018 (collectively, the “Master Indenture”), the Borrower and the Corporation are currently the only members of the Obligated Group. South Texas Army Residence Beverages, Inc., a subsidiary of the Corporation, is *not* a member of the Obligated Group and has no liability with respect to the Series 2018 Bonds. Each of the members of the Obligated Group has received from the Internal Revenue Service a determination of its status as an organization exempt from federal income taxation under the Code.

Resident Council

A resident council comprised of residents who are elected to represent their respective residential areas provides a link between the residents and the staff of the Community. Through the Resident Council, residents share ideas, concerns, problems, suggestions and opinions with those responsible for operating the Community. The President of the Resident Council is a non-voting member of the Board of Directors of the Corporation.

Management of the Borrower and the Corporation

The Community is managed by a Chief Executive Officer (“CEO”), who is hired by and reports to the Board of Directors of the Corporation. The CEO position is currently open and the

Board of Directors of the Corporation is conducting a national search for a new CEO. The former CEO departed in September 2017. The search is entering the final stages and a new CEO is expected to be selected in early March 2018. The current Chief Operating Officer, Colonel David Fulbright, was selected to be the acting CEO in September 2017 upon the departure of the former CEO. The Corporation employed Colonel David Fulbright as its COO in September 2011.

The CEO oversees two corporate officers, a Chief Operating Officer (“COO”) and a Chief Financial Officer (“CFO”), and nine subordinate directors (each, a “Director”) who support the CEO in the operation of the Community, including: (i) a Director of Corporate Communication; (ii) a Director of Dining Services; (iii) a Director of Environmental Services; (iv) a Director of Housekeeping; (v) a Director of Marketing; (vi) a Director of Resident Services; (vii) a Health Care Center Administrator; (viii) a Director of Information Systems; and (ix) a Director of Development. Brief descriptions of the positions and biographies of the individuals serving as officers of the Corporation are provided below.

David Fulbright, Chief Operating Officer and acting CEO (7 years of service as COO, 6 months of service as acting CEO)

The CEO is responsible for the overall management and supervision of the Community and serves at the direction of the Board of Directors of the Corporation. The CEO attends all meetings of the Board of Directors of the Corporation and most Board-appointed committee meetings. The COO is responsible for the day-to-day operations of the Community. The COO works closely with each Director to ensure all the needs of the Community are met. Colonel (Ret.) Fulbright assumed his role as the COO in September 2011 and assumed the role of acting CEO in September 2017.

Before joining the staff of the Community, Colonel Fulbright served as an officer in the Medical Service Corps of the United States Army for 29 years. In his last military assignment, he served as the Command Surgeon for the United States Army North, an organization created by the Department of Defense after Hurricane Katrina to support the continental United States in any man-made or natural disaster. Colonel (Ret.) Fulbright is certified by the American Association of Homes and Services for the Aging as a Certified Aging Services Professional. He received his B.S. in Business Administration from Oklahoma Christian University and his Masters in Clinical Psychology from the University of Central Oklahoma.

Gordon Shoger (CPA), Chief Financial Officer (9 months of service)

The CFO is responsible for the maintenance of the financial records of the Community in accordance with U.S. generally accepted accounting principles and procedures. The CFO reports to the CEO regarding the historical, current and projected financial condition of the Community and is responsible for managing the activities associated with forecasting, budgeting and accounting practices. Mr. Shoger assumed these responsibilities in May 2017. His background includes positions both as auditor and later as senior auditor with the firm of Ernst & Young, where he was responsible for planning and conducting annual audits for financial, real estate, and asset management organizations. Mr. Shoger has worked in the senior living industry since 1996, filling a broad spectrum of roles at both the corporate and community level. He has significant operational experience serving as Executive Director of continuing care retirement communities for Texas and

national companies. He has also served in various financial executive roles within the senior living industry over the course of the past 22 years. Mr. Shoger received a B.S. in Accounting from Texas State University and is a Licensed Certified Public Accountant in the State of Texas.

Conflict of Interest Policy

The Board of Directors of the Borrower and the Board of Directors of the Corporation have each adopted a conflict of interest policy for its members. The policy requires periodic reporting of potential conflicts of interest and all material facts relating thereto. Directors are annually given a copy of the policy and the opportunity to disclose actual or potential conflicts of interest. Such disclosures are reviewed by the Executive Committee of the Board. Upon receiving disclosure of a potential conflict of interest of a director, the disinterested directors may approve or ratify the transaction. Interested directors are not counted in determining the presence of a quorum at a meeting of the applicable Board of Directors, which authorizes, approves or ratifies such transaction.

In addition, the Board of Directors of the Borrower and the Board of Directors of the Corporation have each adopted a Corporate Ethics Plan (the “Ethics Plan”), which applies to all employees, board members and independent contractors who provide services to the Community. The Ethics Plan prohibits employees and directors from engaging in any activity that conflicts with the interest of the Corporation or the residents of the Community. All managers and directors are required to annually execute a statement stating that they are in compliance with the Ethics Plan.

Employees and Employee Relations

As of January 1, 2018, the Corporation has 376 employees (full-time and part-time) who work in the following areas: health care (110); dining service (105); environmental service (48); information technology (2); housekeeping (64); resident services (36); and administration, sales and communications (11). The Corporation has no contracts with labor unions and is not aware of any organizing activity involving any group of Community employees. The Corporation has many long-term employees who provide resident services at the Community. Management believes that this stable core of employees allows the Corporation to provide more consistent care to the residents of the Community. Management also views the employees as a key part of the Community due to its role in maintaining good relationships among the Community’s residents and employees.

The Corporation has contracted with individuals and firms who serve as consultants or perform other professional services on a regular basis for the Community, including: a dining services contract with Morrison Senior Living; a medical director; a Health Care Center social worker; and physical, occupational and speech therapists.

Retirement Plan

The Corporation has a 403(b) Tax Sheltered Annuity Plan (the “Plan”). Employees are positively enrolled unless electing in writing not to participate. The Corporation makes a dollar for dollar matching contribution, up to 2% of gross pay. These matching contributions vest over a five-year period. The Corporation’s matching contribution is discretionary and has been approved for the

2% matching contribution until otherwise changed. The Corporation's contributions charged to operations totaled approximately \$146,000 for the fiscal year ended June 30, 2017.

FACILITIES AND SERVICES

Description of the Facility

Location in San Antonio, Texas

The Community is located on Crestway Drive in northeast San Antonio, Texas and is approximately 12 miles from the Alamo and the famous Riverwalk areas of downtown San Antonio.

A dynamic city with a wide range of cultural opportunities from the arts, to music, to the historic missions, to the national basketball team, the San Antonio Spurs, San Antonio is the seventh most populated city in the United States and rated as one of the fastest growing populations. San Antonio is known as a leader in health and bioscience industries.

San Antonio offers a full range of modern shopping facilities, world-class healthcare and research facilities, recreational areas and golf courses. Located near the Community are several shopping malls as well as several smaller shopping areas with grocery, drug and convenience stores, restaurants and movie theaters. The metropolitan area-wide transportation system has a bus stop within a few blocks of the Community's entrance. In addition to the public transportation system, the Community provides daily bus service to area hospitals, shopping malls and other business and recreational establishments for its residents, including special transportation arrangements to cultural events and social activities.

Proximity to Military Facilities

Joint Base San Antonio is the largest military installation in the U.S. Department of Defense with over 80,000 employees supporting over 250,000 beneficiaries. Joint Base San Antonio is comprised of Fort Sam Houston, Randolph Air Force Base and Lackland Air Force Base and supports over 200 military organizations. San Antonio has one of the largest retired military populations in the country.

Fort Sam Houston, a United States Army post, is located approximately eight miles from the Community. Fort Sam Houston is widely-recognized as the premier medical training installation within the Department of Defense and is home to the San Antonio Military Medical Center ("SAMMC"). SAMMC is a full-service tertiary care hospital offering inpatient and outpatient services, an emergency department, graduate level medical education, a world renowned burn center and a Level I trauma center. Along with the medical missions, Fort Sam Houston is home to two Army service component commands (US Army North and US Army South), the Army Installation Management Command and Army contracting Command among others.

Randolph Air Force Base is located approximately five miles from the Community. A flying training base, Randolph Air Force Base is the headquarters of the Air Education and Training Command of the United States Air Force. The base provides instructor pilot training for both

manned flights and unmanned flights. The base also conducts advanced electronic warfare officer training, as well as operating aircraft for advanced pilot training in support of Specialized Undergraduate Navigator Training. Randolph Air Force Base also provides primary care medical services.

Both Fort Sam Houston and Randolph Air Force Base provide shopping, dining, recreation and healthcare services available exclusively to military personnel.

Lackland Air Force Base is located approximately 15 miles from the Community. The base is the center for basic airman training, as well as training of enlisted airmen in different technical specialties. Lackland Air Force Base is the site of the Air Force Services Component Command for Cyber Services as well as the Department of Defense linguistic training. Lackland Air Force Base is home to the Air Force's largest specialty and ambulatory care clinic.

Fort Hood is located approximately 150 miles from the Community to the north in Killeen, Texas. Fort Hood is a United States Army post and is the largest military installation in the world, encompassing a 340 square mile area with over 140,000 soldiers, military retirees and family members.

Given its geographic proximity to these military facilities, San Antonio has a long-standing and positive relationship with military personnel and their families. Many retirees from military service choose San Antonio as their place of residence upon retirement. The caliber of military personnel that these facilities attract, coupled with the reputation of San Antonio as a "military town" with a low cost of living, make the Community an attractive option for career military officers to consider for retirement.

The Community - General

The Community consists of the original campus, known as the "Legacy Campus," and the expansion, known as the "Lakeside Campus." See "Background and History – History" above. Both the Legacy Campus and the Lakeside Campus include independent living units, skilled nursing and assisted living units, and amenities such as dining, fitness centers, and recreational facilities. The Legacy Campus and the Lakeside Campus constitute one single campus with amenities for the benefit of all residents. Sidewalks for walking, bicycle paths, internal Community transportation service, and personal transportation makes everything within easy access to the Community's residents.



Independent Living

The Community offers 465 residential independent living units consisting of 271 cottages (consisting of 187 Legacy Campus cottages and 84 Lakeside Campus Cottages), and a 13-story high rise apartment building containing 194 units. The Legacy Campus cottages (187) are garden-type units in a landscaped, suburban setting surrounding the apartment building and vary in size from one bedroom/one bath living units measuring approximately 928 square feet to two bedroom/two bath plus den living units measuring approximately 1,400 square feet. Each cottage has an attached garage. The Lakeside Campus cottages (84) feature hill country architecture and custom design, elegant cabinetry, ambient lighting and modern appliances. These cottages vary in size from two-bedroom/two bath living units with approximately 1,670 square feet to two-bedroom/two bath units that include a den and contain approximately 2,264 square feet. Each has a two car attached garage and abundant storage. The apartments in the high-rise building vary in size from studio living units with approximately 670 square feet, to two bedroom/two bath living units with approximately 1,165 square feet, to the largest apartments measuring up to 1,835 square feet. Each apartment enjoys a private balcony with views of the Community's water features to the downtown area of San Antonio. The residents of the apartments have access to covered parking. All independent living units are equipped with a complete kitchen, wall-to-wall carpeting, individually controlled heating and air conditioning, 24-hour emergency call system, smoke detectors, ceiling fans, mini-blinds, and bathroom tub and shower facilities with grab bars. A separate laundry room is located near the lounge on each floor of the apartment building. Community assigned storage rooms are provided to apartment residents.

In addition to independent living units, the Community buildings contain administrative offices, activity areas, large craft rooms, a main dining and separate fine dining restaurant, bistro style dining, a fully equipped fitness center, a library, two auditoriums, a computer facility, a non-

denominational chapel, three beauty salons, an in-patient rehab center, two sports lounges, many multipurpose relaxation rooms, hotel style guest rooms available for resident use, and an enclosed swimming pool with spa. Located on the Community's landscaped grounds are walking and bicycle paths, garden plots, a tennis/pickle ball court, a putting green and chipping green, picnic areas, pet parks, and ponds.

Assisted Living and Health Care

The Community recognizes that some of its residents will require assisted living services. The Community offers its residents the full complement of assisted living services while at the same time encourages them to live more meaningful and independent lives in a residential environment. This illustrates the emphasis of the Community's focus on the "residential model," as opposed to the common "medical model," with respect to its assisted living services, setting it apart from many retirement communities.

The skilled nursing and assisted living wings are located on both sides of the Community's campus (collectively, the "Health Care Center"). The largest facility is attached to the high rise apartment building and consists of 91 licensed skilled nursing care beds in three wings (one of which is a dedicated memory care wing) and a separate wing with 30 licensed assisted living apartments with 462 square feet each. The Villas at Lakeside Landing, another assisted living facility, features 48 assisted living apartments ranging in size from 476 square feet to 702 square feet. Both Health Care Center facilities house a full service dental clinic and a beauty salon and barber shop, in addition to offering extensive physical, occupational and speech therapy services. The Villas at Lakeside Landing facility also houses a primary care medical clinic available on an appointment basis for use by all residents of the Community.

Wellness Center

Residents of the Community enjoy access to a modern wellness center built between 2007 and 2009 (the "Wellness Center"). The Wellness Center is led by a fitness coordinator charged with helping residents to achieve longer, healthier and younger lives. Residents are offered holistic health evaluations and personal planning to enrich their lives. The Wellness Center includes a state-of-the-art fitness facility designed specifically for seniors, featuring both strength and cardiovascular equipment. Various group fitness classes are offered as well as one-on-one fitness services, including water aerobics and other classes offered at the indoor swimming facility. The pool offers open swim with lap swimming and features a lift making it accessible to all.

The Wellness Center also features an outpatient therapy clinic designed to provide an array of recuperative therapies in a private environment for the residents of the Community. The clinic provides residents with the ability to recuperate in a more homelike and less-stressful environment, which the Corporation believes allows its residents to heal more effectively.

Additionally, the Wellness Center contains a resident-centered gathering place that serves as a general purpose room. This room is capable of accommodating large or small gatherings for socializing, games, and sports. This room has a host of audio and visual equipment, allowing for groups to enjoy movies, sporting events and music.

Dining Facilities

The Community offers several dining venues, each with a unique style allowing residents choices in daily dining. Menus offer daily features along with a wide variety of selections. A “take-out” option is also available for pick-up by residents or delivery to their residence. The main dining room serves breakfast, lunch and dinner, with its highly acclaimed Sunday buffet. The Water’s Edge dining venue offers a high-end dinner option overlooking the Community lake. For a more casual dining experience, the “Bistro” offers residents an alternative for lunch and dinner. The Community also offers a convenience store featuring various sundries, snacks, and beverages.

Mortgaged Property

As described under “Security and Sources of Payment for the Series 2018 Bonds -- Loan Agreement and Deed of Trust,” the Borrower has granted to the Master Trustee a lien on certain property owned by the Borrower, consisting of approximately 150 acres in Bexar County, Texas including the site of the Community (the “Mortgaged Property”).

Resident Benefits

Since Community residents are retired military officers and their spouses, widows or widowers, in addition to Medicare, they have TRICARE for Life, a Medicare wraparound coverage for Medicare-eligible TRICARE beneficiaries. TRICARE for Life is a last payer for civilian health care after Medicare and any other health insurance used by the residents, and also gives them access to military health care facilities on a space available basis. TRICARE for Life covers gaps in coverage, for both inpatient and outpatient health care as well as prescription drugs. However, TRICARE for Life does not cover long-term custodial care, which is provided by the Community. The Community is a full service life care facility and the Community’s Type A contract contractually commits the Corporation to provide health care services to its residents, whether short-term or long-term, which do not require hospitalization and which are not beyond the scope of services offered by the Community. Minor emergency treatment, personal assistance and care for minor illnesses (as well as long-term nursing care) are available in the Health Care Center. Treatment for major emergencies and illnesses, including conditions requiring surgical treatment or intensive care, may be available at area military medical facilities or at any of the many civilian medical facilities in San Antonio. The Health Care Center staff assists residents in obtaining such care.

The Health Care Center rate for residents admitted to the Community’s skilled care facility covers a bed in a semi-private room, meals, linen and bedding, nursing care and limited laundry services. Extra charges may include, but are not limited to, guest meals, certain medical equipment and supplies, transportation charges, long distance telephone service, nutritional supplements, special nursing care and fees for beauty/barber shop services. Personal physician, pharmacy, podiatrist, dental, physical/occupational/speech therapy, laboratory, x-ray and other charges are not included in the monthly maintenance fee charged to residents of the Community (the “Monthly Maintenance Fee”), but are normally billed directly by the provider to the individual.

In addition, while in independent living and assisted living, all of the following non-medical services are included in the Monthly Maintenance Fee: a generous meal allowance; utilities, including electricity, air conditioning, heat, water, sewer fees and trash removal; insurance to protect the Community against unanticipated losses and liabilities, other than personal liability of residents and coverage of personal property owned by residents; all real estate and ad valorem taxes; Community security personnel; maintenance of living units and common Community spaces; lighted, off-street covered parking; basic package cable television; scheduled transportation; weekly residence house cleaning; planned events and activities; grounds and facilities maintenance; and use of Community public spaces and activity areas.

The following services are available to Community residents on a fee-for-service basis: dining fees beyond the current \$13/day included in the Resident Contract (as defined below); high-speed internet services; local and long distance telephone service; expanded cable television services; unscheduled transportation services; extra housekeeping or maintenance services; beauty/barber shop service; expendable supplies used in arts and crafts; copy service; catering service for private parties; group trips arranged for special occasions; guest meals; guest rooms for visitors; and personal laundry service, among others.

Neither the Corporation nor the Borrower assumes any responsibility for the following personal contracts or debts of the resident: telephone charges; personal property taxes on items owned by the resident; personal liability and personal property insurance; hospital or medical services administered outside the Community; or medical expenses incurred for items other than those included in the Health Care Center rate for residents.

ADMISSIONS POLICY AND RESIDENT CONTRACTS

Eligibility and Resident Contracts

Eligibility for entrance into the Community is open to retired career military officers having a minimum of 20 years' military service, active or reserve, of which at least 10 were served as a commissioned or warrant officer, and their spouses, widows or widowers. Should the Community not be fully occupied with individuals meeting this eligibility requirement, the Board of Directors of the Corporation reserves the right to open admission to other individuals. No individual otherwise qualified will be denied admission as a resident based on race, religion, sex, nationality or ethnic origin.

In addition to meeting the above eligibility criteria, the Community requires that a sponsoring applicant be 60 years of age, ambulatory and capable of independent living as certified by a physician. Each prospective resident must also be covered by Medicare Part A and Part B, to the extent that they satisfy the age requirements to be covered, and be enrolled in the Defense Enrollment Eligibility Reporting System, which establishes an individual's entitlement to health care and pharmacy benefits through the military health care system. Finally, the Community requires each prospective resident to establish, to the Community's satisfaction, his or her ability to meet the expected financial obligations of residency. An endowment fund exists from which the Board of

Directors of the Corporation can direct the movement of funds to assist applicants who are in financial need.

After a prospective resident has established medical and financial qualifications, he or she enters into a resident contract (the “Resident Contract”) pursuant to which, in consideration of the payment of an Entrance Fee (each, an “Entrance Fee”) and Monthly Maintenance Fees, the Community agrees to provide lifetime living accommodations in the living unit selected by the resident, use of the facilities, services and amenities of the Community, and a continuum of care for the life of the resident. The resident’s rights under the Resident Contract are not proprietary and do not include any right, title or interest in the real or personal property of the Community, nor will any resident have the right to transfer, convey, assign or devise his or her rights under such Resident Contract. The resident’s rights are primarily for services, with a contractual right to occupancy.

Application for Priority - The Priority List

The Community maintains a Priority List (the “Priority List”) to engage prospective residents and determine the order in which prospective residents are offered available living units. The Priority List places prospective residents in priority for move-in based on when a priority number was established through the submission of an Application for Priority and a required deposit consisting of \$1,500 for a couple or \$1,000 for an individual (each, a “Deposit”). Positions on the Priority List are assigned sequentially upon receipt by the Community of an Application for Priority and the required Deposit, together with the sponsor’s Report of Separation from the United States Armed Forces, DD214 (certification of military service).

Residence in the Community is not permitted until at least one of the prospective residents of the living unit attains the age of 60 years. The Priority List, however, includes individuals who have not yet attained the age of 60 years and others who have indicated their wish not to move to the Community until some future date. Therefore, it is possible for fully eligible prospective residents with a lower priority position on the Priority List to apply for residency and be offered a living unit ahead of individuals with a more favorable position who are not 60 years of age or are not ready to move.

As of January 1, 2018, there were 146 individuals on the Priority List.

With the hire of a new Sales Director and formation of a new Communications/Marketing Director, management is currently looking at better ways to shorten the time taken to fill vacant units and is evaluating the marketing and sales processes that have been employed over the past two decades and possible new initiatives.

Application for Residency - The Waiting List

The Community maintains a waiting list of those Applicants on the Priority List who are ready to move to the Community (the “Waiting List”). When an eligible individual is ready to move to the Community, he or she applies for residency by indicating the type and size of living unit preferred (*i.e.*, first choice) and whether any other living units (by type and size) might be acceptable, if offered (*i.e.*, second or third choices). The individual thereafter becomes an Applicant and is integrated in sequence onto the Waiting List. Only those individuals who have completed the criteria detailed in the Application for Priority submitted by an eligible individual considering the possibility of an eventual move to the Community, thereby receiving a Priority Number, will be eligible for the Waiting List.

The quality of the services and facilities offered at the Community is reflected by the number of Applicants on the Waiting List – 115 as of January 1, 2018. The Community has maintained a large number of individuals on the Waiting List for over a decade.

FEES AND MONTHLY CHARGES

Deposit and Down Payment

A Deposit is required to secure a place on the Priority List. A Deposit does not draw interest and is instead placed in escrow, becoming a part of the Down Payment required from an Applicant for residency. A Deposit is fully refundable when requested in writing. When a Deposit is refunded, the individual will lose his or her Priority Number. Should he or she later request to be placed back on the Priority List, an appropriate Deposit would be required and the Applicant would be assigned the next available Priority Number, rather than retaining his or her original Priority Number.

A down payment of 10% of the Entrance Fee for the type and size of the living unit selected (less the Deposit previously paid to establish a position on the Priority List) (the “Down Payment”) is required to be paid by an Applicant when a living unit acceptable to the Applicant is offered in order to reserve such living unit. The Down Payment is credited toward the Entrance Fee when the Entrance Fee is paid. The Down Payment is considered a commitment to move to the Community and the Applicant is expected to establish residency within 60 days after being advised that a living unit of the type and size for which the Down Payment was made is available for occupancy. In return for this commitment, the Applicant is guaranteed the Entrance Fee at the price then in existence and assured that he or she will be accepted for residency prior to any individual with a less favorable Priority Number and any resident whose request for an in-house move has not yet been approved.

Entrance Fee

Entrance Fees vary based on the type, size, amenities and location of the living unit selected. The Board of Directors of the Corporation may increase or adjust the Entrance Fees from time to time as economic circumstances require. At the time an Applicant makes a Down Payment,

however, he or she is guaranteed the Entrance Fee then in existence, provided the Applicant does not request, or otherwise receive, a refund of such Down Payment.

There is a second person fee added to the Entrance Fee for living units occupied by more than one individual, which is a one-time charge of \$15,000 for all types and sizes of units and is intended to help defray the cost of future healthcare benefits afforded by a Type A contract. In the event of joint occupancy, should one resident terminate residency for any reason and the remaining resident retain the living unit, all remaining interest in the Entrance Fee shall inure to the benefit of the remaining resident. Should the joint occupant desire a different arrangement, the Board of Directors of the Corporation must be notified in writing prior to occupancy.

A premium is placed on units in desirable locations or that have desirable features in addition to those of other units of the same size. This market-based strategy is increasing cash flows from the turn-over of units.

The Entrance Fee is payable as follows: (1) the Deposit must be paid to establish a position on the Priority List; (2) the Down Payment must be paid for the type and size living unit offered and accepted to reserve the living unit; and (3) the balance of the Entrance Fee must be paid 60 days after the living unit is ready for occupancy, or when the Resident Contract is signed, whichever is earlier.

[Remainder of Page Left Intentionally Blank]

The following table shows the Entrance Fees for the different size living units at the Community as of January 1, 2018.

	Plan 0	Plan 50	Plan 90
<u>Apartments</u>	<u>Entrance Fee</u>	<u>Entrance Fee</u>	<u>Entrance Fee</u>
2 BR/2BA, 1,165 sq. ft.	\$164,500	\$238,600	\$304,400
2BR/1BA, 990 sq. ft.	149,200	216,400	276,100
1BR/1BA, 850 sq. ft.	120,000	174,000	222,000
Studio, 670 sq. ft.	83,300	120,800	154,100
 <u>Combined Apartments</u>			
2BR/2BA Royale, 1,835 sq. ft.	\$248,100	\$359,800	\$459,100
2BR/2BA Deluxe, 1,700 sq. ft.	240,000	348,000	444,100
2BR/2BA Custom, 1,535 sq. ft.	207,600	301,000	384,000
 <u>Cottages</u>			
2BR/2BA w/Den, 1,400 sq. ft.	\$223,400	\$323,900	\$413,300
2BR/2BA, 1,224 sq. ft.	195,400	283,400	361,500
2BR/1BA, 1,154 sq. ft.	184,200	267,100	340,700
1BR/1BA, 928 sq. ft.	145,600	211,100	269,400
 <u>Duplex Cottages</u>			
2BR/2BA w/Study 2,264 sq. ft.	\$379,500	\$550,300	\$702,100
2BR/2BA w/Study, 2,143 sq. ft.	359,300	521,000	664,700
2BR/2BA w/ Study, 2,018 sq. ft.	338,300	490,600	625,900
2BR/2BA w/ Study, 1,910 sq. ft.	320,300	464,500	592,600
2BR/2BA, 1,892 sq. ft.	317,200	460,000	586,800
2BR/2BA, 1,670 sq. ft.	280,100	406,100	518,100

Source: The Corporation

Entrance Fee Refund Programs

To accommodate the diverse economic situations and desires of the prospective residents of the Community, the Community currently offers three different entrance fee refund programs (collectively, the “Entrance Fee Refund Programs”). These programs all offer the same benefits of residence, with the sole difference being the refund provisions applicable upon termination of residency in the Community. Common to all Entrance Fee Refund Programs is an introductory period of five months during which the resident becomes acclimated to the Community (the “Introductory Period”). Should a resident leave the Community for any reason during the Introductory Period, the resident will receive a refund of 90% of his or her Entrance Fee. Following the Introductory Period, the specific terms of the Entrance Fee Refund Program selected shall apply. A change from one program to another is acceptable prior to occupancy, but after the Resident Contract is signed, no change from one program to another may be made. Although the Corporation currently has no plans to offer different Entrance Fee Refund Programs than those described below, the Corporation could offer different or modified programs than those described below in the future.

The Plan 0 Refund Program (the “Plan 0 Refund Program”) is designed to accommodate those residents who are not concerned with estate preservation. The Plan 0 Refund Program provides for a reduced Entrance Fee amounting to 69% of the Plan 50 Entrance Fee. The resident, or his or her estate, may receive a refund of the reduced Entrance Fee less 10% during the Introductory Period. There is no refund in the event of death after the Introductory Period. Should the resident choose to leave the Community, however, the reduced Entrance Fee will be refunded less a forfeiture of 10% of the Entrance Fee if the resident leaves during the Introductory Period, plus 2.5% per month thereafter for 36 additional months. If a resident moves out after this time, there is no refund for any reason. This program is open to all Applicants. As of January 1, 2018, 95.6% of all Resident Contracts were entered under the Plan 0 Refund Program.

The Plan 50 Refund Program (the “Plan 50 Refund Program”) provides for a resident, or his or her estate, to receive a refund of the entire Entrance Fee less 10% during the Introductory Period, plus 1.5% per month thereafter for 27 additional months. After that time, the refund amount remains unchanged at 50% of the original Entrance Fee regardless of the length of time the resident resides in the living unit. This program is restricted to those Applicants who have not attained the age of 81 by the date of payment of the Entrance Fee. As of January 1, 2018, 4.3% of all Resident Contracts were entered under the Plan 50 Refund Program.

The Plan 90 Refund Program (the “Plan 90 Refund Program”) is designed to accommodate the needs of those who wish to provide larger returns to their estates. After the reduction of 10% for the Introductory Period, there is no further decrease in the amount to be refunded to the resident or the resident’s estate. This program is restricted to those Applicants who have not attained the age of 71 by the date of payment of the Entrance Fee. In the case of two Applicants for a single living unit, neither Applicant may have attained the age of 71. As of January 1, 2018, no residents were entered under the Plan 90 Refund Program.

The Plan 95 Refund Program (the “Plan 95 Refund Program”), which was previously offered to residents of the Community, is no longer offered. Two Community residents are currently entered under the Plan 95 Refund Program. The Plan 95 Refund Program was designed to accommodate the needs of those who wished to provide larger returns to their estates. After the reduction of 5% for the Introductory Period, there is no further decrease in the amount to be refunded to the resident or the resident’s estate. This program was restricted to those Applicants who had not attained the age of 71 by the date of payment of the Entrance Fee. In the case of two Applicants for a single living unit, neither Applicant may have attained the age of 71. The Plan 95 was replaced with by the Plan 90 for any new Applicants as of March 2016.

Any refund to which a resident or his or her estate is entitled is payable after all of the residents of a living unit have died or otherwise departed from the Community in accordance with the Resident Contract, regardless of whether the living unit has been re-occupied or reserved by other residents.

Monthly and Daily Maintenance Fees

The Monthly Maintenance Fee charged varies by the size of the living unit selected and the number of occupants of the living unit. The Board of Directors of the Corporation may adjust these fees with 60 days' prior notice to the residents in order to reflect the actual costs of providing services contractually guaranteed to the residents. The Corporation, as a non-profit organization, seeks to keep costs of operation as low as possible while maintaining the high quality of living the residents of the Community expect.

The Monthly Maintenance Fee for the first person in a living unit includes virtually all the costs associated with the per living unit operation of the Community. The Monthly Maintenance Fee for a second occupant in a living unit is based primarily on the expendables, anticipated health costs (allocated on a per-person basis) and meal plans. As discussed previously, the Monthly Maintenance Fee for the Community is inclusive of the costs of utilities and includes electricity, air conditioning, heat, water and sewer fees, marking a distinction between the Community and many of its competitors.

It is the policy of the Board of Directors of the Corporation to avoid asking any resident to leave because of an inability to pay, provided such inability is due to no fault of the resident and provided such action does not jeopardize the financial stability of the Community.

The Monthly Maintenance Fee becomes payable at the time the keys to the living unit are provided to the resident or 60 days after notice that the living unit is ready for occupancy, whichever is earlier, and is paid monthly in advance.

[Remainder of Page Intentionally Left Blank]

The following table shows the Monthly Maintenance Fee for different size living units at the Community as of January 1, 2018 (changes to fees traditionally occur on January 1).

	<u>Monthly Maintenance Fee</u>	
	<u>Single</u>	<u>Double</u>
<u>Apartments</u>		
2 BR/2BA, 1,165 sq. ft.	\$2,720	\$3,776
2BR/1BA, 990 sq. ft.	2,490	3,546
1BR/1BA, 850 sq. ft.	2,295	3,351
Studio, 670 sq. ft.	1,904	2,960
2BR/2BA Custom, 1,535 sq. ft.	3,110	4,166
2BR/2BA Deluxe, 1,700 sq. ft.	3,385	4,441
2BR/2BA Royale, 1,835 sq. ft.	3,536	4,592
<u>Cottages</u>		
2BR/2BA w/ Den, 1,400 sq. ft.	\$2,983	\$4,039
2BR/2BA, 1,224 sq. ft.	2,812	3,868
2BR/1BA, 1,154 sq. ft.	2,696	3,752
1BR/1BA, 928 sq. ft.	2,340	3,396
2BR/2BA w/ Study, 2,018 sq. ft.	3,728	4,784
2BR/2BA w/Study, 2264 sq. ft.	3,810	4,866
2BR/2BA w/ Study, 1,910 sq. ft.	3,672	4,728
2BR/2BAw/Study, 2,143 sq. ft.	3,736	4,792
2BR/2BA, 1,670 sq. ft.	3,305	4,361
2BR/2BA, 1892, sq. ft.	3,369	4,425

Source: The Corporation

The following table shows the Daily Room Rate for the different sizes of the assisted living apartment units as of January 1, 2018.

<u>Assisted Living Units Apartments</u>	<u>Daily Room Rate (Single Resident)</u>	<u>Daily Room Rate (Couple)</u>
702 sq. feet	\$151	\$250
634 sq. feet	144	244
462 sq. feet	139	N/A

Source: The Corporation

The Board of Directors of the Corporation has historically reviewed the Monthly and Daily Maintenance Fees during its review of the annual budget. To sustain the expected standards of its residents, increases of fees have occurred annually. The percentage increases in the Monthly Maintenance Fee for the years January 1, 2014 through January 1, 2018 were as follows:

<u>Year</u>	<u>Monthly Maintenance Fee Increase from Previous Year</u>
2014	3.0%
2015	3.5
2016	3.5
2017	3.5
2018	3.5

Source: The Corporation

Skilled Nursing

The following table sets forth the average daily rate for the semi-private skilled nursing facility and payor class by percentage as of January 1 for the years 2014 through 2018 as follows:

<u>As of January 1,</u>	<u>Daily Average Rate</u>	<u>Medicare</u>	<u>Private Pay</u>
2014	81.00	6.6%	93.4%
2015	85.00	6.8%	93.2%
2016	90.00	5.6%	94.4%
2017	93.00	5.7%	94.3%
2018	96.00	4.9%	95.1%

Source: The Corporation

Profile of Residents

The target market for the Community is retired military officers and their spouses. The current make-up of the Community's residents is approximately 51% Army Officers (and their spouses), 47% Air Force Officers (and their spouses) and 2% Officers from the Navy, Coast Guard and Marines (and their spouses). This target group has many advantages over other retired groups:

- 1) Military officers receive retirement pay calculated based on their number of years of service. After 20 years of service, officers receive of 50% of their base pay at the time of retirement. After 30 years of service, officers receive 75% of their base pay at the time of retirement. The rank most common among the Community's residents is the rank of Colonel, which is typically associated with 30 years of service.

- 2) The retirement pay received by military officers is adjusted upward each year with the Consumer Price Index at the same cost of living adjustment used for Social Security adjustments.
- 3) Retired career military officers are eligible for TRICARE for Life, which covers most costs associated with healthcare not covered by Medicare, including prescription drugs, enabling the Community's residents to maintain significantly lower health care costs than most retirees in the United States, a benefit afforded to them based on their military service. See "Facilities and Services - Resident Benefits" above.
- 4) Retired career military officers have moved often in their military careers (averaging every three years in the Army) and many have been stationed at military installations in or near the vicinity of the Community over the course of their service. This unique characteristic of retired military officers enables the Community to more easily market to prospective residents outside of the immediate market area.

Source: The Corporation

Cancellation Rights

Prior to occupancy, an individual desiring a refund must request it in writing from the Corporation. If the individual has made only the Deposit, the entire amount, without interest, will be refunded within 90 days after receiving the request. If a Down Payment has been received, it will be refunded without interest within 90 days after receiving the request. Payments made for special modifications or features in the living unit authorized by the resident cannot be returned.

After occupancy, a resident may terminate the Resident Contract by providing the Community with a 60-day prior written notice. The resident continues to be responsible for the Monthly Maintenance Fee until all of the resident's possessions are removed from the living unit or the 60-day period expires, whichever is later.

SELECTED MARKET INFORMATION

Market Area

The Community considers its primary marketing area as the metropolitan areas of San Antonio, Austin, Fort Hood and Georgetown, Texas. Two-thirds of the residents in the Community come from these geographical areas. The Community, however, has a national draw and considers the rest of the United States to be its secondary marketing area. One-third of the current residents of the Community and approximately the same number of Priority List holders come from areas outside the primary marketing area.

The Community maintains an aggressive marketing program that has sustained a strong occupancy rate throughout the history of the Community. Primary marketing tools utilized are the

Community's website: www.armyresidence.org; monthly advertisement in the Military Officer's Association of America magazine and the four service academies' magazines; an outreach program to other military officer organizations; and referrals from current residents.

The Corporation has recently hired a new Sales Director and a new Communications/Marketing Director. The Corporation expects to continue to strengthen the Community's sales and marketing program.

Competitors and Other Senior Living Options

Management believes that because of the uniqueness of its target market (retired career military officers and their spouses, widows and widowers), the Community must consider its competition on a national basis. The Community's location near large, active military bases where officers have and continue to serve provides a concentration of qualified prospects in the Primary Market, as well as a great historical connection to qualified officers who currently live in the Secondary Market. Two other large continuing care retirement communities that historically served an exclusively military market exist within a 100-mile radius of the Community. A number of additional military-oriented communities exist throughout the United States and have been considered in the development of the Community's marketing strategy. A brief description of the competitors in the primary and secondary markets is provided below.

Primary Market

Blue Skies of Texas East & Blue Skies of Texas West formerly Air Force Villages I & II, are located on the southwestern side of San Antonio, Texas. It is a non-profit Continuing Care Retirement Community and viewed as the principal competitor to the Army Residence Community. It was established by the Air Force Officer Wives Club for USAF widows and then the community expanded to all military branches for officers, their spouses and/or widows. In 2012, the community expanded eligibility to those without a military service background. Blue Skies East, built in 1968, underwent a significant revitalization effort in 2009/2010. Blue Skies East has 80 skilled nursing beds, 24 assisted living units and 302 independent living residences. Blue Skies West, built in 1987 is currently undergoing significant renovations to cottages and apartments. The West campus consists of 444 independent living units, 36 assisted living units, 47 skilled nursing beds and 72 memory care beds. As of September 30, 2017, Blues Skies East and Blue Skies West had a combined total independent living occupancy rate reported to be 80%.

Secondary Market

There are a number of additional military-oriented retirement communities throughout the United States that compete with the Community. Over time many of these communities have evolved from serving a specific branch of the service, to being open to all branches of the armed services as well as any government service workers, while others have opened their communities to the general public.

1. Altavita, formerly known as Air Force Village West, is located in Riverside, California. The community was constructed in 1984 and opened in 1989. The campus is on 221

acres. It includes 55 assisted living units, 35 memory care beds with census at 80% as of January 2018. They have 59 skilled nursing beds with census at 68% as of January 2018. The Independent Living consists of a combination of 440 apartment and cottages. The current Independent Living census is at 55% as of January 2018. Altavita no longer requires its residents to have a military affiliation.

2. Paradise Valley Estates, a non-profit Life Plan Community opened in 1997 in Fairfield, California. The community initially served only retired and honorably discharged uniformed service officers, their spouses, widows and widowers. It is now open to all individuals that otherwise meet their eligibility requirements. The community has 322 independent living residences, 63 assisted living units, 18 memory care units and 60 skilled nursing beds. The census is at 97% as of January 2018. Currently, they are pre-marketing to build 70 Independent Living residences additional 8 acres.

3. Fleet Landing is located in Atlantic Beach, Florida. The CCRC community opened in 1990 and includes 64 long term skilled nursing beds, 76 assisted living units and 24 memory care beds. Independent Living consists of 354 residences: 164 apartments and 190 cottage homes. The community has a reported occupancy close to 100% as of January 2018. While originally exclusive to military service members, Fleet Landing changed its admission criteria in 2003 to welcome non-military individuals.

4. Knollwood is a CCRC located in Washington, D.C. on 16 acres. The facility was constructed in 1962 and includes 160 Independent living apartments, 43 assisted living units and 67 skilled nursing beds to include 33 memory care units. The census is at 94% as of January 2018. Originally, Knollwood was known as Army Distaff Hall and served only the widows of Army officers. In 1989, eligibility for residency was expanded to both male and female officers, as well as their spouses and certain other female family members and in 2013, the Knollwood community was opened to male family members of retired officers.

5. Patriot's Colony in Williamsburg, Virginia opened in 1996 and is on 90 acres. It is a 55+ CCRC which includes 182 independent living residences, 60 skilled nursing beds, 48 assisted living apartments and 20 memory care units. Reported occupancy at Patriot's Colony is close to 100% as of January 2018. The continuum of care services is open to the public for direct entry admission. In other words, there is no "career eligibility criteria" for assisted living, memory care or skilled nursing care as there is for independent living. Patriots Colony residences are reserved for retired and honorably discharged officers of the seven uniformed services and retired and former civilian employees of the federal government with grade GS-7 & above, as well as their spouses, widows and widowers.

6. The Fairfax was opened in 1989 by the nonprofit Army Retirement Residence Foundation-Potomac (ARRF-P) as a community for retired military officers and their spouses. It was originally owned and operated by Marriott and then in 2003 taken over by Sunrise Senior Living. It is located in Fort Belvoir, Virginia and they are open to non-military retirees and/or federal government retirees. It is a Life Care community with 382 independent living residences with 35 separate cottages. The 60 acres community includes 52 assisted living units, 56 skilled nursing beds and 23 memory care units. The occupancy is at 90% as of January 2018. The Fairfax's

residents have a military background, but the community is also open to those without military affiliation.

7. Vinson Hall Retirement Community is a Life Plan Community on 22 acres located in McLean, Virginia. Vinson Hall Retirement Community is supported by the Navy Marine Coast Guard Residence Foundation. The facility was constructed in 1969 to serve Navy and Marine Coast Guard service members. The community consists of 244 Independent Living Hi-rise apartments, 22 assisted living units, 36 memory care beds, 49 skilled nursing beds and with a reported occupancy close to 100% as of January 2018. Vinson Hall is restricted to commissioned military officers, and their immediate family, as well as government workers of an equal rank from select agencies.

Source: The Corporation

GENERAL INFORMATION

Insurance

The Corporation maintains insurance in the types and amounts which management believes to be reasonable and customary in the retirement community industry, including commercial property coverage of \$132,628,966, business income coverage of \$15,563,000 and commercial general and professional liability coverage of \$1,500,000 (\$500,000 per occurrence), through a Risk Retention Group.

Accreditation

In 1995, the Community became the first retirement community in San Antonio to be accredited by the Continuing Care Accreditation Commission (the “CCAC”) of the American Association of Homes and Services for the Aging and has been re-accredited in 2000, 2005, 2010 and 2015. Accreditation by the CCAC indicates that the Community has been carefully evaluated and found to have met the standards established by industry-wide professionals for continuing care retirement communities. A strong premium is placed on financial strength and ability to meet future service obligations to residents.

Licenses and Certifications

The Community is licensed by the Texas Department of Aging and Disability Services. The Community also maintains 12 certified Medicare beds in its 91-bed skilled care unit. These beds are maintained to provide residents the opportunity to return to the Community following an approved Medicare stay in a local hospital.

Risk Management

The Corporation changed its approach to risk management in January 2000 from an insurance-based approach to an operational-based approach. The operational-based approach requires an annual review of operational risk by senior management covering financial, contract, medical, dining service, employee, transportation and building/structures. This review quantifies risk inherent in providing the services of a retirement community. The process puts a premium on identifying risks and mitigating them through best practices and meeting expectations. Those risks that cannot be mitigated through better business practices are then reviewed as to likelihood of occurrence, dollar value and the cost of insurance. The Corporation purchases a comprehensive package of insurance based on the value and likelihood of the risk versus cost, currently keeping a \$50,000 deductible on property and casualty insurance and no deductible on general and professional liability.

The Corporation has engaged a risk consultant to review the process continually. The consultant conducts training and inspections of premises, medical records and healthcare practices for the purpose of identifying and providing early corrective action.

Litigation

There is no litigation pending or, to the knowledge of the Borrower or the Corporation, threatened, which in the opinion of management would materially adversely affect the financial condition or operation of the Community. In addition, there is no litigation of any nature to which the Borrower or the Corporation is a party pending or, to the knowledge of the Borrower or the Corporation, threatened, against either of them which in any manner questions the validity or enforceability of the Master Indenture, the Bond Indenture, the Loan Agreement, the Deed of Trust or the transactions contemplated by the issuance of the Series 2018 Bonds.

Environmental Surveys

The Corporation has performed a phase 1 environmental survey on all land and facilities as part of the due diligence process before purchase. These surveys did not identify any material issues.

SELECTED OPERATING RESULTS

Occupancy

The Community's position as a low-cost leader in the career military, retired officer, senior living market is illustrated by the historic occupancy levels for the Community as set forth below for the fiscal years ending June 30, 2014 through June 30, 2017 and for the six-month period ending December 31, 2017.

<u>As of June 30,</u>	<u>Independent Living (percent occupied)</u>	<u>Assisted Living Percent Occupied and Number of Available Beds</u>	<u>Skilled Nursing*</u>	<u>Skilled Nursing**</u>
2014	93%	93% (on 76 rooms/apts)	63%	86%
2015	96%	95% (on 77 rooms/apts)	60%	83%
2016	92%	90% (on 77 rooms/apts)	53%	76%
2017	91%	93.6% (on 78 rooms/apts)	56%	82%
2017***	91%	93.3% (on 78 rooms/apts)	53%	81%

Source: The Corporation

*Based on licensed beds.

**Based on paid beds.

*** Six-month period ending December 31, 2017.

As seen above, the Community's commitment to its residents and its strong marketing efforts have allowed the Community to retain its traditionally high occupancy levels.

The occupancy of the Community is dependent on the ability of the Community to attract new Deposits from prospective residents. The number of new Deposits continues to be in excess of the number of Living Units turned over at the Community, demonstrating continued demand for the Community in excess of its residential capacity, as set forth below.

<u>Period ending June 30</u>	<u>New Deposits</u>	<u>Units Sold</u>	<u>Percent of Units Sold</u>
2014	75	77	97%
2015	76	43	176%
2016	62	56	111%
2017	56	44	94%

Source: The Corporation

Selected Financial Information

The selected data presented below for, and as of the end of, the 12-month periods ending June 30, 2017 and 2016 are derived from the audited consolidated financial statements of the Corporation which are attached hereto as Appendix B. The consolidated financial statements attached hereto as Appendix B have been audited by Fisher, Herbst & Kemble, P.C., independent certified public accountants. The selected data presented below for, and as of the end of, the six-month periods ending December 31, 2017 and 2016, are derived from unaudited consolidated financial statements of the Corporation. The unaudited consolidated financial statements of the Corporation for such periods have been prepared on a basis substantially consistent with that of the audited consolidated financial statements, except that the unaudited consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Revenues and expenses of South Texas Army Residence Beverages, Inc., which were less than \$105,000 per year during the

fiscal years ended June 30, 2017 and 2016, are included in this data, but are not included in calculating compliance with the financial covenants under the Master Indenture. *South Texas Army Residence Beverages, Inc. is not a member of the Obligated Group and has no liability with respect to the Series 2018 Bonds.*

The results for the six-month period ended December 31, 2017 are not necessarily indicative of the results for the fiscal year ending June 30, 2018. All of the information provided in this Appendix A should be read in conjunction with the audited financial statements of the Corporation attached as Appendix B to this Official Statement, the related notes and Management's Discussion and Analysis provided below.

[Remainder of Page Left Intentionally Blank]

Selected Data from Statement of Activities and Changes in Net Assets

	Year Ended June 30		Six-Month Period Ended December 31	
	2017	2016	2017	2016
Unrestricted Net Assets:				
Resident Cash Operating Revenue	\$26,820,156	\$26,005,674	\$13,411,344	\$12,949,499
Resident Cash Operating Expenses	(24,173,278)	(24,162,467)	(11,789,089)	(12,175,227)
Resident Operating Earnings	2,646,878	1,843,207	1,622,255	774,272
Non-Cash Operating Revenues net of non-cash expenses	529,356	885,521	513,605	230,583
Interest Expense	(4,085,838)	(4,899,069)	(1,901,836)	(2,316,701)
Investment and Disposal of Assets Gains (Losses)	854,536	823,400	923,590	688,715
Loss on extinguishment of debt	(10,214,944)	-	-	(10,214,944)
(Decrease) Increase in Unrestricted Net Assets	(10,270,012)	(1,346,941)	1,157,614	(10,838,075)
Temporarily Restricted Net Assets:				
Investment (Losses) Gains	54,190	1,430	32,740	-
Net Assets Released from Restriction	(20,467)	(31,616)	(11,739)	(31,616)
(Decrease) Increase in Temporarily Restricted Net Assets	33,723	(30,186)	21,001	(31,616)
(Decrease) Increase in Net Assets	<u><u>\$(10,236,289)</u></u>	<u><u>\$(1,377,127)</u></u>	<u><u>\$1,178,615</u></u>	<u><u>\$(10,869,691)</u></u>

Selected Balance Sheet Data

	As of June 30		As of December 31	
	2017	2016	2017	2016
ASSETS				
Cash and Cash Equivalents	\$13,090,072	\$5,489,919	\$7,504,240	\$5,313,579
Investments	21,005,535	26,183,254	23,912,185	23,395,993
Accounts and Contributions Receivable	1,323,072	1,781,328	1,324,598	1,803,840
Prepaid and Other	662,602	555,423	703,104	644,198
Assets Whose Use is Limited, at Fair Value	4,012,411	9,384,343	4,045,003	6,548,147
Plant, Property and Equipment, net	103,540,763	106,243,797	104,027,740	104,935,010
Total Assets	<u><u>\$143,634,455</u></u>	<u><u>\$149,638,064</u></u>	<u><u>\$141,516,870</u></u>	<u><u>\$142,640,767</u></u>
LIABILITIES				
Current Payables and Accruals	\$6,116,345	\$5,616,691	\$5,327,290	\$4,291,020
Long-Term Debt, less current portion, net accumulated amortization	91,011,184	86,973,446	89,347,782	91,965,556
Deferred and Refundable Entrance Fees	51,472,307	51,696,354	51,169,393	51,882,015
Other Long-Term Liabilities	1,267,081	1,347,746	726,252	1,368,040
Total Liabilities	149,866,917	145,634,237	146,570,717	149,506,631
NET ASSETS				
Unrestricted/Designated	(7,431,253)	2,858,749	(6,283,878)	(8,010,942)
Temporarily Restricted	1,198,791	1,145,078	1,230,031	1,145,078
Total Net Assets	<u><u>(6,232,462)</u></u>	<u><u>4,003,827</u></u>	<u><u>(5,053,847)</u></u>	<u><u>(6,865,864)</u></u>
Total Liabilities and Net Assets	<u><u>\$143,634,455</u></u>	<u><u>\$149,638,064</u></u>	<u><u>\$141,516,870</u></u>	<u><u>\$142,640,767</u></u>

Sources of Revenue

The table below sets forth the total revenues for the Corporation by payor source for the Fiscal Years ended June 30, 2017 and 2016 and for the six-month periods ended December 31, 2017 and 2016.

	Sources of Revenue			
	<u>Fiscal Years Ended</u>		<u>Six-Months Ended</u>	
	<u>June 30</u>		<u>December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Medicaid	-	-	-	-
Private-Pay	\$25,248,183	\$24,506,412	\$12,811,423	\$12,179,840
Medicare/Insurance	<u>1,571,973</u>	<u>1,499,262</u>	<u>599,921</u>	<u>769,659</u>
Total Revenues:	\$26,820,156	\$26,005,674	\$13,411,344	\$12,949,499

Source: The Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The Corporation has, despite weakened economic conditions, maintained a high occupancy rate throughout and since the great recession of 2008, and its current occupancy for its independent living units is 91.4%. Based upon its success in marketing its largest and highest priced living units, the Corporation constructed a total of 84 large cottages between 2010 and 2016. Over this period, the Corporation increased its cash position from \$24.3 million in Fiscal Year 2008 to \$34.1 million in Fiscal Year 2017 (440 days cash on hand). Management believes the new campus coupled with providing superior quality services and reasonable pricing has enabled the Community to maintain its high occupancy. Prudent management and the low cost of living in the San Antonio area has helped the Community remain one of the lowest cost leaders of military retirement communities. Finally, many military retirees have had second careers following their military career, which in many cases has strengthened their financial stability and ability to pay the Entrance Fees and Monthly Maintenance Fees.

Results from Operations – Fiscal Years Ended 2017 and 2016

Revenue from operations, excluding investment and contribution income, totaled \$26,820,156 and \$26,005,674 in fiscal years 2017 and 2016, respectively, a 3.1% increase. Additions to operating revenues can be chiefly attributed to independent living Monthly Maintenance Fee and healthcare daily room rate increases of 3.5% in both 2017 and 2016 as well as improved operational efficiencies. The Community saw independent living occupancy drop from 93% in 2014 to 91% in 2017, but the addition of more profitable expansion cottage units resulted in higher resident fee revenues. This decrease in occupancy was primarily due to a movement of residents from existing independent living units to newly constructed independent living units at Lakeside Landings.

Resident Cash Operating Expenses from operations totaled \$24,173,278 and \$24,162,467 in fiscal years 2017 and 2016, respectively, an increase of only \$10,811 year over year. The small increase was due to operating efficiencies in staffing, food costs, and other supplies.

Total assets declined to \$143,634,455 from \$149,638,064 between the fiscal years 2017 and 2016. This \$6.0 million decline is attributed to the effect of the 2016 bond refunding transaction on the balance sheet.

Total liabilities between the fiscal years 2017 and 2016 increased by \$4.2 million, also due to the 2016 bond refunding transaction.

Results from Operations – Six-Month Period Ended December 31, 2017

Revenue from operations, excluding investment and contribution income, totaled \$13,411,344 and \$12,949,499 in the six month periods ended 2017 and 2016, respectively, a 3.6% increase. Additions to operating revenues can be chiefly attributed to independent living Monthly Maintenance Fee and healthcare daily room rate increases of 3.5% in both 2017 and 2016. Improved policies and procedures to capture ancillary revenue also were important.

Resident Cash Operating Expenses from operations totaled \$11,789,089 and \$12,175,227 in fiscal years 2017 and 2016, respectively, a decrease of 3.2% year over year. In August 2017, previously accrued deferred compensation was reversed, in an amount of \$538,329 after a pending matter regarding a potential deferred compensation payable was dismissed in the Bexar County District Court. This reversal reduced the general and administrative expense reported in the above 2017 total by \$538,329.

Other factors evident in 2017 were operating efficiencies in staffing, food costs, and other supplies. The Community saw the benefit of slight staffing reductions and improved purchasing procedures in Dining Services.

Total assets declined to \$141,516,870 from \$142,640,767 between the December 31st balance sheet dates for 2017 and 2016, respectively. This \$1.1 million decline is attributed to expected depreciation and amortization.

Total liabilities between 2017 and 2016 decreased by \$2.9 million, primarily due to long term debt retirement.

Investment Policy and Procedure

The Boards of Directors of the Borrower and the Corporation have each adopted an investment policy designed to protect and grow the financial strength of the Community. The investment policy, while conservative in its overall approach, allows for up to a 60% exposure to equity markets with the balance being retained as cash or placed in fixed income investments. The investment policy as a whole embodies the virtues of a diversified portfolio and attempts to avoid speculative investments. The actual mix of equity to fixed income investments has remained at approximately 45% equity securities, 4%

cash and 51% fixed income securities. Management of the Borrower believes that this asset mix best protects the Community's assets.

Cash and Investments

Cash and investments including current and non-current assets whose use is limited and deposits escrowed totaled \$38,108,018 and \$41,057,516 in fiscal years 2017 and 2016, respectively. The decrease of \$2,949,498 was driven by the effect of the 2016 bond refunding transaction, and cash was also used to pay down debt and fund routine capital projects.

The following table sets forth a summary of cash and unrestricted investments as of June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Cash and Unrestricted Investments	\$34,095,607	\$31,673,173
Daily Requirements	\$77,422	\$79,403
Days of Operating Requirements	440	399

Source: The Borrower.

Historical and Pro Forma Debt Service Coverage Ratios

The following table sets forth, for the Fiscal Years ended June 30, 2017 and 2016, historical and *pro forma* Coverage Ratios of the Obligated Group. The *pro forma* coverage ratios are based upon the assumption that the Series 2018 Bonds were issued in the aggregate principal amount of \$28,775,000 and the Refunded Bonds were refunded as of the first date of each such fiscal year, and the calculations underlying such *pro forma* coverage ratios are based upon the definition of Maximum Annual Debt Service as set forth in the Master Indenture.

	Fiscal Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Service Net Income/(Loss)	\$2,646,878	\$1,843,207
Gain or loss on disposal of asset	(275,057)	976,742
Interest & Dividend Income	1,063,011	1,145,548
Realized Gains/Loss Realized (Losses)	2,055,673	(1,023,280)
Net Entrance Fees Received	<u>5,387,315</u>	<u>7,655,283</u>
Net Cash Available for Debt Service	\$10,877,820	\$10,597,500
Historical Maximum Annual Debt Service	\$5,606,192	\$5,606,192
Historical Coverage Ratio	1.94	1.89
Pro Forma Maximum Annual Debt Service	\$5,605,600	\$5,605,600
Pro Forma Coverage Ratio	1.94	1.89

Source: The Borrower.

Swap Policy

The Finance Committee of the Board of Directors of the Borrower adopted the Army Retirement Residence Supporting Foundation Swap Policy (the “Policy”). The purpose of the Policy is to establish guidelines for the execution and management of the Borrower’s interest rate and other swaps, caps, options, basis swaps, rate locks, total return swaps and other similar products and related agreements (collectively, “Swap Transactions”). The Policy confirms the commitment of the Board of Directors of the Borrower to adhere to sound financial and risk management practices.

Pursuant to the Policy, the Borrower will not enter into speculative Swap Transactions. The Policy sets forth the manner in which the Borrower shall enter into transactions involving Swap Transactions. The Policy requires the Borrower to determine, from time to time, existing and potential exposure to relevant counterparties with respect to any Swap Transaction. The Policy sets standards for permitted instruments, risk analysis, procurement, swap counterparties, execution and ongoing management, swap documentation, termination provisions and reporting and disclosure.

The Borrower has previously entered into Swap Transactions but has no Swap Transaction pending at this time.

Other Indebtedness

Upon the issuance of the Series 2018 Bonds and the refunding of the Refunded Bonds, the Borrower and the Corporation, as members of the Obligated Group, will have outstanding \$2,380,000 of Outstanding Series 2010 Bonds and \$54,660,000 of the Series 2016 Bonds. Other than the Series 2018 Bonds, the Borrower and the Corporation do not currently intend to incur any additional long-term indebtedness.

FUTURE PLANS

The Borrower and the Corporation do not contemplate any future construction or development plans at this time, outside of normal maintenance of the Community. However, the Borrower and the Corporation have coordinated with consultants in the past to study the best use of the Community’s remaining undeveloped land, to be in a position to respond to changes in the market that may occur in the future.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**THE ARMY RESIDENCE COMMUNITY
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



TABLE OF CONTENTS

Report of Independent Auditors	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows.....	5
Notes to the Consolidated Financial Statements.....	6-25

SUPPLEMENTARY INFORMATION

Consolidating Statement of Financial Position.....	27
Consolidating Statement of Activities and Changes in Net Assets	28

REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Army Residence Community and Affiliate
San Antonio, Texas

Report on the Financial Statements

We have audited the consolidated financial statements of The Army Residence Community and Affiliate which comprise of the consolidated statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Army Residence Community and Affiliate as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Report of Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied, 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fisher, Herbert & Kemble, P.C.

San Antonio, Texas
August 31, 2017

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2017	2016
ASSETS		
Cash and cash equivalents	\$ 13,090,072	\$ 5,489,919
Accounts receivable, net of allowance for doubtful accounts of \$145,645 in 2017 and \$19,746 in 2016	1,279,325	536,078
Insurance receivable on involuntary conversion	43,747	1,245,250
Prepaid expenses and other current assets	662,602	555,423
Assets whose use is limited and required for current liabilities	403,748	389,453
Total current assets	<u>15,479,494</u>	<u>8,216,123</u>
Assets whose use is limited:		
Cash and cash equivalents	2,371,487	2,071,344
Investments, at fair value	1,640,924	7,312,999
	<u>4,012,411</u>	<u>9,384,343</u>
Less portion required for current liabilities	(403,748)	(389,453)
Total noncurrent assets whose use is limited	<u>3,608,663</u>	<u>8,994,890</u>
Investments, at fair value	21,005,535	26,183,254
Property, plant and equipment, net	<u>103,540,763</u>	<u>106,243,797</u>
Total assets	<u><u>\$ 143,634,455</u></u>	<u><u>\$ 149,638,064</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 901,290	\$ 790,886
Accrued payroll and related items	1,298,748	1,267,363
Accrued interest expense	1,691,307	2,208,442
Current portion of long-term debt	2,225,000	1,350,000
Total current liabilities	<u>6,116,345</u>	<u>5,616,691</u>
Long-term debt, less current portion	89,400,000	88,840,000
Bond issue costs and premium (discount), net of accumulated amortization	1,611,184	(1,866,554)
Long-term debt, net of costs, less current portion	<u>91,011,184</u>	<u>86,973,446</u>
Deferred compensation and severance payable	754,456	823,791
Unearned deposits and down payments	512,625	523,955
Refundable entrance fees	3,184,978	3,445,559
Deferred entrance fees subject to refund period	11,640,897	14,309,390
Deferred entrance fees - non refundable	36,646,432	33,941,405
Total liabilities	<u>149,866,917</u>	<u>145,634,237</u>
Net Assets		
Unrestricted:		
Designated	2,992,117	2,810,303
Undesignated	(10,423,370)	48,446
Total unrestricted net assets	<u>(7,431,253)</u>	<u>2,858,749</u>
Temporarily restricted	<u>1,198,791</u>	<u>1,145,078</u>
Total net assets	<u>(6,232,462)</u>	<u>4,003,827</u>
Total liabilities and net assets	<u><u>\$ 143,634,455</u></u>	<u><u>\$ 149,638,064</u></u>

See accompanying notes to the consolidated financial statements.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30,	2017	2016
UNRESTRICTED NET ASSETS		
Core services income:		
Residence center	\$ 15,809,846	\$ 15,288,942
Health care center	7,557,911	7,357,650
Dining service	3,452,399	3,359,082
Core services income	<u>26,820,156</u>	<u>26,005,674</u>
Core services expenses:		
Residence center	8,662,936	8,547,939
Health care center	5,071,288	5,149,057
Dining service	6,275,313	6,552,153
General and administrative	4,163,741	3,913,318
Core services expenses	<u>24,173,278</u>	<u>24,162,467</u>
Core services income over expenses	<u>2,646,878</u>	<u>1,843,207</u>
Other operating income:		
Investment income	1,063,011	1,145,548
Earned entrance fees	5,622,692	5,508,326
Contributions	63,933	37,422
Net assets released from restriction	20,467	31,616
Total other operating income	<u>6,770,103</u>	<u>6,722,912</u>
Other operating expenses:		
Depreciation and amortization	6,028,657	5,678,516
Interest expense and accretion	4,085,838	4,899,069
Amortization of bond issuance costs	212,090	158,875
Total other operating expenses	<u>10,326,585</u>	<u>10,736,460</u>
Total operating loss	<u>(909,604)</u>	<u>(2,170,341)</u>
Gain (loss) on disposal of assets	(275,057)	976,742
Loss on extinguishment of debt	(10,214,944)	-
Realized gain (loss) on investments	2,055,673	(1,023,280)
Unrealized gain (loss) on investments	(926,080)	869,938
Decrease in unrestricted net assets	<u>(10,270,012)</u>	<u>(1,346,941)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	100	-
Investment income	54,090	1,430
Net assets released from restriction	(20,467)	(31,616)
Change in temporarily restricted net assets	<u>33,723</u>	<u>(30,186)</u>
DECREASE IN NET ASSETS	(10,236,289)	(1,377,127)
NET ASSETS AT BEGINNING OF YEAR	4,003,827	5,380,954
NET ASSETS AT END OF YEAR	\$ (6,232,462)	\$ 4,003,827

See accompanying notes to the consolidated financial statements.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ (10,236,289)	\$ (1,377,127)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization of entrance fees	(5,622,692)	(5,508,326)
Net realized investment losses (gains)	(2,157,489)	1,035,082
Net unrealized investment losses (gains)	977,897	(879,352)
Depreciation and amortization	6,028,657	5,678,516
Bond premium amortization, net	(250,511)	(32,722)
Loss on advanced refunding of debt	10,214,944	-
Amortization of bond issuance cost	212,090	158,875
Provision for doubtful accounts	125,691	(9,562)
(Gain) loss on settlement or disposal of property, plant and equipment	275,057	(976,742)
Changes in:		
Accounts receivable	(868,938)	128,804
Prepaid expenses and other current assets	(107,179)	50,121
Accounts payable and other liabilities	110,404	(156,495)
Accrued payroll and related items	31,385	94,182
Accrued interest expense	522,735	(23,525)
Deferred compensation and severance payable	(83,547)	58,228
Net cash used by operating activities	<u>(827,785)</u>	<u>(1,760,043)</u>
INVESTING ACTIVITIES		
Purchases of investments	(67,681,372)	(10,074,396)
Sales and maturities of investments	79,724,970	11,616,487
Purchases of property, plant and equipment	(7,651,735)	(8,320,802)
Insurance proceeds from involuntary conversion of property, plant and equipment	5,252,558	250,000
Net cash provided (used) by investing activities	<u>9,644,421</u>	<u>(6,528,711)</u>
FINANCING ACTIVITIES		
Proceeds from entrance fees, unearned deposits, and down payments	7,060,200	8,498,708
Refunds of entrance fees, unearned deposits, and down payments	(1,672,885)	(843,425)
Payments to retire long-term debt	(62,804,465)	-
Principal payments on long-term debt	(1,350,000)	(1,175,000)
Payment for bond issue costs	(1,199,487)	-
Proceeds from long-term debt	59,050,297	-
Net cash provided (used) by financing activities	<u>(916,340)</u>	<u>6,480,283</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,900,296	(1,808,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,561,263	9,369,734
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,461,559</u>	<u>\$ 7,561,263</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	\$ 4,843,484	\$ 4,952,316
Change in construction and retainage payable	\$ -	\$ (1,667,346)
Unearned deposits and down payments transferred to deferred entrance fees	\$ 2,308,634	\$ 1,018,092
Bond costs payable	\$ -	\$ (10,000)
Change in insurance receivable on involuntary conversion of property, plant and equipment	\$ 1,201,503	\$ 1,245,250
Unrealized gain on 457(b) plan	\$ (14,212)	\$ (1,263)

See accompanying notes to the consolidated financial statements.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission – The Army Retirement Residence Foundation – San Antonio’s mission is to provide the finest atmosphere for retirement living to career military officers, spouses, widows and widowers. The Community allows residents to be as independent as possible, yet free to use the Community’s services and amenities as they wish – all at the most reasonable cost commensurate with the offering of first class quality services.

Organization – The Army Retirement Residence Foundation – San Antonio was incorporated in the District of Columbia in July of 1982, dba The Army Residence Community (“ARC”), to provide housing and services for retired military officers and their spouses (“Residents”). ARC is located on 150+ acres in northeast San Antonio, Texas and is comprised of 467 independent living cottages and apartments, 78 assisted living rooms and a 91 bed skilled nursing facility. South Texas Army Residence Beverages (“STARB”), a wholly owned subsidiary of ARC, was incorporated in The State of Texas in 1998. STARB was formed to provide beer and wine services to ARC. Army Retirement Residence Supporting Foundation (“ARRSF”), an affiliate of ARC, was formed in The State of Texas in 2004. ARRSF was formed to hold and manage the capital assets and related debt.

Residents enter into a life care contract and pay an entrance fee. Residents are also required to pay monthly maintenance fees and together with the payment of entrance fees are entitled to a lifetime of certain services and use of the facilities.

ARC and ARRSF are equal members of an obligated group making both corporations equally responsible for bond debt and all terms contained in the Master Trust indenture.

Consolidation Policy – The consolidated financial statements include the accounts of ARC, subsidiary STARB and affiliate ARRSF. The ARC leases from ARRSF facilities in a self renewing lease arrangement. The inter-company lease payments are eliminated in the consolidation and are subordinate to the bonds. Additionally, all other significant inter-company accounts and transactions are eliminated in consolidation. Collectively these entities are referred to as the Organization.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The amortization of entrance fees, allowance for doubtful accounts, and estimates of the obligation to provide future services represent significant estimates made in the preparation of the consolidated financial statements.

Cash and Cash Equivalents – Cash and cash equivalents include currency on hand, demand deposits, and certificates of deposit with original maturities of three months or less.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Resident Accounts Receivable and Revenue Recognition – Residents are obligated to pay monthly service fees and food service charges. Such fees are recognized as revenue on the accrual basis. Health care fees are recognized as revenue on the accrual basis based on actual usage and are billed at standard daily billing rates. Resident accounts receivable are considered past due on the first business day of the month following invoicing. The majority of the receivables outstanding as of June 30, 2017 and 2016 are due from Medicare and private pay residents temporarily occupying the healthcare center.

Allowance for Doubtful Accounts – The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. At June 30, 2017 and 2016, an allowance for doubtful accounts of **\$145,645** and \$19,746 in 2017 and 2016, respectively, has been established.

Investments – Investments are included on the accompanying consolidated statements of financial position in investments and assets whose use is limited. Investments consist of commercial paper, equities, government-backed securities, and certificates of deposit with maturities greater than three months.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market values with gains and losses included in the consolidated statements of activities and changes in net assets.

Interest and dividends, realized and unrealized gains and losses from investment transactions are initially recorded as unrestricted, temporarily restricted, or permanently restricted, based on donor-imposed restrictions, if any, and are reflected as net assets released from restrictions in the consolidated statements of activities and changes in net assets to the extent amounts become available for use during the period. Realized gains and losses are determined using the specific-identification method.

Assets Whose Use Is Limited or Restricted – Assets designated by the ARRSF and ARC Board of Directors (the Board), restricted as to use by third-party donors, or limited by use under the terms of the bond trust, are classified as assets whose use is limited. Assets with third party restrictions are classified as restricted assets.

Capitalization of Interest – Interest on bond funds payable during the construction period, net of earnings on those proceeds, is capitalized; all other interest is expensed as incurred. No interest was capitalized into construction in progress for the years ended June 30, 2017 and 2016.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Issuance Costs – Bond issue costs are amortized over the term of the related financing agreements on the effective interest rate method.

Property, Plant, and Equipment – Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. The estimated life of buildings and improvements is 40 years, and the estimated life of furniture, fixtures, and equipment is between 5 and 10 years. Expenditures for maintenance and repairs are charged to costs and expensed as incurred, while expenditures for renewal and betterments are capitalized. Upon retirement or replacement, the cost of capitalized assets and the related accumulated depreciation is eliminated with the resulting gain or loss recognized.

Unearned Deposits – Amounts paid by prospective residents in order to reserve a place on the waiting list for available units and/or to reserve a specific living unit. Unearned deposits are fully refundable upon written request by the prospective resident.

Unearned Down Payment – Initially, prospective residents remit a down payment equal to 10% of the entrance fee for the selected living unit. Down payments on entrance fees are fully refundable, less a small administrative fee, upon written request by the prospective resident.

Refundable and Deferred Entrance Fees – The ARC offers three Entrance Fee Programs: Plan 90, Plan 50, and Plan 0. As of June 30, 2017 and 2016, approximately **95%** of contracts were Plan 0. Plan 95 was no longer offered as of February 29, 2016 and was replaced by Plan 90 starting March 1, 2016. Plan 90 and Plan 50 are designed to provide a refund to the resident of a portion of the entrance fee paid. Under all three plans, 90% of the entrance fee is refunded if the resident passes away or leaves the ARC within the first 5 months of move-in. Effective March 1, 2016, the ARC recognizes the non-refundable 10% (changed from 5% on March 1, 2016) of the entrance fees immediately upon move-in as an administrative fee. Deferred entrance fees-non-refundable are amortized into income over the expected life of the resident matching revenues with expense obligation over the life of the contract holder.

Under Plan 90, there is no further decrease in the amount to be refunded to the resident after the initial 10%, creating a refundable liability of 90% of the entrance fee.

Under Plan 50, a resident receives a refund of the entrance fee less 10% during the 5-month introductory period, which further decreases 1.5% per month for the next 27 consecutive months, creating a refundable liability of 50% of the original entrance fee and the temporary refundable portion amortizes into deferred entrance fees-non refundable.

Under Plan 0, the refund liability of the original entrance fee is decreased by 2.5% for the next 36 months and the temporary refundable portion amortizes into deferred entrance fees-non refundable; however, there is no refund to the resident in the event of death after the 5-month introductory period.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets – The Organization reports information regarding its consolidated statements of financial position and consolidated statements of activities and changes in net assets according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Restricted and Unrestricted Revenue and Support – The Organization recognizes contributions received as revenue the earlier of the year the unconditional promise to give was made or the contribution was received. Trusts, gift annuities or pooled income gifts are recognized as revenue in the year established. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Revenues are reported as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Service Fee Revenue – Residence center, health care center, and other monthly service fees are billed and recognized as income each month as earned.

Advertising – Advertising costs totaling **\$52,599** and \$29,826 in 2017 and 2016, respectively, were expensed as incurred.

Federal Income Taxes – The ARC, STARB, and ARRSF are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and are exempt from federal income taxes pursuant to Section 501(a) of the Code. Under current accounting standards, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will not be sustained. ARC’s management believes it has no material uncertain tax positions and, accordingly it will not recognize any related liability. For the years ended June 30, 2017 and 2016, ARC did not recognize any tax related interest or penalties.

Tax years 2014-2017 remain open to examination by the taxing jurisdictions to which ARC is subject, and these periods have not been extended beyond the applicable statute of limitations.

Commitments and Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

Obligation to Provide Future Services – The obligations to provide contract services is calculated by estimating the present value of future net cash flows, excluding capital expenditures, plus the depreciation of facilities to be charged over the life of the contracted resident. That obligation is compared to the unamortized deferred entrance fees to determine whether an additional liability should be recognized. Based on the Organization’s calculations as of June 30, 2017 and 2016, no significant additional liability was necessary.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle – In 2017, the Organization adopted the new ASU 2015-03, “Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. Previously the debt issuance costs were included as an asset. Therefore, bond issue costs were reclassified from an asset account to a charge against debt for both 2017 and 2016.

The following is a summary of the effect of implementation of ASU 2015-03 on the consolidated statement of financial position for the year ended June 30, 2016:

	As Previously Reported	As Reclassified
Total Assets	\$ 151,780,939	\$ 149,638,064
Total Liabilities	147,777,112	145,634,237

2. INVESTMENTS

Investments are classified on the consolidated balance sheet as follows:

	2017	2016
Investments whose use is not limited	\$ 21,005,535	\$ 26,183,254
Investments whose use is limited	1,640,924	7,312,999
Total investments	\$ 22,646,459	\$ 33,496,253

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. INVESTMENTS (continued)

The carrying amounts of investments and assets whose use is limited and their fair values consist of the following:

	Fair Value	
	2017	2016
Level 1		
Common stocks	\$ 8,555,225	\$ 14,628,933
Mutual funds	3,050,412	2,987,637
Partnerships	544,617	-
	<u>12,150,254</u>	<u>17,616,570</u>
Level 2		
United States government and federal agency obligations	5,126,893	8,776,880
Municipal bonds	1,193,649	1,396,885
Corporate bonds	4,175,663	5,251,895
	<u>10,496,205</u>	<u>15,425,660</u>
Level 3		
Partnerships	-	454,023
	<u>-</u>	<u>454,023</u>
Total	<u>\$ 22,646,459</u>	<u>\$ 33,496,253</u>

Investment earnings consisted of the following:

	2017	2016
Unrestricted Net Assets:		
Interest and dividends received	\$ 1,063,011	\$ 1,145,548
Realized gain (loss) on sales of investments	2,055,673	(1,023,280)
Unrealized gain (loss) on investments	(926,080)	869,938
Total unrestricted net assets	<u>\$ 2,192,604</u>	<u>\$ 992,206</u>
Temporarily Restricted Net Assets:		
Investment income	\$ 4,091	\$ 3,818
Realized gain (loss) on sales of investments	101,816	(11,802)
Unrealized gain (loss) on investments	(51,817)	9,414
Total temporarily restricted net assets	<u>\$ 54,090</u>	<u>\$ 1,430</u>

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. INVESTMENTS (continued)

The authoritative guidance on fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

The authoritative guidance on fair value measurements requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs).

Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. INVESTMENTS (continued)

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities measured at fair value on a recurring and nonrecurring basis include the following:

Common Stocks, Mutual Funds and Partnerships – Valued at fair value utilizing Level 1 inputs. Common stocks and mutual funds reflect the closing price reported in the active market in which the securities are traded.

U.S. Government & Federal Agency, Municipal Bonds, Corporation Bonds and Partnerships – Valued at fair value utilizing Level 2 inputs. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayments speeds, credit information and the bond's terms and conditions, among other things.

The estimated fair value amounts of financial instruments have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The changes in investments measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 454,023	\$ 291,798
Sales	(205,380)	-
Purchases	57,875	142,218
Unrealized gain	(43,945)	20,007
Transfer to Level 1	(262,573)	-
Ending balance	<u>\$ -</u>	<u>\$ 454,023</u>

There were no transfers in or out of Level 3 during the year ended June 30, 2016.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

3. ASSETS WHOSE USE IS LIMITED

Cash and investments, whose use is limited at June 30, 2017 and 2016, are summarized as follows:

	<u>2017</u>	<u>2016</u>
By the Trust Indentures:		
Bond Sinking Fund - 2007 Series	\$ -	\$ 24,238
Bond Sinking Fund - 2010 Series	-	778,992
Reserve Fund - 2007 Series	1,824,000	1,786,791
Reserve Fund - 2010 Series	278,504	4,779,691
Capitalized Interest Fund - 2010 Series	-	2
Bond Sinking Fund - 2012 A	-	250,049
Bond Sinking Fund - 2012 B	-	153,844
Hamlin Fund - 2012 A	-	155,532
Reserve Fund - 2012 A	400,000	109,664
Reserve Fund - 2012 B	100,000	-
Reserve Fund - 2016 Series	97,663	-
Bond Sinking Fund - 2016 Series	4,326	-
By Donor:		
Resident assistance fund	742,166	696,975
Gift bonus fund	132,803	137,761
Scholarship fund	222,600	213,197
Employee relief fund	14,516	13,634
Chapel fund	86,706	83,511
Other:		
457(b) Deferred Compensation Plan	109,127	200,462
	<u>\$ 4,012,411</u>	<u>\$ 9,384,343</u>

The Bond Sinking Fund and Debt Reserve Fund are established by the Trust Indenture to set aside funds to retire the debt.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 8,023,464	\$ 7,886,901
Buildings and improvements	143,207,792	147,357,051
Furniture, fixtures and equipment	4,302,538	4,004,911
Construction-in-process	5,973,643	315,846
Other	356,830	353,180
	<u>161,864,267</u>	<u>159,917,889</u>
Less: accumulated depreciation	<u>(58,323,504)</u>	<u>(53,674,092)</u>
Total	<u>\$ 103,540,763</u>	<u>\$ 106,243,797</u>

Depreciation and amortization expense related to property, plant and equipment are as follows:

	<u>2017</u>	<u>2016</u>
Depreciation and amortization expense	\$ 6,028,657	\$ 5,678,516

The Organization sold and disposed of property, plant and equipment as follows:

	<u>2017</u>	<u>2016</u>
Cost of depreciated disposed assets	\$ 59,073	\$ 5,157
Loss recorded on disposed assets unrelated to insurance claim	\$ (26,261)	\$ -

During the year ended June 30, 2016, the Organization experienced hail damage to several buildings and recognized a gain on involuntary conversion of \$976,742 based on an insurance claim of \$1,495,250 and a depreciated cost basis of \$518,508. During the year ended June 30, 2017, the Organization recognized a loss on involuntary conversion of \$248,796 based on an insurance claim of \$4,051,055 and a depreciated cost basis of \$4,299,851.

Insurance claim recognized in FY 2016	\$ 1,495,250
Payments received in FY 2016	<u>(250,000)</u>
Receivable as of June 30, 2016	1,245,250
Insurance claim recognized in FY 2017	4,051,055
Payments received in FY 2017	<u>(5,252,558)</u>
Receivable as of June 30, 2017	<u>\$ 43,747</u>

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The claims for the hail damage have not been settled. Management of the Organization are in discussions for complete coverage of losses incurred in 2016.

5. LONG-TERM DEBT

Long-term debt consists of the following and has a blended interest rate of 4.09%.

	<u>2017</u>	<u>2016</u>
Bexar County Health Facilities Development Corporation Refunding Revenue Bonds (Series 2007)	\$ 18,240,000	\$ 22,800,000
Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2010)	2,785,000	51,920,000
Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2012-1)	9,535,000	9,755,000
Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2012-2)	5,595,000	5,715,000
Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2016)	<u>55,470,000</u>	<u>-</u>
Total	<u>91,625,000</u>	<u>90,190,000</u>
Less: bond issue costs and premium/discount	<u>1,611,184</u>	<u>(1,866,554)</u>
Total long-term debt, net of costs	<u>93,236,184</u>	<u>88,323,446</u>
Less: current portion of long-term debt	<u>2,225,000</u>	<u>1,350,000</u>
Long-term debt, net of costs, less current portion	<u>\$ 91,011,184</u>	<u>\$ 86,973,446</u>

Bexar County Health Facilities Development Corporation Revenue Refunding Bonds (Series 2016)

On September 20, 2016, the Organization issued \$55,470,000 Series 2016 revenue refunding bonds to partially advance refund its Series 2007 and Series 2010 bonds. The Series 2016 bonds were sold at a premium of \$3,580,297 which is being accounted for using the bond outstanding method. The advanced refunding resulted in a loss on extinguishment of debt of **\$10,214,944** recorded in the year ending June 30, 2017. The loss is comprised of unamortized bond issue costs and unamortized bond discounts that were written off as of September 20, 2016.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. LONG-TERM DEBT (continued)

The calculation of the loss is as follows:

Bond proceeds	\$ 62,804,465
Debt refunded	(52,685,000)
Accrued interest	(1,039,870)
Bond costs	1,083,026
Premium/discount	<u>52,323</u>
Total loss on extinguishment of debt	<u>\$ 10,214,944</u>

The Series 2016 bonds were issued under and pursuant to (i) the Constitution and statutes of the state of Texas, including the Texas Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, in conformity with the provisions, restrictions, and limitations thereof, and (ii) a Bond Indenture of Trust and Security Agreement (Trust Indenture) dated as of September 20, 2016.

The Series 2016 bond proceeds were used by the Organization to:

- Partially refund the Series 2007 and Series 2010 bonds; and
- Pay certain costs of the issuance thereof.

Interest on the Series 2016 bonds is payable semi-annually on each January 15 and July 15. The coupon rate on the bonds range from 4.00% to 5.00%, with the yield varying based on discount granted at the original time of commitment to purchase. The effective interest rate on the bonds was **3.90%** at June 30, 2017. So long as the Series 2016 bonds are maintained under a book-entry system, payments of principal, premium, and interest on the Series 2016 bonds will be made when due by The Bank of New York Trust Company of Texas, N.A., Dallas, Texas, current trustee, to Deposit Trust Corporation, in accordance with the Trust Indenture.

The stated maturity of the Series 2016 bonds is July 15, 2045. The Series 2016 bonds are subject to optional redemption by the Organization prior to stated maturity at the call date, July 15, 2026, at par plus accrued interest.

Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2012-1 & 2012-2)

The Series 2012-1 and 2012-2 bonds were issued under and pursuant to (i) the Constitution and statutes of the state of Texas, including the Texas Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, in conformity with the provisions, restrictions, and limitations thereof, and (ii) a Bond Indenture of Trust and Security Agreement (Trust Indenture) dated as of February 1, 2010.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. LONG-TERM DEBT (continued)

The Series 2012-1 & 2012-2 bond proceeds were used by the Organization to:

- Finance a community expansion of 28 independent-living cottages;
- Provide for a deposit to the debt service reserve fund; and
- Pay certain costs of the issuance thereof.

Interest on the Series 2012-1 & 2012-2 bonds are payable on the first of each month. The coupon rate on the bonds are variable set at 70% LIBOR, with a floor LIBOR rate of 1.00% LIBOR and ceiling LIBOR rate of 6.50%, plus an applicable spread set by the Community's credit rating, 3.60% at the current rating of BBB- by the Fitch rating agency.

Additionally, these bonds have a servicing fee of 30 basis points annually paid to Hamlin. The effective interest rate on the bonds was **3.87%** at June 30, 2017. So long as the Series 2012-1 and 2012-2 bonds are maintained under a book-entry system, payments of principal, premium, and interest on the Series 2012 bonds will be made when due by Wells Fargo, current trustee, to Deposit Trust Corporation, in accordance with the Trust Indenture.

The stated maturity of the Series 2012-1 & 2012-2 is July 1, 2042.

Bexar County Health Facilities Development Corporation Refunding Revenue Bonds (Series 2010)

The Series 2010 bonds were issued under and pursuant to (i) the Constitution and statutes of the State of Texas, including the Texas Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, in conformity with the provisions, restrictions, and limitations thereof, and (ii) a Bond Indenture of Trust and Security Agreement (Trust Indenture) dated as of February 1, 2010.

The Series 2010 bond proceeds were used by the Organization to:

- Finance a community expansion of 32 independent-living cottages, 48 assisted living apartments and a 74,300 square-foot commons area;
- Provide for a deposit to the debt service reserve fund;
- Pay a portion of the interest on the Series 2010 Bonds issued to finance the 2010 Project from the date of their delivery to February 11, 2013; and
- Pay certain costs of the issuance thereof.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. LONG-TERM DEBT (continued)

Interest on the Series 2010 bonds is payable semi-annually on each January 1 and July 1. The coupon rate on the bonds range from 3.50% to 5.875%, with the yield varying based on discount granted at the original time of commitment to purchase. The effective interest rate on the bonds was **5.97%** at June 30, 2017. So long as the Series 2010 bonds are maintained under a book-entry system, payments of principal, premium, and interest on the Series 2010 bonds will be made when due by The Bank of New York Trust Company of Texas, N.A., Dallas, Texas, current trustee, to Deposit Trust Corporation, in accordance with the Trust Indenture.

The stated maturity of the Series 2010 bonds was July 1, 2045, but is now July 1, 2022 following the partial refund. The Series 2010 bonds are subject to optional redemption by the Organization prior to stated maturity at the call date, July 1, 2020, at par plus accrued interest.

Bexar County Health Facilities Development Corporation Revenue Bonds (Series 2007)

The Series 2007 bonds were issued under and pursuant to (i) the constitution and statutes of the state of Texas, including the Texas Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, in conformity with the provisions, restrictions, and limitations thereof and (ii) a Bond Indenture of Trust and Security Agreement (Trust Indenture) dated as of January 1, 2007.

The Series 2007 bonds were issued at the request of the Organization in order to:

- Refund the outstanding Bexar County Health Facilities Development Corporation Series 2002 Revenue Bonds issued in a par amount of \$21,560,000 and outstanding in the amount of \$20,615,000 (the “Refunded Bonds”);
- Finance a portion of the cost of certain capital projects of the Organization; and
- Fund certain reserves and pay certain costs of the issuance thereof.

Interest on the Series 2007 bonds is payable semiannually on each January 1 and July 1. The coupon rate on the bonds is 5.00% with the yield varying based on premium paid at the original time of commitment to purchase. The effective interest rate on the bonds was **4.56%** at June 30, 2017. So as long as the Series 2007 bonds are maintained under a book-entry system, payments of the principal, premium and interest on the Series 2007 bonds will be made when due by The Bank of New York Trust Company of Texas, N.A., Dallas, Texas, current trustee, to Deposit Trust Corporation in accordance with the Trust Indenture.

The stated maturity of the Series 2007 bonds is July 1, 2037.

The terms of the 2007, 2010, 2012 and 2016 bond indentures required that the Organization comply with certain bond covenants. These covenants include a “Coverage Ratio” and the “Liquidity Covenant”. As of June 30, 2017, the Organization was in compliance with the required bond covenants.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. LONG-TERM DEBT (continued)

Security for the Bonds – Under the Deeds of Trust, as security for the outstanding secured debt, including the Series 2007 bonds, the Series 2010 bonds, the Series 2012-1 & 2012-2 bonds, and the Series 2016 bonds, AARSF (the borrower) has granted to the Bond Trustees liens on certain real property and a security interest in all personal property of the Borrower. The land subject to the deeds of trust are subject to permitted encumbrances and the right of the Borrower and the corporation to obtain a partial release of certain property from the liens of the deeds of trust, and to dispose of assets under certain conditions.

Annual maturities of the bond payments are as follows:

Year ending June 30,

2018	\$ 2,225,000
2019	1,630,000
2020	1,710,000
2021	1,785,000
2022	1,875,000
Thereafter	<u>82,400,000</u>
Total	<u>\$ 91,625,000</u>

Long-term debt as of June 30, 2017 and 2016 included debt issuance costs, premium/discount and accumulated amortization/accretion as follows:

	<u>2017</u>	<u>2016</u>
Debt issuance costs	\$ 3,140,843	\$ 3,024,382
Accumulated amortization	(1,093,597)	(881,507)
(Premium) discount	(2,918,435)	213,161
Accumulated amortization/accretion	<u>(739,995)</u>	<u>(489,482)</u>
Unamortized debt issuance costs and premium	<u>\$ (1,611,184)</u>	<u>\$ 1,866,554</u>

The interest expense for the years ended June 30, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Interest expense	\$ 4,326,349	\$ 4,928,791
Accretion	(250,511)	(32,722)
Bond cost and rating fees	<u>10,000</u>	<u>3,000</u>
Total interest expense	<u>\$ 4,085,838</u>	<u>\$ 4,899,069</u>

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. LONG-TERM DEBT (continued)

In fiscal year 2015, it was discovered that the Series 2012 bond draw fee of \$57,150 was paid twice in prior years. The duplicated amount reduced bond costs as of June 30, 2015 with the offsetting amount recorded as prepaid consulting fees to be used in future periods for consulting services provided by the investment advisor. The remaining prepaid balance at June 30, 2017 and 2016 totaled **\$13,977** and **\$33,336**, respectively.

6. DEFERRED COMPENSATION AND SEVERANCE PAYABLE

The Organization has the following plans for deferred compensation and severance:

The first deferred compensation plan is a 457(b) plan. Selected employees of the Organization were allowed to defer an amount equal to one pay period's salary for each year of service after January 1, 2006. The amounts will be paid to the employee upon termination of employment. The Organization elected to discontinue the plan as of January 1, 2010. Funds set aside remain the assets of the Organization until they are paid out, and the employee would be considered ordinary creditors falling behind bondholders if the Organization was to be dissolved. The Organization has estimated the deferred compensation payable to these employees is **\$109,127** and **\$200,462** at June 30, 2017 and 2016, respectively. The Organization has set aside funds with the same company that also administers the 403(b) retirement plan and is fully funded.

The second deferred compensation plan was a contingent non-qualified plan, entered into in March 1999 with the former Chief Financial Officer. The Organization did not set aside funds for this plan as it is not a qualified plan, but the possible liability was recorded in fiscal year 2016. As of June 30, 2017 and 2016 the contingent deferred compensation liability was **\$538,329**. Management of the Organization continued to pursue all options in settling the deferred compensation payable. Subsequent to June 30, 2017, the matter was dismissed in the Bexar County District Court. No funds have been or will be exchanged and management will reverse the deferred compensation liability in fiscal year 2018 when the deferred compensation matter was dismissed.

The Organization replaced the 457(b) deferred compensation plan with a discretionary severance plan which is contingent upon approval at the time of separation of the Board of Directors. As of June 30, 2017 and 2016 the discretionary severance plan was **\$107,000** and **\$85,000**, respectively.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Resident assistance fund	\$ 742,166	\$ 696,975
Gift bonus fund	132,803	137,761
Greer employee scholarship fund	222,600	213,197
Employee relief fund	14,516	13,634
Chapel fund	<u>86,706</u>	<u>83,511</u>
Total temporarily restricted net assets	<u>\$ 1,198,791</u>	<u>\$ 1,145,078</u>

8. DESIGNATED NET ASSETS

During the year ended June 30, 1998, the Organization received a contribution of \$1,029,796 in cash and debt securities, which the Board has designated for capital improvements. The balance in this account as of June 30, 2017 and 2016 was **\$1,860,866** and \$1,747,792, respectively.

Additionally, amounts have been donated to a Resident Assistance Fund to help offset payments due the ARC by residents in need. Cumulative unrestricted earnings related to these funds have been Board designated for the same purpose as described above. The balance in this account as of June 30, 2017 and 2016 was **\$1,131,251** and \$1,062,511, respectively.

9. RETIREMENT PLAN

Effective January 1, 2008, the Organization established a 403(b) retirement plan for its employees based on service and age requirements with discretionary employer matching contributions in which the employee is fully vested after 5 years. For the year ended June 30, 2017, the Organization paid a match of approximately **\$146,000**. For the year ended June 30, 2016, the Organization paid a match of approximately \$105,000.

10. COMMITMENTS AND CONTINGENCIES

Credit Risk – The Organization maintains cash balances at several financial institutions located in San Antonio, Texas in excess of the amounts insured by the Federal Deposit Insurance Corporation of \$250,000 per depositor. Management believes exposure to credit loss is minimal due to the creditworthiness of the financial institutions holding the deposits. As of June 30, 2017, the maximum credit risk exposure was **\$5,747,888**.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

10. COMMITMENTS AND CONTINGENCIES (continued)

Food Service Contract – The Organization entered into a contract with a vendor to provide food services to the Organization for a period of 10 years. The contract also provides up to \$750,000 of improvements, renovation or capital equipment purchases to be provided by the Vendor. The Organization is charged depreciation expense from the vendor. In the event the Organization ceases business with the vendor, the Organization is required to purchase the full-unamortized/undepreciated value plus interest to the vendor.

11. RECENTLY ISSUED ACCOUNTING GUIDANCE

In 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, entities will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The new authoritative guidance will be effective for annual and interim reporting periods ending after December 15, 2019. Management is evaluating the amended guidance but expects the adoption will have a significant impact to the Organization's financial statements.

In 2016, the FASB issued authoritative guidance regarding the presentation of financial statements for non-profit entities. The accounting standards update changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources and the changes in those resources to donors, grantors, creditors, and other users. Under the new standard, non-for-profit entities will:

- (1) Present only two classes of net assets on the face of the statement of financial position, net assets with donor restrictions and net assets without donor restrictions. This will replace the current convention of reporting net assets as unrestricted, temporarily restricted, and permanently restricted.
- (2) Present the change in each of the two classes of net assets (noted in item 1) rather than that of the currently three required three classes.
- (3) No longer be required to present or disclose the indirect method if presenting the cash flow statement using the direct method (presentation of the indirect method alone is still permitted).

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

11. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

- (4) Provide enhanced disclosures about:
 - a. amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period;
 - b. the composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources;
 - c. qualitative information that communicates how a non-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date;
 - d. quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a non-for-profit entity's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions;
 - e. amounts of expenses by both their natural classification and their functional classification either on the face of the statement of activities, as a separate statement, or in the notes to financial statements;
 - f. method(s) used to allocate costs among program and support functions; and
 - g. underwater endowment funds, which include required disclosures of (1) a non-for-profit entity's policy, and any actions taken during the period concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.
- (5) Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
- (6) Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from *net assets with donor restrictions* to *net assets without donor restrictions* for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

11. RECENTLY ISSUED AUTHORITATIVE GUIDANCE (continued)

This standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is evaluating the updated standard, but expects the adoption will have a significant impact on its financial statements with regards to providing enhanced disclosures about net assets with donor restrictions, expenses, and liquidity.

In 2016, several other Accounting Standards were proposed and approved with effective dates ranging from fiscal year 2016 to fiscal year 2020. Except as noted above, the new authoritative guidance is not expected to have a significant impact to the Organization's financial statements.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the two outstanding lawsuits the Organization was defending were dismissed with no financial consideration. See note 6 for discussion of the dismissed litigation related to deferred compensation.

The Organization has evaluated the potential subsequent events through the date of the opinion of these financial statements, which is the date the financial statements were available for issuance, and concluded that there were no other events or transactions occurring during this period that required recognition or disclosure in the financial statements which were not already disclosed in the notes. Any event occurring after the issuance date has not been factored into the financial statements being presented.

SUPPLEMENTARY INFORMATION

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	The Army Residence Community	Army Retirement Residence Supporting Foundation	South Texas Army Residence Beverages	Eliminating Entries	2017 Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 1,157,879	\$ 11,854,721	\$ 77,472	\$ -	\$ 13,090,072
Accounts receivable, net	1,123,856	155,469	31,465	(31,465)	1,279,325
Insurance receivable on involuntary conversion	-	43,747	-	-	43,747
Prepaid expenses and other current assets	648,625	13,977	-	-	662,602
Assets whose use is limited and required for current liabilities	-	403,748	-	-	403,748
Total current assets	2,930,360	12,471,662	108,937	(31,465)	15,479,494
Assets whose use is limited:					
Cash and cash equivalents	-	2,371,487	-	-	2,371,487
Investments, at fair value	109,127	1,531,797	-	-	1,640,924
	109,127	3,903,284	-	-	4,012,411
Less portion required for current liabilities	-	(403,748)	-	-	(403,748)
Total noncurrent assets whose use is limited	109,127	3,499,536	-	-	3,608,663
Investments, at fair value	-	21,005,535	-	-	21,005,535
Property, plant and equipment, net	1,240,921	102,299,842	-	-	103,540,763
Intercompany receivables	531,474	-	-	(531,474)	-
Investment in subsidiary	107,370	-	-	(107,370)	-
Total assets	\$ 4,919,252	\$ 139,276,575	\$ 108,937	\$ (670,309)	\$ 143,634,455
LIABILITIES AND NET ASSETS					
Accounts payable and other liabilities	\$ 714,145	\$ 217,043	\$ 1,567	\$ (31,465)	\$ 901,290
Accrued payroll and related items	1,298,748	-	-	-	1,298,748
Accrued interest expense	-	1,691,307	-	-	1,691,307
Intercompany payables	-	531,474	-	(531,474)	-
Current portion of long-term debt	-	2,225,000	-	-	2,225,000
Total current liabilities	2,012,893	4,664,824	1,567	(562,939)	6,116,345
Long-term debt, less current portion	-	89,400,000	-	-	89,400,000
Bond issue costs and premium (discount), net	-	1,611,184	-	-	1,611,184
Long-term debt, net of costs, less current portion	-	91,011,184	-	-	91,011,184
Deferred compensation and severance payable	754,456	-	-	-	754,456
Unearned deposits and down payments	-	512,625	-	-	512,625
Refundable entrance fees	-	3,184,978	-	-	3,184,978
Deferred entrance fees subject to refund period	-	11,640,897	-	-	11,640,897
Deferred entrance fees - non refundable	-	36,646,432	-	-	36,646,432
Total liabilities	2,767,349	147,660,940	1,567	(562,939)	149,866,917
Net Assets					
Unrestricted:					
Designated	-	2,992,117	-	-	2,992,117
Undesignated	2,151,903	(12,575,273)	107,370	(107,370)	(10,423,370)
Total unrestricted net assets	2,151,903	(9,583,156)	107,370	(107,370)	(7,431,253)
Temporarily restricted	-	1,198,791	-	-	1,198,791
Total net assets	2,151,903	(8,384,365)	107,370	(107,370)	(6,232,462)
Total liabilities and net assets	\$ 4,919,252	\$ 139,276,575	\$ 108,937	\$ (670,309)	\$ 143,634,455

See accompanying notes to the consolidated financial statements.

THE ARMY RESIDENCE COMMUNITY AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2017

	The Army Residence Community	Army Retirement Residence Supporting Foundation	South Texas Army Residence Beverages	Eliminating Entries	2017 Consolidated Totals
UNRESTRICTED NET ASSETS					
Core services income:					
Residence center	\$ 14,400,345	\$ 1,319,895	\$ 89,606	\$ -	\$ 15,809,846
Health care center	7,557,911	-	-	-	7,557,911
Dining service	3,452,399	-	-	-	3,452,399
Core services income	25,410,655	1,319,895	89,606	-	26,820,156
Core services expenses:					
Residence center	9,348,936	-	-	(686,000)	8,662,936
Health care center	5,071,288	-	-	-	5,071,288
Dining service	6,226,113	-	49,200	-	6,275,313
General and administrative	3,760,972	396,978	5,791	-	4,163,741
Core services expenses	24,407,309	396,978	54,991	(686,000)	24,173,278
Core services income over expenses	1,003,346	922,917	34,615	686,000	2,646,878
Other operating income:					
Investment income	-	1,063,011	-	-	1,063,011
Earned entrance fees	-	5,622,692	-	-	5,622,692
Contributions	63,933	-	-	-	63,933
Lease revenue	-	686,000	-	(686,000)	-
Net income from subsidiary	34,615	-	-	(34,615)	-
Net assets released from restriction	-	20,467	-	-	20,467
Total other operating income	98,548	7,392,170	-	(720,615)	6,770,103
Other operating expenses:					
Depreciation and amortization	428,643	5,600,014	-	-	6,028,657
Interest expense and accretion	-	4,085,838	-	-	4,085,838
Amortization of bond issuance costs	-	212,090	-	-	212,090
Total other operating expenses	428,643	9,897,942	-	-	10,326,585
Total operating income (loss)	673,251	(1,582,855)	34,615	(34,615)	(909,604)
Gain (loss) on disposal of assets	-	(275,057)	-	-	(275,057)
Loss on extinguishment of debt	-	(10,214,944)	-	-	(10,214,944)
Realized gain on investments	-	2,055,673	-	-	2,055,673
Unrealized loss on investments	-	(926,080)	-	-	(926,080)
Increase (decrease) in unrestricted net assets	673,251	(10,943,263)	34,615	(34,615)	(10,270,012)
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	100	-	-	100
Investment income	-	54,090	-	-	54,090
Net assets released from restriction	-	(20,467)	-	-	(20,467)
Change in temporarily restricted net assets	-	33,723	-	-	33,723
INCREASE (DECREASE) IN NET ASSETS	673,251	(10,909,540)	34,615	(34,615)	(10,236,289)
NET ASSETS AT BEGINNING OF YEAR	1,478,652	2,525,175	72,755	(72,755)	4,003,827
NET ASSETS AT END OF YEAR	\$ 2,151,903	\$ (8,384,365)	\$ 107,370	\$ (107,370)	\$ (6,232,462)

See accompanying notes to the consolidated financial statements.

**CONFORMED COPY OF MASTER INDENTURE OF TRUST AND SECURITY
AGREEMENT, as amended and supplemented by
CONFORMED COPY OF MASTER INDENTURE SUPPLEMENT NO. 1,
CONFORMED COPY OF MASTER INDENTURE SUPPLEMENT NO. 2 and
CONFORMED COPY OF MASTER INDENTURE SUPPLEMENT NO. 3**

**CONFORMED COPY OF DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES,
AND SECURITY AGREEMENT, as amended and supplemented by
CONFORMED COPY OF FIRST SUPPLEMENT TO DEED OF TRUST, ASSIGNMENT
OF RENTS AND LEASES AND SECURITY AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION

and

THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO,
as, together, the Co-Obligor

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Trustee

MASTER INDENTURE OF TRUST
AND
SECURITY AGREEMENT

Dated as of January 1, 2007

This Instrument Contains
After-Acquired Property Provisions

2017022.7

TABLE OF CONTENTS

Section 4.15.	Delay or Omission Not Waiver	38
Section 4.16.	Control by Holders of Secured Debt	38
Section 4.17.	Waiver of Past Defaults	39
Section 4.18.	Undertaking for Costs	39
Section 4.19.	Waiver of Appraisal and Other Laws	39
Section 4.20.	Suits to Protect the Trust Estate	40
Section 4.21.	Remedies Subject to Applicable Law	40
Section 4.22.	Default Not Affecting All Secured Debt	40

ARTICLE V
THE MASTER TRUSTEE

Section 5.01.	Certain Duties and Responsibilities	41
Section 5.02.	Notice of Defaults to Holders of Secured Debt	42
Section 5.03.	Certain Rights of Master Trustee	42
Section 5.04.	Not Responsible for Recitals	44
Section 5.05.	May Hold Secured Debt	44
Section 5.06.	Money Held in Trust	44
Section 5.07.	Compensation and Reimbursement	44
Section 5.08.	Corporate Master Trustee Required; Eligibility	45
Section 5.09.	Resignation and Removal; Appointment of Successor	45
Section 5.10.	Acceptance of Appointment by Successor	46
Section 5.11.	Merger, Conversion, Consolidation, or Succession to Business	47
Section 5.12.	Co-trustees and Separate Master Trustees	47
Section 5.13.	Secured Debt Authenticating Agent	48

ARTICLE VI
SUPPLEMENTAL MASTER INDENTURES

Section 6.01.	Supplemental Master Indentures Without Consent of Holders of Secured Debt	50
Section 6.02.	Supplemental Master Indentures With Consent of Holders of Secured Debt	51
Section 6.03.	Execution of Supplemental Master Indenture	52
Section 6.04.	Effect of Supplemental Master Indenture	52

ARTICLE VII
CONSOLIDATION, MERGER, CONVEYANCE, OR TRANSFER

Section 7.01.	Consolidation, Merger, Conveyance, or Transfer only on Certain Terms	53
Section 7.02.	Successor Substituted	53

ARTICLE VIII
COVENANTS AND WARRANTIES

Section 8.01.	Payment of Outstanding Secured Debt; Subrogation	54
Section 8.02.	Warranty of Title	55
Section 8.03.	After-Acquired Property; Further Assurances; Recording	55
Section 8.04.	Maintenance of Properties	55
Section 8.05.	Corporate Existence	56
Section 8.06.	To Maintain Rates	56
Section 8.07.	Limitations on Debt	56
Section 8.08.	Limitation on Liens	58
Section 8.09.	Liquidity Requirement	60

2017022.7

ii

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01.	Definitions	4
Section 1.02.	Acts of Holders of Secured Debt	17
Section 1.03.	Notices, etc., to Certain Persons	18
Section 1.04.	Notices to Holders of Secured Debt; Waiver	19
Section 1.05.	Form and Contents of Documents Delivered to Master Trustee; Obligated Group Representative	19
Section 1.06.	Compliance Certificates and Opinions	20
Section 1.07.	Effect of Headings and Table of Contents	21
Section 1.08.	Successors and Assigns	21
Section 1.09.	Severability Clause	21
Section 1.10.	Benefits of Master Indenture	21
Section 1.11.	Governing Law	22

ARTICLE II
ISSUANCE OF SECURED DEBT

Section 2.01.	General Provisions	23
Section 2.02.	Security Interest	23
Section 2.03.	Qualification of Secured Debt	24
Section 2.04.	Certificate of Authentication and Assignment	24
Section 2.05.	Registration, Bearer Debt, Transfer, and Exchange of Secured Debt	25
Section 2.06.	Mutilated, Destroyed, Lost and Stolen Notes	26
Section 2.07.	Persons Deemed Owners	27

ARTICLE III
DEFEASANCE AND RELEASE OF SECURED DEBT

Section 3.01.	Payment of Secured Debt; Satisfaction and Discharge of Master Indenture	28
---------------	---	----

ARTICLE IV
REMEDIES

Section 4.01.	Events of Default	29
Section 4.02.	Acceleration of Maturity; Rescission and Annulment; Notice and Demand to Co-Obligors	30
Section 4.03.	Entry	31
Section 4.04.	Powers of Sale, Transfer, Assignment, Lease, and Other Dispositions; Suits for Enforcement	31
Section 4.05.	Incidents of Sale	33
Section 4.06.	Covenant to Pay Master Trustee Amounts Due on Secured Debt and Right of Master Trustee to Judgment	34
Section 4.07.	Application of Money Collected	35
Section 4.08.	Receiver	36
Section 4.09.	Master Trustee May File Proofs of Claim	36
Section 4.10.	Master Trustee May Enforce Claims Without Possession of Secured Debt	36
Section 4.11.	Limitation on Suits	37
Section 4.12.	Unconditional Right of Holders of Secured Debt to Receive Principal, Premium, and Interest	37
Section 4.13.	Restoration of Positions	38
Section 4.14.	Rights and Remedies Cumulative	38

2017022.7

i

TABLE OF CONTENTS

Section 8.10.	Limitation on Disposition of Assets	60
Section 8.11.	To Keep Books; Financial Reports and Inspection by Master Trustee; Fiscal Year	61
Section 8.12.	Performance of Other Obligations	62
Section 8.13.	Advances by Master Trustee	62
Section 8.14.	Statement as to Compliance	62
Section 8.15.	To Insure	62
Section 8.16.	Application of Insurance Proceeds and Condemnation Awards	63
Section 8.17.	Payment of Taxes	64
Section 8.18.	Waiver of Certain Covenants	64
Section 8.19.	Certain Hedging Transactions	64

ARTICLE IX
CO-OBLIGORS

Section 9.01.	Qualification as Co-Obligor	65
Section 9.02.	Transfers to Co-Obligor	65
Section 9.03.	Release of Co-Obligors	65

ARTICLE X
FUNDS

Section 10.01.	Establishment of Funds	67
Section 10.02.	Revenue Fund	67
Section 10.03.	Security for Deposits	68
Section 10.04.	Investments	68

EXHIBIT A — EXISTING MORTGAGES, LIENS OR OTHER ENCUMBRANCES

2017022.7

iii

THIS MASTER INDENTURE OF TRUST AND SECURITY AGREEMENT (this "Master Indenture") dated as of January 1, 2007 between Army Retirement Residence Supporting Foundation, a Texas non-profit corporation (the "Supporting Foundation") and The Army Retirement Residence Foundation—San Antonio, a District of Columbia non-profit corporation (the "ARC") (the Supporting Foundation and the ARC hereinafter referred to together as the "Co-Obligor", which term includes any successor Co-Obligor hereunder), and The Bank of New York Trust Company, N.A., a national banking association, as trustee (together with any successor to the trust herein granted, the "Master Trustee"),

WITNESSETH:

WHEREAS, pursuant to a Loan Agreement of even date herewith between the Supporting Foundation and the Bexar County Health Facilities Development Corporation, a non-profit corporation organized with the approval of the Commissioners Court of Bexar County, Texas (together with any successor permitted hereunder, the "Issuer"), the Issuer has agreed to make a loan to the Supporting Foundation, evidenced by a promissory note of even date herewith made by the Supporting Foundation, to finance and refinance certain improvements to and equipment for retirement facilities owned by the Supporting Foundation and utilized by the ARC, which financing and refinancing has been found by the board of directors of the Issuer to be required, necessary, and convenient for health care and education in the State of Texas;

WHEREAS, pursuant to Section 221.065(a) of the Act, the board of directors of the Issuer has found that there is a public benefit and a public purpose for the refinancing;

WHEREAS, the Co-Obligor has duly authorized the execution and delivery of this Master Indenture in order to secure payment of such loan and note as Secured Debt (hereinafter defined) under this Master Indenture and in order to secure payment of other Secured Debt to be hereinafter incurred by any Co-Obligor;

WHEREAS, as an inducement to the Issuer to make such loan, the Co-Obligor has agreed to pledge its credit and the security given by it hereunder to secure the Issuer's loan to it and to secure future Secured Debt;

WHEREAS, all things have been done which are necessary to constitute this Master Indenture a valid security agreement and contract for the security of the Secured Debt, in accordance with the terms of such Secured Debt and this Master Indenture;

GRANTING CLAUSES

NOW, THEREFORE, THIS MASTER INDENTURE WITNESSETH, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Secured Debt (hereinafter defined) and the performance of the covenants therein and herein contained and to declare the terms and conditions on which the Outstanding Secured Debt is secured, and in consideration of the premises, of the purchase of the Secured Debt by the Holders thereof, and of the sum of One Dollar (\$1.00) to the Co-Obligor in hand paid by the Master Trustee at or before the execution and delivery of this Master Indenture, the receipt and sufficiency of which are hereby acknowledged, the Co-Obligor by these presents does (and pursuant to Section 9.01 each additional Co-Obligor shall) grant, bargain, sell, alienate, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Master Trustee, whose address is 600 North Pearl, Suite 420, Dallas, Texas 75201, Attention: Corporate Trust Department, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title, and interest of the Co-Obligor in and to the Revenues (hereinafter defined) of each Co-Obligor; and

GRANTING CLAUSE SECOND

All right, title, and interest of the Co-Obligor in and to all money and investments held for the credit of any fund under Article X; and

GRANTING CLAUSE THIRD

Any and all property that may, from time to time hereinafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof or be described herein by the Co-Obligor, or by anyone on its behalf (and the Master Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to such lien and security interest of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the Co-Obligor or the Person so acting on its behalf or by the Master Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property, rights, privileges, and franchises of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, alienated, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, rights, privileges, and franchises including any cash and securities hereafter deposited or required to be deposited with the Master Trustee, other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate, being herein collectively referred to as the "Trust Estate") unto the Master Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Secured Debt without any priority of any such Secured Debt over any other such Secured Debt except as herein otherwise expressly provided or described;

UPON CONDITION that, if there shall be well and truly paid, or cause to be paid, the principal of (and premium, if any) and interest on the Outstanding Secured Debt according to the true intent and meaning thereof, or there shall be deposited with the Master Trustee such amounts in such form in order that none of the Secured Debt shall remain Outstanding as herein defined and provided, and there shall be paid, or caused to be paid, to the Master Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the full and final payment of all such sums and amounts secured hereby or upon such deposit, this Master Indenture and the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void and this Master Indenture shall be released by the Master Trustee in due form at the expense of the Co-Obligors, except only as herein provided; otherwise this Master Indenture is to be and to remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that the Trust Estate is to be held and applied by the Master Trustee, subject to the further covenants, conditions, and trusts hereinafter set forth, and the Co-Obligor does hereby (and by its assumption of the obligations of a Co-Obligor, each Person which becomes a Co-Obligor shall thereby) covenant and agree to and with the Master Trustee, for the

equal and proportionate benefit of all Holders of the Secured Debt except as herein otherwise expressly provided or described, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions.

For all purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

B. All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles.

C. All references herein to "generally accepted accounting principles" refer to such principles as they exist on the date of applicability thereof or, at the option of the Obligated Group, as they existed as of the date of this Master Indenture.

D. All references in this instrument to designated "Articles", "Sections", and other subdivisions are to the designated Articles, Sections, and other subdivisions of this instrument as originally executed.

E. The words "herein", "hereof", and "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section, or other subdivision.

"Accountant" means a Person engaged in the practice of accounting who (except as otherwise expressly provided in this Master Indenture) may be employed by or affiliated with any Co-Obligor or any Affiliate of any Co-Obligor.

"Acquired Facility" means any property which, within six (6) months prior to the date of its acquisition by any Co-Obligor, has been used or operated by a Person or Persons other than such Co-Obligor in a business similar to that in which such property has been or is to be used or operated by such Co-Obligor.

"Act" when used with respect to any Holder of Secured Debt has the meaning stated in Section 1.02.

"Additions" means any and all real or personal property wherever located or used

(1) which is desirable in the business of any Co-Obligor;

(2) the cost of construction, acquisition, or development of which is properly chargeable to the property accounts of the Co-Obligor in accordance with generally accepted accounting principles; and

(3) which is owned by the Co-Obligor.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or the power to appoint and remove its directors or trustees, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Application" means an application for the securing of Debt hereunder as Secured Debt and shall not be deemed complete until there shall have been delivered to the Master Trustee such documents as are required by the provisions hereof to establish the right of the Co-Obligor to the action applied for. The date of a particular Application shall be deemed to be the date of completion of all such deliveries to the Master Trustee and not the date on any particular document so delivered.

"Appraiser" means an Independent Person engaged in the business of appraising property who is a Member of American Institute of Real Estate Appraisers (MAI), if the property to be appraised is real property, or is acceptable to the Master Trustee, if the property to be appraised is personal property.

"Authorized Newspaper" means any newspaper or financial journal of general circulation in the State of Texas and any other newspaper or financial journal of general circulation in the relevant area printed in the English language, and customarily published on each Business Day. Whenever successive weekly publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Newspapers.

"Board" of any Person means either the board of directors or trustees of such Person or any duly authorized committee of said board.

"Board Resolution" of any Person means a copy of a resolution, certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board thereof and to be in full force and effect on the date of such certification, delivered to the Master Trustee.

"Bonds" means any bond or other Debt (i) which is secured by Secured Debt and (ii) the interest on which, according to an Opinion of Independent Counsel is in whole or in part excludable from gross income under the Internal Revenue Code of 1986, as amended.

"Business Day" means a day (i) other than a Saturday, a Sunday, or a legal holiday or the equivalent (other than a moratorium) for banking institutions generally in the City of San Antonio, Texas, the city in which the principal corporate trust office of the Master Trustee is located, the City of New York, New York, or any of them and (ii) on which the New York Stock Exchange is open.

"Capital Expenditures" means, as of the date of determination thereof, the aggregate of the costs paid (otherwise than by incurring, or acquiring property subject to, purchase money obligations) prior to such date by any Co-Obligor in connection with the construction, acquisition, or development of any Project or Additions, as the case may be, and properly chargeable to the property accounts of the owner thereof in accordance with generally accepted accounting principles and so charged, in connection with such construction, acquisition, or development and so properly chargeable and, in the case of Capital Expenditures for Additions consisting of an Acquired Facility, including the cost to such Person of any franchises, rights, or property, other than Additions, acquired as a part of such going business for which no separate or distinct consideration shall have been paid or apportioned.

20170921.1

5

- (3) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property,

provided, to the extent that such Person has obtained credit or liquidity enhancement or support for Debt, whether by means of a bank bond purchase agreement, letter of credit, revolving credit agreement, surety bond, or otherwise, and the terms and conditions under which such credit or liquidity enhancement or support was obtained require such Person to reimburse the provider of such enhancement or support, such obligation of such Person to reimburse such provider for such amounts shall constitute Debt only when and to the extent such advances are actually made and such obligation to reimburse actually arises.

As a limitation to the foregoing definition, "Debt" shall not include the following:

- (a) indebtedness for taxes, assessments, and governmental charges or levies and claims for labor, materials, and supplies,
- (b) indebtedness represented by dividends declared but not paid,
- (c) unsecured indebtedness payable on demand or which matures not more than one year from the date of incurrence or, in case such Debt is extended or renewed (other than pursuant to the option of the debtor to extend or renew), from the date of such extension or renewal thereof, if such unsecured Debt is incurred in the ordinary course of business and not as a result of borrowing or in respect of obligations of any other Person, and
- (d) indebtedness of a member of the Obligated Group which is based upon the guarantee or assumption by such member, directly or indirectly, of indebtedness of another Co-Obligor.

Furthermore, for purposes of computing Maximum Annual Debt Service Requirements pursuant to Sections 8.06, 8.07C and 8.07D,

- (i) with respect to any Debt the interest rate on which is not established at a fixed rate or rates for the remaining term thereof ("Variable Rate Debt"), (A) for the purpose of calculating the Reserve Fund Requirements (as defined below) and the principal amount of Debt constituting Variable Rate Debt payable in any Fiscal Year described in clause (ii)(C) below, such Debt shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate on the date of issuance thereof for the term thereof as determined by an Officer's Certificate, confirmed by a written certificate of a financial advisor or investment banking firm experienced in financing of continuing care retirement communities; and (B) for all other purposes, such Variable Rate Debt shall be deemed to bear interest at an annual rate equal to the higher of (a) the weighted average interest rate per annum borne by such Debt during the 12-month period ending on the date of calculation (or, in the case of any Variable Rate Debt to be issued or issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding Debt having comparable terms and issued by, or secured by agreements issued by, entities of comparable creditworthiness as the obligors with

20170921.1

7

"Community" means the Army Residence Community, a continuing care retirement community owned and operated by the Co-Obligor named in the first paragraph of this instrument.

"Co-Obligor" means the Person named as Co-Obligor in the first paragraph of this instrument until the release of such Person pursuant to Section 9.03 and any Person which has become a Co-Obligor pursuant to Section 9.01 and has not been released pursuant to Section 9.03.

"Consolidated Gross Revenues" of the Obligated Group means consolidated gross revenues of the Obligated Group, determined in accordance with generally accepted accounting principles, reduced by adjustments relating to contractual arrangements with third party payors and adjustments for free services, adjusted to eliminate intercompany items among members of the Obligated Group, and exclusive of change in value of any derivative contract or unrealized gain or loss on any investment and any gain or loss on the disposition of any assets.

"Corporation Consent", "Corporation Order", and "Corporation Request" mean, respectively, a written consent, order, or request signed (subject to Section 1.05) in the name of a Person which is a corporation by the Chairman of the Board, the President, a Vice President, the Secretary, or an Assistant Secretary of the corporation, and delivered to the Master Trustee.

"Coverage Ratio" means, for the period of calculation, the ratio of Net Revenues of the Obligated Group to Maximum Annual Debt Service Requirements on Funded Debt of the Obligated Group; provided, Non-Recourse Debt shall be excluded from the Coverage Ratio calculation if (a) the Revenues derived from the property securing such Non-Recourse Debt are sufficient to cover all related expenses and debt service (as evidenced by an Officer's Certificate of the Obligated Group Representative), and (b) the Revenues derived from the property securing such Non-Recourse Debt and the related expenses and debt service are excluded from the calculation of Net Revenues.

"Current Value" of any property of any Person means the appraised value of such property established by a certificate of an Appraiser with an appraisal date within the immediately preceding three (3) years.

"Debt" of any Person at any date shall include all indebtedness or liabilities for borrowed money, any installment sale or obligations under leases that are capitalized under generally accepted accounting principles. In addition, but not in duplication of the foregoing, "Debt" shall include the following:

- (1) except as provided in Clause (d) below, all indebtedness guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement, contingent or otherwise, to purchase indebtedness or to advance or supply funds for the payment or purchase of indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of indebtedness or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise;

- (2) all indebtedness secured by any mortgage, lien, pledge, charge, or encumbrance upon property owned by such Person even though such Person has not assumed or become liable for the payment thereof; and

respect to such Variable Rate Debt during the immediately preceding 12-month period as determined by an Officer's Certificate, confirmed by a written certificate of a financial advisor or investment banking firm experienced in financing of continuing care retirement communities) and (b) the interest rate per annum borne by such Debt on the date of calculation;

(ii) with respect to any Balloon Debt (as defined below), the principal amount of such Debt shall be deemed to be payable during the Fiscal Year in which such principal amount becomes due, provided that, at the option of the Obligated Group, (A) if a letter of credit or other credit or liquidity facility is then in effect with respect to such Debt, the principal amount of such Debt payable in each Fiscal Year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year if such credit facility were used or drawn upon to purchase or retire such Debt on the Stated Maturity date thereof or on any date established for the mandatory redemption thereof, less the aggregate amount required to be on deposit in any irrevocable sinking fund established to provide for the payment of such Debt in accordance with clause (B) below during such Fiscal Year; (B) if (1) pursuant to a resolution duly adopted by the governing body of a member of the Obligated Group, an irrevocable sinking fund shall have been established to provide for the payment of such Debt when due, (2) deposits to such sinking fund are current and timely, and (3) verification of such timely deposits is contained in the most recent audited financial statements of the Obligated Group or a written statement from an Independent Accountant, then the principal amount of such Debt payable in each Fiscal Year may be deemed to be the amount required to be deposited in such sinking fund for such Fiscal Year; and (C) the principal amount of such Debt payable in each Fiscal Year may be deemed to be the amount that would be payable during such Fiscal Year if such Debt were required to be amortized in full from the date of its issuance in substantially equal annual installments of principal (such principal to be rounded to the nearest \$5,000) and interest over a term equal to the shorter of (1) 30 years and (2) 120% of the weighted average economic life of the facilities financed or refinanced thereby; provided further that the Reserve Fund Requirement shall be calculated based on clause (C) above;

(iii) with respect to any Debt that is subject to optional or mandatory tender by the holder thereof for purchase or redemption prior to the Stated Maturity date thereof, the option of the holder thereof to demand the purchase or redemption of such Debt and any requirement that such Debt be purchased or redeemed prior to the stated maturity date thereof shall be disregarded;

(iv) with respect to any guarantee, so long as no member of the Obligated Group has made within the two (2) most recent Fiscal Years a payment required by and pursuant to such guarantee, there shall be excluded from Debt of any member of the Obligated Group the

20170921.1

8

applicable percentage of the Debt of another Person guaranteed by such member (or as to which such member is otherwise obligated to make payments) to the extent the ratio of the Net Revenues of such other Person for the period described in Sections 8.06, 8.07C and 8.07D, as the case may be, to the Maximum Annual Debt Service Requirements of such other Person, expressed as a percentage, set forth below:

Net Revenues of the other Person whose Debt is guaranteed by any guarantee of member of the Obligated Group as a percentage of the Maximum Annual Debt Service Requirements of such other Person	Percentage of the guaranteed Debt of such other Person to be excluded as Debt of any member of the Obligated Group
150%	100%
at least 135% but less than 150%	75%
at least 125% but less than 135%	50%
at least 110% but less than 125%	25%
less than 110%	0%

(v) with respect to any Debt for which one or more members of the Obligated Group and one or more Persons that are not members of the Obligated Group are jointly and severally liable, the amount of such Debt that, pursuant to the agreement between or among the primary obligors with respect to such Debt, is required to be paid by Persons that are not members of the Obligated Group shall be excluded to the extent of the amount thereof that would be excluded if the Debt of such other Person had been guaranteed by a member of the Obligated Group, determined in accordance with clause (iv) above.

For the purposes hereof, "Balloon Debt" means Funded Debt 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required by the documents governing such Debt to be amortized by redemption prior to such period. Debt described in clause (iii) above shall not be deemed to constitute Balloon Debt solely by reason of the option of the holder thereof to demand the purchase or redemption of such Debt and any requirement that such Debt be purchased or redeemed prior to the stated maturity date thereof.

For purposes of (i) and (ii) above, Reserve Fund Requirement has the meaning set forth in the Bond Indenture of Trust and Security Agreement dated as of July 1, 2002 between the Bexar County Health Facilities Development Corporation and The Bank of New York Trust Company, N.A., as trustee.

"Default" means the occurrence and continuance of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default.

"Eligible Investments" means any of the following investments, the investment in which does not conflict with existing law and which mature (or are redeemable at the option of the Master Trustee) at such time or times as to enable disbursements to be made from the fund in which such investment is held in accordance with the terms hereof:

- (1) bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including any of the federal agencies and federally sponsored entities set forth in clause (3)

20170322.7

9

In the event these securities are used for defeasance of any Debt, they shall be non-callable and non-prepayable;

The following obligations may be used as Eligible Investments for all purposes other than defeasance of any Debt:

- (4) commercial paper which is rated at the time of purchase "A-1" by Standard & Poor's Ratings Group, "F-1" by Fitch Ratings, or "P-1" by Moody's Investors Services, and which matures not more than 270 days after the date of purchase;
- (5) investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two national rating agencies under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in clauses (1)-(4) above; and
- (6) investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two national rating agencies and which are continuously and fully secured by such securities as are described in clauses (1)-(3) above, which securities shall have a market value at all times at least equal to 102% of the principal amount invested under the investment agreement (marked to market at least weekly).

"Entrance Fees" means all amounts, other than monthly or recurring service fees, paid by a resident in consideration of a right to occupy a unit of the Community.

"Event of Default" has the meaning stated in Article IV. An Event of Default shall "exist" if an Event of Default shall have occurred and be continuing.

"Fiscal Year" means the 12-month period commencing July 1 of each year, as the same may be changed pursuant to Section 8.11.

"Funded Debt" means Debt which matures by its terms or is renewable at the option of the debtor to, a date more than one year after the original incurrence of such Debt by such debtor.

"Hedging Transaction" means any transaction entered into by a Co-Obligor in order to hedge the interest payable on all or a portion of any Debt, including (without limitation) an interest rate swap, a forward or futures contract or an option, such as (without limitation) a call put, cap, floor or collar.

"Holder" when used with respect to registered Secured Debt means the Person in whose name such Secured Debt is registered in the Secured Debt Register and, with respect to Secured Debt issued in bearer form, means the bearer of such Debt.

"Independent" when used with respect to any specified Person means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in any member of the Obligated Group, or in any Affiliate of any such Person, and (3) is not connected with such member or any Affiliate of such Person as an officer, employee, promoter, underwriter, trustee, partner, director, or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Master Trustee, such Person shall be appointed by a Corporation Order of the Obligated Group Representative and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning thereof.

20170322.7

11

below to the extent guaranteed by the United States of America; in the event these securities are used for defeasance of any Debt, they shall be non-callable and non-prepayable;

(2) obligations of any of the following federal agencies or federally sponsored entities which obligations represent the full faith and credit (guaranteed obligations) of the United States of America:

- (a) Export-Import Bank;
- (b) Farm Credit System Financial Assistance Corporation;
- (c) Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- (d) General Services Administration;
- (e) U.S. Maritime Administration;
- (f) Small Business Administration;
- (g) Government National Mortgage Association (GNMA);
- (h) U.S. Department of Housing & Urban Development (PHA's);
- (i) Federal Housing Administration;
- (j) Federal Financing Bank;
- (k) Resolution Funding Corporation (REFCORP) interest strips only;
- (l) Agency for International Development; and
- (m) Overseas Private Investment Corporation;

In the event these securities are used for defeasance of any Debt, they shall be non-callable and non-prepayable;

(3) direct obligations of any of the following federal agencies or federally sponsored entities which are not fully guaranteed by the full faith and credit of the United States of America:

- (a) Federal National Mortgage Association (FNMA);
- (b) Federal Home Loan Mortgage Corporation (FHLMC);
- (c) Resolution Funding Corporation (REFCORP) principal strips; and
- (d) Federal Home Loan Bank System (FHLB).

20170322.7

10

"Insurance Consultant" means a firm of professional insurance consultants knowledgeable in the operations of retirement facilities and having a favorable reputation for skill and experience in the field of retirement facilities insurance consultation or a Management Consultant.

"Loan Agreement" means any loan agreement or credit agreement between a Co-Obligor and any issuer of Debt secured by Secured Debt, as the same may be supplemented, modified, or amended from time to time.

"Management Consultant" means a nationally recognized firm of independent professional management consultants knowledgeable in the operation of retirement facilities and having a favorable reputation for skill and experience in the field of retirement facilities management consultation.

"Master Indenture" means this instrument as originally executed or as it may from time to time be supplemented, modified, or amended by one or more instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"Master Trustee" means the Person named as the "Master Trustee" in the first paragraph of this instrument until a successor Master Trustee shall have become such pursuant to the applicable provisions of this Master Indenture, and, thereafter, "Master Trustee" shall mean such successor Master Trustee.

"Maturity" when used with respect to any Debt means the date on which the principal of such Debt becomes due and payable by the issuer of such Debt as therein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

"Maximum Annual Debt Service Requirements" of any Person means, as of the date on which such Maximum Annual Debt Service Requirement is to be calculated, the greatest amount of principal of (and premium, if any) and interest on all Outstanding Debt of such Person coming due at the Maturity thereof in any fiscal year succeeding such date.

The above calculation of Maximum Annual Debt Service Requirements may include the following variances:

- (1) If proceeds of Debt or any other money shall have been set aside to provide for the payment of principal, premium or interest, then for purposes of such calculation, such principal, premium or interest shall be ignored.
- (2) The principal of and interest on all Outstanding Debt relating to any bonds shall be reduced by the amount of any reserve fund requirement applicable in respect of such bonds.
- (3) If Debt has been issued to finance capital improvements, such Debt shall be ignored for purposes of such calculation until the earlier of the date the financed capital improvement is placed in service or the date the Person begins to pay the principal of such Debt.

"Net Revenues" of any Person for any period means the amount of excess (or deficit) of revenues, including any unusual, infrequent, or extraordinary accounting items, over expenses for such period determined in accordance with generally accepted accounting principles, plus income, if any, for such period from the investment of unrestricted funds not otherwise included in such revenues exclusive of

20170322.7

12

unrealized losses and gains on investments), plus amounts which have been deducted for or to make provision for the following:

- (1) interest on Debt;
- (2) amortization of any fees or premiums for any letter of credit, surety, bond, policy of insurance, or any similar credit or liquidity support secured in connection therewith;
- (3) amortization of any non-cash expenses;
- (4) amortization of Debt discount;
- (5) property retirement, depreciation, depletion and obsolescence; and
- (6) all Entrance Fees (net of refunds) received exclusive of earned Entrance Fees and any other revenues not resulting in the receipt of funds during such period.

The calculation of Net Revenues, however, shall exclude from revenues or expenses any change in the value of a derivative contract or any gain or loss attributable to the sale, exchange, or other disposition of assets not in the ordinary course of business.

"Non-Recourse Debt" means Debt that does not constitute a general obligation of any Co-Obligor and that is payable solely from (a) property of a Co-Obligor, or the revenues of such property (i) the purchase or improvement of which was financed by such Debt or (ii) that could be disposed of by a Co-Obligor pursuant to Section 8.10 of this Master Indenture; (b) payments made to any Co-Obligor pursuant to pledges or contributions to such Co-Obligor restricted to the payment of such Debt; or (c) payments from a Person other than a Co-Obligor.

"Notes" means the promissory notes, drafts, bonds, or guarantees, including appurtenant coupons (if any), made or to be made by any Co-Obligor which are secured or to be secured hereunder and by the lien hereof pursuant to Section 2.01.

"Obligated Group" means all Co-Obligors.

"Obligated Group Representative" means the Person so designated in Section 1.05.

"Officer's Certificate" of any Person means a certificate signed (subject to Section 1.05) by the Chairman of the Board, the President, a Vice President, the Secretary, or an Assistant Secretary of such Person, and delivered to the Master Trustee.

"Operating Requirements", when used with reference to the Obligated Group for any period, means the sum of all expenses of the members of the Obligated Group for such period, exclusive of items that did not require the expenditure of cash (including, without limitation, depreciation and amortization), determined in accordance with generally accepted accounting principles.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise expressly provided in this Master Indenture) be counsel for any Co-Obligor or any Affiliate of any such Person and shall be acceptable to the Master Trustee.

20170227

13

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 (B) to purchase, condemn, appropriate, recapture, or designate a purchaser of such property, or (C) to control, regulate, or zone such property or to use such property in any manner, which rights do not materially impair the use of such property for its intended purposes or materially and adversely affect the value thereof;

- (5) liens for taxes or assessments or other governmental charges or levies not delinquent;
- (6) pledges or deposits to secure obligations under worker's compensation laws or similar legislation, including liens of judgments thereunder which are not currently dischargeable;
- (7) materialmen's, mechanics', carriers', workmen's, repairmen's, or other like liens arising in the ordinary course of business, or deposits to obtain the release of such liens;
- (8) leases made, or existing on property acquired, in the ordinary course of business;
- (9) statutory landlords' liens under leases;
- (10) liens on money deposited by patients of any Person as security for or as prepayment for the cost of patient care;
- (11) liens or encumbrances on property (or on the income therefrom) received by any member of the Obligated Group as a gift, grant, or bequest, if such lien or encumbrance constitutes or results from restrictions (other than the requirement that the grantee thereof make payment in respect of Funded Debt incurred by the grantor with respect to such property) placed on such gift, grant, or bequest (or on the income therefrom) by the grantor thereof;
- (12) liens on money and receivables securing rights of third party payors to recoupment of amounts paid to any member of the Obligated Group;
- (13) any other lien or encumbrance created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or capital leases and which, individually or in the aggregate, does not materially impair the value or the utility of the property subject to such lien or encumbrance;
- (14) liens on proceeds of Debt (or on income from the investment of such proceeds) which secure payment of such Debt;
- (15) liens on money or obligations deposited with a trustee or escrow agent to cause Debt to be no longer Outstanding;

20170227

13

"Outstanding" when used with respect to Debt means, as of the date of determination, all Debt except Debt or any part thereof

(1) which has been paid, retired, or is considered as no longer outstanding under generally accepted accounting principles; or

(2) for the payment or redemption of which money has been deposited with a duly authorized Person for the payment thereof (provided that, if such Debt is to be redeemed, notice thereof shall have been duly given, irrevocably provided for to the satisfaction of the Master Trustee, or waived); or

(3) for which, due to the deposit of money, securities, or other thing of value with a trustee, paying agent, or escrow agent with respect thereto, no Person is then obligated with respect thereto except to the extent of such deposit;

provided, however, that in determining whether the holders of the requisite principal amount of Secured Debt Outstanding have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Secured Debt owned by any Co-Obligor or any other obligor upon Secured Debt or any Affiliate of any Co-Obligor or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Secured Debt which the Master Trustee has been informed in writing is so owned shall be so disregarded. Secured Debt so owned which has been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes in writing to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Secured Debt and that the pledgee is not a Co-Obligor or any other obligor upon Secured Debt or any Affiliate of a Co-Obligor or such other obligor.

"Permitted Encumbrance" means

(1) liens arising by reason of good faith deposits by or with any member of the Obligated Group in connection with tenders, leases of real estate, bids, or contracts (other than contracts for the payment of money), deposits by any such Person to secure public or statutory obligations or to secure, or in lieu of, surety, or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(2) 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 or the exercise of any privilege or license in the ordinary course of business, or to enable any member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with 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;

(3) any judgment lien against any Person so long as the finality of such judgment is being contested in good faith and execution thereon is stayed;

(4) rights reserved in 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 (A) to terminate such right, power, franchise, grant, license, or permit; provided that

20170227

14

(16) liens on money or obligations deposited with a trustee to fund a depreciation reserve fund or other reserve fund with respect to Debt in accordance with the instrument under which such Debt may be secured;

(17) liens existing with respect to property at the time of its acquisition through purchase, merger, consolidation, or otherwise, provided that the aggregate principal amounts secured by such liens shall not exceed at the time of acquisition of such property the lesser of the cost or fair market value of such property as determined in good faith by the Obligated Group Representative;

(18) liens on property securing Non-Recourse Debt; and

(19) any mortgage, lien or other encumbrance (a) securing existing Debt as described on an Exhibit A attached hereto or (b) securing existing Debt of a Person disclosed in any supplement to this Master Indenture pursuant to which a Person becomes a Co-Obligor.

"Person" means any individual, corporation, partnership, joint venture, association (including, where applicable, the Obligated Group), joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Place of Payment" when used with respect to any Secured Debt means a city or any political subdivision thereof in which any Co-Obligor is required to pay or to maintain an agency for the payment of the principal of or interest on such Secured Debt.

"Project" means any project financed by Secured Debt or Debt secured by Secured Debt.

"Responsible Officer" when used with respect to the Master Trustee means the chairman or vice chairman of the board of directors of the Master Trustee, the President, any Vice President, the secretary, any trust officer or assistant trust officer, or any other officer of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Master Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Revenue Test" means, as to any date of calculation, that the Coverage Ratio for the preceding Fiscal Year was not less than 1.15 (as evidenced by an Officer's Certificate delivered to the Master Trustee), and (i) (a) the Coverage Ratio for the preceding Fiscal Year would not have been less than 1.25 if the contemplated action had been taken on the first day of such Fiscal Year, or (b) the Coverage Ratio for the immediately preceding Fiscal Year was not less than 1.50 and the projected Coverage Ratio for the two (2) complete Fiscal Years immediately following the contemplated action will be at least 1.50 (in either case, as evidenced by an Officer's Certificate delivered to the Master Trustee), or (ii) the projected Coverage Ratio for the two (2) complete Fiscal Years immediately following the contemplated action (a) will not be less than 1.25, or (b) will be not less than 1.00 and will be greater than it would have been if the contemplated action were not taken (in either case, as evidenced by a certificate of a Management Consultant delivered to the Master Trustee).

"Revenues" means accounts receivable and contract rights, including agreements respecting Medicare, Medicaid, and any other governmental health care programs, and other contract rights now or hereafter owned, held, or possessed by or on behalf of each Co-Obligor, and the proceeds of such accounts receivable and contract rights.

20170227

16

"Secured Debt" means the Notes and other Debt from time to time issued, incurred, assumed, or guaranteed by a Co-Obligor and secured hereunder pursuant to the terms of Article II until such Debt shall have been discharged from the lien of this Master Indenture.

"Secured Debt Authenticating Agent" when used with respect to any particular Secured Debt means any Person named as Secured Debt Authenticating Agent for said Secured Debt pursuant to Section 5.13 and the instruments authorizing such Secured Debt until a successor Secured Debt Authenticating Agent therefor becomes such pursuant thereto, and thereafter "Secured Debt Authenticating Agent" shall mean such successor.

"Secured Debt Register" and "Secured Debt Registrar" have the respective meanings stated in Section 2.05.

"Stated Maturity" when used with respect to any Debt or any installment of interest thereon means the date specified in such Debt or such installment of interest as the fixed date on which the principal of such Debt or such installment of interest is due and payable.

"Stock" includes all shares, interests, participations, or other equivalents (however designated) of or in corporate stock.

"Subsidiary" of any specified Person means any corporation at least a majority of the outstanding voting Stock of which shall at the time be owned, directly or indirectly, by the specified Person and/or by one or more of its Subsidiaries and, with respect to a non-profit corporation, means such a corporation a majority of the governing board of which shall be appointed and removable by the specified Person and/or by one or more of its Subsidiaries.

"The Army Retirement Residence Foundation—San Antonio" means The Army Retirement Residence Foundation—San Antonio, a District of Columbia non-profit corporation, the principal office of which is located in Bexar County, Texas, its successors and assigns.

"Trust Estate" has the meaning stated in the habendum to the Granting Clauses.

"Value" of any property of any Person means, at the option of such Person, either the book value of such property or the Current Value of such property.

"Vice President" when used with respect to any Person means any vice president, whether or not designated by a number or a word added to the title.

Section 1.02. Acts of Holders of Secured Debt.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Master Indenture to be given or taken by the Holders of Secured Debt may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Master Trustee and, if hereby expressly required, to Co-Obligors. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Master Indenture and conclusive in favor of the Co-Obligors

00170922.7

17

26th Floor, New York, New York 10004, Attention: U.S. Public Surveillance Group, or at such other address previously furnished in writing to the Master Trustee by either such rating service or, if expressly permitted hereunder, given to such rating service by teletype, if to S&P, to (212) 438-2151, and if to Fitch, to (212) 480-4421, or such other teletype number previously furnished in writing to the Master Trustee by either such rating service.

Section 1.04. Notices to Holders of Secured Debt; Waiver.

Where this Master Indenture provides for notice to Holders of Secured Debt of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, to each Holder of at least \$1,000,000 in aggregate principal amount of Secured Debt by certified mail and to each of the other Holders of Secured Debt by first-class mail postage prepaid, at the address of each such Holder as it appears in the Secured Debt Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of Secured Debt shall affect the sufficiency of such notice with respect to other Holders of Secured Debt. Where this Master Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Secured Debt shall be filed with the Master Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.05. Form and Contents of Documents Delivered to Master Trustee; Obligated Group Representative.

Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Master Indenture, they may, but need not, be consolidated and form one instrument.

With respect to any Officer's Certificate, Corporation Consent, Corporation Order, Corporation Request, Application, or other certification, notice, demand, report or other communication (other than the designation described in the following sentence) required or permitted hereby to be delivered by one or more Co-Obligors or any officer or officers thereof to the Master Trustee, it shall be sufficient, notwithstanding any other provision herein, for the same to be delivered on behalf of such Persons by a Person designated (as provided below) as the Obligated Group Representative, and the signature of such Person (or, if such Person be other than an individual, of an authorized representative of such Person) shall suffice for each signature otherwise required by this Master Indenture to appear on such document. The designation of an Obligated Group Representative shall be accomplished by (i) a Corporation Order and a Board Resolution from each Co-Obligor naming the Person to serve as Obligated Group Representative and granting such Person, or an individual employed by such Person, authority to execute and deliver on behalf of such Co-Obligor or any officer thereof any and all documents required or permitted to be delivered hereunder and (ii) an instrument signed by the Person or Persons so designated

00170922.7

19

and (subject to Section 5.01) in favor of the Master Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of execution by any Person of any such instrument or writing and the authority of such Person to execute the same may also be proved in any other manner which the Master Trustee deems sufficient. The Master Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

C. The ownership of registered Secured Debt shall be proved by the Secured Debt Register and the ownership of Secured Debt issued in bearer form shall be proved by presentation to the Master Trustee of the Note constituting or evidencing such Debt. This provision shall not, however, relieve any Holder of Secured Debt from any obligation it may have to obtain the consent or direction of any owner of Debt secured by Secured Debt with respect to any consent or direction which such Holder proposes to give hereunder.

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by a Holder of Secured Debt shall bind every future Holder of the same obligation and the Holder of every obligation issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Master Trustee or any Co-Obligor in reliance thereon, whether or not notation of such action is made upon such obligation.

Section 1.03. Notices, etc., to Certain Persons.

Any request, demand, authorization, direction, notice, consent, waiver, or Act of Holders of Secured Debt or other document provided or permitted by this Master Indenture to be made upon, given or furnished to, or filed with,

A. the Master Trustee by any Person shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Master Trustee at 600 North Pearl, Suite 420, Dallas, Texas 75201 (the "designated corporate trust office" of the Master Trustee), Attention: Corporate Trust Department;

B. any Co-Obligor by any Person shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid (except as otherwise provided in Section 4.01D), to it addressed to it at the address set forth below its name on the signature pages hereof, or at any other address previously furnished in writing to the Master Trustee by such Co-Obligor; or

C. Fitch Ratings, its successors and assigns ("Fitch") and Standard & Poor's Ratings Group, A Division of the McGraw-Hill Companies, its successors and assigns ("S&P"), shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, addressed to it, in the case of S&P at 55 Water Street, 35th Floor, New York, New York 10041; Attention: Health Care Rating Surveillance; and in the case of Fitch, at One State Street Plaza,

00170922.7

18

in a form acceptable to the Master Trustee stating that the Obligated Group Representative will comply with the provisions of this Master Indenture with respect to the actions it undertakes on behalf of the Co-Obligors, and that each delivery by it to the Master Trustee of any communication on behalf of a Co-Obligor will constitute a representation and warranty by the Obligated Group Representative that it has received appropriate documentation from each Co-Obligor with respect to the subject matter of such communication and that the Obligated Group Representative is not aware of any fact that would lead it to believe that the statements contained in such communication are incorrect or incomplete. The Obligated Group may at any time remove an Obligated Group Representative and/or appoint a new Obligated Group Representative by a Corporation Order and a Board Resolution from each Co-Obligor effecting such removal and/or appointment stating the date as of which such Obligated Group Representative shall no longer have authority to act in such capacity, which date may not be earlier than the fifth Business Day following delivery to the Master Trustee of all Corporation Orders and Board Resolutions necessary to accomplish such removal, and the date as of which such new Obligated Group Representative shall have authority to act as such.

The Master Trustee shall at all times be entitled to rely on the acts of a duly appointed Obligated Group Representative as the authorized act of any one or more Co-Obligors.

Any certificate or opinion of an officer of any Co-Obligor or any Affiliate of any of them may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of such Person (except as otherwise expressly provided herein) stating that the information with respect to such factual matters is in the possession of such Person, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Wherever in this Master Indenture, in connection with any application or certificate or report to the Master Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of compliance by such Person with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report, and the Master Trustee is entitled to rely upon such application, certificate, and report without further inquiry as to the truth and accuracy of the statements contained therein. Notwithstanding any other provision herein to the contrary, if a Co-Obligor wishes to effect a transaction for which it is necessary to determine or report certain financial information based upon audited financial statements for the immediately preceding Fiscal Year and fewer than 180 days have passed since the end of such Fiscal Year and such audited financial statements are not available, such Person (or the Obligated Group, as applicable) may effect the transaction in question if the appropriate conditions are met, as evidenced (i) by information contained in the audited financial statements for the Fiscal Year preceding the one just ended and (ii) by information contained in the unaudited financial statements of such Person or the Obligated Group, as applicable for the Fiscal Year just ended.

Section 1.06. Compliance Certificates and Opinions.

Upon any application or request by any Co-Obligor to the Master Trustee to take any action under any provision of this Master Indenture, such Person shall furnish to the Master Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Master Indenture relating to

00170922.7

20

the proposed action have been complied with, except that in the case of any such application or request as to which the furnishing of such document is specifically required by any provision of this Master Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Master Indenture shall include

- A. a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- B. a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- C. a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- D. a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.07. Effect of Headings and Table of Contents.

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.08. Successors and Assigns.

All covenants and agreements in this Master Indenture by the Co-Obligors shall bind their respective successors and assigns, whether so expressed or not.

Section 1.09. Severability Clause.

In case any provision in this Master Indenture or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. Without limiting the generality of the foregoing, it is the intention of the parties hereto that if any payment obligation of a Co-Obligor hereunder would, but for the application of this Section or the application of the second paragraph of Section 5.01 hereof, be void or voidable in whole or in part as a result of any federal or state law affecting creditors' rights or for any other reason, then such obligation shall be reduced by the minimum extent necessary to avoid such effect, and each Co-Obligor hereby reaffirms its obligation to pay such reduced amount.

Section 1.10. Benefits of Master Indenture.

Nothing in this Master Indenture shall give to any Person, other than the parties hereto and, as expressly named third party beneficiaries, their successors hereunder, any separate trustee or co-trustee appointed under Section 5.12, and the Holders of Outstanding Secured Debt, any benefit or any legal or equitable right, remedy, or claim under this Master Indenture.

20173022.7

21

Section 1.11. Governing Law.

This Master Indenture shall be construed in accordance with and governed by the laws of the State of Texas.

* * *

20173022.7

22

ARTICLE II

ISSUANCE OF SECURED DEBT

Section 2.01. General Provisions.

The Note of the Army Retirement Residence Supporting Foundation in the principal amount of \$27,010,000, which is payable to the order of the Bexar County Health Facilities Development Corporation and assigned to The Bank of New York Trust Company, N.A., as Bond Trustee, shall be Secured Debt and shall be secured hereunder and by the lien hereof. Additional Notes which evidence or are Funded Debt or which secure any Hedging Transaction, if in conformance with the provisions of Sections 2.03 and 2.04, shall become Secured Debt and shall be secured hereunder and by the lien hereof, pari passu with such initial Note and with all other Secured Debt from time to time Outstanding hereunder upon Application by the Obligated Group Representative and receipt in every case by the Master Trustee of the following:

- A. a Board Resolution of each Co-Obligor authorizing the incurrence of such Debt in or to a specified principal amount and the securing of such Note hereunder as Secured Debt;
- B. a Corporation Consent from each Co-Obligor consenting to the issuance of the Secured Debt;
- C. an Officer's Certificate of each Co-Obligor, dated within ten (10) days of the date of such Application, stating that no Default exists and that all conditions precedent provided for in this Master Indenture relating to the incurrence, issuance, assumption, or guarantee of such Secured Debt and the securing thereof hereunder have been complied with;
- D. an Opinion of Counsel stating that
 - (1) all conditions precedent provided for in this Master Indenture relating to the incurrence of such Secured Debt and the securing thereof hereunder have been complied with; and
 - (2) subject to such customary exceptions as may be acceptable to the Master Trustee, such Secured Debt is a legal, valid, and binding obligation of each Co-Obligor and entitled to the benefits of and secured by the lien of this Master Indenture equally and ratably with all other Outstanding Secured Debt; and
- E. the certificates and reports, if any, required by Section 8.07 or Section 8.19 (as the case may be) to demonstrate that such Secured Debt has been incurred, issued, or assumed in accordance with the provisions of such Section.

Section 2.02. Security Interest.

- A. Creation: This Master Indenture creates a valid and binding pledge of, lien on, and security interest in the Revenues in favor of the Master Trustee as security for payment of the Secured Debt, enforceable by the Master Trustee in accordance with the terms hereof.
- B. Perfection: Under the laws of the State of Texas, such security interest and each pledge, assignment, lien, or other security interest made to secure any prior obligations of any Co-

20173022.7

23

Obligor which, by the terms hereof, ranks on a parity with or prior to the security interest granted hereby, is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against such Co-Obligor on a simple contract. By the date of issue of any Secured Debt, each Co-Obligor will have filed all financing statements describing, and transferred such possession or control over, such collateral (and for so long as any Secured Debt is outstanding such Co-Obligor will file, continue, and amend all such financing statements and transfer such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which such Co-Obligor 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: The Co-Obligors have not made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the security interest granted hereby. The Co-Obligors have not described such collateral in a Uniform Commercial Code financing statement that will remain effective when the Secured Debt is issued. The Co-Obligors 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 security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted hereby.

Section 2.03. Qualification of Secured Debt.

To be secured under this Master Indenture, Secured Debt must:

- A. not be subject to acceleration or mandatory prepayment or mandatory redemption in advance of its Stated Maturity unless:
 - (1) such acceleration or mandatory prepayment or redemption is pursuant to the provisions of Section 4.02; or
 - (2) if such Secured Debt is issued to secure Bonds or other Debt of any Person, such prepayment, acceleration or redemption can occur only on or before the same times and in the same amounts as the prepayment, acceleration or redemption of such Bonds or other Debt and on such other conditions as may be established in the instruments governing such Bonds or other Debt;
- B. require that prompt notice of any default under such Secured Debt shall be given to the Master Trustee; and
- C. not be secured by any interest in property of any Co-Obligor except by the lien of this Master Indenture and the other liens or encumbrances permitted pursuant to the provisions of Section 8.05.

Section 2.04. Certificate of Authentication and Assignment.

No Debt shall be entitled to the lien of this Master Indenture or be considered Secured Debt hereunder, unless:

- A. a certificate of authentication and an assignment, substantially in the form set forth in this Section, shall be placed on the Note which evidences or is such Debt.

2017022.7

24

B. such certificate of authentication shall be manually signed and numbered (with a number not contemporaneously outstanding on the Secured Debt Register) by the Master Trustee or the Secured Debt Authenticating Agent therefor, and

C. such original Note, with the certificates described above, is delivered to the Master Trustee.

Such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated hereunder. The form of such certificate of authentication shall be as follows:

"CERTIFICATE OF AUTHENTICATION AND REGISTRATION"

This instrument is Secured Debt as referred to in the Master Indenture of Trust and Security Agreement dated as of July 1, 2002 between The Army Retirement Residence Foundation—San Antonio and _____, as trustee, and is registered on the books for registration thereof as No. _____

[Name of Secured Debt
Authenticating Agent, if any], as
Secured Debt Authenticating Agent

or _____
[Name of Master Trustee], as
trustee

By: _____
Authorized Signature

By: _____
Authorized Signature

Section 2.05. Registration, Bearer Debt, Transfer, and Exchange of Secured Debt.

The Co-Obligors shall cause to be kept at the designated corporate trust office of the Master Trustee a register (the "Secured Debt Register") in which, subject to such reasonable regulations as the Co-Obligors may prescribe, the Co-Obligors shall provide for the registration of Secured Debt issued in registered form by registration of the Notes which evidence or are such Secured Debt, and shall provide for the registration of transfers of such Notes as herein provided. The Master Trustee is hereby appointed "Secured Debt Registrar" for the purpose of registering the Notes and transfers of the Notes as herein provided.

Secured Debt may be issued in bearer form, and any supplemental Master Indenture pursuant to which such Debt is issued may contain such provisions as may be deemed by the Master Trustee to be necessary or appropriate to modify the terms hereof to permit such issuance in bearer form, provided that each Note shall be numbered and the number thereof recorded on the Secured Debt Register and the registration of the ownership thereof at the request of the Holder thereof shall be permitted.

Upon surrender of any Note at the designated corporate trust office of the Master Trustee for transfer or, at the option of the Holder thereof, for exchange for one or more new Notes as authorized herein, the Co-Obligor which issued such Note shall execute, and the Master Trustee shall authenticate, number (with a number not contemporaneously outstanding on the Secured Debt Register), and deliver, in the name of the designated transferee or transferees, one or more new Notes of the same series, maturity, and aggregate principal amount in denominations authorized under the instrument under which such Note is secured.

2017022.1

25

All Notes surrendered upon any such exchange or transfer shall be promptly cancelled by the Master Trustee and thereafter disposed of as directed by the Corporate Request of the Person issuing such Note.

All Notes issued upon any such transfer or exchange shall be the valid obligations of the Person issuing such Note and shall evidence or constitute the same Secured Debt, and shall be entitled to the same security and benefits under this Master Indenture, as the Note surrendered upon such transfer or exchange.

Every Note presented or surrendered for transfer or exchange shall (if so required by the Person issuing such Note, or by the Secured Debt Registrar) be duly endorsed, or be accompanied by written instrument of transfer in a form satisfactory to the Person issuing such Note, and the Secured Debt Registrar, duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge may be made for any transfer or exchange of Notes, but the Person issuing such Notes may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

Section 2.06. Mutilated, Destroyed, Lost and Stolen Notes.

If (i) any mutilated Note is surrendered to the Master Trustee, or the Person issuing such Note and the Master Trustee receive evidence to their satisfaction of the destruction, loss, or theft of any Note, and (ii) there is delivered to the Person issuing such Note and the Master Trustee such security or indemnity as may be required by them to save each of the Master Trustee and all Co-Obligors harmless, then, in the absence of actual notice to the Person issuing such Note, or to the Master Trustee that such Note has been acquired by a bona fide purchaser, the Person issuing such Note shall execute and upon its request the Master Trustee shall authenticate and deliver, in exchange for or in lieu of such mutilated, destroyed, lost, or stolen Note, a new Note or Notes of the same series, maturity, and aggregate principal amount in denominations authorized under the instrument under which such Note is secured, and bearing a registration number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Person issuing such Note, may, in its discretion, instead of issuing a new Note, pay such Note when due.

Upon the issuance of any new Note under this Section, the Person issuing such Note may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto, and any other expenses connected therewith.

Every new Note issued pursuant to this Section in lieu of any destroyed, lost, or stolen Note, shall constitute an original additional contractual obligation of the Person issuing such Note, whether or not the destroyed, lost, or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Master Indenture, equally and ratably with all other Outstanding Secured Debt.

The provisions of this Section are exclusive and shall preclude (to the extent lawfully) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Notes.

2017022.1

26

Section 2.07. Persons Deemed Owners.

Any member of the Obligated Group, the Master Trustee, and any agent of any such Persons shall treat as the owner of the Secured Debt evidenced by a Note for all purposes whatsoever,

A. in the case of registered Secured Debt, the Person in whose name such Note is registered on the Secured Debt Register, and

B. in the case of Secured Debt issued in bearer form, the bearer thereof,

and, to the extent permitted by law, none of such Persons shall be affected by notice to the contrary.

* * *

2017022.1

27

ARTICLE III

DEFEASANCE AND RELEASE OF SECURED DEBT

Section 3.01. Payment of Secured Debt; Satisfaction and Discharge of Master Indenture.

Whenever the following conditions shall exist,

A. no Secured Debt remains Outstanding;

B. all other sums payable hereunder by the Co-Obligors have been paid or provided for to the satisfaction of the Master Trustee; and

C. the Co-Obligors have delivered to the Master Trustee Officer's Certificates and an Opinion of Counsel, each of which shall state that all conditions precedent herein provided for relating to the satisfaction and discharge of this Master Indenture have been complied with;

then, upon Corporation Request of each Co-Obligor, this Master Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void and the Co-Obligors, Master Trustee and each co-trustee and separate trustees, if any, then acting as such hereunder shall, at the expense of the Co-Obligors execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer, and deliver to or to the order of Co-Obligors, jointly, all cash, securities, and other real and personal property then held by it hereunder as a part of the Trust Estate.

In the absence of the Corporation Requests, Certificates, and Opinion of Counsel as aforesaid, the payment of all Outstanding Secured Debt shall not render this Master Indenture inoperative or prevent the Co-Obligors from issuing Secured Debt hereunder from time to time thereafter as herein provided.

Notwithstanding the satisfaction and discharge of this Master Indenture, the obligations of the Co-Obligors to the Master Trustee under Section 5.07 shall survive.

* * *

2017022.1

28

ARTICLE IV
REMEDIES

Section 4.01. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

- A. default in the payment of any interest upon any Secured Debt when such interest becomes due and payable; or
- B. default in the payment of the principal of (or premium, if any, on) any Secured Debt at its Maturity; or
- C. default in any required deposit to any fund established under Section 10.01 or 10.02 that is denominated as a debt service fund, a revenue fund, or a debt service reserve fund, when such deposit becomes due and payable and continuance of such default for a period of ten (10) days; or
- D. default in the performance, or breach, of any covenant or warranty of any Co-Obligor under this Master Indenture (other than a covenant or warranty the default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to every Co-Obligor by the Master Trustee, or by the Holders of at least ten percent (10%) in principal amount of the Outstanding Secured Debt with a copy to the Master Trustee, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; provided, however, that if the default or breach stated in such notice cannot be corrected within such 30-day period, but can be reasonably expected to be corrected with due diligence, it shall not constitute an Event of Default if corrective action is instituted by the Co-Obligor which is in default or any other Co-Obligor within such 30-day period and diligently pursued until such default or breach is corrected; or
- E. the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of any Co-Obligor the assets of which exceed ten percent (10%) of the assets of all Co-Obligors determined on a consolidated basis under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for such Co-Obligor, the Trust Estate, or any substantial part of the properties of such Co-Obligor, or ordering the winding up or liquidation of the affairs of such Co-Obligor, and the continuance of any such decree or order unstayed and in effect for a period of 45 consecutive days; or
- F. the commencement by any Co-Obligor the assets of which exceed ten percent (10%) of the assets of all Co-Obligors determined on a consolidated basis of a voluntary case under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable Federal or State law of similar import, or the consent or acquiescence by such Co-Obligor to the commencement of a case under such Code or law or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of such

2017012.7

29

Section 4.03. Entry.

As to all real property and fixtures, if any, from time to time included in the Trust Estate, each Co-Obligor agrees that upon the occurrence of an Event of Default each Co-Obligor, upon demand of the Master Trustee during the continuance thereof, shall forthwith surrender to the Master Trustee the actual possession of, and it shall be lawful for the Master Trustee by such officers or agents as it may appoint to enter and take possession of, the Trust Estate (and the books, papers, and accounts of each Co-Obligor), and to hold, operate, and manage the Trust Estate (including the making of all needed repairs, and such alterations, additions, and improvements as are necessary to maintain the value of the Trust Estate) and to receive the rents, issues, tolls, profits, revenues, and other income thereof, and, after deducting the costs and expenses of entering, taking possession, holding, operating, and managing the Trust Estate, as well as payments for taxes, insurance, and other proper charges upon the Trust Estate and reasonable compensation to itself, its agents, and counsel, to apply the same as provided in Section 4.07. Whenever all that is then due upon the Secured Debt and under any of the terms of this Master Indenture shall have been paid and all Defaults hereunder shall have been made good, the Master Trustee shall surrender possession of the Trust Estate, including any such real property and fixtures to the Co-Obligors as their rights may appear, unless the Trust Estate has been otherwise disposed of pursuant to the terms of this Master Indenture.

Section 4.04. Powers of Sale, Transfer, Assignment, Lease, and Other Dispositions; Suits for Enforcement.

In case an Event of Default shall occur and be continuing, the Master Trustee, in its discretion may, subject to the provisions of Section 4.16,

- A. as to all of the real property and fixtures, if any, included in the Trust Estate, enforce this trust and sell such property as an entirety or in parcels, by one sale or by several sales, held at one time or at different times all as the Master Trustee may elect (all rights to a marshalling of the assets of any Co-Obligor, including the Trust Estate, or to a sale in inverse order of alienation, being by each Co-Obligor and its successors and assigns, expressly and specifically hereby waived), at the door of the County Courthouse in any County in which a part of the real properties included in the Trust Estate are situated, each such sale to be made on the first Tuesday of some month between the hours of 10:00 o'clock a.m. and 4:00 o'clock p.m., prevailing local time, to the highest bidder for cash at public auction, after the Master Trustee (or a Person or Persons selected by the Master Trustee) shall have given notices of the proposed sale in the manner hereinafter set forth, and may make due conveyance to the purchaser or purchasers, with general warranty of title to such purchaser or purchasers binding upon any Co-Obligor and its successors and assigns. The Master Trustee (or a Person or Persons selected by the Master Trustee) shall give notice of such proposed sale by posting written notice of the time, place, and terms of sale at the Courthouse door and by filing a copy of such written notice in the office of the County Clerk of the County in which the sale is to be made for at least twenty-one (21) consecutive days preceding the date of the sale. Where such real properties to be sold are situated in more than one County, one notice shall be posted at the Courthouse door, and a copy of such notice shall be filed with the County Clerk of each County in which a part of said real properties to be sold is situated, and such notices shall designate the County where such real properties will be sold, which may be any County in which a part of said real properties is situated. In addition to the foregoing notice or notices to be posted and filed by the Master Trustee (or by a Person or Persons selected by the Master Trustee), the Master Trustee shall, at least twenty-one (21) days preceding the date of sale, serve written notice of the proposed sale by certified mail on each debtor obligated to pay the Secured Debt according to the records of the Master Trustee. The

2017012.7

31

Co-Obligor, the Trust Estate, or any substantial part of the properties of such Co-Obligor, or the making by such Co-Obligor of an assignment for the benefit of creditors, or the admission by such Co-Obligor in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Co-Obligor in furtherance of any such action.

Section 4.02. Acceleration of Maturity; Rescission and Annulment; Notice and Demand to Co-Obligors.

If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and upon receipt of written instructions of the Holders of not less than 25% in principal amount of the Secured Debt Outstanding (or by such percentage as is required by Section 4.22, if applicable) shall declare the principal of all Secured Debt (or a portion thereof pursuant to Section 4.22) to be due and payable immediately, by a notice in writing to each Co-Obligor, and upon any such declaration such principal shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any sale of any of the Trust Estate has been made under this Article or any judgment or decree for payment of money due on any Secured Debt has been obtained by the Master Trustee as hereinafter in this Article provided, the Master Trustee may, and upon the direction of the Holders of a majority in principal amount of Secured Debt Outstanding (unless such declaration has been made pursuant to Section 4.22 only with respect to a portion of all Outstanding Secured Debt, in which event only a majority in principal amount of such portion of such Outstanding Secured Debt) the Master Trustee shall, by written notice to each Co-Obligor, rescind and annul such declaration and its consequences if

- A. there has been deposited with the Master Trustee a sum sufficient to pay
 - (1) all overdue installments of interest on all Secured Debt,
 - (2) the principal of (and premium, if any, on) any Secured Debt which has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Secured Debt,
 - (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Secured Debt, and
 - (4) all sums paid or advanced by the Master Trustee hereunder and the reasonable compensation, expenses, disbursements, and advances of the Master Trustee and its agents and counsel; and
- B. all Events of Default, other than the nonpayment of the principal of Secured Debt which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in Section 4.17.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon. Immediately upon its becoming aware of the occurrence of a Default hereunder, the Master Trustee shall give notice of such Default to each Co-Obligor and, upon advice of counsel with respect to the limitations contained in Section 8.01, demand that the Co-Obligors take steps to cure such Default.

2017012.7

30

service of such shall be completed upon deposit of the notice, enclosed in a post-paid wrapper, properly addressed to each such debtor at the most recent address as shown by the records of the Master Trustee, in a post office or an official depository under the care and custody of the United States Postal Service. The affidavit of any individual having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. In this respect and to the full extent that it may legally do so, each Co-Obligor also expressly covenants, stipulates, and agrees that (a) the address of such Person set out in Section 1.03 and, if any future Co-Obligor shall provide an address to the Master Trustee, the most recent address for such Person provided to the Master Trustee shall be deemed and considered conclusively to be and remain at all times the most recent addresses of such Person, provided such addresses may be changed from time to time only by express written notice of change thereof signed by such Person, as the case may be, and actually delivered to and received by the Master Trustee and setting forth a new address with such new address for such Person then held by the Master Trustee being deemed and considered conclusively to be and remain at all times thereafter, until changed in the manner herein provided, the most recent address of such Person, (b) the records of the Holders of the Secured Debt shall not be deemed to reflect any change in name or identity of any Co-Obligor or others, unless and until express written notice of such change signed by such Person shall have been actually delivered to and received by the Master Trustee, and (c) no notice of such sale or sales other than the notices hereinabove provided and as hereinafter provided in this Subsection A shall be required to be given to any Co-Obligor or any other Person and any other notice is expressly waived. At any sale conducted under this instrument, credit upon all or any part of the Secured Debt shall be deemed cash paid for the purpose of this paragraph. The proceeds arising from such sale or sales shall be applied by the Master Trustee as provided in Section 4.07. The provisions hereof with respect to posting and giving notices of sale are intended to comply with the provisions of Section 51.002 of the Texas Property Code as in effect on the date hereof, and in the event the requirement for any notice under such Section 51.002 shall be eliminated or the prescribed manner of giving same is modified by future amendment to such Section 51.002, the requirement for such particular notice shall be stricken from or modified in this instrument in conformity with such amendment. The manner prescribed in this Subsection A for serving or giving any notice, other than notice to be posted or caused to be posted by the Master Trustee, shall not be deemed exclusive, but such notice or notices may be given in any manner which may be permitted by applicable law. In addition to the posting and serving of notices as hereinabove provided, the Master Trustee shall likewise publish once not less than seven or more than fourteen (14) days prior to any such sale or sales in an Authorized Newspaper in each Place of Payment for the Secured Debt an announcement of the time, place, and terms of, and the properties to be sold at, such sale, or

B. proceed to protect and enforce its rights and the rights of the Holders of Secured Debt under this Master Indenture by sale pursuant to judicial proceedings or by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Master Indenture or in aid of the execution of any power granted in this Master Indenture or for the foreclosure of this Master Indenture or for the enforcement of any other legal, equitable, or other remedy, as the Master Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Master Trustee or the Holders of Secured Debt; or

C. as to all or any part of the personal property (tangible or intangible) and fixtures, if any, included in the Trust Estate (such portion of the Trust Estate herein referred to as the "Collateral"),

2017012.7

32

(1) proceed under the Texas Uniform Commercial Code and exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Texas Uniform Commercial Code, including, without limitation, the right and power to sell, at public or private sale or sales, or otherwise dispose of, lease, or utilize, the Collateral and any part or parts thereof in any manner authorized or permitted under the Texas Uniform Commercial Code after default by a debtor, and, to the extent permitted by law, each Co-Obligor expressly waives any notice of sale or other disposition of the Collateral and any other rights and remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of the Master Trustee existing after default hereunder, and, to the extent any such notice is required and cannot be waived, each Co-Obligor agrees that if such notice is mailed, postage prepaid, to each Co-Obligor at its address stated on the signature page hereof at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice;

(2) take possession of the Collateral and enter upon any premises where the same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and take any action deemed necessary or appropriate or desirable by the Master Trustee, at its option and in its discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized;

(3) transfer at any time to itself or to its nominee the Collateral, or any part thereof, and receive the money, income, proceeds, or benefits attributable or accruing thereto and hold the same as security for the Outstanding Secured Debt or apply the same as herein provided; and

(4) require the Co-Obligors to assemble the Collateral and make it available to the Master Trustee at a place to be designated by the Master Trustee that is reasonably convenient to both parties.

The Holders of Outstanding Secured Debt shall be fully subrogated to the rights of all vendor's lienholders and other lienholders whose indebtedness is paid in whole or in part from proceeds of Secured Debt.

The filing of a suit to foreclose any lien, mortgage, or security interest hereunder shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of such a suit.

Section 4.05. Incidents of Sale.

Upon any sale of any of the Trust Estate, (except pursuant to Section 4.22) whether made under the power of sale hereby given or pursuant to judicial proceedings, to the extent permitted by law:

A. the principal of and accrued interest on all Outstanding Secured Debt, if not previously due, shall at once become and be immediately due and payable;

B. any Holder or Holders of Secured Debt or the Master Trustee may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain, and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Secured Debt or claims for interest

20170227

33

and counsel. If the Co-Obligors fail to pay such amounts forthwith upon such demand, the Master Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Co-Obligors and any other obligor on such Secured Debt for the whole amount so due and unpaid.

The Master Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of this Master Indenture, and in case of a sale of the Trust Estate and the application of the proceeds of sale as aforesaid, the Master Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Debt, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of any Co-Obligor shall affect or impair the lien of this Master Indenture upon the Trust Estate or any rights, powers, or remedies of the Master Trustee hereunder, or any rights, powers, or remedies of the Holders of Secured Debt.

Section 4.07. Application of Money Collected.

Any money collected by the Master Trustee pursuant to this Article and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Master Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of this Master Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of an entry or sale or as otherwise provided herein, any other sums then held by the Master Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Secured Debt and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. first: to the payment of all unpaid amounts due the Master Trustee under Section 5.07;

B. second: to the payment of the whole amount then due and unpaid upon the Outstanding Secured Debt, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Master Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therein in the Secured Debt of the several series) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Secured Debt, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due;

C. third: to the payment of any required deposit to any fund established under Section 10.01 then due and unpaid; and

D. fourth: to the payment of the remainder, if any, to the Co-Obligors or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

20170227

35

hereon in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Secured Debt, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show partial payment;

C. the Master Trustee may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale, or instrument of assignment and transfer of the property sold;

D. the Master Trustee is hereby irrevocably appointed the true and lawful attorney of the Co-Obligors in their name and stead, to make all necessary deeds, bills of sale, and instruments of assignment and transfer of the property thus sold; and for that purpose it may execute all necessary deeds, bills of sale, and instruments of assignment and transfer, and may substitute one or more Persons with like power, the Co-Obligors hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof; but if so requested by the Master Trustee or by any purchaser, each Co-Obligor shall ratify and confirm any such sale or transfer by executing and delivering to the Master Trustee or to such purchaser or purchasers all proper deeds, bills of sale, instruments of assignment and transfer, and releases as may be designated in any such request;

E. all right, title, interest, claim, and demand whatsoever, either at law or in equity or otherwise, of any Co-Obligor of, in, and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against such Person, and their successors and assigns, and against any and all Persons claiming or who may claim the property sold or any part thereof from, through, or under such Persons, and their successors and assigns; and

F. the receipt of the Master Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money and such purchaser or purchasers and his or their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication, or non-application thereof.

Section 4.06. Covenant to Pay Master Trustee Amounts Due on Secured Debt and Right of Master Trustee to Judgment.

Each Co-Obligor covenants that, if

A. default is made in the payment of any interest on any Secured Debt when such interest becomes due and payable, or

B. default is made in the payment of the principal of (or premium, if any, on) any Secured Debt at its Maturity,

then upon demand of the Master Trustee, such Person will pay to the Master Trustee for the benefit of the Holders of such Secured Debt for such interest the whole amount then due and payable on such Secured Debt for principal (and premium, if any) and interest, with interest at the respective rate or rates prescribed therein in such Secured Debt on overdue principal (and premium, if any) and, to the extent that payment of such interest is legally enforceable, on overdue installments of interest; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements, and advances of the Master Trustee and its agents

20170227

34

Section 4.08. Receiver.

Upon the occurrence of an Event of Default and commencement of judicial proceedings by the Master Trustee to enforce any right under this Master Indenture, the Master Trustee shall be entitled, as against any Co-Obligor, without notice or demand and without regard to the adequacy of the security for the Secured Debt or the solvency of any such Person, to the appointment of a receiver of the Trust Estate, and of the rents, issues, profits, revenues, and other income thereof; but, notwithstanding the appointment of any receiver, the Master Trustee shall be entitled to retain possession and control of, and to collect and receive the income from, cash, securities, and other personal property held by, or required to be deposited or pledged with, the Master Trustee hereunder.

Section 4.09. Master Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to any Co-Obligor or any other obligor upon Secured Debt or the property of any Co-Obligor or such other obligor or their creditors, the Master Trustee (irrespective of whether the principal of the Secured Debt shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Master Trustee shall have made any demand on such Co-Obligor for the payment of overdue principal, premium, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

A. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Debt and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Master Trustee, its agents and counsel) and of the Holders of Secured Debt allowed in such judicial proceeding; and

B. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequester, or other similar official in any such judicial proceeding is hereby authorized by each Holder of Secured Debt to make such payments to the Master Trustee, and in the event that the Master Trustee shall consent to the making of such payments directly to the Holders of Secured Debt, to pay to the Master Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Master Trustee, its agents and counsel, and any other amounts due the Master Trustee under Section 5.07.

Nothing herein contained shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Secured Debt any plan of reorganization, arrangement, adjustment, or composition affecting the Secured Debt or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any such Holder in any such proceeding.

Section 4.10. Master Trustee May Enforce Claims Without Possession of Secured Debt.

All rights of action and claims under this Master Indenture or the Secured Debt may be prosecuted and enforced by the Master Trustee without the possession of any of the Secured Debt or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances

20170227

36

of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Secured Debt in respect of which such judgment has been recovered.

Section 4.11. Limitation on Suits.

No Holder of any Secured Debt shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Master Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, unless

- A. such Holder has previously given written notice to the Master Trustee of a continuing Event of Default;
- B. the Holders of not less than 25% in principal amount of the Outstanding Secured Debt shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee hereunder;
- C. such Holder or Holders have furnished to the Master Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request;
- D. the Master Trustee for sixty (60) days after the receipt of such notice, request, and indemnity has failed to institute any such proceeding; and
- E. no direction inconsistent with such written request has been given to the Master Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Secured Debt.

it being understood and intended that no one or more Holders of Secured Debt shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Master Indenture to affect, disturb, or prejudice the lien of this Master Indenture or the rights of any other Holders of Secured Debt, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Master Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Secured Debt.

Section 4.12. Unconditional Right of Holders of Secured Debt to Receive Principal, Premium, and Interest.

Notwithstanding any other provision in this Master Indenture other than Section 4.07 but subject to the provisions of such Secured Debt and any other instrument under which Secured Debt may be issued or secured, the Holder of any Secured Debt shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Secured Debt on the respective Stated Maturities expressed in such Secured Debt (or, in the case of redemption, on the date for such redemption) and to institute suit for the enforcement of any such payment, and (in the case of Secured Debt of any series convertible into other securities) the right to convert such Secured Debt in accordance with the provisions thereof and of the indenture or other instrument pursuant to which it is issued and to institute suit for its enforcement, and such rights shall not be impaired without the consent of such Holder; provided, however, that no Holder of Secured Debt shall be entitled to take any action or institute any such suit to enforce the payment of such Secured Debt, whether for principal, interest, or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment,

20171022.1

37

Section 4.17. Waiver of Past Defaults.

Before any sale of any of the Trust Estate has been made under this Article or any judgment or decree for payment of money due has been obtained by the Master Trustee as provided in this Article, the Holders of not less than a majority in principal amount of the Outstanding Secured Debt may, by Act of such Holders delivered to the Master Trustee and each Co-Obligor, on behalf of the Holders of all the Secured Debt waive any past Default hereunder and its consequences, except a Default

- A. in the payment of the principal of (or premium, if any) or interest on any Secured Debt, or
- B. in respect of a covenant or provision hereof which under Article VI cannot be modified or amended without the consent of the Holders of all Outstanding Secured Debt affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Master Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 4.18. Undertaking for Costs.

All parties to this Master Indenture (including every Person which assumes the covenants and warranties of a Co-Obligor hereunder) agree, and each Holder of any Secured Debt by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Master Indenture, or in any suit against the Master Trustee for any action taken or omitted by it as Master Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Master Trustee, to any suit instituted by any Holder of Secured Debt, or group of such Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Secured Debt, or to any suit instituted by any Holder of Secured Debt for the enforcement of the payment of the principal of (or premium, if any) or interest on any Secured Debt on or after the respective Stated Maturities expressed in such Secured Debt (or, in the case of redemption, on or after the date for redemption).

Section 4.19. Waiver of Appraisal and Other Laws.

To the full extent that it may lawfully so agree, no Co-Obligor will at any time insist upon, plead, claim, or take the benefit or advantage of any appraisal, valuation, stay, extension, or redemption law now or hereafter in force in order to prevent or hinder the enforcement of this Master Indenture or the absolute sale of the Trust Estate, or any part thereof, or the possession thereof by any purchaser at any sale under this Article; and each Co-Obligor, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. Each Co-Obligor, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Trust Estate marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose this Master Indenture may order the sale of the Trust Estate as an entirety.

If any law in this Section referred to and now in force, of which any Co-Obligors or their successors might take advantage despite this Section, shall hereafter be repealed or cease to be in force,

20171022.1

39

waiver, or loss of the lien of this Master Indenture upon the Trust Estate, or any part thereof, as security for Secured Debt held by any other Holder.

Section 4.13. Restoration of Positions.

If the Master Trustee or any Holder of Secured Debt has instituted any proceeding to enforce any right or remedy under this Master Indenture by foreclosure or otherwise and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Master Trustee or to such Holder, then and in every such case the Co-Obligors, the Master Trustee, and the Holders of Secured Debt shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Master Trustee and the Holders of Secured Debt shall continue as though no such proceeding had been instituted.

Section 4.14. Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Master Trustee or to the Holders of Secured Debt is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 4.15. Delay or Omission Not Waiver.

No delay or omission of the Master Trustee or of any Holder of any Secured Debt to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Master Trustee or to the Holders of Secured Debt may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by such Holders, as the case may be.

Section 4.16. Control by Holders of Secured Debt.

The Holders of a majority in principal amount of the Outstanding Secured Debt shall have the right, during the continuance of an Event of Default,

- A. to require the Master Trustee to proceed to enforce this Master Indenture, either by judicial proceedings for the enforcement of the payment of the Secured Debt and the foreclosure of this Master Indenture, the sale of the Trust Estate, or otherwise or, at the election of the Master Trustee, by the exercise of the power of sale hereby conferred; and

- B. 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 upon the Master Trustee hereunder, provided that

- (1) such direction shall be in writing and shall not be in conflict with any rule of law or this Master Indenture, and
- (2) the Master Trustee may take any other action permitted hereunder and deemed proper by the Master Trustee which is not inconsistent with such direction.

20171022.1

38

such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section.

Section 4.20. Suits to Protect the Trust Estate.

The Master Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Master Indenture and to protect its interests and the interests of the Holders of Secured Debt in the Trust Estate and in the rents, issues, profits, revenues, and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule, or order would impair the security hereunder or be prejudicial to the interests of the Holders of Secured Debt or the Master Trustee.

Section 4.21. Remedies Subject to Applicable Law.

All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Master Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

Section 4.22. Default Not Affecting All Secured Debt.

In case there shall occur and be continuing an Event of Default which, in the opinion of the Master Trustee (in its sole discretion), affects the rights of the Holders of certain Secured Debt of any one or more series which does not similarly affect the rights of Holders of all other series of Secured Debt at the time Outstanding shall have occurred and be continuing, then whatever action may or shall be taken under this Article upon the occurrence of such Event of Default by the Master Trustee or by or upon the request of the Holders of a specified percentage in principal amount of the Secured Debt then Outstanding may or shall be taken in respect of such Secured Debt as to which such Default shall have occurred, by the Master Trustee or by or upon the request of the Holders of the same percentage in principal amount of such Secured Debt then Outstanding.

In particular, and without limiting the generality of the foregoing, the Master Trustee may, in its sole discretion, determine that an Event of Default caused by the act, omission or failure of one Co-Obligor affects primarily the rights of the Holders of Secured Debt issued by such Co-Obligor and does not similarly affect the rights of Holders of other Secured Debt.

20171022.1

40

ARTICLE V

THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities.

A. Except during the continuance of an Event of Default,

(1) the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee; and

(2) in the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Master Indenture.

B. Subject to Section 5.01C, in case an Event of Default of which the Master Trustee has actual knowledge (and which has not been cured or waived) has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

C. No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

(2) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(3) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Secured Debt relating to the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture; and

(4) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

furnished to the Master Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

F. the Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of each Co-Obligor, personally or by agent or attorney;

G. the Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, accountants, receivers, or attorneys, and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent, accountant, receiver, or attorney appointed with due care by it hereunder; and

H. the Master Trustee shall not be personally liable, in case of entry by it upon the Trust Estate, for debts contracted or liabilities or damages incurred in the management or operation of the Trust Estate.

I. The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty, and the Master Trustee shall not be answerable with respect to any such permissive right for other than for its negligence.

J. The Master Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises hereof.

K. The Master Trustee may construe any provision hereof insofar as such may appear to it to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provision by the Master Trustee shall be binding upon the Holders of Secured Debt and the Co-Obligors.

L. The Master Trustee may intervene on behalf of Holders of Secured Debt in any judicial proceeding to which the Co-Obligors are a party and which, in the reasonable opinion of the Master Trustee and its counsel, has a substantial bearing on the interests of owners of Secured Debt and shall do so if requested in writing by the Holders of not less than a majority in aggregate principal amount of the then Outstanding Secured Debt and the indemnity required by this Master Indenture has been provided. The rights and obligations of the Master Trustee under this paragraph are subject to the approval of a court of competent jurisdiction.

M. The Master Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder except an Event of Default under Sections 4.01A, 4.01B, or 4.01C or failure by the Issuer to cause to be made any of the payments to the Master Trustee required to be made hereunder, unless the Master Trustee shall be specifically notified in writing of such Default by the Holders of at least a majority in aggregate principal amount of all then Outstanding Secured Debt. All notices or other instruments required by this Master Indenture to be delivered to the Master Trustee shall be delivered at the address of the Master Trustee set forth herein, and, in the absence of such notice so delivered, the Master Trustee may conclusively assume there is no Default except as aforesaid.

D. Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Notice of Defaults to Holders of Secured Debt.

Within ten days after the occurrence of any Default in the payment of principal of (or premium, if any) or interest on any Secured Debt or in the payment of any sinking or purchase fund installment with respect thereto (after having given notice of Default as required by the terms of such Secured Debt and the expiration of any applicable cure period) or within 90 days after the Master Trustee's actual knowledge of the occurrence of any other Default hereunder, the Master Trustee shall transmit by mail to all Holders of Secured Debt, as their names appear on the Secured Debt Register, Fitch, and S&P notice of such Default hereunder actually known to the Master Trustee, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of principal of (or premium, if any) or interest on any Secured Debt or in the payment of any sinking or purchase fund installment with respect thereto, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Master Trustee in good faith determine that the withholding of such notice is in the best interest of the Holders of Secured Debt; and provided, further, that in the case of any Default of the character specified in Section 4.01D, no such notice to Holders shall be given until at least thirty (30) days after the occurrence thereof.

Section 5.03. Certain Rights of Master Trustee.

Except as otherwise provided in Section 5.01,

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, direction, consent, order, bond, or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

B. any request or direction of a Co-Obligor mentioned herein shall be sufficiently evidenced by a Corporation Request or Order and any resolution of the Board of a Co-Obligor may be sufficiently evidenced by a Board Resolution of such Co-Obligor;

C. whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officer's Certificate of any Co-Obligor;

D. the Master Trustee may consult with legal counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Master Trustee hereunder in good faith and in reliance thereon;

E. the Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders of Secured Debt pursuant to this Master Indenture, unless such Holders of Secured Debt shall have

N. Notwithstanding the effective date of this Master Indenture or anything to the contrary in this Master Indenture, the Master Trustee shall have no liability or responsibility for any act or event relating to this Master Indenture which occurs prior to the date the Master Trustee formally executes this Master Indenture and commences acting as Master Trustee hereunder.

O. The Master Trustee has no obligation or liability to the holders of Secured Debt for the payment of interest or premium, if any, on or principal of Secured Debt from its funds, but rather the Master Trustee's sole obligations are to administer, for the benefit of the Co-Obligors and the Holders of Secured Debt, the funds established hereunder.

P. Except for information provided by the Master Trustee concerning the Master Trustee, the Master Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to Secured Debt. The Master Trustee shall have no responsibility for compliance with securities laws in connection with issuance of Secured Debt.

Q. The Master Trustee's immunities and protections from liability, and its right to payment of compensation and indemnification in connection with the performance of its duties and obligations under this Master Indenture, shall survive the Master Trustee's resignation or removal, or the final payment of Secured Debt.

Section 5.04. Not Responsible for Recitals.

The recitals contained herein shall be taken as the statements of the Co-Obligors, and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of any Co-Obligor therein or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Master Trustee hereunder, or as to the validity or sufficiency of this Master Indenture or of the Secured Debt.

Section 5.05. May Hold Secured Debt.

The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Secured Debt and may otherwise deal with any Co-Obligor or any Affiliate of any Co-Obligor with the same rights it would have if it were not Master Trustee.

Section 5.06. Money Held in Trust.

Money held by the Master Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Master Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Person depositing the same or on whose behalf such money is held.

Section 5.07. Compensation and Reimbursement.

Each Co-Obligor jointly and severally agrees as follows:

A. to pay to the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

B. except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Master Trustee in accordance with any provisions of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement, or advance as may be attributable to the Master Trustee's negligence or bad faith; and

C. to indemnify the Master Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of each Co-Obligor under this Section, the Master Trustee shall be secured under this Master Indenture by a lien prior to the Secured Debt, and for the payment of such compensation, expenses, reimbursements, and indemnity the Master Trustee shall have the right to use and apply any trust funds held by it hereunder.

Section 5.08. Corporate Master Trustee Required; Eligibility.

There shall at all times be a Master Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having (except as provided below) a combined capital, surplus and undivided profits of at least \$25,000,000, subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital, surplus and undivided profits of such corporation shall be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. If at any time the Master Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 5.09. Resignation and Removal; Appointment of Successor.

A. No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Master Trustee under Section 5.10.

B. The Master Trustee may resign at any time by giving written notice thereof to each Co-Obligor. If an instrument of acceptance by a successor Master Trustee shall not have been delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

C. The Master Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Secured Debt, delivered to the Master Trustee and each Co-Obligor.

D. If at any time:

(1) the Master Trustee shall cease to be eligible under Section 5.08 and shall fail to resign after written request therefor by any Co-Obligor or any such Holder of Secured Debt, or

(2) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Master Trustee or of its property shall be appointed or any public officer shall take charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, or

(3) an eligible Person has agreed to perform the duties of Master Trustee for materially less compensation,

then, in any such case, (a) any Co-Obligor by a Board Resolution may remove the Master Trustee, or (b) subject to Section 4.16, any Holder of Secured Debt who has been a bona fide Holder thereof for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Master Trustee and the appointment of a successor Master Trustee.

E. If the Master Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Master Trustee for any cause, the majority of the Co-Obligors, by Board Resolutions, shall promptly appoint a successor Master Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Master Trustee shall be so appointed by the Holders of Secured Debt. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Master Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Secured Debt and delivered to each Co-Obligor and the retiring Master Trustee, then the successor Master Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by the Co-Obligors or by such receiver or trustee. If no successor Master Trustee shall have been so appointed by the Co-Obligors or the Holders of Secured Debt and accepted appointment in the manner hereinafter provided, subject to Section 4.16, any Holder of Secured Debt who has been a bona fide Holder thereof for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

F. The Co-Obligors shall give notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Secured Debt as their names and addresses appear on the Secured Debt Register. Each notice shall include the name of the successor Master Trustee and the address of its principal corporate trust office.

Section 5.10. Acceptance of Appointment by Successor.

Every successor Master Trustee appointed hereunder shall execute, acknowledge, and deliver to each Co-Obligor and the retiring Master Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Master Trustee shall become effective and such successor Master Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, and duties of the retiring Master Trustee; but, on request of any

20170927.2

45

Co-Obligor or the successor Master Trustee, such retiring Master Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Master Trustee upon the trusts herein expressed all the estates, properties, rights, powers, and trusts of the retiring Master Trustee, and shall duly assign, transfer, and deliver to such successor Master Trustee all property and money held by such retiring Master Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 5.07. Upon request of any such successor Master Trustee, each Co-Obligor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Master Trustee all such estates, properties, rights, powers, and trusts.

No successor Master Trustee shall accept its appointment unless at the time of such acceptance such successor Master Trustee shall be qualified and eligible under this Article, to the extent operative.

Section 5.11. Merger, Conversion, Consolidation, or Succession to Business.

Any corporation or association into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion, or consolidation to which the Master Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Master Trustee, shall be the successor of the Master Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 5.12. Co-trustees and Separate Master Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, a majority of the Co-Obligors, by Board Resolutions, and the Master Trustee shall have power to appoint, and, upon the written request of the Master Trustee or of the Holders of at least 25% in principal amount of the Secured Debt Outstanding, each Co-Obligor shall join with the Master Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Master Trustee either to act as co-trustee, jointly with the Master Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid any property, title, right, or power deemed necessary or desirable, subject to the other provisions of this Section. If any Co-Obligor does not join in such appointment within fifteen (15) days after the receipt of it of a request so to do, or in case an Event of Default has occurred and is continuing, the Master Trustee alone shall have power to make such appointment.

Should any written instrument from any Co-Obligor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged, and delivered by such Co-Obligor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

A. All rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash, and other personal property held by, or required to be deposited or pledged with, the Master Trustee hereunder shall be exercised solely by the Master Trustee.

20170927.2

47

20170927

46

B. The rights, powers, duties, and obligations hereby conferred or imposed upon the Master Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Master Trustee or by the Master Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Master Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

C. The Master Trustee at any time, by an instrument in writing executed by it, with the concurrence of a majority of the Co-Obligors evidenced by Board Resolutions, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default has occurred and is continuing, the Master Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of any Co-Obligor. Upon the written request of the Master Trustee, each Co-Obligor shall join with the Master Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

D. No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Master Trustee, or any other such trustee hereunder, and the Master Trustee shall not be personally liable by reason of any act or omission of any co-trustee, separate trustee, or any other such trustee hereunder.

E. Any Act of Holders of Secured Debt delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Section 5.13. Secured Debt Authenticating Agent.

There shall be one or more Secured Debt Authenticating Agents appointed by the Master Trustee with power to act on its behalf and subject to its direction in the authentication and delivery of Secured Debt of each issue designated for such authentication by the Person obligated thereon and containing provisions therein for such authentication in connection with transfers and exchanges under Section 2.05, as fully to all intents and purposes as though such Secured Debt Authenticating Agent had been expressly authorized by Section 2.05 to authenticate and deliver Secured Debt of such issue. For all purposes of this Master Indenture, the authentication and delivery of Secured Debt by any Secured Debt Authenticating Agent pursuant to this Section shall be deemed to be the authentication and delivery of Secured Debt "by the Master Trustee". Each Secured Debt Authenticating Agent shall at all times be a bank or trust company having its principal office in a state of the United States, and shall at all times be a corporation organized and doing business under the laws of the United States or of any State with a combined capital and surplus of at least \$25,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or State authority. If any such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Secured Debt Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or

20170927.2

48

conversion to which any Secured Debt Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Secured Debt Authenticating Agent, shall be the successor of such Secured Debt Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Secured Debt Authenticating Agent or such successor corporation.

Any Secured Debt Authenticating Agent may at any time resign by giving written notice of resignation to the Master Trustee and each Co-Obligor. The Master Trustee may at any time terminate the agency of any Secured Debt Authenticating Agent by giving written notice of termination to such Secured Debt Authenticating Agent and each Co-Obligor. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Secured Debt Authenticating Agent shall cease to be eligible under this Section, the Master Trustee shall promptly appoint a successor Secured Debt Authenticating Agent, shall give written notice of such appointment to each Co-Obligor, shall mail notice of such appointment to all Holders of Secured Debt of the applicable series as the names and addresses of such Holders appear on the Secured Debt Register.

The Master Trustee is hereby appointed as the Secured Debt Authenticating Agent.

The Master Trustee agrees to pay to each Secured Debt Authenticating Agent from time to time reasonable compensation for its services and the Master Trustee shall be entitled to be reimbursed for such payments subject to Section 5.07. The provisions of Sections 2.07, 5.04, and 5.05 shall be applicable to any Secured Debt Authenticating Agent.

* * *

2017992.7

40

I. to make any other amendment hereto (other than an amendment which has one of the effects described in Clauses A-E of Section 6.02) which shall not adversely affect the interests of the Holders of Secured Debt; or

J. to modify, eliminate, or add to the provisions of this Master Indenture to such extent as shall be necessary to effect the qualification of this Master Indenture under the Trust Indenture Act of 1939, as in force at the date of such qualification, or under any similar federal statute hereafter enacted, and to add to this Master Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act of 1939 as in effect at the date as of which this instrument was executed or any corresponding provision in any similar federal statute hereafter enacted.

Section 6.02. Supplemental Master Indentures With Consent of Holders of Secured Debt.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Secured Debt of all series then Outstanding affected by such supplemental indenture, by Act of such Holders delivered to each Co-Obligor and the Master Trustee, all Co-Obligors, when authorized by Board Resolutions thereof, and the Master Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Master Indenture or of modifying in any manner the rights of the Holders of Secured Debt under this Master Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Holder of Outstanding Secured Debt affected thereby,

A. impair the right to institute suit for the enforcement of the payment of the principal of (and premium, if any) and interest on any Secured Debt on or after the Stated Maturity thereof (or, in the case of redemption, on or after the date for redemption); or

B. reduce the percentage in principal amount of the Outstanding Secured Debt, the consent of the Holders of which is required for any such supplemental indenture, or the consent of Holders of which is required for any waiver provided for in this Master Indenture of compliance with certain provisions of this Master Indenture or certain defaults hereunder and their consequences; or

C. modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

D. modify any of the provisions of this Section or Section 4.16, except to increase any percentage provided thereby or to provide that certain other provisions of this Master Indenture cannot be modified or waived without the consent of each Holder of Secured Debt affected thereby; or

E. permit the creation of any lien ranking prior to or on a parity with the lien of this Master Indenture with respect to any of the Trust Estate, except as permitted by Section 8.08, or terminate the lien of this Master Indenture on any property at any time subject hereto or deprive the Holder of Secured Debt of the security afforded by the lien of this Master Indenture, or modify or alter the provisions of Section 8.08 to permit any lien or security interest which secures some, but less than all, Secured Debt except as therein permitted, or, without the consent of the Holders of 66.66% of the principal amount of Outstanding Secured Debt, otherwise modify or alter the provisions of Section 8.08.

2017992.7

51

ARTICLE VI

SUPPLEMENTAL MASTER INDENTURES

Section 6.01. Supplemental Master Indentures Without Consent of Holders of Secured Debt.

Without the consent of any Holders of Secured Debt, all Co-Obligors, when authorized by Board Resolutions thereof, and the Master Trustee may from time to time enter into one or more indentures supplemental hereto, in form satisfactory to the Master Trustee, for any of the following purposes:

A. to correct or amplify the description of any property at any time subject to the lien of this Master Indenture, or better to assure, convey, and confirm unto the Master Trustee any property subject or required to be subjected to the lien of this Master Indenture, or to subject to the lien of this Master Indenture additional property; or

B. to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of Debt which may be secured hereunder, as herein set forth, additional conditions, limitations, and restrictions thereafter to be observed; or

C. to evidence the securing by the lien of this Master Indenture any Secured Debt which may be secured hereunder in accordance with the provisions hereof; or

D. to modify or eliminate any of the terms of this Master Indenture; provided, however, that

(1) such supplemental indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Secured Debt Outstanding created prior to the execution of such supplemental indenture; and

(2) the Master Trustee may, in its discretion, decline to enter into any such supplemental indenture which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; or

E. to evidence the assumption by any Affiliate of a Co-Obligor of the covenants and warranties of a Co-Obligor hereunder; or

F. to evidence the succession of another Person to any Co-Obligor and the assumption by any such successor of the covenants of such Person herein contained; or

G. to add to the covenants of any Co-Obligor for the benefit of the Holders of all or any Secured Debt (including the establishment of one or more funds pursuant to Section 10.01) or to surrender any right or power herein conferred upon any Co-Obligor; or

H. to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions, with respect to matters or questions arising under this Master Indenture, which shall not be inconsistent with the other provisions of this Master Indenture, provided such action shall not adversely affect the interests of the Holders of Secured Debt; or

2017992.7

60

Each Holder of Secured Debt delivering any consent or direction in respect of a supplemental indenture shall be deemed to have obtained any necessary consents or directions from the owners of Debt secured by such Secured Debt.

The Master Trustee may upon advice of counsel determine whether or not any Secured Debt would be affected by any supplemental indenture and any such determination shall be conclusive upon every Holder of Secured Debt, whether theretofore or thereafter authenticated and delivered hereunder. The Master Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Act of Holders of Secured Debt under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 6.03. Execution of Supplemental Master Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Master Indenture, the Master Trustee shall be entitled to receive and, subject to Section 5.01, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Master Indenture. The Master Trustee may, but shall not, except to the extent required in the case of a supplemental indenture entered into under Section 6.01, be obligated to, enter into any such supplemental indenture which affects the Master Trustee's own rights, duties, or immunities under this Master Indenture or otherwise.

Section 6.04. Effect of Supplemental Master Indenture.

Upon the execution of any supplemental indenture under this Article, this Master Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Master Indenture for all purposes, and every Holder of Secured Debt theretofore or thereafter secured hereunder shall be bound thereby.

* * *

2017992.7

61

ARTICLE VII

CONSOLIDATION, MERGER, CONVEYANCE, OR TRANSFER

Section 7.01. Consolidation, Merger, Conveyance, or Transfer only on Certain Terms.

No Co-Obligor shall consolidate with or merge into any other Person or convey or transfer its assets substantially as an entirety to any Person, unless:

A. such consolidation, merger, conveyance, or transfer shall be on such terms as shall fully preserve the rights and powers of the Master Trustee and the Holders of Outstanding Secured Debt hereunder;

B. the survivor of such consolidation or merger, or the Person which so acquires such assets, shall be a Person organized and existing under the laws of the United States of America or any State or the District of Columbia and which (if not already a member of the Obligated Group) shall comply with the requirements of Section 9.01;

C. immediately after giving effect to such transaction no Default shall have occurred and be continuing;

D. the Master Trustee shall have received an Opinion of Counsel to the effect that such consolidation, merger, conveyance or transfer will not adversely affect any exemption from federal income taxation of interest on any Outstanding Secured Debt or any Debt secured by Outstanding Secured Debt;

E. such Co-Obligor shall have delivered to the Master Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance, or transfer and such supplemental agreement comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and

F. in the event a Co-Obligor consolidates with or merges into any other Person or transfer its assets substantially as an entirety to any Person, immediately after giving effect to such transaction, the survivor of such consolidation or merger, or the Person which so acquires such assets, shall be able to incur at least \$1 of Debt in accordance with Section 8.07C of this Master Indenture, as evidenced by an Officer's Certificate of such survivor or such Person.

Section 7.02. Successor Substituted.

Upon any consolidation or merger of any Co-Obligor or any conveyance or transfer of its assets substantially as an entirety in accordance with Section 7.01, the survivor of such consolidation or merger, or the Person to which such conveyance or transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of, such Co-Obligor under this Master Indenture, subject, however, to the limitation that no such conveyance or transfer of the assets of any Co-Obligor substantially as an entirety shall have the effect of releasing any such Person from its liability hereunder for payment of the Outstanding Secured Debt, unless such conveyance or transfer is followed by the complete liquidation of such Person and substantially all its assets immediately following such conveyance or transfer are the securities of such survivor or such Person received in such conveyance or transfer.

20171022.7

52

- (e) any modification of any terms of any Secured Debt;
- (d) the insolvency, bankruptcy, liquidation, dissolution or lack of corporate authority of any Co-Obligor;
- (c) any neglect, delay, omission, failure or refusal by the Master Trustee or any other Person to take or prosecute any action for the enforcement or collection of any Secured Debt or for the realization of any security therefor;
- (f) the unenforceability against any Co-Obligor of all or any part of any Secured Debt or any obligation under this Master Indenture;
- (g) a determination by a court of competent jurisdiction that any payment made with respect to Secured Debt is a preferential transfer or fraudulent conveyance, or otherwise voidable on any grounds; or
- (h) any failure to notify a Co-Obligor of any of the foregoing or of any acceleration of maturity of any Secured Debt.

Section 8.02. Warranty of Title.

Each Co-Obligor has the requisite right, power, and authority to pledge the properties covered by the Granting Clauses and to subject such properties to the lien hereof. Each Co-Obligor will forever warrant and defend the title to the property described in Granting Clauses First, Second, and Third against the claims and demands of all Persons.

Section 8.03. After-Acquired Property; Further Assurances; Recording.

At the expense of each Co-Obligor, each Co-Obligor will do, execute, acknowledge, and deliver all and every such further acts, assignments, financing statements, and assurances as the Master Trustee shall require for accomplishing the purposes of this Master Indenture.

The Co-Obligors at their expense will cause this instrument and all supplemental indentures and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered, and filed, and will execute and file such financing statements and continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of the Holders of Secured Debt and the Master Trustee hereunder to all property comprising the Trust Estate.

Section 8.04. Maintenance of Properties.

Each Co-Obligor will cause all its properties used or useful in the conduct of its respective businesses to be maintained and kept in good condition, repair, and working order and supplied with all necessary equipment, ordinary wear and tear, casualty, condemnation, and acts of God excepted, and will cause to be made all necessary repairs, renewals, replacements, betterments, and improvements thereof, all as in the judgment of such Co-Obligor may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times. Nothing in this Section, however, shall prevent any Co-Obligor from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the governing body of such Person, desirable in the conduct of

20171022.7

55

ARTICLE VIII

COVENANTS AND WARRANTIES

Section 8.01. Payment of Outstanding Secured Debt; Subrogation.

Each Co-Obligor covenants to duly and punctually pay all amounts payable by such Co-Obligor under and to perform all covenants of such Co-Obligor in any applicable Loan Agreement. The Co-Obligors agree jointly and severally to duly and punctually pay, but solely to the extent permitted by the following paragraph, (i) the principal of (and premium, if any) and interest on the Secured Debt in accordance with the terms thereof, (ii) any deposits required to be made pursuant to Article X, and (iii) all other fees, charges, and amounts payable by any Co-Obligor with respect to any Secured Debt, including without limitation amounts payable pursuant to Sections 5.07 and 8.13 and pursuant to any applicable Loan Agreement.

Notwithstanding any provision herein to the contrary, no Co-Obligor shall be liable for or required to pay, and neither the Master Trustee nor any Holder of Secured Debt shall be entitled to collect, any amount that (1) would be interest on any Secured Debt issued by it and (2) would, when aggregated with all other interest payments made by such Co-Obligor on such Secured Debt, exceed the maximum applicable lawful rate of non-usurious interest under applicable law. In the event that any Co-Obligor pays with respect to any Secured Debt, or the Master Trustee or any Holder of Secured Debt collects with respect to such Secured Debt, interest in excess of that permitted by the preceding sentence to be paid or collected, then such excess shall be deemed to have been the result of a mathematical error by the parties hereto and shall be refunded immediately to the appropriate Co-Obligor or, at the option of the Master Trustee or such Holder, applied against the unpaid principal balance of the Secured Debt, and all provisions and terms thereof respecting interest shall be immediately reformed and reduced, all without the necessity of execution of further documents, so as to comply fully with such applicable law. In determining the maximum amount of interest that the Holders of the Secured Debt may lawfully contract for, charge, receive or reserve, all interest at any time paid or received hereunder, or contracted for or received in connection herewith, shall be spread, allocated and amortized over the actual term of the Secured Debt so as to produce a lawful rate and amount of interest, to the full extent permitted by applicable law.

Each Co-Obligor, as a co-obligor and not a guarantor, shall at all times be jointly and severally liable for each representation, warranty, covenant, agreement and other obligation of the Obligated Group and each other Co-Obligor under the Master Indenture, including (without limitation) the obligation to repay the Secured Debt and any interest thereon. The Master Trustee may, in its discretion, look to any or all of such Co-Obligors for performance of such covenants, agreement and other obligations.

Each Co-Obligor hereby agrees with the Master Trustee that the payment obligations of each Co-Obligor pursuant to this Section 8.01 shall not be released, impaired, reduced or otherwise affected for any reason, except to the minimum extent required by Section 1.09, including without limitation, by reason of the occurrence of any one or more of the following:

- (a) the acceptance by the Master Trustee or any other Person of any other security or guaranty for any Secured Debt;
- (b) any release, substitution, subordination or loss of any security for any Secured Debt or any release of a Co-Obligor with respect to the payment of any Secured Debt;

20171022.7

54

its respective business and not disadvantageous in any material respect to the Holders of the Outstanding Secured Debt.

Section 8.05. Corporate Existence.

Subject to Article VII, each Co-Obligor will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises; however, no Co-Obligor shall be required to preserve any right or franchise if the governing body of such Person shall determine that the preservation thereof is no longer desirable in the conduct of its respective businesses and that the loss thereof is not disadvantageous in any material respect to the Holders of the Outstanding Secured Debt.

Section 8.06. To Maintain Rates.

A. The Obligated Group shall establish, charge, and collect, or cause to be established, charged and collected, rates, fees, and charges for goods and services furnished by, and for the use of, the properties of such Persons such that the Coverage Ratio as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2007) is at least 1.10. If the Coverage Ratio is less than 1.10, the Obligated Group shall engage a Management Consultant within 30 days after the close of such Fiscal Year to make, and the Obligated Group shall implement, recommended changes, permitted under then existing state and federal laws and regulations, in the rates, fees, and charges or expenses or in such other affairs of the Obligated Group such that the Coverage Ratio for the immediately succeeding Fiscal Year is at least 1.10.

B. If, in the opinion of the Management Consultant, the Obligated Group is precluded by then existing federal or state laws or regulations from implementing the changes necessary to produce a Coverage Ratio for the immediately succeeding Fiscal Year of at least 1.10, the Management Consultant will make, and the Obligated Group shall implement, recommended changes in the rates, fees, and charges or expenses or in such other affairs of the Obligated Group such that the Coverage Ratio will be the maximum amount permitted under then existing state and federal laws and regulations.

C. If the Obligated Group follows the recommendations of the Management Consultant, then the failure to satisfy the Coverage Ratio in such Fiscal Year will not be an Event at Default under this Master Indenture, provided that in event of Default will be deemed to have occurred if the Coverage Ratio is less than 1.00 for any Fiscal Year.

Section 8.07. Limitations on Debt.

Except as otherwise specifically provided, no member of the Obligated Group shall incur or otherwise become liable in respect of any Debt. The definition of "Debt" in Section 1.01 excludes, and thus permits the incurrence of certain debt including unsecured debt payable on demand or which matures not more than one year from the date of incurrence or, in case such debt is extended or renewed (other than pursuant to the option of the borrower to extend or renew) from the date of such extension or renewal thereof, if such unsecured debt is incurred in the ordinary course of business and not as a result of borrowing or in respect of obligations of others. In addition, the members of the Obligated Group are permitted to incur or otherwise become liable in respect of the following Debt:

- A. Debt, incurred as a result of borrowing or in respect of obligations of others, if in all cases the following conditions are met:

20171022.7

56

(1) such Debt is payable on demand or matures not more than one (1) year from the date of incurrence or, in case such Debt be extended or renewed (other than pursuant to the option of the borrower), from the date of such extension or renewal;

(2) such Debt is incurred in the ordinary course of business;

(3) the aggregate unpaid principal amount of all Debt incurred, extended, or renewed pursuant to this Subsection A, including the Debt then to be incurred, extended, or renewed, does not exceed 15% of the Consolidated Gross Revenues of the Obligated Group for the prior Fiscal Year; and

(4) there has been a period of fifteen (15) consecutive days within the period of twelve (12) consecutive months immediately preceding the date of such incurrence, extension, or renewal during which the aggregate unpaid principal amount of all Debt of the Obligated Group incurred, extended, or renewed pursuant to this Subsection A did not exceed 10% of the Consolidated Gross Revenues of the Obligated Group for either of its two (2) most recently completed Fiscal Years, unless such Debt was incurred, extended, or renewed as a result of a temporary delay in the receipt by any Co-Obligor of amounts due from third-party payers, governmental agencies, or grantors and the Outstanding amount of such Debt has been reduced to the minimum amount practicable under the circumstances; or

B. purchase money Debt, including installment purchase contracts, capitalized leases, Non-Recourse Debt, and other similar Debt or Debt the principal of which is fully secured by a security interest in pledges, confirmed in writing, to make a donation, gift, or other charitable contribution to a member of the Obligated Group on or before the Stated Maturity of such Debt, in all cases if no recourse may be had against the member of the Obligated Group under such Debt by the holder thereof except against the property acquired with the proceeds thereof or the pledge secured thereby and provided that any lien associated with such Debt is permitted under Section 8.08; or

C. Debt if, following the incurrence thereof, the Obligated Group is in compliance with the Revenue Test; or

D. Debt incurred for the purpose of (and substantially concurrently with the) refunding of any Debt of the Obligated Group, provided that, except with respect to Debt incurred for the purpose of refunding all Outstanding Secured Debt, the Maximum Annual Debt Service Requirements of the Obligated Group with respect to Debt to be Outstanding immediately after the incurrence of such Debt is not increased by more than ten percent (10%); or

E. Debt the principal amount with respect to which, when aggregated with all other then Outstanding Debt of the Obligated Group incurred pursuant to Subsection A and this Subsection E, does not exceed five percent (5%) of the Consolidated Gross Revenues of the Obligated Group for the prior Fiscal Year; or

F. Debt evidencing any obligation of a Co-Obligor to reimburse any advance by a credit provider or a liquidity provider made to pay principal, premium or interest on any bonds payable from Secured Debt.

2017022.1

57

Notwithstanding the foregoing, the following mortgages, liens, and encumbrances shall be permitted:

(1) mortgages, liens, charges, pledges, or other security interests or encumbrances created by any member of the Obligated Group as security for Debt owing to any other member of the Obligated Group;

(2) Permitted Encumbrances;

(3) purchase money liens, pledges, or security interests (which term for purposes of this Clause (3) shall include conditional sale agreements or other title retention agreements and leases in the nature of title retention agreements) upon or in personal property or mortgages, liens, pledges, or security interests existing in real or personal property at the time of acquisition thereof, or, in the case of any Person which thereafter becomes a member of the Obligated Group, mortgages, liens, pledges, or security interests upon or in its real or personal property existing at the time such Person becomes a member of the Obligated Group, or replacements, extensions, or renewals of any such mortgages, liens, pledges, or security interests in connection with the replacement, extension, or renewal (without increase in principal amount) of the Debt secured thereby, provided that no such mortgage, lien, pledge, or security interest extends or shall extend to or cover any property of such Person other than the property then being acquired and fixed improvements then or thereafter erected thereon;

(4) purchase or construction money mortgages, liens, pledges, or security interests (which term for purposes of this Clause (4) shall include conditional sales agreements or other title retention agreements and leases in the nature of title retention agreements) upon or in real property, or replacements, extensions, or renewals of any such mortgages, liens, pledges, or security interests in connection with the replacement, extension, or renewal (without increase in principal amount) of the Debt secured thereby, provided that no such mortgage, lien, pledge, or security interest extends or shall extend to or cover any property of such Person other than the property being acquired or constructed and fixed improvements then or thereafter erected thereon or the property on which the fixed improvement is being constructed;

(5) the lien of any instrument given as additional security for the obligation of any Person to make payments in respect of all Outstanding Secured Debt;

(6) any mortgage, lien, charge, pledge, or other encumbrance of any kind upon any property of any character of such Person, or any conditional sale agreement or other similar title retention agreement with respect to any such property, if such Person shall make effective provision, and such Person covenants that in any such case it will make or cause to be made effective provision, whereby the obligation of such Person to make payments in respect of all Outstanding Secured Debt shall be directly secured by such mortgage, lien, charge, pledge, encumbrance, or agreement equally and ratably upon the same property or assets, or upon other property or assets with a fair market value at least equal to the book value of property or assets to be mortgaged, with any and all other obligations and indebtedness thereby secured;

(7) liens with respect to property having a value of not more than 10% of the unrestricted net assets of the Obligated Group, as evidenced by an Officer's Certificate of the Obligated Group Representative.

When Debt may be incurred under more than one provision hereof, the Obligated Group shall make any determination necessary as to which provision such incurrence of Debt is to be attributed and may redetermine such attribution, if such redetermination is consistent with the provisions hereof.

For all purposes of this Section,

(1) Debt shall generally be deemed to be "incurred" by any Person whenever such Person shall create, assume, guarantee, or otherwise become liable in respect thereof;

(2) the sale or other transfer of Debt of a member of the Obligated Group to another member of the Obligated Group shall not be deemed to be the incurrence of such Debt as of the date of sale or transfer;

(3) Outstanding Debt of a Person shall be deemed to be incurred by a member of the Obligated Group on the date such Person becomes a member of the Obligated Group; and

(4) any Person which shall become a successor to any Person in accordance with Article VII shall be deemed to incur all Outstanding Debt of its predecessor at the date of such succession.

Section 8.08. Limitation on Liens.

Except as otherwise hereinafter permitted, no member of the Obligated Group shall

A. create, assume, or incur or suffer to be created, assumed, or incurred or to exist any mortgage, lien, charge, or encumbrance of any kind upon, or pledge of, any of its properties of any character, including real, personal, tangible and intangible properties and revenues, whether owned at the date hereof or hereafter acquired; or

B. acquire or agree to acquire any property of any character under any conditional sale agreement or other title retention agreement (including any lease in the nature of a title retention agreement); or

C. by transfer to any Subsidiary, subject to the prior payment of any Debt (other than Outstanding Secured Debt) any of its property of any character; or

D. give its consent to the subordination of any right or claim of such member to any right or claim of any other Person; or

E. sign or file a financing statement under the Uniform Commercial Code which names such member as debtor or sign any security agreement authorizing any secured party thereunder to file such financing statement; or

F. suffer to exist any Debt of such member or any claims or demands against such member, which, if unpaid, might (in the hands of the holder or any Person who shall have guaranteed the same or who has any right or obligation to purchase the same), by law or upon bankruptcy or insolvency or otherwise, be given any priority whatsoever over its general creditors.

2017022.1

58

(8) security interests in pledges of donations, gifts, or other charitable contributions to such Person to secure Debt described in, and under the circumstances permitted by, Section 8.07B; and

(9) liens permitted by Section 8.19.

Any member of the Obligated Group may sign such security agreements and sign and file such financing statements and take all other actions necessary to evidence and perfect any lien permitted by this Master Indenture.

Section 8.09. Liquidity Requirement.

The Obligated Group shall maintain unrestricted cash and investments in an amount at least equal to ninety (90) days of Operating Requirements, as evidenced by an Officer's Certificate delivered to the Master Trustee on each June 30. If the Obligated Group cannot deliver such certificate, it shall engage a Management Consultant within thirty (30) days after such June 30 to make, and the Obligated Group shall implement, recommended changes such that the Obligated Group shall be in compliance with the first sentence of this Section.

The failure to satisfy the first sentence of the immediately preceding paragraph on any June 30 will not be an Event of Default hereunder, provided that an Event of Default will be deemed to have occurred to the extent provided herein if unrestricted cash and investments equal to (i) at least 45 days of Operating Requirements is not maintained by the Obligated Group on such calculation date or (ii) at least 90 days of Operating Requirements is not maintained by the Obligated Group on the next succeeding calculation date.

Section 8.10. Limitation on Disposition of Assets.

No member of the Obligated Group shall convey, transfer, or lease any of its assets if the fair market value thereof, when aggregated with the fair market value of all other assets of the Obligated Group to be conveyed, transferred, or leased in the same Fiscal Year (other than pursuant to Clauses A, B, C, D, or E of this Section), exceeds five percent (5%) of the book value of the assets of the Obligated Group for the immediately preceding Fiscal Year, unless:

A. such Person shall have delivered to the Master Trustee an Officer's Certificate to the effect that the property to be conveyed, transferred, or leased is obsolete, inadequate, or worn out; or

B. the conveyance, transfer, or lease is in the ordinary course of business; or

C. the Board of such Person shall have determined by Board Resolution that such conveyance, transfer, or lease shall be for fair market value consideration which was determined in an arms-length transaction or which is not less than the consideration that would be paid in an arms-length transaction and, considered together with all prior conveyances, transfers, and leases of assets of such Person, and will not materially and adversely affect the interests of the Holders of Outstanding Secured Debt or the ability of such Person to meet its obligations as they become due; or

D. the conveyance, transfer, or lease is a conveyance, transfer, or lease permitted by Section 9.02; or

2017022.1

60

E. the conveyance, transfer, or lease of any undeveloped real estate acquired by any Co-Obligor but as to which property no revenue-producing improvements have been made (as to Tract V identified in the Deed of Trust, no revenue-producing improvements other than a biking and walking path), as determined by an Officer's Certificate delivered to the Master Trustee; or

F. such Person shall have delivered to the Master Trustee an Officer's Certificate to the effect that such conveyance, transfer, or lease, the Obligated Group is in compliance with the Revenue Test.

Section 8.11. To Keep Books; Financial Reports and Inspection by Master Trustee; Fiscal Year;

Each member of the Obligated Group at all times will keep books of record and account, in accordance with generally accepted accounting principles and will furnish to the Master Trustee:

A. as soon as available, and in any event within 150 days after the end of each Fiscal Year, copies, in comparative form with the preceding Fiscal Year, of the consolidated balance sheet of such Person, as at the end of such Fiscal Year, and of the consolidated statements of such Person for such Fiscal Year, and a balance sheet and statements of operations, changes in net assets and cash flows showing the consolidated operations of the Obligated Group, all in reasonable detail, in accordance with generally accepted accounting principles and accompanied by a report and opinion of an Independent Accountant, which report and opinion shall be based upon an examination made in accordance with generally accepted auditing standards; and

B. a statement by the Independent Accountant whose report and opinion accompanied the financial statements furnished under Subsection A of this Section that, in making the examination necessary for such report and opinion, such Accountant has obtained no knowledge of any Default of any members of the Obligated Group in the fulfillment of any of the terms, covenants, or provisions of this Master Indenture, or under any other evidence of indebtedness, or of any event which, with notice or lapse of time, or both, would constitute an Event of Default on the Outstanding Secured Debt or under this Master Indenture or under any evidence of indebtedness or if, in the opinion of such Accountant, any such Event of Default or other event shall exist, a statement as to the nature and status thereof shall be included.

At any and all times, upon the written request of the Master Trustee (who shall be under no duty to make such request unless directed to do so by the Holders of at least 25% in principal amount of Secured Debt then Outstanding), each member of the Obligated Group will permit the Master Trustee, by its agents and attorneys, to inspect the properties of such Person and to examine all the books of account, records, reports, and other financial papers of such Person and its Subsidiaries and Affiliates and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection and examination, and will furnish the Master Trustee any and all such other information as the Master Trustee may reasonably request with respect to the performance or observance by such Person of its covenants herein.

Each Co-Obligor shall establish as the Fiscal Year of such Person the 12-month period beginning July 1, or such other date as may be adopted by all such Persons as the beginning date of the Fiscal Year.

A member of the Obligated Group need not submit separate financial statements, if the financial performance of such Person is reported in financial statements of another member of the Obligated Group.

30171922.1

61

policies issued by financially responsible insurers of recognized standing, in amounts customarily carried, and against loss or damage from such causes as are customarily insured against, by similar companies, in each case to the extent that such insurance is obtainable on commercially reasonable terms.

Except with respect to insurance against damage or loss to property, any Co-Obligor, alone or in combination with other Persons including Affiliates and Subsidiaries, may establish and maintain, in lieu of the maintenance of any policy of insurance against damage or loss otherwise required by the provisions of this Section, a program of self-insurance against any such damage or loss if the amounts held under such program of self-insurance are maintained at or above the amounts stated in the Certificate of the Independent actuary required under Clause C of this Section as necessary to satisfy future losses, less claims paid from such amounts since the date of the Certificate.

As soon as practicable after the execution of this Master Indenture and, in the case of Affiliates, after becoming a Co-Obligor hereunder, and within 180 days after the close of each Fiscal Year thereafter, and at any time upon the request of the Master Trustee, shall be delivered to the Master Trustee with respect to each Co-Obligor an Officer's Certificate containing a detailed list of the insurance in force upon or with respect to its properties and operations on a date therein specified (which date shall be within 30 days of the filing of such Certificate), and stating that the insurance so listed complies with this Section.

Section 8.16. Application of Insurance Proceeds and Condemnation Awards.

All proceeds of insurance upon any of the properties of any member of the Obligated Group, and all compensation for any of such properties taken by eminent domain, to the extent such proceeds and compensation, when aggregated with all other such proceeds and compensation received by such Person in the same Fiscal Year, exceeds 5% of the Value of all tangible properties of such Person, shall be deposited to a separate account of a fund to be established under Article X and may be withdrawn by such Person upon Corporation Request to pay Secured Debt or to reimburse such Person for expenditures made, or to pay costs incurred, by such Person to repair, rebuild, or replace the property destroyed, damaged, or taken or to reimburse such Person for or to make Capital Expenditures for Additions, in every case in the same manner and upon the same conditions as if such expenditures and costs were made or incurred for acquiring, constructing, equipping, and furnishing of such property.

Immediately upon receipt of such insurance proceeds or compensation for properties taken by eminent domain by any member of the Obligated Group, such Person shall provide written notice thereof to the Master Trustee along with an Officer's Certificate setting forth the percent of Value of the tangible property of such Person represented thereby.

Any money held for the credit of such fund which constitutes proceeds of insurance or compensation for any taking by eminent domain and which shall not be applied as hereinabove provided in this Section within two years after the receipt thereof by the Master Trustee (except money required for the purposes of approved Corporation Requests filed within such two-year period or for expenditures and costs to be made or incurred pursuant to a contract awarded during such two-year period) shall, unless the condition of the following sentence is met, on the next practicable date for the payment of Outstanding Secured Debt be applied by the Master Trustee to the prepayment of such Debt, if then prepayable, and otherwise to the prepayment of other Debt of the Person who received such proceeds, in either case as designated for such purpose by such Person if there is not then an Event of Default hereunder, otherwise in accordance with the provisions of Section 4.07, and each member of the Obligated Group hereby irrevocably constitutes and appoints the Master Trustee its agent for it and in its name, place, and stead to issue all notices and do any and all other acts and things that may be necessary or desirable in order to

30171922.1

63

Section 8.12. Performance of Other Obligations.

Each member of the Obligated Group will pay or cause to be paid all Debt of such member and of its Affiliates and Subsidiaries as and when the same shall become due and payable, and will observe, perform, and discharge all the covenants, conditions, and obligations which are imposed on it by any and all mortgages, indentures, and other agreements evidencing or securing Debt of such member or pursuant to which such Debt is issued, so as to prevent the occurrence of any act or omission which is or may be declared to be a material default thereunder. Neither this Section nor any other Section hereof, however, shall be construed to require the payment of any tax, assessment, governmental charge or levy, or any claim for labor, materials, and supplies to the extent that the amount, applicability, or validity thereof shall currently be contested in good faith by appropriate proceedings and the applicable Co-Obligor shall have established and shall maintain adequate reserves on its books for the payment of the same.

The Army Retirement Residence Foundation - San Antonio specifically covenants to the Master Trustee that it will comply with all covenants of The Army Retirement Residence Foundation - San Antonio set forth in the Loan Agreement dated as of July 1, 2002 with the Bexar County Health Facilities Development Corporation, so long as any of the Bonds described therein are outstanding.

Section 8.13. Advances by Master Trustee.

If any Co-Obligor shall fail to perform any of its covenants in this Master Indenture, the Master Trustee may, but shall not be obligated to, at any time and from time to time, use and apply any money held by it hereunder, or make advances, to effect performance of any such covenant on behalf of such Person; and all money so used or advanced by the Master Trustee shall be repaid by the Co-Obligor, upon demand. For the repayment of all such advances the Master Trustee shall have the right to use and apply any money at any time held by it hereunder, but no such use of such money or advance shall relieve any Person from any default hereunder.

Section 8.14. Statement as to Compliance.

Each member of the Obligated Group will deliver to the Master Trustee, within 180 days after the end of each Fiscal Year, an Officer's Certificate stating that

A. a review of the activities of such Person during such year and of performance under this Master Indenture has been made, and

B. to the best of the signer's knowledge, based on such review, such Person has fulfilled all its obligations hereunder throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known and the nature and status thereof.

Promptly after any officer of a member of the Obligated Group becomes aware of a Default hereunder, such member will deliver to the Master Trustee a written notice specifying the nature and period of existence thereof and the action such Person is taking and proposes to take with respect thereto.

Section 8.15. To Insure.

At all times each Co-Obligor shall keep, and shall cause each Affiliate and Subsidiary of such Co-Obligor to keep, all its property and operations of an insurable nature and of the character usually insured by companies operating similar properties and engaged in similar operations insured under

30171922.1

62

contaminate such redemption. Any money held for the credit of such fund at the end of such two-year period may be disbursed to the order of the Person on whose behalf the proceeds of such insurance or condemnation award was received and used for any lawful purpose, if and to the extent that, treating such transfer as the disposition of an asset having a Value equal to the amounts to be so disbursed, such disposition would be permitted under Section 8.10(E). Whenever any such money is applied by the Master Trustee to the redemption of Outstanding Secured Debt or other Debt, whether at the direction of the obligors thereon or otherwise, each member of the Obligated Group shall deposit or cause to be deposited with the Master Trustee, prior to the date fixed for redemption, such sum as may be necessary to pay the premium, and accrued interest to the date fixed for redemption, on all Debt so to be redeemed.

Section 8.17. Payment of Taxes.

Each Co-Obligor will pay or cause to be paid as they become due and payable all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon the properties of or under the control of such Person or its Subsidiaries or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments, and other governmental charges lawfully levied, assessed, or imposed upon the interest of the Master Trustee or of the Holders of Outstanding Secured Debt in the properties of, or under the control of, such Person.

Section 8.18. Waiver of Certain Covenants.

Compliance with any of the foregoing covenants by any Co-Obligor may be waived by the Holders of Outstanding Secured Debt holding the requisite percentage of Outstanding Secured Debt or would be required to amend the provisions of this Master Indenture.

Section 8.19. Certain Hedging Transactions.

The Obligated Group members may provide for the certification of any agreement entered into in connection with any Hedging Transaction (a "Hedge Agreement") as Secured Debt in accordance with Section 2.01 or may secure any Hedge Agreement by providing a lien on or security interest in any property of the Obligated Group, provided that, prior to entering into such Hedge Agreement (a) the Revenue Test shall be satisfied, and (b) there shall be delivered to the Master Trustee a copy of such Hedge Agreement, together with an Officer's Certificate of the Obligated Group Representative demonstrating that, as of the date of execution and delivery thereof, the Obligated Group would be entitled to dispose of assets pursuant to Section 8.10 in an amount equal to the Value of the property subject to such lien or security interest as of such date.

30171922.1

64

ARTICLE IX
CO-OBLIGORS

Section 9.01. Qualification as Co-Obligor.

Any Person which is a non-stock corporation or a limited liability company, the sole member of which is a non-stock corporation, shall become a Co-Obligor upon delivery to the Master Trustee of the following:

A. a supplemental indenture hereto in form acceptable to the Master Trustee in which such Person agrees to grant a lien on all of its Revenues and to be bound by all the covenants of a Co-Obligor contained herein, including without limitation, the covenants of a Co-Obligor contained in Section 8.01;

B. a Board Resolution from each Co-Obligor consenting to such Person's becoming a Co-Obligor;

C. an Officer's Certificate from such Person stating that, if such Person were to have been a Co-Obligor on the date of the supplemental indenture, (i) no Default would then have existed and (ii) at least one Co-Obligor could incur at least \$1.00 in Debt pursuant to Section 8.07C;

D. a certificate of an Independent Account to the effect that, immediately before and after the admission of such Person to the Obligated Group, the Coverage Ratio was and would be, respectively, not less than 1.15; and

E. an Opinion of Counsel stating that (i) the covenants of such Person and the assumption of Secured Debt under the supplemental indenture described in Clause A are legal, valid, and binding obligations of such Person subject only to bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (ii) if any bonds are secured by Secured Debt, that such Person's becoming a Co-Obligor will not adversely affect any exemption from federal income tax that may apply to the interest on such bonds, and (iii) all conditions precedent provided for with respect to such Person's becoming a Co-Obligor have been complied with.

The effective date of such Person's becoming a Co-Obligor shall be the later of the date the Master Trustee executes the supplemental indenture described in Clause A or the date the last item specified above is delivered to the Master Trustee.

Section 9.02. Transfers to Co-Obligor.

Any Co-Obligor may convey, transfer or lease any property to another Co-Obligor.

Section 9.03. Release of Co-Obligors.

Any Co-Obligor other than The Army Retirement Residence Foundation—San Antonio may be released as such and from the covenants of a Co-Obligor hereunder, upon delivery to the Master Trustee of the following:

2011022.1

65

ARTICLE X
FUNDS

Section 10.01. Establishment of Funds.

From time to time as necessary to carry out the provisions and purposes hereof, there may be established by any Co-Obligor one or more funds, including without limitation debt service funds or revenue funds to better provide for the payment of the Outstanding Secured Debt and for the fulfillment of the obligations of such Co-Obligor hereunder.

Any such fund may be established by the execution of a supplemental indenture pursuant to Section 6.01G, which supplemental indenture shall set forth the terms for deposits to and withdrawals from such fund, provided that the security for such deposits and the investment thereof shall be as provided in Sections 10.03 and 10.04.

Section 10.02. Revenue Fund.

There is hereby created by the Co-Obligors and established with the Master Trustee the special fund of the Co-Obligors designated their "Army Retirement Residence Foundation Secured Debt Revenue Fund" (the "Revenue Fund").

Unless and until an Event of Default described in Sections 4.01A or B of this Master Indenture or a payment default has occurred under Sections 6.01A, B, or F of the Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Bond Indenture") between the Bexar County Health Facilities Development Corporation and The Bank of New York Trust Company, N.A., as trustee, or a similar payment default shall occur under any other bond indenture securing Secured Debt, the Revenue Fund shall remain unfunded and the Co-Obligors shall have full use and control of the Revenues and shall not be required to make any deposits to the Revenue Fund. Upon written notice from the Master Trustee that such an Event of Default has occurred and that the Co-Obligors must therefore begin making the deposits required hereunder, and so long as such Event of Default is continuing, the Co-Obligors shall on each Business Day transmit all Revenues as received to the Master Trustee for deposit into the Revenue Fund. The money deposited to the Revenue Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section.

On the fifth (5th) Business Day preceding the end of each month in which the Co-Obligors have made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee shall withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

A. to the Bond Trustee under and as defined in the Bond Indenture and any paying agent or escrow agent any reasonable fees or expenses including, but not limited to the reasonable fees and expenses of its legal counsel, as evidenced by invoices submitted to the Master Trustee, which are then payable on account of their services in connection with any Secured Debt; then

B. to the Co-Obligors, the cost of the estimated operating expenses of the facilities of the Co-Obligors, certified in an Officer's Certificate of the Co-Obligors delivered at least one Business Day prior to the date of such payment or deposit to the Master Trustee, for the following month; then

2011022.1

67

A. a Board Resolution from each Co-Obligor consenting to such Person's release as a Co-Obligor;

B. an Officer's Certificate from such Person stating that, after the proposed release, (i) no Default will then exist and (ii) at least one Co-Obligor could incur at least \$1.00 of Debt pursuant to Section 8.07C;

C. a certificate of an Independent Account to the effect that, immediately before and after the withdrawal of such Person from the Obligated Group, the Coverage Ratio was and would be, respectively, not less than 1.15; and

D. an Opinion of Counsel stating that (i) if any bonds are secured by Secured Debt, such Person's release as a Co-Obligor will not adversely affect any exemption from federal income tax that may apply to the interest on such bonds and (ii) all conditions precedent provided for with respect to such release have been complied with.

The effective date of such release shall be the day on which the Master Trustee receives the last of the items specified above. After the effective date of its release as a Co-Obligor, such Person shall not be able to issue or secure Secured Debt hereunder, nor shall such Person be obligated under this Master Indenture in respect of any Secured Debt issued hereunder, whether before or after such effective date, provided, however that such release shall not affect such Person's obligations under any other instrument or agreement pursuant to which a Note has been issued by such Person or under which such Note is secured.

* * *

C. on a proportionate basis to the principal amount of the Outstanding Secured Debt; to each debt service fund, paying agent or obligee on Secured Debt known to the Master Trustee and pursuant to written directions of the applicable Co-Obligors, (i) any amounts due and unpaid on account of any principal or interest on Outstanding parity Debt; and (ii) one-third of the next quarterly principal or interest payments, one-sixth of the next semi-annual principal or interest payments, one-twelfth of the next annual principal or interest payments, or the amount of the next monthly principal or interest payments due on each series of Secured Debt.

Anything herein to the contrary notwithstanding, following acceleration of the Secured Debt, the amounts in the Revenue Fund shall be applied in accordance with the provisions of Section 4.07.

On the last day of each Fiscal Year after all of the above deposits have been made (including the making of any deficiencies in the deposits required hereunder to be made in any previous Fiscal Year), the Master Trustee shall deposit to the debt service fund or paying agent or obligee to which the Co-Obligors is required to make deposits or payments pursuant to each instrument actually known to the Master Trustee and pursuant to written directions of the applicable Co-Obligors evidencing Debt of the Co-Obligors other than Secured Debt an amount equal to all interest accrued, any mandatory sinking fund redemption payments, and principal amounts due on such Debt during such Fiscal Year (other than by reason of acceleration of the maturity of such Debt).

After the above deposit or payments have been made by the Master Trustee, any amounts thereafter remaining on deposit in the Revenue Fund on the last day of any Fiscal Year, or on the day following the end of the month in which all Events of Default under Section 4.01A or 4.01B and in the payment of any other Debt have been cured or waived shall be paid to the Co-Obligors to be used for any lawful purpose.

Section 10.03. Security for Deposits.

All money held by the Master Trustee for the credit of the funds established under Section 10.01 in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured by the Master Trustee, for the benefit of the Co-Obligors and the Holders of Secured Debt, either (a) by lodging with a bank or trust company as collateral security Eligible Investments designated by the Person establishing such fund having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit, or (b) in any other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Master Trustee to give such security for the deposit with it of any money to be used to pay principal (and premium, if any) on interest which is at the time of such deposit due and payable with respect to any Secured Debt, or for the Master Trustee to give security for any money which shall be represented by obligations purchased under the provisions of Section 10.04 as an investment of such money.

Section 10.04. Investments.

Money held for the credit of any fund established under Sections 10.01 and 10.02 shall, as nearly as may be practicable, be continuously invested and reinvested by the Master Trustee at the direction of the Person or Persons establishing such fund in Eligible Investments, or in such other investments as may be permitted by the instrument establishing such fund. Such Eligible Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when money is expected to be required for the purpose intended. Obligations so purchased as an

2011022.1

68

investment of any money credited to either such fund shall be deemed at all times to be a part of such fund. The interest accruing on obligations so purchased or on interest-bearing time deposits and any profit realized from such investment shall be credited to such fund and any loss resulting from such investment shall be charged to such fund. For the purpose of determining the amount on deposit to the credit of any such fund, obligations in which money in such fund shall have been invested shall be computed at the principal amount thereof, less the unamortized portion of any discount and plus the unamortized portion of any premium at which such obligations have been purchased, together with any amount paid as accrued interest at the time of such purchase until the payment of such interest on the next interest payment date, or, in the case of obligations which shall mature more than three years after the date of calculation, at the fair market value thereof if less.

The Master Trustee shall sell at the best price reasonably obtainable or present for redemption any obligations held for the credit of any fund established under Section 10.01 whenever it shall be necessary to do so in order to provide money to make any payment or transfer of money therefrom. The Master Trustee shall not be liable for any loss resulting from any such investment of any funds established under Section 10.01 excepting only such losses as may have resulted from disregard or negligent implementation of any permitted direction by a Co-Obligor.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Master Indenture to be duly executed, all as of the day and year first above written.

**ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION**, a Texas non-profit
corporation

By: *[Signature]*
Title: SECRETARY

7400 Crestway Drive
San Antonio, Texas 78239-3091

**THE ARMY RETIREMENT RESIDENCE
FOUNDATION—SAN ANTONIO**,
a District of Columbia non-profit corporation

By: *[Signature]*
Title: VICE PRESIDENT

7400 Crestway Drive
San Antonio, Texas 78239-3091

**THE BANK OF NEW YORK TRUST COMPANY,
N.A.,**
as Trustee

By: _____
Authorized Signature

20170921.1

69

20170921.1

S-1

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Master Indenture to be duly executed, all as of the day and year first above written.

**ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION**, a Texas non-profit
corporation

By: _____
Title: _____

7400 Crestway Drive
San Antonio, Texas 78239-3091

**THE ARMY RETIREMENT RESIDENCE
FOUNDATION—SAN ANTONIO**,
a District of Columbia non-profit corporation

By: _____
Title: _____

7400 Crestway Drive
San Antonio, Texas 78239-3091

**THE BANK OF NEW YORK TRUST COMPANY,
N.A.,**
as Trustee

By: *[Signature]*
Authorized Signature

EXHIBIT A

EXISTING MORTGAGES, LIENS, OR OTHER ENCUMBRANCES

1. Various easements established by, and shown on plat recorded in Volume 9515, Page 96-97, Bexar County Deed and Plat Records.
2. Electric easement granted to San Antonio Public Service Company by instrument recorded in Volume 1823, Page 407, Bexar County Deed Records.
3. Electric easement granted to San Antonio Public Service Company by instrument recorded in Volume 1827, Page 198, Bexar County Deed Records.
4. Telephone easement granted to Southwestern Bell Telephone Company by instrument recorded in Volume 1881, Page 443, Bexar County Deed Records.
5. Pipeline easement, 30 feet wide, granted to Texas Gas Pipeline Company by instrument recorded in Volume 2976, Page 1687, Real Property Records of Bexar County, Texas.
6. C.P.S. easement, 135 feet wide, as shown on plat recorded in Volume 9515, Page 96-97, Bexar County Deed and Plat Records, and granted to the City of San Antonio by instrument recorded in Volume 6163, Page 65, Bexar County Deed Records; and as shown on plat recorded in Volume 9538, Page 58, Bexar County Deed and Plat Records.
7. Easements established by and as shown on plat recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.
8. Easements established by and shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.
9. Building setback line, 25 feet wide, along Crestway Road property line, and 25 feet wide, along the Miller Road property line, as shown on plat recorded in Volume 9515, Page 96-97, of the Deed and Plat Records of Bexar County, Texas.
10. Building setback line, 25 feet wide, along the Crestway Road property line; and 15 feet wide and 25 feet wide along the Serene Ridge property line, as shown on plat recorded in Volume 9524, Page 130, of the Deed and Plat Records of Bexar County, Texas.
11. Building setback line, 25 feet wide, along the Glen Mont Drive property line and the Crestway Road property line, as shown on plat recorded in Volume 9538, Page 58, of the Deed and Plat Records of Bexar County, Texas.
12. Gas pipeline easement granted to Texas Pipe Line Company by instrument recorded in Volume 1083, Page 346, Bexar County Deed Records, defined as 30 feet wide by instrument recorded in Volume 6918, Page 1596, Bexar County Real Property Records.
13. Electric easement granted to the City of San Antonio by instrument recorded in Volume 6151, Page 5, Bexar County Deed Records.

20170921.1

S-1

20170921.1

A-1

14. Terms and provisions of electric service agreement with the City of San Antonio recorded in Volume 2128, Page 367, Real Property Records of Bexar County, Texas.
15. Texas Department of Insurance Continuing Care Retirement Community Notice of Lien filed by Army Retirement Residence Foundation San Antonio, Inc., dba Army Residence Community, recorded in Volume 5931, Page 1114, Real Property Records of Bexar County, Texas.
16. Various electric easements granted to the City of San Antonio by instrument recorded in Volume 7463, Page 1198, Real Property Records of Bexar County, Texas.
17. Cable TV easement granted to KBL CableSystems of the Southwest, Inc., by instrument recorded in Volume 5774, Page 265, Real Property Records of Bexar County, Texas.
18. Electric easement granted to the City of San Antonio by instrument recorded in Volume 5388, Page 685, Real Property Records of Bexar County, Texas.
19. Electric and gas easement granted to the City of San Antonio by instrument recorded in Volume 4316, Page 839, Real Property Records of Bexar County, Texas.
20. Electric easement granted to the City of San Antonio by instrument recorded in Volume 4378, Page 282, Real Property Records of Bexar County, Texas.
21. Restrictive covenants set forth in Volume 9515, Pages 96-97, Bexar County Deed and Plat Records; and Volume 3267, Page 842, Bexar County Real Property Records.
22. Deed of Trust, Assignment of Rents and Leases, and Security Agreement dated as of January 1, 2007 from the Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio to Tamara Ellis, as trustee, to secure the Note described in the first sentence of Section 2.01.
23. Assignment of Note, Liens, Security Interests, and Other Documents dated as January 1, 2007 from the Bexar County Health Facilities Development Corporation to The Bank of New York Trust Company, N.A., as Bond Trustee.

As to Tract V:

24. Pipeline easement to The Texas Pipe Line Co. recorded in Volume 1083, Page 346, Deed Records of Bexar County, Texas, amended by Easement Amendment recorded in Volume 6918, Page 1596, Real Property Records of Bexar County, Texas.
25. Easement for electric transmission and distribution lines to City Public Service Board of San Antonio recorded in Volume 6151, Page 5, Deed Records of Bexar County, Texas.

[UPDATE]

00171022.7

A-2

PROMISSORY NOTE

\$27,010,000

January 1, 2007

FOR VALUE RECEIVED, ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation, its successors and assigns (the "Borrower"), promises to pay to the BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION, a Texas non-profit health facilities development corporation established by the Commissioners Court of Bexar County, Texas, pursuant to Chapter 221, Texas Health and Safety Code, as amended (the "Trustee"), its successors or assigns, (1) the principal sum of \$27,010,000 payable on July 1, 2037, and interest on the unpaid portion thereof from the date of the initial delivery of the Bonds defined Bonds at the rate for each day of accrual equal to the arithmetic mean, weighted interpolation of the principal amounts thereof, of the rates of interest borne by the bonds of the issuer in the REFUNDING REVENUE BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2007" (the "Bonds") at the time Outstanding (as defined in the Bond Indenture hereinafter referred to) on such day, computed on the same basis and payable on the same date as such interest on the Bonds, and (2) the amounts specified in Sections 3.04 and 3.05 of the Loan Agreement hereinafter referred to at the times described in such Section, provided, however, that in no event shall the aggregate of the interest hereon, plus any other amounts charged or collected in connection herewith which are deemed "interest" under the laws of the State of Texas and the United States of America in effect on the date hereof permitting the charging and collecting of the highest then existing interest rate hereon (hereinafter referred to as "Applicable Law") ever exceed the maximum amount of interest which could be lawfully charged hereon under Applicable Law, anything herein or in the Bond Indenture to the contrary notwithstanding, and if any amount of interest taken or received by the holder of this Note shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected hereon, then the excess shall be deemed to have been the result of a mathematical error by the Borrower, the Bond Trustee hereinafter referred to, and such holder and shall be refunded promptly to the Borrower.

All amounts paid or agreed to be paid in connection with the indebtedness evidenced hereby which under Applicable Law would be deemed "interest" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term hereof.

The principal hereof (and premium, if any) and the interest hereon shall be payable at the designated corporate trust office of the corporation then acting as trustee (herein referred to as the "Bond Trustee") under the Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Bond Indenture") between the issuer and The Bank of New York Trust Company, N.A., as trustee, authorizing issuance of the Bonds. All such payments shall be in immediately available funds or in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

If the specified date for any such payment shall be a Saturday, Sunday, or legal holiday or equivalent (other than a month-end) for banking institutions generally at a Place of Payment (as defined in the Bond Indenture) or in the city in which is located the principal designated trust office of the Bond Trustee shall otherwise be a day other than a Business Day (as defined in the Bond Indenture), then such payment may be made on the next succeeding day which is not such a day without additional interest and with the same force and effect as if made on the specified date for such payment.

All sums due hereon shall be payable at the opening of business of the designated corporate trust office of the Bond Trustee on the date such payments become due. All sums paid hereon shall be applied

10171940.1

to the satisfaction of, first, the sums specified in Clause (2) of the first paragraph hereof, second, accrued interest hereon, and, third, the unpaid principal (and premium, if any) hereof.

This Note is the "Note" referred to in Section 3.04H of the Loan Agreement dated as of even date with the Bond Indenture (the "Loan Agreement") between the issuer and the Borrower, relating to the Bonds, and is issued to evidence a loan by the issuer to the Borrower hereunder from proceeds of the Bonds. This Note arises out of the Loan Agreement and the Bond Indenture.

The Borrower shall prepay the outstanding principal hereof, in whole or in part, in the same amount and on the same dates, and with the same frequency, parity, as Bonds called for redemption prior to their maturity in accordance with the provisions of the Bond Indenture.

If an Event of Default, as defined in the Bond Indenture, shall occur, the principal hereof and accrued interest hereon may be accelerated and payable in the manner and with the effect provided in the Bond Indenture.

The Borrower hereby expressly waives all notices (including notice of redemption or acceleration), demands for payment, presentments for payment, and notations of payment.

(The rest of this page intentionally left blank)

20171420.1

- 2 -

This Note is a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas.

ARMY RETIREMENT RESIDENCE SUPPORTING
FOUNDATION

By: 
Title: SECRETARY

201794261

Pay to the order of The Bank of New York Trust Company, N.A., as trustee for the owners of the Bonds hereinabove mentioned, without recourse against the undersigned.

BEXAR COUNTY HEALTH/FAMILIES
DEVELOPMENT CORPORATION

By: 
Title: President

201794261

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This instrument is Secured Debt as defined in the Master Indenture of Trust and Security Agreement dated as of January 1, 2007 between Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio, as Co-Debtors, and The Bank of New York Trust Company, N.A., as trustee, and is registered on the books for registration thereof as No. R-1.

THE BANK OF NEW YORK TRUST COMPANY,
N.A., as Master Trustee

By: 
Authorized Signature

201794261

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION

and



THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO,
as, together, the Co-Obligor

and

THE BANK OF NEW YORK MELLON TRUST COMPANY,
NATIONAL ASSOCIATION
as Master Trustee

MASTER INDENTURE SUPPLEMENT NO. 1

Dated as of February 1, 2010

relating to

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
REVENUE BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2010



85290199.7

MASTER INDENTURE SUPPLEMENT NO. 1

(THIS MASTER INDENTURE SUPPLEMENT NO. 1 dated as of February 1, 2010 (this "Supplemental Indenture") is between ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION (the "Supporting Foundation") and THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO (together with the Supporting Foundation, the "Co-Obligors") and THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, as trustee (the "Master Trustee").

WITNESSETH:

WHEREAS, the Co-Obligors and the Master Trustee have entered into a Master Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Original Master Indenture"), relating to the real property described on Exhibit A; and

WHEREAS, the Bexar County Health Facilities Development Corporation (the "Issuer") has previously issued its Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007 (the "Series 2007 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 between the Issuer and The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, National Association), as trustee, to finance and refinance the cost of certain health facilities for the Co-Obligors; and

WHEREAS, in connection with the Series 2007 Bonds, the Co-Obligors entered into related Secured Debt under the Original Master Indenture; and

WHEREAS, in 2008, the Co-Obligors entered into additional Secured Debt under the Original Master Indenture in connection with an interest rate swap transaction; and

WHEREAS, pursuant to Section 8.07C of the Original Master Indenture, the Issuer has contemporaneously herewith issued its Revenue Bonds (Army Retirement Residence Foundation Project) Series 2010 in the initial aggregate principal amount of \$53,000,000 (the "Series 2010 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of February 1, 2010 (the "Bond Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the "Bond Trustee"), to finance the cost of certain health facilities located in Bexar County, Texas (the "Series 2010 Project"), to pay capitalized interest on the Series 2010 Bonds, to fund a debt service reserve fund for the Series 2010 Bonds, and to pay a portion of the cost of issuance of the Series 2010 Bonds; and

WHEREAS, pursuant to a Loan Agreement dated as of February 1, 2010 (the "Loan Agreement"), between the Supporting Foundation and the Issuer, the Supporting Foundation has agreed to issue the additional Secured Debt (the "Secured Debt") created by this Supplemental Indenture (this Supplemental Indenture together with Original Master Indenture, the "Master Indenture") to evidence the obligation of the Supporting Foundation to make the payments required under the Loan Agreement; and

85290199.7

WHEREAS, in connection with the delivery of the Secured Debt hereunder, the Co-Obligors have deemed it necessary and advisable to enter into certain covenants contained herein; and

WHEREAS, the Co-Obligors are authorized by law and by the Original Master Indenture (pursuant to Sections 6.01B, 6.01C, 6.01G, and 6.02 thereof), and deem it necessary and desirable, to issue and deliver the Secured Debt pursuant to the Original Master Indenture; and

WHEREAS, the Holder of the Series 2010 Note is deemed to have consented to the terms hereof, including but not limited to the amendments set forth in Article III, on behalf of the owners of the Series 2010 Bonds by its execution of this Supplemental Indenture and acceptance of the Series 2010 Note; and

WHEREAS, pursuant to the terms of the Master Indenture, both of the Co-Obligors and any additional Co-Obligor will be jointly and severally liable for payment of the Secured Debt; and

WHEREAS, all acts and things necessary to make the Secured Debt authorized by this Supplemental Indenture, when executed by the Co-Obligors and authenticated and delivered by the Master Trustee as provided in the Master Indenture, the valid, binding and legal obligation of the Co-Obligors, and to constitute these presents, together with the Original Master Indenture, a valid indenture and agreement according to its terms and the terms of the Master Indenture, have been done and performed and the execution of this Supplemental Indenture and the issue hereunder and under the Original Master Indenture of the Secured Debt created by this Supplemental Indenture have in all respects been duly authorized, and the Co-Obligors, in the exercise of the legal right and power vested in them, execute this Supplemental Indenture and propose to make, execute, issue and deliver the Secured Debt created hereby; and

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That, in order to declare the terms and conditions upon which the Secured Debt authorized hereby is authenticated, issued, and delivered, and in consideration of the premises and the purchase and acceptance of the Secured Debt created hereby by the holder thereof and, in order to add security under the Original Master Indenture, the Co-Obligors covenant and agree with the Master Trustee as follows:

ARTICLE I

DEFINITION OF TERMS

Section 1.01 The terms used in this Supplemental Indenture shall, except otherwise stated herein, have the meanings assigned to them in the Original Master Indenture.

ARTICLE II

SERIES 2010 NOTE AND RELATED MATTERS

Section 2.01 There is hereby created as Secured Debt under the Original Master Indenture a promissory note to be known and entitled Army Retirement Residence Foundation Project Series 2010 Note (the "Series 2010 Note"). The Series 2010 Note, in the initial principal amount of \$53,000,000, may be executed, authenticated, and delivered in accordance with Article II of the Original Master Indenture.

Section 2.02 The Series 2010 Note created hereby shall be in the form of a fully registered Secured Debt without coupons, shall be dated as of February 1, 2010, shall bear interest from the date of its delivery on the principal balance thereof in the amount set forth in the Series 2010 Note, payable on or before January 1 and July 1 of each year, commencing July 1, 2010, and shall be substantially in the form attached hereto as Exhibit B.

Section 2.03 The Series 2010 Note created hereby and its principal installments shall be subject to prepayment, in whole at any time, or in part from time to time at the option of the Co-Obligors upon payment of a sum, in cash and/or obligations, sufficient, together with any other cash and/or obligations held by the Bond Trustee and available for such purpose, to cause an equal aggregate principal amount of Outstanding Series 2010 Bonds to be deemed to have been paid within the meaning of Section 5.02 of the Bond Indenture, and to pay all fees, costs and expenses of the Issuer, the Master Trustee, and the Bond Trustee, accrued and to be accrued to the date of discharge of the Bond Indenture with respect to such Series 2010 Bonds. Any prepayment of the principal of the Series 2010 Note shall be credited against the scheduled principal payment corresponding to the maturity or sinking fund redemption date for the Series 2010 Bonds redeemed with the proceeds of such prepayment.

Section 2.04 The Series 2010 Note created hereby and its principal installments shall also be subject to prepayment as set forth in Section 3.04A3 of the Loan Agreement.

Section 2.05 If the Co-Obligors (i) shall have elected to apply the Series 2010 Bonds that have been redeemed or otherwise acquired by the Co-Obligors or the Issuer and delivered to the Bond Trustee for cancellation by the Bond Trustee, in payment of all or a part of a sinking fund requirement under the Bond Indenture, (ii) shall have delivered written notice to the Issuer and a copy thereof to the Bond Trustee in accordance with the provisions of Section 5.02 of the Bond Indenture, and (iii) the Issuer shall have received a credit against such sinking fund requirement in the amount of 100% of the principal amount of the Series 2010 Bonds thus applied, then the Bond Trustee shall promptly notify the Master Trustee, whereupon the Co-Obligors shall receive a credit, equal to the credit received by the Issuer, in respect of the payment of principal due on the Series 2010 Note on the same date as the sinking fund payment date under the Bond Indenture for the sinking fund requirement in payment of which the Series 2010 Bonds have been applied, and the principal amount of the Series 2010 Note created hereby due on such date will be reduced accordingly.

Section 2.06 If the Co-Obligor shall have complied with the notice requirements of the Loan Agreement, the Series 2010 Note or portion thereof specified in such notice shall become

85290199.7

-2-

85290199.7

-3-

due and payable on the date and at the place stated in such notice at the principal amount thereof, together with interest thereon accrued and unpaid to the date fixed for prepayment or redemption, and on and after such date fixed for prepayment or redemption (unless the Co-Obligor shall default in the payment of the Series 2010 Note at the prepayment or redemption price, together with interest accrued and unpaid to the date fixed for prepayment or redemption), interest on the Series 2010 Note or portion thereof so called for prepayment or redemption shall cease to accrue.

Section 2.07 In the event of a partial prepayment of the Series 2010 Note, the amount of installments of such Series 2010 Note coming due after such prepayment shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted and set forth in a new schedule of payments prepared by certified public accountants so that, upon the due payment of all installments thereafter, the entire unpaid principal amount of and interest on such Series 2010 Note shall have been paid in full.

Section 2.08 To the extent provided in the Bond Indenture, the Co-Obligors shall receive a cash credit against the interest obligations on the Series 2010 Note, on a proportionate basis, on any interest payment date equal to the difference between amounts required to be paid on any interest payment date and amounts on deposit in the Bond Fund pursuant to the Bond Indenture.

Section 2.09 The place of payment for the Series 2010 Note shall be the Dallas, Texas corporate trust office of The Bank of New York Mellon Trust Company, National Association, as Bond Trustee with respect to the Series 2010 Mellon.

ARTICLE III

AMENDMENTS TO ORIGINAL MASTER INDENTURE

Section 3.01 The following provisions of the Original Master Indenture are hereby amended as follows:

- (a) Section 1.01 is hereby amended to add the following definition:

"*Days of Operating Requirements*" means the product obtained by multiplying (a) the quotient produced by dividing (i) the unrestricted cash and investments of the Obligated Group by (ii) the Operating Requirements for the most recent 12-month period, by (b) 365 (or 366 days with respect to any leap year)"

- (b) The definition of "Operating Requirements" in Section 1.01 is hereby amended to read as follows:

"*Operating Requirements*", when used with reference to the Obligated Group for any period, means the sum of all expenses of the members of the Obligated Group for such period, exclusive of items that did not require the expenditure of cash (including, without limitation, depreciation and amortization), and excluding realized and unrealized losses on investments and Hedging Transactions and other

extraordinary items, all determined in accordance with generally accepted accounting principles."

- (c) The definition of "Revenue Test" in Section 1.01 is hereby amended to read as follows:

"*Revenue Test*" means, as to any date of calculation, that the Coverage Ratio for the preceding Fiscal Year was not less than 1.20 (as evidenced by an Officer's Certificate delivered to the Master Trustee), and (i) (a) the Coverage Ratio for the preceding Fiscal Year would not have been less than 1.25 if the contemplated action had been taken on the first day of such Fiscal Year, or (b) the Coverage Ratio for the immediately preceding Fiscal Year was not less than 1.50 and the projected Coverage Ratio for the two (2) complete Fiscal Years immediately following the contemplated action will be at least 1.50 (in either case, as evidenced by an Officer's Certificate delivered to the Master Trustee), or (ii) the projected Coverage Ratio for the two (2) complete Fiscal Years immediately following the contemplated action (a) will not be less than 1.25, or (b) will be not less than 1.00 and will be greater than it would have been if the contemplated action were not taken (in either case, as evidenced by a certificate of a Management Consultant delivery to the Master Trustee)."

- (d) Section 8.06 is hereby amended to read as follows:

"Section 8.06. To Maintain Rates.

A. The Obligated Group shall establish, charge, and collect or cause to be established, charged and collected, rates, fees and charges for goods and services furnished by, and for the use of, the properties of such Persons such that the Coverage Ratio as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2010) is at least 1.20. If the Coverage Ratio is less than 1.20, the Obligated Group shall engage a Management Consultant within 30 days after the close of such Fiscal Year to make, and the Obligated Group shall implement, recommended changes, permitted under the then existing state and federal laws and regulations, in the rates, fees and charges or expenses or in such other affairs of the Obligated Group Members such that the Coverage Ratio for the immediately succeeding Fiscal Year is at least 1.20.

B. If, in the opinion of the Management Consultant, the Obligated Group is precluded by then existing federal or state laws or regulations from implementing the changes necessary to produce a Coverage Ratio for the immediately succeeding Fiscal Year of at least 1.20, the Management Consultant will make, and the Obligated Group Representative shall implement, recommended changes in the rates, fees, and charges or expenses or in such other affairs of the Obligated Group such that the Coverage Ratio will be the maximum amount permitted under then existing state and federal laws and regulations.

C. If the Obligated Group follows the recommendations of the Management Consultant, then the failure to satisfy the Coverage Ratio in such Fiscal Year will not be an Event of Default under this Master Indenture, provided that an Event of Default will be deemed to have occurred if the Coverage Ratio is less than 1.00 for any two consecutive Fiscal Years unless the Obligated Group has at least 300 Days of Operating Requirements as of the last day of the second such Fiscal Year and the Obligated Group takes all action necessary to comply with the procedures set forth above (as determined in the reasonable judgment of the Obligated Group Representative) and permitted by law.

D. If the Obligated Group fails to achieve a Coverage Ratio of at least 1.00 for three consecutive Fiscal Years, such failure shall constitute an Event of Default under this Master Indenture."

- (e) Section 8.07E is hereby amended to read as follows:

"E. Debt the principal amount with respect to which, when aggregated with all other then Outstanding Debt of the Obligated Group incurred pursuant to Subsection A and this Subsection E, does not exceed twenty five percent (25%) of the Consolidated Gross Revenues of the Obligated Group for the prior Fiscal Year, or"

- (f) Section 8.08(F)(7) is hereby amended to read as follows:

"(7) Liens with respect to property having a value of not more than ten per cent (10%) of the total assets of the Obligated Group, as evidenced by an Officer's Certificate of the Obligated Group Representative."

- (g) Section 8.08 is hereby further amended by the addition of the following last sentence:

"The Master Trustee shall, at the expense of the Obligated Group, execute and deliver any instrument necessary or appropriate to grant or confirm the priority of any lien or encumbrance described in clause (3) or (4) of this Section over the lien of the Deed of Trust and any other liens and security interests granted to the Master Trustee as security for outstanding Secured Debt."

- (h) Section 8.09 is hereby amended to read as follows:

"Section 8.09. Liquidity Requirement.

The Obligated Group shall maintain unrestricted cash and investments in an amount at least equal to one hundred twenty (120) Days of Operating Requirements, as evidenced by an Officer's Certificate delivered to the Master Trustee on each June 30. If the Obligated Group cannot deliver such certificate, it shall engage a Management Consultant within thirty (30) days after such June 30 to make, and the Obligated Group shall implement, recommended changes such

that the Obligated Group shall be in compliance with the first sentence of this Section.

The failure to satisfy the first sentence of the immediately preceding paragraph on any June 30 will not be an Event of Default hereunder, provided that an Event of Default will be deemed to have occurred to the extent provided herein if unrestricted cash and investments equal to (i) at least 45 Days of Operating Requirements is not maintained by the Obligated Group on such calculation date or (ii) at least 120 Days of Operating Requirements is not maintained by the Obligated Group on the next succeeding calculation date."

- (i) Section 8.10 is hereby amended to read as follows:

"Section 8.10. Limitation on Disposition of Assets.

No member of the Obligated Group shall convey, transfer, or lease any of its assets if the value thereof, when aggregated with the value of all other assets of the Obligated Group so conveyed, transferred, or leased in the same Fiscal Year (other than pursuant to Clauses A, B, C, D, or E of this Section), exceeds five percent (5%) of the book value of the assets of the Obligated Group for the immediately preceding Fiscal Year, unless:

A. such Person shall have delivered to the Master Trustee an Officer's Certificate to the effect that the property to be conveyed, transferred, or leased is obsolete, inadequate, or worn out; or

B. the conveyance, transfer, or lease is in the ordinary course of business; or

C. the Board of such Person shall have determined by Board Resolution that such conveyance, transfer, or lease shall be for fair market value consideration which was determined in an arms-length transaction or which is not less than the consideration that would be paid in an arms-length transaction and, considered together with all prior conveyances, transfers, and leases of assets of such Person, and will not materially and adversely affect the interests of the Holders of Outstanding Secured Debt or the ability of such Person to meet its obligations as they become due; or

D. the conveyance, transfer, or lease is a conveyance, transfer, or lease permitted by Section 9.02; or

E. the conveyance, transfer, or lease of any undeveloped real estate acquired by any Co-Obligor but as to which property no improvements have been made (as to Tract V identified in the Deed of Trust, no improvements other than a biking and walking path); or

F, such Person shall have delivered to the Master Trustee an Officer's Certificate to the effect that such conveyance, transfer, or lease, the Obligated Group is in compliance with the Revenue Test.

For purposes of this Section, "value" means fair market value or, in the case of property and equipment, book value.

The Master Trustee shall, at the expense of the Obligated Group, execute and deliver any instrument necessary or appropriate to confirm, grant, convey, or release any property or interest therein transferred in accordance with this Section and to release such property or interest therein from the lien of the Deed of Trust and any other liens and security interests granted to the Master Trustee as security for outstanding Secured Debt."

- (j) Section 8.19 is hereby amended to read as follows:

"Section 8.19. Certain Hedging Transactions.

"The Obligated Group may provide for the certification of any agreement entered into in connection with any Hedging Transaction (a "Hedge Agreement") as Secured Debt in accordance with Section 2.01 and may secure any Hedge Agreement by providing a lien on or security interest in any property of the Obligated Group, provided that, prior to entering into such Hedge Agreement (a) the Revenue Test shall be satisfied, and (b) there shall be delivered to the Master Trustee a copy of such Hedge Agreement, together with an Officer's Certificate of the Obligated Group Representative demonstrating that, as of the date of execution and delivery thereof, the Obligated Group would be entitled to dispose of assets pursuant to Section 8.10 in an amount equal to the Value of the property subject to such lien or security interest as of such date."

- (k) The initial phrase of Section 9.03 is hereby amended to read as follows:

"Any Co-Obligor other than The Army Retirement Residence Foundation—San Antonio or Army Retirement Residence Supporting Foundation may be released as such and from the covenants of a Co-Obligor hereunder, upon delivery to the Master Trustee of the following:"

- (l) The provisions of Section 3.01(a)-(k) shall be effective immediately upon the issuance of the Series 2010 Note, the principal amount of which shall then constitute a majority in principal amount of the Secured Debt Outstanding under the Master Indenture.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,
as Co-Obligor

By: Bruce G. Turkish
Title: Secretary

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
as Co-Obligor

By: David J. Jara
Title: President

THE BANK OF NEW YORK MELLON
TRUST COMPANY, NATIONAL
ASSOCIATION, as Master Trustee

By: _____
Authorized Signatory

012200199-7

-8-

012200199-8

S-1

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,
as Co-Obligor

By: _____
Title: _____

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
as Co-Obligor

By: _____
Title: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, NATIONAL
ASSOCIATION, as Master Trustee

By: David J. Jara
Authorized Signatory

THE STATE OF TEXAS
COUNTY OF BEXAR

This instrument was acknowledged before me on the 11th day of January, 2010, by Bruce G. Turkish the Secretary of Army Retirement Residence Supporting Foundation, a Texas non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas

Mary Beth Bradley
(Printed Name of Notary)

My commission expires: 2-25-13

THE STATE OF TEXAS
COUNTY OF BEXAR

This instrument was acknowledged before me on the 11th day of January, 2010, by David J. Jara the President of The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas

Mary Beth Bradley
(Printed Name of Notary)

My commission expires: 2-25-13

012200199-5

S-1

012200199-6

S-2

This instrument was acknowledged before me on the 15th day of January, 2010, by Deirdre Steven, the Senior Associate of The Bank of New York Mellon Trust Company, National Association, a national banking association, on behalf of such association.

(SEAL)



Notary Public in and for the State of Texas

Michelle L. Baldwin

(Printed Name of Notary)

My commission expires: MAR - 6 2015

EXHIBIT A

REAL PROPERTY

Tract I:

Being a 44.74 acre tract (1,948,710 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas, being comprised of a 6.000 acre tract conveyed from Max Matrone Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Real Property Records of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from the County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas, a part of a 75.00 acre tract conveyed from RDJ Wag, LLC et al to the Army Retirement Residence Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas, and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP, to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas, said 44.74 acre tract being more particularly described in Exhibit "A-1", attached hereto and made a part hereof;
SAVE AND EXCEPT:
Parcel A, being a 2.259 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 2.259 acre tract being more particularly described in Exhibit "A-2", attached hereto and made a part hereof;
Parcel B, being a 6.073 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 6.073 acre tract being more particularly described in Exhibit "A-3", attached hereto and made a part hereof.

Tract II: Being a 44.70 acre tract (1,947,290 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract No. 367, County Block 5072 and 5073, Bexar County, Texas, comprised of part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al. to the Army Retirement Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas, said 44.70 acre tract being more particularly described in Exhibit A-4, attached hereto and made a part hereof;
SAVE AND EXCEPT:
Parcel C, being a 0.1611 acre tract of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas, said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract III: Lot 2, Block 1, Army Retirement Community Unit-2 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas.

3509199.8

S-3

01280198.1

A-1

Tract IV: Lot 3, Block 1, Army Retirement Community Unit 3 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.

Tract V: Lot 4, Block 1, Army Retirement Community Unit 4 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.

Tract VI: A tract of land containing 2.259 acres, more or less, out of a 3.5402 acre tract, being out of the William Winford Survey No. 326, Abstract No. 793, Bexar County, Texas; said 2.259 acre tract being more particularly described in Exhibit A-2, attached hereto and made a part hereof.

Tract VII: A tract of land containing 0.1611 acres, more or less, being out of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas; said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract VIII: A 6.073 acre (264,544 square feet) tract, more or less, out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, Bexar County, Texas, comprised of a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, and a 0.644 acre tract known as P-7H in County Block 5073, conveyed from Bexar County to The Army Retirement Residence Foundation-SA by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas; said 6.073 acre tract being more particularly described in Exhibit A-3, attached hereto and made a part hereof.

[The remainder of the page intentionally blank]

EXHIBIT A-1

TRACT I

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description

Tract 1, 44.74 acres out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas.

Being a 44.74 acre tract (1,948,710 sq. ft.) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas, being comprised of a 6.000 acre tract conveyed from Max Matrone Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Official Public Records of Real Property of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Official Public Records of Real Property of Bexar County, Texas, a part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Official Public Records of Real Property of Bexar County, Texas, and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas, said 44.74 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at a 1/2" iron rod with cap stamped "Vickrey Prop. Co." on the south right-of-way line (ROW) of Miller Road (50' ROW), said point also being the northeast corner of Lot 16, Block 15, NCD 18956, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 8600, Page 212, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 10B for the Northwest corner of the herein described tract;

THENCE, South 73° 26' 43" East, along the common line of said Miller Road and said Tract 10B and Tract 11C, a distance of 318.05 feet to a found 3/4" iron rod with cap stamped "GFLS 4389" at the northeast corner of said Tract 11C, same point also being at the northwest corner of said 6.000 acre tract, for a corner of the herein described tract;

THENCE, South 74° 27' 38" East, along the common line of said Miller Road and said 6.000 acre tract, at a distance of 562.20 feet, passing a found 3/4" iron rod with cap stamped "Vickrey" at the northeast corner of said 6.000 acre tract, same point also being the northeast corner of said 75.00 acre tract, continuing along the common line of said Miller Road and 75.00 acre tract, a total distance of 570.02 feet to a 1/2" iron rod with cap stamped "Vickrey Prop. Co." at the northernmost northeast corner of the herein described tract, said corner being the northwest corner of Tract 2 a 44.70 acre tract surveyed this same date;

EXHIBIT A-1
Page 1 of 3

\\WP51\125101\001\MASS ARC 44-74 acre.dwg

12045 Cemetery Parkway • San Antonio, Texas 78256 • (210) 491-0771 • FAX 210-265-2501

01280198.8

A-2

01280198.7

A-1-1

THENCE, leaving said Miller Rd ROW, across said 75.00 acre tract and partially along a common line with said Tract 2 the following three (3) calls:

South 15° 32' 22" West, a distance of 315.00 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2;

South 74° 27' 14" East, a distance of 856.40 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract a common corner with Tract 2; and

South 15° 32' 46" West, at 602.25 feet passing the common northerly corner of a 2.259 acre tract, recorded in Volume 14216, Page 1176, Official Public Records of Real Property, Bexar County, Texas, a remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, and a southern corner of Tract 2; continuing for a total distance of 967.05 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." at the southwest corner of said 2.259 acre tract, same point also being the southwest corner of said remaining portion of a 3.5402 acre tract and also being on the north line of Lot 24, Block 13, East Village Subdivision, Unit 41 as shown on plat recorded in Volume 6900, Page 207, Deed and Plat Records of Bexar County, Texas, for the most southeast corner of the herein described tract;

THENCE, North 75° 11' 09" West, along the common line of said 2.259 acre tract and Lots 18 thru 24, in said East Village Subdivision, Unit 41, at a distance of 259.53 feet passing the southwest corner of said 2.259 acre tract, same point also being a south corner of said 75.00 acre tract, continuing along the common line of said 75.00 acre tract and Lots 1-18, in said East Village Subdivision, Unit 41 and Lots 1-10, Block 13, in East Village Subdivision, Unit 40, as shown on plat recorded in Volume 6900, Page 194, Deed and Plat Records of Bexar County, Texas, a total distance of 1413.50 feet to a set 1/2" iron rod at the northwest corner of said Lot 1, same point also being the northeast corner for said Lot P-7H, for a corner of the herein described tract;

THENCE, South 02° 19' 15" West, departing the south line of said 75.00 acre tract along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of Glenn Heights Drive (50' ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for a corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) calls:

North 75° 11' 09" West, a distance of 267.30 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

EXHIBIT A-1
Page 2 of 3

12WPS11281011.001MAB ARC 44-74 acre

Page 2 of 3

8328199.7

A-1-2

EXHIBIT A-2

TRACT I SAVE AND EXCEPT PARCEL A TRACT VI

METES AND BOUNDS DESCRIPTION
2.259-ACRE TRACT OUT OF THE WILLIAM WINFORD SURVEY NO. 328,
ABSTRACT NO. 793, COUNTY BLOCK 6051, BEXAR COUNTY, TEXAS

Being a 2.259-acre (98,400 square feet) tract out of a 3.5402-acre tract of land out of the William Winford Survey No. 328, Abstract 793, County Block 6051, Bexar County, Texas, said 3.5402-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 2.259-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southwest corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S15°32'48"W, 182.57', N74°27'14"W, 73.40', S15°32'48"W, 183.95' to a point on the north line of a 55.2818-acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'35"W, 417.39', N15°32'48"E, 214.97', N75°18'35"W, 453.63', S15°32'48"W, 181.85', N75°18'35"W, 531.24', S15°32'48"W, 93.02', N74°27'14"W, at 287.49 feet passing the northeast corner of said 3.5402-acre tract, continuing along the common line of said 3.5402-acre and 75.00-acre tracts a total distance of 886.00' to a found 1/2" iron rod with cap stamped "SOUTHTEXAS" for the POINT OF BEGINNING and northeast corner of said 3.5402-acre tract and the herein described tract;

THENCE, S74°27'14"E, returning along said common line, a distance of 288.51 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." for the northeast corner of the herein described tract;

THENCE, S15°32'48"W, departing said common line, into and across said 3.5402-acre tract, a distance of 284.77 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." on the common line of said 3.5402-acre tract and Lot 24, Block 13, East Village Subdivision, Unit 41, as shown on plat recorded in Volume 6900, Page 207, Deed and Plat Records of Bexar County, Texas, for the southeast corner of the herein described tract;

THENCE, N75°11'09"W, along the common line of said 3.5402-acre tract and Lots 18-24, in said Block 13, a distance of 281.52 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." on the north line of said Lot 18, same point being a corner of said 75.00-acre tract, for the southwest corner of said 3.5402-acre tract and the herein described tract;

THENCE, N15°32'48"E, along the common line of said 3.5402-acre tract and said 75.00-acre tract, a distance of 365.20 feet to the POINT OF BEGINNING, containing 2.259 acres (98,400 square feet) of land, more or less.

8328199.7

A-2-1

C-1-26

along said curve to the right a distance of 6.78 feet, with a radius of 6.00 feet, a central angle of 77° 39' 44", and a chord bearing a distance of North 25° 21' 17" West, 6.27 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50' ROW), for the most southeasterly corner of the herein described tract;

THENCE, North 02° 28' 35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 255.59 feet to a found 5/8" iron rod at the southwest corner of Lot 1, Block 15, NCB 15555, in said East Village Subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 57° 31' 35" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.60 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02° 28' 35" East, along the common line of Lots 1 thru 18, Block 15, NCB 15555, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 108, a distance of 1188.01 feet to the POINT OF BEGINNING containing 44.74 acres (1,949,710 square feet) of land, more or less.

V&A Job No. 1281
JD m&b 1,948,710 sq. ft.
February 1, 2010

Certified this 1st day of February, 2010

John E. Dehan
John E. Dehan, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 5042
Vickrey & Associates, Inc.



EXHIBIT A-1
Page 3 of 3

12WPS11281011.001MAB ARC 44-74 acre

Page 3 of 3

8328199.7

A-1-3

EXHIBIT A-3

TRACT I SAVE AND EXCEPT PARCEL A TRACT VIII

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Parce B

METES AND BOUNDS DESCRIPTION
for
8.073 acres out of the William Winford Survey No. 328,
Abstract 793, County Block 6051, Bexar County, Texas

Being a 8.073-acre (351,444 sq. ft.) tract of land out of the William Winford Survey No. 328, Abstract 793, County Block 6051, Bexar County, Texas being comprised of a 3.224-acre tract known as Tract 32 in County Block 6051A, Tract 108 and 110 in County Block 6051B, and a 0.644-acre tract known as P-7H in County Block 6073, conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 6900, Page 733, Official Public Records of Real Property of Bexar County, Texas. Said 8.073-acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the south right-of-way (ROW) line of Miller Road (60' ROW), said point also being the northeast corner of Lot 18, Block 15, NCB 15555, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 6900, Page 212, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 108 for the northeast corner of the herein described tract;

THENCE, South 79° 26' 43" East, along the common line of said Miller Road and said Tract 108 and Tract 110, a distance of 318.05 feet to a found 5/8" iron rod with cap stamped "TPPLS 4395" at the northeast corner of said Tract 110, same point also being at the northwest corner of a 6.0208-acre tract recorded in Volume 6276, Page 1241, Official Public Records of Real Property of Bexar County, Texas, for the northeast corner of the herein described tract;

THENCE, South 15°32'19"W, departing said common line and along the common line of said Tract 110, Tract 32, and 8.0208-acre tract, at a distance of 882.84 feet, passing the southeast corner of said 6.0208-acre tract, same point also being a corner for a 75.00-acre tract recorded in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said Tract 32 and 75.00-acre tract, a total distance of 1901.62 feet to a found 1/2" iron rod on the north line of Lot P-7H, same point also being the southwest corner of said 75.00-acre tract and a re-entrant corner of said Tract 32, for a re-entrant corner of the herein described tract;

THENCE, South 79° 11' 09" East, along the common line of said 75.00-acre tract and Tract P-7H, a distance of 122.60 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the northeast corner of said Tract P-7H, same point also being the northwest corner of Lot 1, Block 15, East Village Subdivision, Unit 40, as shown on plat recorded in Volume 6900, Page 194, Deed and Plat Records of Bexar County, Texas, for a corner of the herein described tract;

THENCE, South 02° 19' 15" West, departing the south line of said 75.00-acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 5/8" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of Glenn

EXHIBIT A-3
Page 1 of 2

12WPS11281011.001MAB ARC 12-17-08 RA-60

Page 1 of 2

(JPR) County Permit - Use As Shown, Texas 75214 - 210-349-3073 FAX 210-349-7547

8328199.7

A-3-1

EXHIBIT A-4

TRACT II

Metes and Bounds Description

For
Tract 2, 44.70 acres out of the William Winford Survey No. 326,
Abstract 789, County Block 5051, and out of the Charles Irvin Survey No. 43,
Abstract 367, County Block 5072, Bexar County, Texas

Being a 44.70 acre tract (1,947,260 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 789, County Block 5051, and out of the Charles Irvin Survey No. 43, Abstract 367, County Block 5072, Bexar County, Texas, being comprised of part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al to the Army Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas. Said 44.70 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set $\frac{1}{2}$ inch rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way line (ROW) of Miller Road (60' ROW), the north line of said 75.00 acre tract, said point also being the northernmost northeast corner of Tract 1, a 44.74 acre tract surveyed this same date for the northwest corner of the herein described tract;

THENCE, along the common line of said Miller Road and 75.00 acre tract the following three (3) calls:

South $74^{\circ} 27' 38"$ East, a distance of 2919.32 feet along the common line of said Miller Road and 75.00 acre tract to a set $\frac{1}{2}$ inch rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

along said curve to the right, a distance of 431.85 feet, with a radius of 274.80 feet, a central angle of $90^{\circ} 02' 24"$ and a chord bearing a distance of South $29^{\circ} 28' 28"$ East, 360.78 feet to a set $\frac{1}{2}$ inch rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South $15^{\circ} 54' 48"$ West, a distance of 214.58 feet to a set $\frac{1}{2}$ inch rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of a 4.25 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property, Bexar County, Texas, same point also being the southeast corner of said 75.00 acre tract, for the southeast corner of the herein described tract.

THENCE, departing said common line and along the common line of said 4.25 acre tract and 75.00 acre tract, the following four (4) calls:

Heights Drive (50 foot ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for the south corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) courses:

North $79^{\circ} 11' 09"$ West, a distance of 257.30 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature at a curve to the right for a corner of the herein described tract;

along said curve to the right a distance of 0.78 feet, with a radius of 5.00 feet, a central angle of $77^{\circ} 39' 44"$, and a chord bearing a distance of North $36^{\circ} 21' 17"$ West, 6.27 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at the northwest corner of said Glenn Heights Drive, set point also being on the east line of Glenmont Drive (50 feet ROW), for the west corner of the herein described tract;

THENCE, North $02^{\circ} 28' 35"$ East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 265.89 feet to a found $\frac{5}{8}$ inch iron rod at the southwest corner of Lot 1, Block 15, NCB 15958, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South $87^{\circ} 31' 25"$ East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North $02^{\circ} 28' 35"$ East, along the common line of Lots 1 thru 16, Block 15, NCB 15958, in said East Village subdivision, Unit 42 and said Tract 32 and Tract 108, a distance of 1163.61 feet to the **POINT OF BEGINNING** containing 6.073 acres (264,544 square feet) of land, more or less.

VBA Job No. 1281
SH m&b 264,544 sq. ft.
December 17, 2009

Certified this 17th day of December, 2009

Stephen Horvath
Stephen Horvath, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 3611
Vickrey & Associates, Inc.



EXHIBIT A-3

LWP01159101.00FM&B ARC 12-17-09 RAJ:dc

Page 2 of 2

8328119.7

A-3-2

8328119.7

A-4-1

North $74^{\circ} 27' 14"$ West, a distance of 420.00 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract;

South $15^{\circ} 32' 46"$ West, a distance of 182.97 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract;

North $74^{\circ} 27' 14"$ West, a distance of 73.40 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South $15^{\circ} 32' 46"$ West, a distance of 193.55 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at a corner on the north line of the remaining portion of a 55.2818 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, for a corner of the herein described tract.

THENCE, departing said common line and along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, the following four (4) calls:

North $75^{\circ} 18' 35"$ West, a distance of 417.89 feet to a found $\frac{1}{2}$ inch iron rod with cap stamped "South Texas" for a corner of the herein described tract;

North $15^{\circ} 32' 46"$ East, a distance of 214.97 feet to a found $\frac{1}{2}$ inch iron rod with cap stamped "South Texas" for a corner of the herein described tract;

North $75^{\circ} 18' 35"$ West, a distance of 495.83 feet to a found $\frac{1}{2}$ inch iron rod with cap stamped "South Texas" for a corner of the herein described tract, and

South $15^{\circ} 32' 46"$ West, a distance of 151.95 feet to a found $\frac{1}{2}$ inch iron rod with cap stamped "South Texas" for a corner of the herein described tract;

THENCE, North $75^{\circ} 18' 35"$ West, continuing along said common line, a distance of 458.24 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said 0.1611 acre tract, for a corner of the herein described tract;

THENCE, South $15^{\circ} 32' 46"$ West, departing said common line and along the common line of said 0.1611 acre tract and said remaining portion of 55.2818 acre tract, a distance of 84.12 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said 0.1611 acre tract, same point also being a corner of said remaining portion of 55.2818 acre tract, for a corner of the herein described tract;

THENCE, North $74^{\circ} 27' 14"$ West, along the common line of said remaining portion of said 55.2818 acre tract and 0.1611 acre tract, at a distance of 74.99 feet passing a found $\frac{1}{2}$ inch iron rod with cap stamped "South Texas," all the southwest corner of said 0.1611 acre tract, continuing along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, at a distance of 224.25 feet, passing the northeast corner of the remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00 acre tract

and remaining portion of a 3.5402 acre tract, a total distance of 372.48 feet, to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," at the common north corner of said 3.5402 acre tract and a 2.259 acre tract, recorded in Volume 14216, Page 1178, Official Public Records of Real Property, Bexar County, Texas, being on a westerly line of said Tract 1, 44.74 acres, for a southerly corner of the herein described tract;

THENCE, across said 75.00 acre tract and along said common line with Tract 1 the following three (3) calls:

North $13^{\circ} 32' 40"$ East, a distance of 602.28 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1;

North $74^{\circ} 27' 14"$ West, a distance of 858.40 feet to a set $\frac{1}{2}$ inch iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1; and

North $13^{\circ} 32' 22"$ East, a distance of 515.09 feet to the **POINT OF BEGINNING** containing 44.70 acres (1,947,260 square feet) of land, more or less.

8328100.7

A-4-2

8328100.7

A-4-3

EXHIBIT A-5

TRACT II SAVE AND EXCEPT PARCEL & TRACT VII

METES AND BOUNDS DESCRIPTION
FOR A

0.1611-ACRE TRACT OUT OF
THE CHARLES IRWIN SURVEY NO. 43, ABSTRACT 367, COUNTY BLOCK 5072
BEXAR COUNTY, TEXAS

Being a 0.1611-acre (7,020 square feet) tract out of a 55.2818-acre tract out of the Charles Irwin Survey No. 43, Abstract 367, County Block 5072, Bexar County, Texas, said 55.2818-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 0.1611-acre tract being more particularly described as follows, with all bearings being referenced of North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S15°32'46"W, 182.97', N74°27'14"W, 73.40', S15°32'46"W, 193.55' to a point on the north line of said 55.2818-acre tract, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'38"W, 417.99', N15°32'46"E, 214.97', N75°18'38"W, 495.53', S15°32'46"W, 151.85', and N75°18'35"W, 531.24', to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," for the POINT OF BEGINNING and northwest corner of the herein described tract;

Thence: S75°18'38"E, returning along said common line, a distance of 75.00 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

Thence: departing said common line, into and across said 55.2818-acre tract, the following two (2) courses:

S15°32'46"W, a distance of 94.12 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the southeast corner of the herein described tract;

N74°27'14"W, a distance of 74.99 feet to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," on said common line, for the southwest corner of the herein described tract;

Thence: N15°32'46"E, along said common line, a distance of 93.00 feet to the POINT OF BEGINNING, containing 0.1611 acres (7,020 square feet), more or less.

83290109.7

A-5-1

If the specified date for any such payment shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally at a Place of Payment (as defined in the Bond Indenture) or in the city in which is located the principal designated trust office of the Bond Trustee shall otherwise be a day other than a Business Day (as defined in the Bond Indenture), then such payment may be made on the next succeeding day which is not such a day without additional interest and with the same force and effect as if made on the specified date for such payment.

All sums due hereon shall be payable at the opening of business of the designated corporate trust office of the Bond Trustee on the date such payments become due. All sums paid hereon shall be applied to the satisfaction of, first, the sums specified in Clause (2) of the first paragraph hereof, second, accrued interest hereon, and, third, the unpaid principal (and premium, if any) hereof.

This Note is the "Note" referred to in Section 3.04B of that certain Loan Agreement dated as of even date with the Bond Indenture (the "Loan Agreement") between the Issuer and the Borrower, relating to the Bonds, and is issued under the Master Trust Indenture dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 1 dated as of February 1, 2010 (together, the "Master Indenture") between the Borrower, The Army Retirement Residence Foundation-San Antonio and The Bank of New York Mellon Trust Company, National Association, as Master Trustee, to evidence a loan by the Issuer to the Borrower thereunder from proceeds of the Bonds. This Note arises out of the Loan Agreement and the Bond Indenture.

The Borrower shall prepay the outstanding principal sum hereof, in whole or in part, in the same amount and on the same dates, and with the same premiums, if any, as Bonds called for redemption prior to their maturity in accordance with the provisions of the Bond Indenture.

If an Event of Default, as defined in the Bond Indenture, shall occur, the principal hereof and accrued interest hereon may be declared due and payable in the manner and with the effect provided in the Bond Indenture.

The Borrower hereby expressly waives all notices (including notice of redemption or acceleration), demands for payment, presentments for payment, and notations of payment.

(The rest of this page intentionally left blank)

83290109.7

B-2

EXHIBIT B

FORM OF NOTE

SERIES 2010 NOTE

\$53,000,000

February 1, 2010

FOR VALUE RECEIVED, ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation, its successors and assigns (for purposes of this Series 2010 Note, the "Borrower"), promises to pay to the BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION, a Texas non-profit health facilities development corporation established by the Commissioners Court of Bexar County, Texas, pursuant to Chapter 221, Texas Health and Safety Code, as amended (the "Issuer"), its successors or assigns, (1) the principal sum of \$53,000,000 payable on July 1, 2045, and interest on the unpaid portion thereof from the date of the initial delivery of the hereinafter defined Bonds at the rate for each day of accrual equal to the arithmetic mean, weighted in proportion to the principal amounts thereof, of the rates of interest borne by the bonds of the Issuer initially designated its "REVENUE BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2010" (the "Bonds") at the time Outstanding (as defined in the Bond Indenture hereinafter referred to) on such day, computed on the same basis and payable on the same dates as such interest on the Bonds, and (2) the amounts specified in Sections 3.04 and 3.06 of the Loan Agreement hereinafter referred to at the times described in such Section; provided, however, that in no event shall the aggregate of the interest hereon, plus any other amounts charged or collected in connection herewith which are deemed "Interest" under the laws of the State of Texas and the United States of America in effect on the date hereof permitting the charging and collecting of the highest nonusurious interest rate hereon (hereinafter referred to as "Applicable Law") ever exceed the maximum amount of interest which could be lawfully charged hereon under Applicable Law, anything herein or in the Bond Indenture to the contrary notwithstanding, and if any amount of interest taken or received by the holder of this Note shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected hereon, then the excess shall be deemed to have been the result of a mathematical error by the Borrower, the Bond Trustee hereinafter referred to, and such holder and shall be refunded promptly to the Borrower.

All amounts paid or agreed to be paid in connection with the indebtedness evidenced hereby which under Applicable Law would be deemed "Interest" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term hereof.

The principal hereof (and premium, if any) and the interest hereon shall be payable at the designated corporate trust office of the corporation then acting as trustee (herein referred to as the "Bond Trustee") under the Bond Indenture of Trust and Security Agreement dated as of February 1, 2010 (the "Bond Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee, authorizing issuance of the Bonds. All such payments shall be in immediately available funds or in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

83290109.7

B-1

This Note is a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION

By: _____
Title: _____

Pay to the order of The Bank of New York Mellon Trust Company, National Association, as trustee for the owners of the Bonds hereinabove mentioned, without recourse against the undersigned.

BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION

By: _____
President

83290109.7

B-3

This instrument is a Secured Debt as defined in the Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 1 dated as of February 1, 2010, between Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio, as Co-Obligors, and The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as trustee, and is registered on the books for registration thereof as No. R-3.

By: _____
Authorized Signature

Any previous liens which restrict the sale, in any of the described land presently because of recent storm and windstorm under Federal law STATE OF TEXAS, COUNTY OF BEAR.

I hereby certify that this document was FILED in the Public Records of this state and at the time stamped herein by me and was duly RECORDED in the Official Public Record of Real Property at Bear County, Texas on:

FEB 11 2010

[Signature]
COUNTY CLERK (BEXAR COUNTY, TEXAS)

Date 20100223105 Fees: \$125.00
02/11/2010 10:52AM 4 Pages 28
Filed & Recorded in the Official Public
Records of BEXAR COUNTY
GERARD BICKHOFF COUNTY CLERK

84280199/7

0-4

and

and

MASTER INDENTURE SUPPLEMENT NO. 2

Dated as of November 1, 2012

**BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
REVENUE BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2012**

THIS MASTER INDENTURE SUPPLEMENT NO.2, dated as of November 1, 2012 (this "Supplemental Indenture"), is between ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION (the "Supporting Foundation") and THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO (together with the Supporting Foundation, the "*Co-Owners*") and THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, as trustee (the "*Master Trustee*").

WHEREAS, the Co-Obligors and the Master Trustee are parties to a Master Indenture of Trust and Security Agreement, dated as of January 1, 2007, as previously supplemented and amended (the "**Original Master Indenture**"), and as further supplemented and amended by this Supplemental Indenture (together, the "**Master Indenture**"); and

WHEREAS, the Bexar County Health Facilities Development Corporation (the "*Issuer*") has contemporaneously herewith authorized its Revenue Bonds (Army Retirement Residence Foundation Project) Series 2012 in the maximum aggregate principal amount of \$100,000,000 (the "*Series 2012 Bonds*") under an Indenture of Trust and Security Agreement, dated as of November 1, 2012 (the "*Bond Indenture*"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "*Bond Trustee*"), to finance and refinance the cost of certain health facilities located in Bexar County, Texas (the "*Series 2012 Project*"), to fund a debt service reserve fund for the Series 2012 Bonds, and to pay a portion of the cost of issuance of the Series 2012 Bonds; and

WHEREAS, pursuant to a Loan Agreement, dated as of November 1, 2012 (the "*Loan Agreement*"), between the Supporting Foundation and the issuer, the Supporting Foundation has agreed to issue the additional Secured Debt (the "*Series 2012 Note*") authorized by this Supplemental Indenture to evidence the obligation of the Supporting Foundation to make the payments required under the Loan Agreement) and

WHEREAS, the Co-Obligors are authorized by law and by the Master Indenture, and deem it necessary and desirable, to issue and deliver the Series 2012 Note pursuant to the Master Indenture and this Supplemental Indenture; and

WHEREAS, pursuant to the terms of the Master Indenture, both of the Co-Obligors and any additional Co-Obligor will be jointly and severally liable for payment of the Series 2012 Note; and

WHEREAS, all acts and things necessary to make the Series 2012 Note authorized by this Supplemental Indenture, when executed by the Supporting Foundation and authenticated and delivered by the Master Trustee as provided in the Master Indenture and this Supplemental Indenture, the valid, binding and legal obligation of the Co-Obligors, and to constitute these presents, together with the Master Indenture, a valid indenture and agreement according to its terms and the terms of the Master Indenture, have been done and performed, and the execution of this Supplemental Indenture and the issue hereunder and the delivery of the Master Indenture and the Series 2012 Note have been duly authorized, and the Co-Obligors, in the exercise of the legal right and power vested in them, executed this Supplemental Indenture and propose to make, execute, issue and deliver the Series 2012 Note created hereby.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That, in order to declare the terms and conditions upon which the Series 2012 Note authorized hereby is authenticated, issued, and delivered, and in consideration of the premises and the purchase and acceptance of the Series 2012 Note created hereby by the holder thereof, the Co-Obligors covenant and agree with the Master Trustee as follows:

ARTICLE I

DEFINITION OF TERMS

Section 1.01 Definitions. The terms used in this Supplemental Indenture shall, except as otherwise stated herein, have the meanings assigned to them in the Master Indenture or the Bond Indenture, as applicable.

ARTICLE II

SERIES 2012 NOTE AND RELATED MATTERS

Section 2.01 Series 2012 Note. There is hereby created as Secured Debt under the Master Indenture a promissory note to be known and entitled "Promissory Note (Army Retirement Residence Foundation Series 2012)" (the "Series 2012 Note"). The Series 2012 Note, in the maximum principal amount of \$100,000,000, may be executed, authenticated, and delivered in accordance with Article II of the Master Indenture. The Series 2012 Note created hereby shall be in the form of a fully registered note without coupons, shall be dated the date of its issuance and delivery, shall bear interest on the principal balance thereof in the amount set forth in such Series 2012 Note, payable as described in the Series 2012 Note, and shall have the terms set forth in Section 3.04 of the Loan Agreement and be substantially in the form attached as Exhibit B to the Loan Agreement.

Section 2.02 Bond Fund Credits on Series 2012 Note. To the extent provided in the Bond Indenture and the Loan Agreement, the Co-Obligors shall receive a credit against the principal and interest obligations on the Series 2012 Note created hereby on any payment date equal to the difference between amounts required to be paid on any payment date and amounts on deposit in the Bond Fund pursuant to the Bond Indenture.

Section 2.03 Sinking Fund Credits on Series 2012 Note. If the principal amount of Series 2012 Bonds to be redeemed has been reduced upon Borrower Request pursuant to Section 3.02D of the Bond Indenture, and the Supporting Foundation has surrendered or selected the Series 2012 Bonds as required by such Section, then the Co-Obligors shall receive a credit against the principal amount of the Series 2012 Note due. Such credit shall be equal to the reduction in the principal amount of the Series 2012 Bonds to be redeemed under Section 3.02D of the Bond Indenture that results from such Borrower Request and shall be applied on the same date as the redemption date under the Bond Indenture to which the reduction in the principal amount of the Series 2012 Bonds to be redeemed under Section 3.02D of the Bond Indenture has been applied.

Section 2.04 Additional Credits on Series 2012 Note. Notwithstanding any provisions herein or in the Series 2012 Note to the contrary, on the date any Series 2012 Bonds are defeased pursuant to Section 8.02 of the Bond Indenture or acquired by a Co-Obligor and delivered to the Bond Trustee for cancellation, or on which the Supporting Foundation prepay the loan made pursuant to Section 3.03 of the Loan Agreement as therein permitted other than by payment of the Series 2012 Note, the principal amount owing on the Series 2012 Note and the loan evidenced thereby shall be reduced by the principal amount of the Series 2012 Bonds so defeased or acquired and canceled or of the loan so prepaid, less the amount of the Reimbursement Obligations owing to the Credit Enhancers under the Credit Agreements.

66Q4963.4/0911065

- 2 -

less than 66.66% in principal amount of the Outstanding Secured Debt, by Act of such Holders delivered to the Master Trustee and each Co-Obligor, on behalf of the Holders of all the Secured Debt."

Section 3.02 Supplemental Master Indentures With Consent of Holders of Secured Debt. On the Effective Date, the proviso in the first paragraph of Section 6.02 of the Original Master Indenture shall be amended to read as follows:

"provided, however, that no such supplemental indenture shall, without the consent of at least 66.66% of the principal amount of the Outstanding Secured Debt,"

Section 3.03 Consent to Amendments and Effective Date. The Holder of the Series 2012 Note and the Holders of any Secured Debt issued, incurred, assumed, guaranteed or secured under the Master Indenture after the execution and delivery of this Supplemental Indenture, by such Holders' acceptance thereof, are hereby deemed to consent to each of the amendments to the Original Master Indenture contained in this Article III (the "Consenting Holders"). The "Effective Date" means the date on which the Consenting Holders, together with any Holders that otherwise consent to each of the amendments to the Original Master Indenture contained in this Article, constitute the Holders of all Outstanding Secured Debt; provided, however, that if the Series 2012 Note is not Outstanding at any point prior to or on the Effective Date, the deemed consent of the Holders of Secured Debt hereafter issued, incurred, assumed, guaranteed or secured under the Master Indenture to the amendments contained in this Article III shall be of no force and effect and the Original Master Indenture shall not be amended pursuant to this Article III.

Section 3.04 Further Amendments. Except as otherwise provided in this Article III, so long as there is a designated Bondholder Representative under the Bond Indenture, the Co-Obligors agree not to enter into any supplement to the Master Indenture which amends the Master Indenture without the written consent of the Bondholder Representative.

[Remainder of page intentionally left blank.]

In addition, certain credits will be applied against the payments due on the Series 2012 Note in accordance with Section 3.04C and 3.04E of the Loan Agreement.

Section 2.05 Prepayment of Series 2012 Note. The Series 2012 Note and its principal installments shall be subject to prepayment, in whole or in part, in the same amounts, on the same dates, and with the same premium, if any, as Series 2012 Bonds called for redemption prior to their maturity in accordance with the provisions of the Bond Indenture. Any prepayment of the principal of the Series 2012 Note shall be credited against the scheduled principal payment corresponding to the maturity or sinking fund redemption date for the Series 2012 Bonds deemed paid with the proceeds of such prepayment.

Section 2.06 Additional Prepayment of Series 2012 Note. The Series 2012 Note and its principal installments shall also be subject to prepayment at the option of a member of the Obligated Group pursuant to Section 8.16 of the Master Indenture.

Section 2.07 Place of Payment on Series 2012 Note. The place of payment for the Series 2012 Note shall be the Columbia, Maryland corporate trust office of the Bond Trustee.

Section 2.08 Payment of Principal, Premium and Interest on Secured Debt. Each of the Co-Obligors agrees, jointly and severally with each other Co-Obligor, to duly and punctually pay the principal of (and premium, if any) and interest on all the Secured Debt and the coupons appertaining thereto.

Section 2.09 Notices to Bondholder Representative. Wherever in the Master Indenture provision is made for the Master Trustee to give any notice or deliver any report to the Holders of Secured Debt, or to receive any certification, notice, demand, report or other communication thereunder, the Master Trustee shall promptly provide a copy of such certification, notice, demand, report or other communication to the Bondholder Representative. The Master Trustee further agrees to provide (i) to the Bond Trustee and the Bondholder Representative prompt notice of any Event of Default under the Master Indenture, and (ii) to the Bondholder Representative notice and a copy of any supplement to the Master Indenture entered into pursuant to Article VI thereof. Each notice or other delivery under this Section 2.09 shall be provided by the Master Trustee in the manner and to the addresses set forth in the Bond Indenture.

ARTICLE III

AMENDMENT OF MASTER INDENTURE

Section 3.01 Waiver of Past Defaults. On the Effective Date (as defined below), clauses A and B of Section 4.17 of the Original Master Indenture shall be deleted and replaced in their entirety by the following clauses A and B:

"A. in the payment of the principal of (or premium, if any) or interest on any Secured Debt, which Default may be waived by the Holders of not less than 66.66% of the principal amount of the Outstanding Secured Debt, by Act of such Holders delivered to the Master Trustee and each Co-Obligor, on behalf of the Holders of all the Secured Debt, or

B. in respect of a covenant or provision hereof which under Article VI cannot be modified or amended without the consent of the Holders of 66.66% of Outstanding Secured Debt affected, which Default may be waived by the Holders of not

66Q4963.4/0911065

- 3 -

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereto duly authorized, as of the day and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,
as Co-Obligor

By: 
Bruce G. Furbish, Executive Director and Secretary

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
as Co-Obligor

By: 
James B. Stubblefield, Vice President

[Other signature page follows.]

66Q4963.4/0911065

- 4 -

66Q4963.4/0911065

S-1

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION,
as Master Trustee

By: 
Vice President

[THIS PAGE INTENTIONALLY LEFT BLANK]

S-2

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION

and

THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO,
as, together, the Co-Obligor

and

THE BANK OF NEW YORK MELLON TRUST COMPANY,
NATIONAL ASSOCIATION
as Master Trustee

MASTER INDENTURE SUPPLEMENT NO. 3

Dated as of October 1, 2016

relating to

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2016

MASTER INDENTURE SUPPLEMENT NO. 3

THIS MASTER INDENTURE SUPPLEMENT NO. 3 dated as of October 1, 2016 (this "Supplemental Indenture") is between **ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION** (the "Supporting Foundation") and **THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO** (together with the Supporting Foundation, the "Co-Obligors") and **THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION** (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, as trustee (the "Master Trustee"),

WITNESSETH:

WHEREAS, the Co-Obligors and the Master Trustee have entered into a Master Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Original Master Indenture"), relating to the real property described on Exhibit A; and

WHEREAS, the Bexar County Health Facilities Development Corporation (the "Issuer") has previously issued its Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007 (the "Series 2007 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 between the Issuer and The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, National Association), as trustee, to finance and refinance the cost of certain health facilities for the Co-Obligors; and

WHEREAS, in connection with the Series 2007 Bonds, the Co-Obligors entered into related Secured Debt under the Original Master Indenture; and

WHEREAS, in 2008, the Co-Obligors entered into additional Secured Debt under the Original Master Indenture in connection with an interest rate swap transaction which has been terminated; and

WHEREAS, pursuant to Section 8.07C of the Original Master Indenture, the Issuer has previously issued its Revenue Bonds (Army Retirement Residence Foundation Project) Series 2010 in the initial aggregate principal amount of \$53,000,000 (the "Series 2010 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of February 1, 2010 between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee, to finance the cost of certain health facilities located in Bexar County, Texas (the "Series 2010 Project"), to pay capitalized interest on the Series 2010 Bonds, to fund a debt service reserve fund for the Series 2010 Bonds, and to pay a portion of the cost of issuance of the Series 2010 Bonds; and

WHEREAS, pursuant to Section 8.07C of the Original Master Indenture, the Issuer is issuing its Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2016 in the initial aggregate principal amount of \$55,470,000 (the "Series 2016 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of October 1, 2016 (the "Bond Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the "Bond Trustee"), to advance refund a portion of the Series 2007

Bonds and a portion of the Series 2010 Bonds (the "Series 2016 Project") and to pay all or a portion of the cost of issuance of the Series 2016 Bonds; and

WHEREAS, pursuant to a Loan Agreement dated as of October 1, 2016 (the "Loan Agreement"), between the Supporting Foundation and the Issuer, the Supporting Foundation has agreed to issue the additional Secured Debt (the "Secured Debt") created by this Supplemental Indenture (this Supplemental Indenture together with Original Master Indenture, the "Master Indenture") to evidence the obligation of the Supporting Foundation to make the payments required under the Loan Agreement; and

WHEREAS, in connection with the delivery of the Secured Debt hereunder, the Co-Obligors have deemed it necessary and advisable to enter into certain covenants contained herein; and

WHEREAS, the Co-Obligors are authorized by law and by the Original Master Indenture (pursuant to Sections 6.01B, 6.01C, 6.01G, and 6.02 thereof), and deem it necessary and desirable, to issue and deliver the Secured Debt pursuant to the Original Master Indenture; and

WHEREAS, the Holder of the Series 2016 Note is deemed to have consented to the terms hereof, including but not limited to the amendments set forth in Article III, on behalf of the owners of the Series 2016 Bonds by its execution of this Supplemental Indenture and acceptance of the Series 2016 Note; and

WHEREAS, pursuant to the terms of the Master Indenture, both of the Co-Obligors and any additional Co-Obligor will be jointly and severally liable for payment of the Secured Debt; and

WHEREAS, all acts and things necessary to make the Secured Debt authorized by this Supplemental Indenture, when executed by the Co-Obligors and authenticated and delivered by the Master Trustee as provided in the Master Indenture, the valid, binding and legal obligation of the Co-Obligors, and to constitute these presents, together with the Original Master Indenture, a valid indenture and agreement according to its terms and the terms of the Master Indenture, have been done and performed and the execution of this Supplemental Indenture and the issue hereunder and under the Original Master Indenture of the Secured Debt created by this Supplemental Indenture have in all respects been duly authorized, and the Co-Obligors, in the exercise of the legal right and power vested in them, execute this Supplemental Indenture and propose to make, execute, issue and deliver the Secured Debt created hereby; and

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That, in order to declare the terms and conditions upon which the Secured Debt authorized hereby is authenticated, issued, and delivered, and in consideration of the premises and the purchase and acceptance of the Secured Debt created hereby by the holder thereof and, in order to add security under the Original Master Indenture, the Co-Obligors covenant and agree with the Master Trustee as follows:

88019854.4

-2-

payment of principal due on the Series 2016 Note on the same date as the sinking fund payment date under the Bond Indenture for the sinking fund requirement in payment of which the Series 2016 Bonds have been applied, and the principal amount of the Series 2016 Note created hereby due on such date will be reduced accordingly.

Section 2.06 If the Co-Obligor shall have complied with the notice requirements of the Loan Agreement, the Series 2016 Note or portion thereof specified in such notice shall become due and payable on the date and at the place stated in such notice at the principal amount thereof, together with interest thereon accrued and unpaid to the date fixed for prepayment or redemption, and on and after such date fixed for prepayment or redemption (unless the Co-Obligor shall default in the payment of the Series 2016 Note at the prepayment or redemption price, together with interest accrued and unpaid to the date fixed for prepayment or redemption), interest on the Series 2016 Note or portion thereof so called for prepayment or redemption shall cease to accrue.

Section 2.07 In the event of a partial prepayment of the Series 2016 Note, the amount of installments of such Series 2016 Note coming due after such prepayment shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted and set forth in a new schedule of payments prepared by certified public accountants so that, upon the due payment of all installments thereafter, the entire unpaid principal amount of and interest on such Series 2016 Note shall have been paid in full.

Section 2.08 To the extent provided in the Bond Indenture, the Co-Obligors shall receive a cash credit against the interest obligations on the Series 2016 Note, on a proportionate basis, on any interest payment date equal to the difference between amounts required to be paid on any interest payment date and amounts on deposit in the Bond Fund pursuant to the Bond Indenture that is not to be released to the Supporting Foundation.

Section 2.09 The place of payment for the Series 2016 Note shall be the Dallas, Texas corporate trust office of The Bank of New York Mellon Trust Company, National Association, as Bond Trustee with respect to the Series 2016 Bonds.

ARTICLE III

AMENDMENTS TO ORIGINAL MASTER INDENTURE

Section 3.01 The following provisions of the Original Master Indenture are hereby amended as follows:

- (a) The following provision shall be added to Article VI as Section 6.05:

"Section 6.05 Deemed Consent.

The parties hereby confirm that the purchasers of any Secured Debt upon the original issuance thereof in accordance with this Master Indenture may be deemed to have consented to any amendment to this Master Indenture or any Supplemental Master Indenture permitted to be made with the consent of the Holders of Secured Debt with the same effect as if such Holders shall have filed a written consent to such amendment."

88019854.4

-4-

ARTICLE I

DEFINITION OF TERMS

Section 1.01 The terms used in this Supplemental Indenture shall, except otherwise stated herein, have the meanings assigned to them in the Original Master Indenture.

ARTICLE II

SERIES 2016 NOTE AND RELATED MATTERS

Section 2.01 There is hereby created as Secured Debt under the Original Master Indenture a promissory note to be known and entitled Army Retirement Residence Foundation Project Series 2016 Note (the "Series 2016 Note"). The Series 2016 Note, in the initial principal amount of \$55,470,000, may be executed, authenticated, and delivered in accordance with Article II of the Original Master Indenture.

Section 2.02 The Series 2016 Note created hereby shall be in the form of a fully registered Secured Debt without coupons, shall be dated as of October 1, 2016, shall bear interest from the date of its delivery on the principal balance thereof in the amount set forth in the Series 2016 Note, payable on or before January 15 and July 15 of each year, commencing January 15, 2017 and shall be substantially in the form attached hereto as Exhibit B.

Section 2.03 The Series 2016 Note created hereby and its principal installments shall be subject to prepayment, in whole at any time, or in part from time to time at the option of the Co-Obligors upon payment of a sum, in cash and/or obligations, sufficient, together with any other cash and/or obligations held by the Bond Trustee and available for such purpose, to cause an equal aggregate principal amount of Outstanding Series 2016 Bonds to be deemed to have been paid within the meaning of Section 5.02 of the Bond Indenture, and to pay all fees, costs and expenses of the Issuer, the Master Trustee, and the Bond Trustee, accrued and to be accrued to the date of discharge of the Bond Indenture with respect to such Series 2016 Bonds. Any prepayment of the principal of the Series 2016 Note shall be credited against the scheduled principal payment corresponding to the maturity or sinking fund redemption date for the Series 2016 Bonds redeemed with the proceeds of such prepayment.

Section 2.04 The Series 2016 Note created hereby and its principal installments shall also be subject to prepayment as set forth in Section 3.04A3 of the Loan Agreement.

Section 2.05 If the Co-Obligors (i) shall have elected to apply the Series 2016 Bonds that have been redeemed or otherwise acquired by the Co-Obligors or the Issuer and delivered to the Bond Trustee for cancellation by the Bond Trustee, in payment of all or a part of a sinking fund requirement under the Bond Indenture, (ii) shall have delivered written notice to the Issuer and a copy thereof to the Bond Trustee in accordance with the provisions of Section 5.02 of the Bond Indenture, and (iii) the Issuer shall have received a credit against such sinking fund requirement in the amount of 100% of the principal amount of the Series 2016 Bonds thus applied, then the Bond Trustee shall promptly notify the Master Trustee, whereupon the Co-Obligors shall receive a credit, equal to the credit received by the Issuer, in respect of the

(b) The provisions of Section 3.01(a) shall be effective immediately upon the issuance of the Series 2016 Note, the aggregate principal amount of which shall then constitute a majority in principal amount of the Secured Debt Outstanding under the Master Indenture

[The remainder of this page intentionally left blank.]

88019854.4

-5-

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,
as Co-Obligor

By: Mary Ellen
Title: Chief Executive Officer

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
as Co-Obligor

By: [Signature]
Title: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, NATIONAL
ASSOCIATION, as Master Trustee

By: _____
Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,
as Co-Obligor

By: _____
Title: _____

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
as Co-Obligor

By: _____
Title: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, NATIONAL
ASSOCIATION, as Master Trustee

By: [Signature]
Authorized Signatory

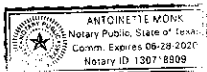
88019854.4

S-1

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 21st day of October, 2016, by Nancy GARE, the Vice President of Army Retirement Residence Supporting Foundation, a Texas non-profit corporation on behalf of such corporation.

(SEAL)

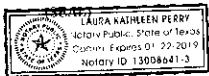


Antoinette Monk
Notary Public in and for the State of Texas
Antoinette Monk
(Printed Name of Notary)

My commission expires: 6/28/2020

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 21st day of October, 2016, by James Sullivan, the PRESIDENT of The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation on behalf of such corporation.



Laura Kathleen Perry
Notary Public in and for the State of Texas
Laura Kathleen Perry
(Printed Name of Notary)

My commission expires: Jan. 22, 2019

88019854.4

S-2

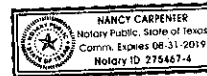
88019854.4

S-1

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 19th day of October, 2016, by Leda Glover, the Vice President of The Bank of New York Mellon Trust Company, National Association, a national banking association, on behalf of such association.

(SEAL)



Nancy Carpenter
Notary Public in and for the State of Texas
Nancy Carpenter
(Printed Name of Notary)

My commission expires: August 31, 2019

88019854.4

S-3

EXHIBIT A
REAL PROPERTY

Tract I:

Being a 44.74 acre tract (1,948,710 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas, being comprised of a 6,000 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Real Property Records of Bexar County, Texas, a 2,224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from the County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas, and corrected Special Warranty Deed recorded in Volume 12187, Page 892, Real Property Records of Bexar County, Texas, and a 2,259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP, to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas, said 44.74 acre tract being more particularly described in Exhibit "A-1", attached hereto and made a part hereof;

SAVE AND EXCEPT:
Parcel A, being a 2,259 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 2,259 acre tract being more particularly described in Exhibit "A-2", attached hereto and made a part hereof;

Parcel B, being a 6.073 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 6.073 acre tract being more particularly described in Exhibit "A-3", attached hereto and made a part hereof.

Tract II: Being a 44.70 acre tract (1,947,290 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract No. 367, County Block 5072 and 5073, Bexar County, Texas, comprised of part of a 75.00 acre tract conveyed from RDI Wab, LLC, et al, to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 892, Real Property Records of Bexar County, Texas, and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas; said 44.70 acre tract being more particularly described in Exhibit A-4, attached hereto and made a part hereof;

SAVE AND EXCEPT

Parcel C, being a 0.1611 acre tract of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas, said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract III: Lot 2, Block 1, Army Retirement Community Unit-2 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas.

Tract IV: Lot 3, Block 1, Army Retirement Community Unit 3 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.

Tract V: Lot 4, Block 1, Army Retirement Community Unit 4 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.

Tract VI: A tract of land containing 2,259 acres, more or less, out of a 3,5402 acre tract, being out of the William Winford Survey No. 326, Abstract No. 793, Bexar County, Texas; said 2,259 acre tract being more particularly described in Exhibit A-2, attached hereto and made a part hereof.

Tract VII: A tract of land containing 0.1611 acres, more or less, being out of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas; said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract VIII: A 6.073 acre (264,544 square feet) tract, more or less, out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, Bexar County, Texas, comprised of a 2,224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, and a 0.644 acre tract known as P-7H in County Block 5073, conveyed from Bexar County to The Army Retirement Residence Foundation-SA by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas; said 6.073 acre tract being more particularly described in Exhibit A-3, attached hereto and made a part hereof.

[The remainder of the page intentionally blank]

88019854.4

A-1

88019854.4

A-2

EXHIBIT A-1

TRACT I

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description
For

Tract 1, 44.74 acres out of the William Winford Survey No. 326,
Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42,
Abstract 34, County Block 5073, Bexar County, Texas.

Being a 44.74 acre tract (1,948,710 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract 34, County Block 5073, Bexar County, Texas, being comprised of a 6,000 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Official Public Records of Bexar County, Texas, a 2,224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from the County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Official Public Records of Bexar County, Texas, and corrected in Volume 12187, Page 892, Official Public Records of Bexar County, Texas, and a 2,259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Bexar County, Texas, said 44.74 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at said 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the south right-of-way line (ROW) of Miller Road (50' ROW), said point also being the northeast corner of Lot 18, Block 15, NCB 15958, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 6900, Page 212, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 10B for the Northwest corner of the herein described tract;

THENCE, South 73° 26' 43" East, along the common line of said Miller Road and said Tract 10B and Tract 11C, a distance of 318.05 feet to a found 1/2" iron rod with cap stamped "RPLS 4350" at the Northwest corner of said Tract 11C, same point also being at the northwest corner of said 6,000 acre tract, for a corner of the herein described tract;

THENCE, South 74° 27' 38" East, along the common line of said Miller Road and said 6,000 acre tract, at a distance of 952.20 feet, passing a found 1/2" iron rod with cap stamped Prejean at the northeast corner of said 6,000 acre tract, same cap also being the northwest corner of said 75.00 acre tract, continuing along the common line of said Miller Road and 75.00 acre tract, a total distance of the common line of said Miller Road with cap stamped "Vickrey Prop. Cor." at the 579.02 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the northeasternmost northeast corner of the herein described tract, said corner being the northeast corner of Tract 2 a 44.70 acre tract surveyed this same date,

EXHIBIT A-1
Page 1 of 3

I:\WP5111281011.001\MSB ARC 44-74 acre 12-21-00

Page 1 of 3

12940 Country Parkway • San Antonio, Texas 78216 • 210-349-3271 • FAX 210 349-2561

88019854.4

A-1-1

THENCE, leaving said Miller Rd ROW, across said 75.00 acre tract and partially along a common line with said Tract 2 the following three (3) calls:

South 15° 32' 22" West, a distance of 315.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2;

South 74° 27' 14" East, a distance of 958.40 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract a common corner with Tract 2, and

South 15° 32' 46" West, at 692.28 feet passing the common northerly corner of a 2,259 acre tract, recorded in Volume 14216, Page 1178, Official Public Records of Real Property, Bexar County, Texas, a remaining portion of a 3,5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, and a southern corner of Tract 2, continuing for a total distance of 957.05 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the southeast corner of said 2,259 acre tract, same point also being the southwest corner of said remaining portion of a 3,5402 acre tract and also being on the north line of Lot 24, Block 13, East Village Subdivision, Unit 41 as shown on plat recorded in Volume 6900, Page 207, Deed and Plat Records of Bexar County, Texas, for the most southeast corner of the herein described tract;

THENCE, North 75° 11' 09" West, along the common line of said 2,259 acre tract and Lots 19 thru 24, in said East Village Subdivision, Unit 41, at a distance of 268.53 feet passing the southwest corner of said 2,259 acre tract, same point also being a south corner of said 75.00 acre tract, continuing along the common line of said 75.00 acre tract and Lots 11-19, in said East Village Subdivision, Unit 41 and Lots 1-10, Block 13, in East Village Subdivision, Unit 40, as shown on plat recorded in Volume 6900, Page 184, Deed and Plat Records of Bexar County, Texas, a total distance of 1413.90 feet to a set iron nail at the northeast corner of said Lot 1, same point also being the northeast corner for said Lot P-7H, for a corner of the herein described tract;

THENCE, South 02° 19' 15" West, departing the south line of said 75.00 acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of Glenn Heights Drive (50' ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for a corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) calls:

North 75° 11' 09" West, a distance of 257.30 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at a tangent point of curvature of a curve to the right for a corner of the herein described tract.

EXHIBIT A-1
Page 2 of 3

I:\WP5111281011.001\MSB ARC 44-74 acre 12-21-00

Page 2 of 3

88019854.4

A-1-2

TRACT I SAVE AND EXCEPT PARCEL & TRACT VI

METES AND BOUNDS DESCRIPTION
2.258-ACRE TRACT OUT OF THE WILLIAM WINFORD SURVEY NO. 326,
ABSTRACT NO. 793, COUNTY BLOCK 6051, BEXAR COUNTY, TEXAS

Being a 2.258-acre (98,400 square feet) tract out of a 3.5402-acre tract of land out of the William Winford Survey No. 326, Abstract 793, County Block 6051, Bexar County, Texas, said 3.5402-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 2.258-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S15°32'46"W, 182.97', N74°27'14"W, 73.40', S18°32'48"W, 193.65' to a point on the north line of a 55.2818-acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'32"W, 417.89', N15°32'48"E, 214.97', N78°18'36"W, 485.83', S15°32'48"W, 151.95', N75°18'36"W, 531.24', S15°32'48"W, 53.00', N74°27'14"W, 297.48' feet; passing the northeast corner of said 3.5402-acre tract, continuing along the common line of said 3.5402-acre and 75.00-acre tracts a total distance of 596.00' to a found 1/2" iron rod with cap stamped "SOUTH TEXAS," for the POINT OF BEGINNING and northwest corner of said 3.5402-acre tract and the herein described tract;

THENCE, S74°27'14"E, returning along said common line, a distance of 268.51 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

THENCE, S15°32'48"W, departing said common line, into and across said 3.5402-acre tract, a distance of 394.77 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," on the common line of said 3.5402-acre tract and Lot 24, Block 13, East Village Subdivision, Unit 41, as shown on plat recorded in Volume 5900, Page 207, Deed and Plat Records of Bexar County, Texas, for the southeast corner of the herein described tract;

THENCE, N75°11'09"W, along the common line of said 3.5402-acre tract and Lots 19-24, in said Block 13, a distance of 283.63 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," on the north line of said Lot 13, same point being a corner of said 75.00-acre tract, for the southwest corner of said 3.5402-acre tract and the herein described tract;

THENCE, N15°32'48"E, along the common line of said 3.5402-acre tract and said 75.00-acre tract, a distance of 368.20 feet to the POINT OF BEGINNING, containing 2.258 acres (98,400 square feet) of land, more or less.

along said curve to the right a distance of 6.78 feet, with a radius of 5.00 feet, a central angle of 77°39'44", and a chord bearing a distance of North 36°21'17" West, 6.27 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50' ROW), for the most southwesterly corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 255.89 feet to a found 5/8" iron rod at the southwest corner of Lot 1, Block 15, NCB 15958, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 87°31'25" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of Lots 1 thru 18, Block 15, NCB 15958, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 100, a distance of 1168.61 feet to the POINT OF BEGINNING containing 44.74 acres (1,948,710 square feet) of land, more or less.

V&A Job No. 1281
JD m&b 1,948,710 sq. ft.
February 1, 2010

Certified this 1st day of February, 2010

John E. DeHaven, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 6042
Vickrey & Associates, Inc.



EXHIBIT A-1
Page 3 of 3

EWPS11281011.001MSB ARC 44-74 acre

Page 3 of 3

88019854.4

A-1-3

88019854.4

A-2-1

EXHIBIT A-3

TRACT I SAVE AND EXCEPT PARCEL & TRACT VIII

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description
for
6.073 acres out of the William Winford Survey No. 326,
Abstract 798, County Block 6051, Bexar County, Texas

Being a 6.073-acre (264,544 sq. ft.) tract of land out of the William Winford Survey No. 326, Abstract 798, County Block 6051, Bexar County, Texas being comprised of a 2.224-acre tract known as Tract 32 in County Block 5051A, Tract 108 and 110 in County Block 5051B, and a 0.644-acre tract known as P-7H in County Block 5073, conveyed from County of Bexar to the Army Wellmont Residence Foundation by deed recorded in Volume 8608, Page 733, Official Public Records of Real Property of Bexar County, Texas. Said 6.073-acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way (ROW) line of Miller Road (60' ROW), said point also being the northeast corner of Lot 15, Block 15, NCB 15958, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 6000, Page 212, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 108 for the northwest corner of the herein described tract;

THENCE, South 73°26'43" East, along the common line of said Miller Road and said Tract 108 and Tract 110, a distance of 318.05 feet to a found 1/2" iron rod with cap stamped "RPLS 4350," at the northeast corner of said Tract 110, same point also being at the northwest corner of a 6.000-acre tract recorded in Volume 8678, Page 124, Official Public Records of Real Property of Bexar County, Texas, for the northeast corner of the herein described tract;

THENCE, South 15°32'19" W, departing said common line and along the common line of said Tract 110, Tract 32, and 6.000-acre tract, at a distance of 682.24 feet, passing the southwest corner of said 6.000-acre tract, same point also being a corner for a 75.00-acre tract recorded in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said Tract 32 and 75.00-acre tract, a total distance of 1301.62 feet to a found 1/2" iron rod on the north line of Lot P-7H, same point also being the southwest corner of said 75.00-acre tract and a re-entrant corner of said Tract 32, to a re-entrant corner of the herein described tract;

THENCE, South 73°11'09" East, along the common line of said 75.00-acre tract and Tract P-7H, a distance of 120.52 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said Tract P-7H, same point also being the northwest corner of Lot 1, Block 13, East Village Subdivision, Unit 40, as shown on plat recorded in Volume 5800, Page 196, Deed and Plat Records of Bexar County, Texas, for a corner of the herein described tract;

THENCE, South 02°19'15" West, departing the south line of said 75.00-acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," on the north line of Glenn

EXHIBIT A-3
Page 1 of 2

EWPS11281011.001MSB ARC 12-17-09 RA.doc

12940 Country Parkway • San Antonio, Texas 78216 • 210.349.3271 • FAX 210.349.2581

88019854.4

A-3-1

Heights Drive (50 foot ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for the south corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) courses:

North 73°11'09" West, a distance of 257.30 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature at a curve to the right for a corner of the herein described tract;

along said curve to the right a distance of 6.78 feet, with a radius of 5.00 feet, a central angle of 77°39'44", and a chord bearing a distance of North 36°21'17" West, 6.27 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50 foot ROW), for the most corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 255.89 feet to a found 5/8" iron rod at the southwest corner of Lot 1, Block 15, NCB 15958, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 87°31'25" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of Lots 1 thru 18, Block 15, NCB 15958, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 108, a distance of 1168.61 feet to the POINT OF BEGINNING containing 6.073 acres (264,544 square feet) of land, more or less.

V&A Job No. 1281
SH m&b 264,544 sq. ft.
December 17, 2009

Certified this 17th day of December, 2009

Stephen Horvath, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 2811
Vickrey & Associates, Inc.



EXHIBIT A-3
Page 2 of 2

EWPS11281011.001MSB ARC 12-17-09 TIA.doc

Page 2 of 2

88019854.4

A-3-2

EXHIBIT A-4

TRACT II

Metes and Bounds Description

For
Tract 2, 44.70 acres out of the William Winford Survey No. 326,
Abstract 796, County Block 5051, and out of the Charles Irwin Survey No. 43,
Abstract 367, County Block 5072, Bexar County, Texas

Being a 44.70 acre tract (1,947,290 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 796, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract 367, County Block 5072 and 5073, Bexar County, Texas being comprised of part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al to the Army Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 528, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas. Said 44.70 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way line (ROW) of Miller Road (60' ROW), the north line of said 75.00 acre tract, said point also being the northernmost northeast corner of Tract 1, a 44.74 acre tract surveyed this same date for the northwest corner of the herein described tract;

THENCE, along the common line of said Miller Road and 75.00 acre tract the following three (3) calls:

South 74° 27' 38" East, a distance of 2919.32 feet along the common line of said Miller Road and 75.00 acre tract to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

along said curve to the right, a distance of 431.85 feet, with a radius of 274.80 feet, a central angle of 90° 02' 24" and a chord bearing a distance of South 29° 26' 26" East, 398.76 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South 15° 32' 46" West, a distance of 214.56 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of a 4.25 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property, Bexar County, Texas, same point also being the southeast corner of said 75.00 acre tract, for the southeast corner of the herein described tract.

THENCE, departing said common line and along the common line of said 4.25 acre tract and 75.00 acre tract, the following four (4) calls:

North 74° 27' 14" West, a distance of 420.00 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

South 15° 32' 46" West, a distance of 182.97 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

North 74° 27' 14" West, a distance of 73.40 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South 15° 32' 46" West, a distance of 193.55 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at a corner on the north line of the remaining portion of a 55.2818 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, for a corner of the herein described tract.

THENCE, departing said common line and along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, the following four (4) calls:

North 75° 18' 36" West, a distance of 417.99 feet to a found $\frac{1}{4}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North 15° 32' 46" East, a distance of 214.57 feet to a found $\frac{1}{4}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North 75° 18' 36" West, a distance of 495.63 feet to a found $\frac{1}{4}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract, and

South 15° 32' 46" West, a distance of 151.95 feet to a found $\frac{1}{4}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract.

THENCE, North 75° 18' 36" West, continuing along said common line, a distance of 456.24 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said 0.1611 acre tract, for a corner of the herein described tract;

THENCE, South 15° 32' 46" West, departing said common line and along the common line of said 0.1611 acre tract and said remaining portion of 55.2818 acre tract, a distance of 94.12 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said 0.1611 acre tract, same point also being a corner of said remaining portion of 55.2818 acre tract, for a corner of the herein described tract;

THENCE, North 74° 27' 14" West, along the common line of said remaining portion of said 55.2818 acre tract and 0.1611 acre tract, at a distance of 74.99 feet passing a found $\frac{1}{4}$ " iron rod with cap stamped "South Texas," at the southwest corner of said 0.1611 acre tract, continuing along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, at a distance of 224.25 feet, passing the northeast corner of the remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00 acre tract

88019854.4

A-4-1

88019854.4

A-4-2

EXHIBIT A-5

TRACT II SAVE AND EXCEPT PARCEL & TRACT VIIMETES AND BOUNDS DESCRIPTION
FOR A

0.1611-ACRE TRACT OUT OF
THE CHARLES IRWIN SURVEY NO. 43, ABSTRACT 367, COUNTY BLOCK 5072
BEXAR COUNTY, TEXAS

THENCE, across said 75.00 acre tract and along said common line with Tract 1 the following three (3) calls:

North 15° 32' 46" East, a distance of 602.28 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1,

North 74° 27' 14" West, a distance of 958.40 feet to a set $\frac{1}{4}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1, and

North 15° 32' 22" East, a distance of 315.00 feet to the **POINT OF BEGINNING** containing 44.70 acres (1,947,290 square feet) of land, more or less.

Being a 0.1611-acre (7,020 square feet) tract out of a 55.2818-acre tract out of the Charles Irwin Survey No. 43, Abstract 367, County Block 5072, Bexar County, Texas, said 55.2818-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 0.1611-acre tract being more particularly described as follows, with all bearings being referenced of North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S15°32'46"W, 182.97', N74°27'14"W, 73.40', S15°32'46"W, 193.55' to a point on the north line of said 55.2818-acre tract, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'36"W, 417.99', N16°32'46"E, 214.97', N75°18'36"W, 495.63', S15°32'46"W, 151.95', and N75°18'36"W, 531.24', to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," for the **POINT OF BEGINNING** and northwest corner of the herein described tract;

Thence, S75°18'36"E, returning along said common line, a distance of 75.00 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

Thence, departing said common line, into and across said 55.2818-acre tract, the following two (2) courses:

S15°32'46"W, a distance of 94.12 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the southeast corner of the herein described tract;

N74°27'14"W, a distance of 74.99 feet to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," on said common line, for the southwest corner of the herein described tract;

Thence, N15°32'46"E, along said common line, a distance of 93.00 feet to the **POINT OF BEGINNING**, containing 0.1611 acres (7,020 square feet), more or less.

88019854.4

A-4-3

88019854.4

A-5-1

EXHIBIT B
FORM OF NOTE
SERIES 2016 NOTE

\$55,470,000

October 1, 2016

FOR VALUE RECEIVED, ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation, its successors and assigns (for purposes of this Series 2016 Note, the "Borrower"), promises to pay to the BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION, a Texas non-profit health facilities development corporation established by the Commissioners Court of Bexar County, Texas, pursuant to Chapter 221, Texas Health and Safety Code, as amended (the "Issuer"), its successors or assigns, (1) the principal sum of \$55,470,000 payable on July 15, 2045, and interest on the unpaid portion thereof from the date of the initial delivery of the hereinafter defined Bonds at the rate for each day of accrual equal to the arithmetic mean, weighted in proportion to the principal amounts thereof, of the rates of interest borne by the bonds of the Issuer initially designated its "REVENUE REFUNDING BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2016" (the "Bonds") at the time Outstanding (as defined in the Bond Indenture hereinafter referred to) on such day, computed on the same basis and payable on the same dates as such interest on the Bonds, and (2) the amounts specified in Section 3.04 of the Loan Agreement hereinafter referred to at the times described in such Section; provided, however, that in no event shall the aggregate of the interest hereon, plus any other amounts charged or collected in connection herewith which are deemed "interest" under the laws of the State of Texas and the United States of America in effect on the date hereof permitting the charging and collecting of the highest nonusurious interest rate hereon (hereinafter referred to as "Applicable Law") ever exceed the maximum amount of interest which could be lawfully charged hereon under Applicable Law, anything herein or in the Bond Indenture to the contrary notwithstanding, and if any amount of interest taken or received by the holder of this Note shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected hereon, then the excess shall be deemed to have been the result of a mathematical error by the Borrower, the Bond Trustee hereinafter referred to, and such holder and shall be refunded promptly to the Borrower.

All amounts paid or agreed to be paid in connection with the indebtedness evidenced hereby which under Applicable Law would be deemed "interest" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term hereof.

The principal hereof (and premium, if any) and the interest hereon shall be payable at the designated corporate trust office of the corporation then acting as trustee (herein referred to as the "Bond Trustee") under the Bond Indenture of Trust and Security Agreement dated as of October 1, 2016 (the "Bond Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee, authorizing issuance of the Bonds. All such payments shall be in immediately available funds or in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

88019854.4

B-1

This Note is a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION

By: _____
Title: _____

Pay to the order of The Bank of New York Mellon Trust Company, National Association, as trustee for the owners of the Bonds hereinabove mentioned, without recourse against the undersigned.

BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION

By: _____
President

If the specified date for any such payment shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally at a Place of Payment (as defined in the Bond Indenture) or in the city in which is located the principal designated trust office of the Bond Trustee shall otherwise be a day other than a Business Day (as defined in the Bond Indenture), then such payment may be made on the next succeeding day which is not such a day without additional interest and with the same force and effect as if made on the specified date for such payment.

All sums due hereon shall be payable at the opening of business of the designated corporate trust office of the Bond Trustee on the date such payments become due. All sums paid hereon shall be applied to the satisfaction of, first, the sums specified in Clause (2) of the first paragraph hereof, second, accrued interest hereon, and, third, the unpaid principal (and premium, if any) hereof.

This Note is the "Note" referred to in Section 3.04B of that certain Loan Agreement dated as of even date with the Bond Indenture (the "Loan Agreement") between the Issuer and the Borrower, relating to the Bonds, and is issued under the Master Trust Indenture dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 3 dated as of October 1, 2016 (together, the "Master Indenture") between the Borrower, The Army Retirement Residence Foundation-San Antonio and The Bank of New York Mellon Trust Company, National Association, as Master Trustee, to evidence a loan by the Issuer to the Borrower thereunder from proceeds of the Bonds. This Note arises out of the Loan Agreement and the Bond Indenture.

The Borrower shall prepay the outstanding principal sum hereof, in whole or in part, in the same amount and on the same dates, and with the same premiums, if any, as Bonds called for redemption prior to their maturity in accordance with the provisions of the Bond Indenture.

If an Event of Default, as defined in the Bond Indenture, shall occur, the principal hereof and accrued interest hereon may be declared due and payable in the manner and with the effect provided in the Bond Indenture.

The Borrower hereby expressly waives all notices (including notice of redemption or acceleration), demands for payment, presentments for payment, and notations of payment.

(The rest of this page intentionally left blank)

88019854.4

B-2

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This instrument is Secured Debt as defined in the Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 3 dated as of October 1, 2016, between Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio, as Co-Obligors, and The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as trustee, and is registered on the books for registration thereof as No. R-_____.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION, as
Master Trustee

By: _____
Authorized Signature

88019854.4

B-3

88019854.4

B-4

ATTENTION: COUNTY CLERK-THIS INSTRUMENT COVERS GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN AND IS TO BE FILED FOR RECORD IN THE RECORDS WHERE MORTGAGES ON REAL ESTATE ARE RECORDED. ADDITIONALLY, THIS INSTRUMENT SHOULD BE APPROPRIATELY INDEXED, NOT ONLY AS A MORTGAGE, BUT ALSO AS A FINANCING STATEMENT COVERING GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN. THE MAILING ADDRESSES OF THE GRANTOR (DEBTOR) AND THE BENEFICIARY (SECURED PARTY) ARE SET FORTH IN THIS INSTRUMENT.

**DEED OF TRUST,
ASSIGNMENT OF RENTS AND LEASES,
AND SECURITY AGREEMENT**

Dated as of January 1, 2007

by

**ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION
and
THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO**

to

TAMARA ELLIS, as Trustee

for the Benefit of

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION

and to be assigned to

**THE BANK OF NEW YORK TRUST COMPANY, N.A.
as Indenture Trustee**

After recording please return to:

Michael L. Spain
Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, TX 78205

20173857.9

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS	
Section 1.1	Definitions..... 2
ARTICLE 2 RULES OF CONSTRUCTION	
Section 2.1	Rules of Construction..... 6
Section 2.2	Recitals Incorporated Herein by Reference..... 6
ARTICLE 3 SECURED OBLIGATIONS	
Section 3.1	Deed of Trust Secures Described Indebtedness..... 6
ARTICLE 4 GRANT OF MORTGAGED PROPERTIES	
Section 4.1	Grant, Sale and Conveyance..... 6
Section 4.2	Grantor's Representations and Covenants Regarding Title..... 9
Section 4.3	Conveyance is as a Deed of Trust..... 9
ARTICLE 5 ASSIGNMENT OF RENTS	
Section 5.1	Assignment..... 10
Section 5.2	Limited License..... 10
Section 5.3	Affirmative Covenants..... 11
Section 5.4	Negative Covenants..... 11
Section 5.5	Appointment of Attorney-in-Fact..... 11
Section 5.6	Default..... 12
Section 5.7	No Obligation of Beneficiary..... 12
Section 5.8	No Waiver of Beneficiary's Rights..... 14
Section 5.9	Warranties Concerning Leases and Rents..... 14
Section 5.10	Termination of Assignment of Leases..... 15
Section 5.11	Right to Enforce the Leases..... 15
Section 5.12	Beneficiary Not Mortgagee-in-Possession..... 15
ARTICLE 6 SECURITY AGREEMENT	
Section 6.1	Grant of Security Interest..... 15
Section 6.2	Debtors' Covenants..... 16
Section 6.3	Debtors' Warranties and Representations..... 17
ARTICLE 7 CERTAIN COVENANTS AND WARRANTIES OF THE GRANTOR	
Section 7.1	Covenants and Warranties of the Grantor..... 17
Section 7.2	Status of Project..... 18

20173857.9

i

Section 7.3	Defense of Title and Litigation..... 18
Section 7.4	Compliance with Laws..... 19
Section 7.5	Indemnification..... 21
Section 7.6	Environmental Audit..... 22

**ARTICLE 8
DEFAULTS**

Section 8.1	Event of Default..... 22
Section 8.2	Remedies..... 23
Section 8.3	Remedies Cumulative..... 23
Section 8.4	No Waiver..... 23

**ARTICLE 9
CERTAIN REMEDIES; POWER OF SALE**

Section 9.1	Beneficiary's Right to Advance..... 23
Section 9.2	Request to Act..... 24
Section 9.3	Required Notices..... 24
Section 9.4	Compliance with Texas Property Code Requirements..... 25
Section 9.5	Credit Bid, Right to Purchase by the Beneficiary and Application of Proceeds..... 25
Section 9.6	Judicial Foreclosure..... 25
Section 9.7	Installment Foreclosure..... 26
Section 9.8	Appointment of a Substitute Trustee..... 26
Section 9.9	Recitals Conclusive..... 26
Section 9.10	Right of Sale Not Exhausted..... 26
Section 9.11	Purchaser's Right to Disaffirm Junior Encumbrances..... 27
Section 9.12	Appointment of Receivers..... 27
Section 9.13	Application of Proceeds..... 27
Section 9.14	Remedies Not Exclusive..... 28
Section 9.15	Abandonment of Sale; Termination of Proceedings..... 28
Section 9.16	Waivers..... 28
Section 9.17	Exculpation of Trustee..... 29

**ARTICLE 10
CONDEMNATION AND CASUALTY LOSS**

Section 10.1	Condemnation..... 29
Section 10.2	Casualty..... 29

**ARTICLE 11
AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER
DOCUMENTS**

Section 11.1	Amendments and Supplements with Consent; Limitations..... 30
Section 11.2	Amendments, Supplements and Consents Not Requiring Consent of Holders..... 30
Section 11.3	Consent to Substance Not Form..... 31
Section 11.4	Documents Mailed to Holders..... 31
Section 11.5	Arbitration..... 31
Section 11.6	Beneficiary Protected..... 31

20173857.9

ii

ARTICLE 12 ENVIRONMENTAL AND LAND USE MATTERS	
Section 12.1	Environmental and Land Use Matters..... 31

**ARTICLE 13
MISCELLANEOUS**

Section 13.1	Severability..... 34
Section 13.2	Captions and Titles..... 34
Section 13.3	Usury Savings Clause..... 34
Section 13.4	Additional Security..... 35
Section 13.5	Suit Not an Election of Remedies..... 35
Section 13.6	Rules of Construction..... 35
Section 13.7	Notices..... 35
Section 13.8	Extension, Rearrangement or Renewal of Secured Obligations..... 36
Section 13.9	Governing Law..... 36
Section 13.10	Amendments..... 37
Section 13.11	Assignment..... 37
Section 13.12	Further Acts..... 37
Section 13.13	Capitalized Terms..... 37
Section 13.14	No Drilling or Exploration..... 38
Section 13.15	"Construction Mortgage"..... 38
Section 13.16	Negation of Partnership..... 38
Section 13.17	Submission to Jurisdiction..... 38
Section 13.18	Business or Commercial Purpose..... 38

Exhibits

Exhibit A - Description of Real Property
Exhibit B - Permitted Encumbrances

20173857.9

iii

DEED OF TRUST, ASSIGNMENT OF RENTS
AND LEASES, AND SECURITY AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

Preamble

This Deed of Trust, Assignment of Rents and Leases, and Security Agreement is dated as of January 1, 2007 (hereinafter called this "Deed of Trust") and executed by ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation (the "Supporting Foundation"), and its affiliate THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO, a District of Columbia non-profit corporation (the "ARC") (the "Supporting Foundation and the ARC, together, the "Grantor"), the mailing address of the Grantor being set forth on the execution page hereof, to TAMARA ELLIS, as Trustee, whose mailing address is 600 North Pearl, Suite 420, Dallas, Texas 75201 and also to any substitute or successor Trustee as hereinafter provided (all of whom shall be included within the term "Trustee" as used hereinafter); for the use and benefit of BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION (the "Issuer") and its successors and assigns as the owner and holder of a note of even date herewith (who shall be included within the term "Beneficiary", "assignee" and "Secured Party" as used hereinafter), in the stated original aggregate principal amount of \$27,010,000 (the "Note") executed by the Grantor and payable to Issuer, which Note together with the liens securing the same are being assigned and transferred by assignment of even date herewith to THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association, as trustee (the "Indenture Trustee") under a Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Bond Indenture") between the Issuer and the Indenture Trustee, whose mailing address is 600 North Pearl, Suite 420, Dallas, Texas 75201 (Attention: Corporate Trust Department), and any successor trustee appointed pursuant to the Bond Indenture.

WITNESSETH:

WHEREAS, the Issuer desires to finance and refinance the costs of the Project (hereinafter defined) through the issuance of tax-exempt bonds by the Issuer; and

WHEREAS, pursuant to and in accordance with the Act (hereinafter defined), the Issuer has determined to issue and sell its Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007, in the original aggregate principal amount of \$27,010,000 (the "Bonds"). The net proceeds of the sale of the Bonds, after payment of costs of issuance and the funding of certain reserves, shall be advanced to the Supporting Foundation pursuant to the terms of the Note and the Loan Agreement dated as of January 1, 2007 between the Issuer and the Supporting Foundation and shall be used to finance and refinance the costs of the Project; and

WHEREAS, certain equipment and furnishings in the Supporting Foundation's facilities is owned by the ARC; and

WHEREAS, pursuant to the Bond Indenture, the Issuer will assign its rights under the Documents (hereinafter defined) to the Indenture Trustee, excluding however, the Issuer's Reserved Rights; and

WHEREAS, the Supporting Foundation and the ARC have executed this Deed of Trust to provide security for the performance by the Supporting Foundation of all of the Secured Obligations

20173857.9

1

"Collateral" means all of the security for the Loan described in this Deed of Trust and in all of the other Documents, together with all Proceeds and products thereof and Additions thereto.

"Condemnation" means any taking of title, of use, or of any other property interest under the exercise of the power of eminent domain, by any governmental body or by any person acting under governmental authority.

"Damage" means (a) any damage, destruction or other injury (in whole or in part) by fire or other casualty, and (b) any Condemnation. "Damaged" means (y) damaged, destroyed, or injured (in whole or in part) by fire or other casualty, or (z) taken by Condemnation.

"Deed of Trust" means this Deed of Trust, Assignment of Rents and Leases, and Security Agreement, together with all Supplements thereto.

"Documents" means and includes (without limitation) the Bonds, the Loan Agreement, the Note, the Bond Indenture, the Master Indenture, the Assignment of Note, Liens, Security Interests, and Other Documents, this Deed of Trust, and any and all other documents which the Issuer, the Grantor, or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver, to create, evidence or secure the Secured Obligations, or any part thereof, or in connection therewith, together with all Supplements thereto.

"Encumbrance" means any deed of trust, mortgage, pledge, lien, security interest, charge or other encumbrance, including but not limited to any covenant or agreement restricting, regulating or otherwise affecting the use of the Land or the Mortgaged Properties.

"Equipment" means all building materials, fixtures, equipment and tangible personal property of every kind and nature whatsoever of the Grantor, whether affixed or not, now owned or hereafter acquired by the Grantor and wherever located, including all Equipment now or hereafter located or contained in or upon or attached to the Land or the Improvements or any part thereof, together with all Additions thereto and all Proceeds and products thereof.

"Event of Default" means, including with respect to the Master Indenture, those events of default specified in Section 4.01 thereof; with respect to the Bond Indenture, those events of default specified in Section 6.01 thereof; and, with respect to this Deed of Trust, those events of default specified in Section 8.1.

"Governmental Authority" means any federal, state or local governmental or quasi-governmental entity having jurisdiction over the Project, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

"Grantor" means, together, Army Retirement Residence Supporting Foundation, a Texas non-profit corporation, and its successors and assigns, and The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation, and its successors and assigns.

"Gross Negligence" means gross negligence or willful misconduct.

"Holder" or "Holders", as applicable, means the beneficial owner or owners from time to time of the Bonds, their successors and registered assigns.

"Improvements" means all structures or buildings now or hereafter erected or placed on the Land, including without limitation, the Project, and all Additions thereto.

20173857.9

3

(hereinafter defined), including the Secured Obligation to pay amounts necessary to permit the Issuer to pay the debt service requirements on the Bonds.

NOW, THEREFORE, for valuable consideration, including the mutual covenants contained herein and in further consideration of the issuance and sale of the Bonds by the Grantor and the financing and refinancing of the Project, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. Certain terms used in this Deed of Trust are defined in this Section. When used herein, such terms shall have the meanings given to them in this Section, unless specifically provided otherwise or unless the context clearly indicates otherwise. Further, references to the Uniform Commercial Code are to the law prior to the passage of the Revised Article 9 of the Uniform Commercial Code (Chapter 9, Texas Business and Commerce Code, as in force without regard to the Revised Article 9 of the Uniform Commercial Code). Capitalized terms not otherwise defined herein shall have the meanings assigned them in the Bond Indenture.

"Accounts" means all accounts of the Grantor, both now owned and hereafter acquired, together with all cash and non-cash proceeds thereof.

"Act" means the Texas Health Facilities Development Corporations Act, Chapter 221, as amended, Texas Health and Safety Code, and all future acts supplementary thereto or amendatory thereof.

"Additions" means any and all alterations, additions, accessions and improvements to property, substitutions thereof, and renewals and replacements thereof.

"Agent" means, with respect to any entity, any official, officer, employee or agent of such entity.

"Applicable Rate" means the applicable rates of interest payable by the Grantor under the Bonds from time to time.

"Assignment of Note, Liens, Security Interests, and Other Documents" means the Assignment of Note, Liens, Security Interests, and Other Documents dated as of the date hereof from the Issuer to the Indenture Trustee, pursuant to which the Issuer assigns to the Indenture Trustee all of its interest in this Deed of Trust and certain other Documents (except for certain rights of the Issuer).

"Beneficiary" means the holder of the Note (including the Issuer, the Indenture Trustee, and their successors and assigns).

"Bond Indenture" means the Bond Indenture of Trust and Security Agreement dated as of the date hereof between the Issuer and the Indenture Trustee.

"Bonds" means the Issuer's \$27,010,000 Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007 dated as of the date hereof and issued and delivered on the Closing Date, together with all replacements and Supplements thereto. Individual Bonds are sometimes hereinafter referred to in the singular as a "Bond".

"Closing Date" means the date of initial delivery of the Bonds.

20173857.9

2

"Indebtedness" means all sums of money secured by this Deed of Trust, including

(a) all money (including all principal, interest, and premiums (if any)) due or to become due under the Loan Agreement or the Note,

(b) all other money now or hereafter advanced or expended by the Trustee, the Indenture Trustee, the Issuer or the Beneficiary as provided for herein or in any other of the Documents, which the Grantor is required to repay or reimburse hereunder, under any of the other Documents, or by applicable law, and

(c) all costs, expenses, charges, liabilities, commissions, half-commissions and attorneys' fees now or hereafter chargeable to the Grantor, or incurred by, or disbursed by, the Trustee, the Issuer, the Indenture Trustee or the Beneficiary on behalf of the Grantor as provided for herein, or in any of the other Documents, which the Grantor is required to pay, repay or reimburse hereunder, under any of the other Documents, or by applicable law.

"Indemnity Payments" shall have the meaning given that term in the Bond Indenture.

"Indenture Trustee" means The Bank of New York Trust Company, N.A., acting as trustee under the Bond Indenture, and its successors and assigns.

"Instrument" or "Instruments" means all instruments of the Grantor, together with (a) all money due and to become due thereunder, and (b) all cash and non-cash proceeds of all of the foregoing.

"Lease" or "Leases" have the meaning given such terms in Section 5.1.

"Licensee" means all licenses, operating permits, franchises, and other approvals which the Grantor has obtained or is required by any Governmental Authority to obtain in connection with the acquisition, rehabilitation, improving, leasing, ownership and/or operation of the Project.

"Loan Agreement" means the Loan Agreement dated as of the date hereof executed between the Issuer and the Grantor.

"Master Trustee" means The Bank of New York Trust Company, N.A., acting as trustee under the Master Indenture, and its successors and assigns.

"Master Indenture" means the Master Indenture of Trust and Security Agreement dated as of the date hereof between the Grantor and the Master Trustee.

"Net Proceeds", when used with respect to any Condemnation awards or insurance proceeds allocable to the Project, means the gross proceeds from Condemnation or insurance remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

"Permitted Encumbrances" means (i) the Loan Agreement and this Deed of Trust, (ii) any other encumbrances listed in the Title Policy as of the date of the Bond Closing; (iii) any liens, taxes or other governmental charges which are not yet due and payable; (iv) any lien, including, but not limited to, mechanics' liens, or other liens resulting from a good faith dispute on the part of the Grantor, which dispute the Grantor agrees to resolve diligently, unless the Indenture Trustee determines the priority of the lien of this Deed of Trust on any part of the Project would be endangered or any part of the Project would be subject to loss or forfeiture, and, within five (5) Business Days following written notice of such determination, the Grantor shall not have either satisfied the claims giving rise to such liens or posted a

20173857.9

4

bond or obtained an insurance policy to cover such lien; (v) other liens or encumbrances, including liens or pledges subordinate to the lien of the Deed of Trust; and (vi) easements and rights-of-way granted by Grantor to utility providers and the City of San Antonio, Texas in connection with the platting of the Project.

"Proceeds" or "proceeds" means, when used with respect to any of the Collateral, all proceeds within the meaning of the Uniform Commercial Code and shall include the proceeds of any and all insurance policies.

"Project" means the Project described in the Bond Indenture.

"Property Taxes" means all taxes, payments in lieu of taxes, water rents, sewer rents, ground rents, assessments and other governmental or municipal or public or private dues, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof or any of the other Collateral, or upon any Leases, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes, as income taxes, or otherwise.

"Reimbursement Rights" means (a) the rights of the Issuer, the Trustee, the Indenture Trustee, the Master Trustee, and the Beneficiary to receive reimbursement and indemnification pursuant to the Documents, and (b) all enforcement remedies with respect to the foregoing, all of which shall survive any transfer or payment of the Bonds in full or in part and, if so indicated in this Deed of Trust, in the Loan Agreement, the Bond Indenture, or the Master Indenture, which shall also survive the termination of this Deed of Trust or the Loan Agreement, the Bond Indenture, or the Master Indenture, as applicable.

"Requisite Percentage of Holders" means the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

"Secured Obligations" means the obligations of the Grantor under the Note, the Bonds, the Bond Indenture, this Deed of Trust, the Loan Agreement, the Master Indenture, and the other Documents, to (a) pay amounts necessary to permit the Issuer to pay the principal of, premium (if any) and interest on the Bonds, when and as the same shall become due and payable (whether at the stated maturity thereof, on any installment payment date, or by acceleration of maturity, or after notice of redemption or otherwise), (b) pay all other payments (if any) required by the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, this Deed of Trust, and the other Documents to which it is a party to be paid by the Grantor to the Issuer, the Trustee, the Indenture Trustee, the Master Trustee, the Holders or to others, when and as the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations and agreements, express or implied, which the Grantor is required by the Bonds, the Bond Indenture, the Master Indenture, or any of the other Documents to which it is a party, to perform and observe; and reimburse the Beneficiary for any sums advanced by Beneficiary as contemplated by the Loan Agreement, the Master Indenture, and this Deed of Trust and the other Documents.

"State" means the State of Texas.

"Supplements" means any and all extensions, renewals, modifications, amendments, supplements and substitutions.

"Taxes" means all taxes, assessments and governmental charges or levies imposed upon the applicable Person or on its income or its properties, including, without limitation, all Property Taxes.

201738579

5

including any after-acquired right, title or reversion, in and to the beds of the ways, streets, avenues and alleys adjoining the Land subject to the Permitted Encumbrances, and all Improvements.

(b) furniture, furnishings, fixtures, equipment and other goods necessary for or used in connection with the use (or proposed use) of the Project and/or the Improvements, and all appurtenances and additions thereto and betterments, renewals, substitutions and replacements thereof, all of the foregoing as now owned or hereafter acquired by the Grantor, wherever situated, and now or hereafter located on, attached to, contained in, or used or usable in connection with the Project and/or the Improvements or placed on any part thereof, though not attached thereto, including all screens, awnings, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings, heating, electrical, lighting, plumbing, ventilating, air-conditioning, refrigerating, incinerating and/or compacting plants, systems, fixtures and equipment, elevators, hoists, stoves, ranges, vacuum and other cleaning systems, call systems, sprinkler systems and other fire prevention and extinguishing apparatus, and materials, motors, machinery, pipes, ducts, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, tanks, appliances, equipment, fittings, and fixtures, lockers, exercise and fitness equipment, scales, duplication and communication equipment, calculators, cash registers, tables, chairs, pianos, satellite dishes, televisions, telephones, maid carts, all kitchen equipment (including kitchen utensils, china ware and glassware) towels, drapes, miniblinds, linens, bedspreads, pillows, robes, and all building materials and equipment now or hereafter delivered to the Project and intended to be installed therein, excluding however, all personal property owned by lessees or vendors and intangibles owned by third parties. The Grantor shall have the right to replace worn or obsolete material items of personal property (including items that have become fixtures) provided that (i) notice is given to the Indenture Trustee of such removal and replacement and setting out the property that is to replace such worn or obsolete item and (ii) the replacement property is equal to or better than the property removed with respect to quality, utility and function or is reasonably believed to promote greater operating efficiency for the Project or to save operating expenses.

(c) Leases (as hereinafter defined), the Rents (as hereinafter defined), and all rents, revenues, profits, income, damages, awards, and proceeds from or attributable to all or any portion of the Land hereinabove described, the Improvements, and any other property, both real and personal, hereinabove described.

(d) money, funds, and accounts of the Grantor, deposits (including lessee security deposits), instruments, documents, general intangibles, notes, and chattel paper arising from or by virtue of any transaction related to the Project, the Improvements, or any of the Personal Property (hereinafter defined), subject to Section 5.1, prior to distribution of any of the foregoing to the Grantor and except for balances in accounts that are subject to draw by the Grantor for approved draws under the Loan Agreement and amounts allocated to ordinary expenses for payment by any manager of the Project.

(e) appurtenances and additions to the items of tangible personal property described herein and betterments, renewals, substitutions, and replacements thereof and therefor; and, if the lien and security interest granted by this Deed of Trust is subject to any security interest in said personal property, all right, title, and interest of the Grantor as the Grantor, now or hereafter arising, in and to any and all said property is hereby assigned to the Beneficiary as the Beneficiary, together with the benefits of all deposits and payments now or hereafter made thereon by or on behalf of the Grantor, excluding, however, all personal property owned by tenants of the Improvements.

201738579

7

ARTICLE 2

RULES OF CONSTRUCTION

SECTION 2.1 Rules of Construction. The words "hereof", "herein", "hereunder", "hereto", and other words of similar import refer to this Deed of Trust in its entirety.

(a) "Including" means "including, but not limited to".

(b) References to Articles, Sections, and other subdivisions of this Deed of Trust are to the designated Articles, Sections and other subdivisions of this Deed of Trust as originally executed.

(c) The headings of this Deed of Trust are for convenience only and shall not define or limit the provisions hereof.

(d) All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

SECTION 2.2 Recitals Incorporated Herein by Reference. The Grantor acknowledges that the Recitals contained hereinabove are true and correct and agrees that the same are incorporated herein as a substantive part of this Deed of Trust.

ARTICLE 3

SECURED OBLIGATIONS

SECTION 3.1 Deed of Trust Secures Described Indebtedness. This Deed of Trust is executed and delivered by the Grantor to secure the payment and performance of the Secured Obligations; however, the Secured Obligations shall not include and there is expressly excepted therefrom any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security, including, but not limited to, items of indebtedness incurred pursuant to Chapter 4 or 15 of the Texas Credit Code as same be amended or remodified. Each and every item of the Secured Obligations including any and all renewals, rearrangements and extensions of all or any part of the Indebtedness described and included in this Section is intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Deed of Trust.

ARTICLE 4

GRANT OF MORTGAGED PROPERTIES

SECTION 4.1 Grant, Sale and Conveyance. For the purposes and trusts hereinafter set forth, and for TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration paid to the Grantor, the receipt and sufficiency of which are hereby acknowledged, the Grantor has GRANTED, SOLD, and CONVEYED, and by these presents does GRANT, SELL, and CONVEY, unto the Trustee, all the following described property (collectively, the "Mortgaged Properties"), to wit:

(a) those certain tract(s) or parcel(s) of land (the "Land") being situated in Bexar County, Texas, being more fully described as set forth in Exhibit A attached hereto and hereby referred to and incorporated herein for all purposes, together with all right, title and interest of the Grantor,

(f) other articles of personal property, tangible or intangible (together with those items described in subsections (b), (c), and (g), collectively, the "Personal Property") now or hereafter attached to or used in or about the Improvements or that are necessary or useful for the complete and comfortable use and occupancy of the Improvements for the purposes for which they are to be attached, placed, erected, constructed or developed, or which Personal Property is or may be used in or related to the planning, development, financing or operation of the Improvements, and all renewals of or replacements or substitutions for any of the foregoing, whether or not the same are or shall be attached to the Land or Improvements.

(g) building materials and equipment now or hereafter delivered to and intended to be installed in or on the Land or the Improvements.

(h) contracts now or hereafter entered into by and between the Grantor and the Original Contractor (as such term is defined by §53.001 of the TEX. PROP. CODE ANN., as amended) or between the Grantor and any other party, as well as all right, title and interest of the Grantor under any subcontracts, provided for the construction (original, restorative or otherwise) of any improvements to or on any of the Land or the furnishing of any materials, supplies, equipment or labor in connection with such construction.

(i) right, title and interest of the Grantor in and to all plans, specifications and drawings of the Improvements (including, but not limited to, plat plans, foundation plans, floor plans, elevations, framing plans, cross-section of walls, mechanical plans, electrical plans and architectural and engineering plans, and architectural engineering studies and analysis) heretofore or hereafter prepared by any architect or any engineer, relating to any of the Land.

(j) right, title and interest of the Grantor in and to all agreements now or hereafter entered into and with any party, including any assigned obligations, relating to architectural, engineering, management, development or consulting services rendered or to be rendered relating to planning, design, inspection or supervision of the construction management or development of any of the Land.

(k) completion bond, performance bond or labor and material payment bond or other bond relating to the Land or to any contract providing for construction of Improvements to the Land.

(l) Grantor's rights (but not its obligations) under any contracts relating to the Land, the Improvements, or the Personal Property.

(m) right, title, and interest of the Grantor in and to all contracts, permits, certificates, licenses, approvals, utility deposits, utility capacity, and utility rights issued, granted agreed upon, or otherwise provided by any governmental or private authority, person or entity relating to the ownership, development, construction, operation, maintenance, marketing, sale or use of the Land and/or the Improvements, including all of the Grantor's rights and privileges hereto or hereafter otherwise arising in connection with or pertaining to the Land and/or the Improvements, including, without limiting the generality of the foregoing, all water and/or sewer capacity, all water, sewer and/or other utility deposits or prepaid fees, and/or all water and/or sewer and/or other utility tap rights or other utility rights, any right or privilege of the Grantor under any loan commitment, lease, contract, management contract, service contract, warranty and computer software related to the Project, or other agreement with any third party pertaining to the ownership, development, construction, operation, maintenance, marketing, sale, or use of the Land and/or the Improvements.

201738579

8

(n) proceeds arising from or by virtue of the sale, lease or other disposition of the Land, the Improvements or the Personal Property.

(o) Net Proceeds (including premium refunds) of each policy of insurance relating to the Land, the Improvements or the Personal Property.

(p) Net Proceeds from the taking of any of the Land, the Improvements, the Personal Property or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law.

(q) right, title and interest of the Grantor in and to all streets, roads, public places, easements and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land.

(r) rights, hereditaments and appurtenances pertaining to the foregoing.

(s) interests of every kind and character that the Grantor now has or at any time hereafter acquires in and to the Land, Improvements, and Personal Property described herein and all property that is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of the Grantor with respect to such property.

TO HAVE AND TO HOLD the hereinabove described properties, together with the rights, privileges, and appurtenances thereto belonging (all of which properties, rights, privileges, and appurtenances are hereinafter collectively called the "Mortgaged Properties"), unto the Trustee and to its substitutes or successors forever, and the Grantor does hereby bind itself, its successors, assigns, and legal representatives to warrant and forever defend all and singular the Mortgaged Properties unto the Trustee, his successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, subject only to the Permitted Encumbrances.

SECTION 4.2 Grantor's Representations and Covenants Regarding Title. Without in any way limiting the above conveyance and the warranty herein contained, the Grantor represents itself to be the owner of all the Mortgaged Properties as hereinabove conveyed and, should any ambiguity exist in regard to the description of said properties, reference may be had to the Grantor's ownership of properties held by it in the survey(s), subdivision(s) or section(s) described in Exhibit A attached hereto and made a part hereof for further description of the properties herein conveyed, the Grantor agrees that it will, upon request by the holder of the Secured Obligations, execute any further instruments, amendments, or supplements desired to more adequately describe the Mortgaged Properties which it has agreed to make subject to this Deed of Trust.

SECTION 4.3 Conveyance is as a Deed of Trust. This conveyance, however, is intended as a deed of trust and security agreement and is made upon the following trusts, terms, and conditions, to wit: In the event the Grantor shall well and truly perform and pay the Secured Obligations (including payment of all principal and all interest and attorneys' fees and other amounts, if any, owing or to become owing thereon) to the legal holder thereof when the same shall become due or make provision for such payment such that there are no Secured Obligations that are outstanding, then this Deed of Trust and all herein contained shall be null and void and shall be released at the Grantor's cost and expense, otherwise this Deed of Trust shall continue in full force and effect; however, the Secured Obligation to indemnify and hold harmless the Beneficiary, the Trustee, the Indenture Trustee, the Holders, the Master Trustee, and their respective officers, directors, employees, agents, and attorneys pursuant to the provisions hereof shall survive any such payment or release.

20173857.9

9

SECTION 5.3 Affirmative Covenants. The Grantor shall, at the sole cost and expense of the Grantor:

(a) duly and punctually observe, perform and discharge, all of the material obligations, terms, covenants, conditions and warranties of the lessor under the Leases; and

(b) give prompt notice to the Beneficiary of any failure on the part of the Grantor to observe, perform and discharge the same or of any claim made by any lessee of any such failure by the Grantor, but only to the extent that such failure, or alleged failure is a material obligation of the Grantor under the Leases; and

(c) enforce in accordance with sound commercial practices the Leases, or secure the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or any guarantor; and

(d) use its best efforts to keep the Mortgaged Properties leased at a sufficient rental and on other terms and conditions reasonably acceptable to the Beneficiary; and

(e) at the request of the Beneficiary, execute a written instrument evidencing that the rights, title, and interest of the Grantor in and to, but none of its obligations, responsibilities or liabilities relating to such future Leases have been transferred and assigned to the Beneficiary in accordance with the terms and conditions as herein contained; and

(f) make, execute and deliver to the Beneficiary upon demand and at any time or times, any and all assignments and other documents and other instruments which the Beneficiary may deem advisable to carry out the true purposes and intent of this assignment.

SECTION 5.4 Negative Covenants. The Grantor shall not, except in compliance with the Bond Indenture or the Leases, and except as noted below and in the ordinary course of business:

(a) consent to any subletting of Mortgaged Properties or any part thereof, to any assignment of any Leases by any lessee thereunder, to any assignment or further subletting of any sublease; or

(b) pledge, transfer, mortgage or otherwise encumber or assign or permit an encumbrance upon future payments of Rents or any other interest of the Grantor in the Leases except as permitted by the Loan Agreement.

SECTION 5.5 Appointment of Attorney-in-Fact. Subject to the License as described and limited in Section 5.2, the Grantor hereby constitutes and appoints the Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of the Grantor, empowered and authorized in the name, place and stead of the Grantor to demand, sue for, attach, levy, recover and receive the Rents, or any premium or penalty payable upon the exercise by any lessee under any Leases of a privilege of cancellation originally provided in any such Leases, and to give proper receipts, releases, and acquittances therefor and, after deducting expenses of collection, to apply the net proceeds as a credit upon any portion of the Secured Obligations selected by the Beneficiary, notwithstanding the fact that such portion of the Secured Obligations may not then be due and payable or that such portion of the Secured Obligations is otherwise adequately secured; and the Grantor does hereby authorize and direct any such lessee to deliver such payment to the Beneficiary, in accordance with this assignment, and the Grantor hereby ratifies and confirms all that its said attorney-in-fact shall do or cause to be done by virtue of the powers granted hereby. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges

20173857.9

11

ARTICLE 5

ASSIGNMENT OF RENTS

SECTION 5.1 Assignment. The Grantor does hereby GRANT, TRANSFER, ASSIGN and SET OVER unto the Beneficiary, its successors and assigns, the following:

(a) all rights, interests and estates of the Grantor in, to and under, but none of its obligations, responsibilities, or liabilities related to, any leases, now or hereafter made, executed or delivered, whether written or verbal, covering all or any portion of the Land, or the Improvements now or hereafter erected or constructed thereon, or any other portion of the Mortgaged Properties, together with all renewals, extensions, modifications and replacements thereof (such lease agreements, renewals, extensions, modifications and replacements thereof being hereinafter collectively called the "Leases"); and

(b) all rents, rentals, security deposits, royalties, bonuses, issues, profits, revenue, income, and other sums of money or benefits that may now or hereafter be derived from the Mortgaged Properties, but none of its obligations, responsibilities, or liabilities related to, or arising from the use or enjoyment of any portion thereof, or from any lease pertaining thereto, including but not limited to, liquidated damages arising from any default under a lease, amounts that may be collected from any guarantor of a lease, any proceeds payable under any insurance policy covering loss of rents, and any and all rights that the Grantor may have against any lessee, guarantor or sublessee under such Leases (hereinafter collectively called the "Rents").

The parties intend to establish an absolute transfer and assignment of all the rights, title, and interest of the Grantor in and to, but none of its obligations, responsibilities or liabilities relating to the Leases and the Rents to the Beneficiary and not just to create a security interest.

SECTION 5.2 Limited License. Although this assignment constitutes an absolute, present and current assignment of all Leases and Rents, so long as there exists no Event of Default hereunder (as defined in Article 8.1), the Grantor shall have the right under a limited license granted hereby, and the Beneficiary hereby grants to the Grantor a limited license (the "License") to collect (but not more than one month in advance or two months in advance where one month's rental is attributable to the next ensuing month and one month's rental is attributable to the last month in the lease term, if any, and is collected as security under the provisions of a written lease or rental agreement) all of the Rents arising from or out of the Leases or any renewals or extensions thereof, or from or out of the Mortgaged Properties or any part thereof. The Grantor shall receive such Rents and hold them in trust and as a trust fund to be applied, and the Grantor hereby covenants to apply the Rents so collected, first, to the satisfaction and discharge of the Secured Obligations and, second, to the satisfaction and discharge of all obligations under the Leases; thereafter, so long as there exists no Event of Default hereunder or under any of the other documents evidencing or securing the Secured Obligations the Grantor may use the Rents in any manner provided in the Loan Agreement. The License shall be revoked automatically upon the occurrence of an Event of Default hereunder or under any of the documents evidencing or securing the Secured Obligations, but to the extent the Grantor continues to collect the Rents after an Event of Default, the Grantor shall continue to hold the Rents in trust for the benefit of the Beneficiary. Upon the occurrence and continuation of an Event of Default, the Grantor shall cause the tenants under the Leases to pay Rents by check payable to the order of the Grantor or a name designated by the Grantor. Any such payment to the Beneficiary shall constitute payment to the Grantor under the Leases, and the Grantor hereby appoints the Beneficiary as the Grantor's lawful attorney-in-fact, coupled with an interest, for giving, and is hereby empowered to give, acquittances to any tenants for such payments and to give the Grantor's endorsement to any check made payable to the Grantor.

20173857.9

10

shall be exclusive in the Beneficiary, its successors and assigns, so long as any part of the Secured Obligations secured hereby remains unpaid and undischarged. A lessee need not inquire into the authority of the Beneficiary to collect any Rents, and its obligations to pay Rents to the Grantor shall be absolutely discharged to the extent of any payment to the Beneficiary. Subject to the License, the Grantor hereby constitutes and appoints the Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of the Grantor, empowered and authorized in the name and stead of the Grantor to subject and subordinate at any time any Leases or any part thereof to the lien and security interest of this Deed of Trust and the Loan Agreement, or to request or require such subordination in any case where the Grantor otherwise would have the right, power or privilege so to do, and to cause some or all of the provisions of any Leases that are subordinate to the lien and security interest of the Deed of Trust to become superior to this Deed of Trust and the Loan Agreement. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in the Beneficiary, its successors and assigns, so long as any Secured Obligations secured hereby remain unpaid and discharged, and the Grantor hereby warrants that the Grantor has not at any time prior to the date hereof exercised any such right, and the Grantor hereby covenants not to exercise any such right, to subordinate any such Leases to the lien of this Deed of Trust, the Loan Agreement, or to any other mortgage, deed of trust or security agreement or to any ground lease.

SECTION 5.6 Default. If an "Event of Default" under the Secured Obligations or any of the documents evidencing or securing the Secured Obligations shall have occurred, or if the Grantor shall fail to make any payment or fail to perform any other obligation, covenant or agreement contained in this assignment, or if there occurs an Event of Default as defined in this Deed of Trust, then the Beneficiary may, at its option, but subject to the prior written consent of the Owners of greater than fifty percent (50%) of the Outstanding Bonds, and shall at the written direction of the Owners of greater than fifty percent (50%) of the Outstanding Bonds, without notice and without regard to the adequacy of security for the Secured Obligations hereby secured, terminate the License, and either in person or by agent, with or without bringing any action or proceedings, or by a receiver to be appointed by court, enter upon, take possession of, manage and operate the Mortgaged Properties or any portion thereof; make, cancel, enforce or modify Leases to the same extent that the Grantor could do; obtain and evict lessees, and fix or modify Rents, and do any acts which the Beneficiary deems proper to protect the security hereof; and either with or without taking possession of the Mortgaged Properties, in its own name sue for or otherwise collect and receive such Rents (including lessee's security deposits and Rents that are past due and unpaid), and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any Secured Obligations secured hereby, in such order as the Beneficiary may determine subject to the provisions of the Loan Agreement and the Bond Indenture. Upon demand by the Beneficiary, the Grantor shall deliver to the Beneficiary all lessees' security deposits which the Grantor has in its possession or control. The entering upon and taking possession of the Mortgaged Properties or the collection of the Rents and security deposits and the application thereof as aforesaid, shall not cure or waive any default under the documents evidencing or securing the Secured Obligations, or waive, modify or affect notice of an Event of Default under this Deed of Trust or the documents evidencing or securing the Secured Obligations, or invalidate any act done pursuant to such notice. The Beneficiary may exercise its rights under this paragraph as often as any such Event of Default may occur, and the exercise of such right shall not constitute a waiver of any of the other remedies of the Beneficiary under this Deed of Trust or other document evidencing or securing the Secured Obligations.

SECTION 5.7 No Obligation of Beneficiary. It is understood that the Beneficiary's acceptance of this assignment shall not operate to place responsibility for the control, care, management or repair of the Mortgaged Properties upon the Beneficiary, nor for the carrying out of any of the terms and conditions of said Leases; nor shall it operate to make the Beneficiary responsible or liable for any waste committed on the Mortgaged Properties by the lessees or any other parties, or for any dangerous or defective condition of the Mortgaged Properties, or for any negligence in the management, upkeep, repair

20173857.9

12

or control of the Mortgaged Properties resulting in loss, injury or death to the Grantor or any lessee, licensee, employee or stranger. The Beneficiary shall not be liable for any loss sustained by the Grantor resulting from the Beneficiary's failure to let the Mortgaged Properties after default or from any other act or omission of the Beneficiary in dealing with the Mortgaged Properties after default. The Beneficiary shall not be obligated to perform or discharge, nor does the Beneficiary hereby undertake to perform or discharge, any obligation, duty or liability under any of the Leases or under or by reason of this assignment and THE GRANTOR RELEASES THE ISSUER, THE COUNTY, THE TRUSTEE, AND THE INDENTURE TRUSTEE FROM, AGREES THAT THE ISSUER, THE COUNTY, THE TRUSTEE, AND THE INDENTURE TRUSTEE SHALL NOT BE LIABLE FOR, AND INDEMNIFIES THE ISSUER, THE COUNTY, THE TRUSTEE, AND THE INDENTURE TRUSTEE AGAINST, ALL LIABILITIES, LOSSES, DAMAGES (INCLUDING REASONABLE ATTORNEYS' FEES), CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS OF ANY NATURE IMPOSED UPON OR ASSERTED AGAINST THE ISSUER, THE COUNTY, THE TRUSTEE, OR THE INDENTURE TRUSTEE, ON ACCOUNT OF (i) ANY LOSS OR DAMAGE TO PROPERTY OR INJURY TO OR DEATH OF OR LOSS BY ANY PERSON THAT MAY BE OCCASIONED BY ANY CAUSE WHATSOEVER PERTAINING TO THE CONSTRUCTION, MAINTENANCE, OPERATION AND USE OF THE PROJECT; (ii) ANY BREACH OR DEFAULT ON THE PART OF THE GRANTOR IN THE PERFORMANCE OF ANY COVENANT OR AGREEMENT OF THE GRANTOR UNDER THIS DEED OF TRUST, THE LOAN DOCUMENTS OR ANY RELATED DOCUMENT, OR ARISING FROM ANY ACT OR FAILURE TO ACT BY THE GRANTOR, OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, TENANTS OR LICENSEES; (iii) VIOLATION BY THE GRANTOR, ANY PARTNER OF THE GRANTOR OR ANY AFFILIATE THEREOF OF ANY LAW, ORDINANCE OR REGULATION AFFECTING THE OWNERSHIP, OCCUPANCY OR USE OF THE PROJECT; (iv) THE AUTHORIZATION, ISSUANCE AND SALE OF THE BONDS, AND THE PROVISION OF ANY INFORMATION FURNISHED BY THE GRANTOR IN CONNECTION THEREWITH CONCERNING THE PROJECT OR THE GRANTOR OR ARISING FROM (1) ANY ERRORS OR OMISSIONS OF ANY NATURE WHATSOEVER SUCH THAT THE BONDS, WHEN DELIVERED TO THE BONDOWNERS, ARE NOT VALIDLY ISSUED AND BINDING OBLIGATIONS OF THE ISSUER, OR (2) ANY FRAUD OR MISREPRESENTATIONS OR OMISSIONS CONTAINED IN THE PROCEEDINGS OF THE ISSUER OR THE INDENTURE TRUSTEE, IN EITHER CASE WITH RESPECT TO, OR AS A RESULT OF, MATERIALS FURNISHED IN WRITING BY THE GRANTOR RELATING TO THE ISSUANCE OF THE BONDS WHICH, IF KNOWN TO THE ORIGINAL PURCHASER OF THE BONDS, WOULD REASONABLY BE A MATERIAL FACTOR IN ITS DECISION TO PURCHASE THE BONDS; (v) FAILURE TO PAY REBATABLE ARBITRAGE WHEN REQUIRED; (vi) ANY CLAIM OR ACTION OR PROCEEDING WITH RESPECT TO THE MATTERS SET FORTH IN SUBSECTIONS (i), (ii), (iii), (iv) AND (v) ABOVE BROUGHT THEREON; AND (vii) AS TO THE ISSUER AND THE COUNTY ONLY, ITS ACTS OR OMISSIONS UNDER THIS DEED OF TRUST OR THE BOND INDENTURE ARISING FROM ANY CLAIM WHATSOEVER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY OR OTHERWISE IN CONNECTION WITH THE PROJECT, THE BONDS, OR ANY DOCUMENT (OR AMENDMENT THERETO) RELATING THERETO DELIVERED IN CONNECTION WITH THE PROJECT OR THE BONDS. THE GRANTOR DOES NOT HEREBY RELEASE THE ISSUER, THE COUNTY, OR THE INDENTURE TRUSTEE FROM, OR AGREE THAT ANY OF THEM SHALL NOT BE LIABLE FOR, OR INDEMNIFIED OR HELD HARMLESS AGAINST ANY LIABILITIES, LOSSES, DAMAGES (INCLUDING ATTORNEYS' FEES), CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS OF ANY NATURE IMPOSED UPON OR ASSERTED AGAINST ANY OF THEM ON ACCOUNT OF, WITH RESPECT TO EACH OF THE ISSUER AND THE COUNTY, ITS WILLFUL MISCONDUCT OR FRAUD, OR, WITH RESPECT TO THE INDENTURE TRUSTEE, ITS NEGLIGENCE, WILLFUL MISCONDUCT, OR FRAUD, BUT THE GRANTOR DOES RELEASE AND INDEMNIFY THE ISSUER AND THE COUNTY FOR CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS BASED UPON ALLEGATIONS OF ORDINARY NEGLIGENCE AND GROSS NEGLIGENCE.

(a) In case any action or proceeding is brought against the Issuer, the County, the Trustee, or the Indenture Trustee (each an "Indemnified Party") in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or

(d) except in the ordinary course of business, except as indicated in the Leases, the Grantor has not received any funds or deposits from any lessee for which credit has not already been made on account of accrued Rents; and

(e) no settlement for damages for termination of any of the Leases under the United States Bankruptcy Code or under any other federal, state, or local statute shall be made without the prior written consent of the Beneficiary, and any check in payment of such damages shall be made payable to both the Grantor and the Beneficiary, and the Grantor agrees to endorse any check for such payment to the order of the Beneficiary, to be applied to the Indebtedness as the Beneficiary may elect.

SECTION 5.10 Termination of Assignment of Leases. Upon the payment or performance in full of the Secured Obligations, this assignment shall become void and of no effect, but the affidavit of any officer or loan correspondent of the Beneficiary stating that any part of the Indebtedness remains unpaid shall be and constitute evidence of the validity, effectiveness and continuing force of this assignment, and any person may and is hereby authorized to rely thereon.

SECTION 5.11 Right to Enforce the Leases. In exercise of the rights and powers created under this Article, if an Event of Default has occurred or is continuing under the Bond Indenture, the Grantor specifically agrees that the Beneficiary, the Beneficiary's agent, or the Indenture Trustee, as such party may see fit, may do any of the following: (i) use against the Grantor or any other persons lawful or peaceable means to enforce the collection of any such rents, revenues, profits, and income; (ii) secure possession of the Mortgaged Properties, or any part thereof; settle or compromise on any terms the liability of any person or persons for any such rents, revenues, profits, or income; institute and prosecute to final conclusion actions of forcible entry and detainer, or actions of trespass to try title, or actions for damages, or any other appropriate actions, in the name of such person or in the name of the Grantor; and (iii) settle, compromise, or abandon any such actions. In furtherance of the foregoing and not by way of limitation, the Grantor binds itself to take whatever lawful or peaceful steps the Beneficiary may ask it to take for such purposes, including the institution and prosecution of actions of the character above stated; however, the Grantor recognizes that neither the Indenture Trustee, the Beneficiary, or any person acting on behalf of the Beneficiary shall ever be required to collect any such rents or income or be liable or chargeable for failure so to do. All money collected by the Beneficiary shall be applied to the Secured Obligations as provided in the Bond Indenture.

SECTION 5.12 Beneficiary Not Mortgagee-in-Possession. Neither the foregoing assignment of Rents and Leases to the Beneficiary, nor the exercise by the Beneficiary of any of its rights or remedies hereunder shall be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties, unless the Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Mortgaged Properties by any court at the request of the Beneficiary or by agreement with the Grantor, or the entry into possession of the Mortgaged Properties by such receiver, be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties.

ARTICLE 6

SECURITY AGREEMENT

SECTION 6.1 Grant of Security Interest. Without limiting any of the other provisions of the Loan Agreement and this Deed of Trust, the Grantor, as Debtor (referred to in this Article 6 as "Debtors," whether one or more), expressly GRANTS unto the Beneficiary, as Secured Party (referred to in this Article as "Secured Party," whether one or more), a security interest in all the Mortgaged

proceeding to the Grantor, and the Grantor upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding, provided that failure of a party to give that notice shall not relieve the Grantor from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Grantor. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party. If the Indemnified Party is advised in an opinion of counsel that there may be conflicting interests between the Grantor and the Indemnified Party or legal defenses available to the Indemnified Party which are different from or in addition to those available to the Grantor or if the Grantor shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose reasonably satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Grantor. The Grantor shall be responsible for the reasonable counsel fees, costs, and expenses of the Indemnified Party in conducting its defense under the circumstances described in the preceding sentence.

(b) The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers, staff and employees of the Indemnified Party. That indemnification is intended to and shall be enforceable by the Indemnified Party to the full extent permitted by law.

(c) Nothing in this Section shall require the Grantor to satisfy or pay any claims settled by an Indemnified Party without the prior written consent of the Grantor.

SECTION 5.8 No Waiver of Beneficiary's Rights. Nothing contained in this assignment and no act done or omitted by the Beneficiary pursuant to the powers and rights granted to it hereunder shall be deemed to be a waiver by the Beneficiary of its other rights and remedies under the Loan Agreement, the Note, the Bond Indenture, this Deed of Trust, the Master Indenture, or other document evidencing or securing the Secured Obligations, and this assignment is made and accepted without prejudice to any of the other rights and remedies possessed by the Beneficiary under the terms of the Loan Agreement, the Note, the Bond Indenture, this Deed of Trust, the Master Indenture and other documents evidencing or securing the Secured Obligations. The right of the Beneficiary to collect the principal sum, interest and other indebtedness under the Bonds and to enforce any security therefor held by it may be exercised by the Beneficiary either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

SECTION 5.9 Warranties Concerning Leases and Rents. The Grantor represents and warrants to the Beneficiary that, to the best of Grantor's current actual knowledge:

(a) the Grantor has good title to the Leases and Rents hereby assigned and the authority to assign them, and no other person or entity has any right, title or interest therein, and no Rents have been or will be assigned, mortgaged or pledged;

(b) all existing Leases are valid, unmodified and in full force and effect, and no material default exists thereunder;

(c) except in the ordinary course of business, no Rents have been or will be, without the Beneficiary's prior written consent, anticipated, waived, released, discounted, setoff or compromised;

Properties (including both those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code—Secured Transactions (Chapter 9, Texas Business and Commerce Code, as in force without regard to the Revised Article 9 of the Uniform Commercial Code) (hereinafter called the "Uniform Commercial Code").

SECTION 6.2 Debtors' Covenants. Debtors covenant and agree with Secured Party as follows:

(a) In addition to any other remedies granted in this Deed of Trust to Secured Party or the Indenture Trustee (including specifically, but not limited to, the right to proceed against all the Mortgaged Properties in accordance with the rights and remedies in respect of those Mortgaged Properties which are real property pursuant to section 9.604 of the Uniform Commercial Code), Secured Party may, should an Event of Default occur and be continuing, proceed under the Uniform Commercial Code as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to sell, at one or more public or private sales, or otherwise dispose of, lease, or utilize the Collateral and any part or parts thereof in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party, and toward payment of the Secured Obligations in such order or manner as Secured Party may elect.

(b) Among the rights of Secured Party upon occurrence and continuance of an Event of Default and without limitation, Secured Party shall have the right, by any lawful means, to take possession of the Collateral or any part thereof and to enter, in any lawful manner, upon any premises where same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned, and to take any lawful action deemed necessary or appropriate or desirable by Secured Party, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

(c) To the extent permitted by law and except as otherwise provided in the Loan Agreement, Debtors expressly waive any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder, and, to the extent any such notice is required and cannot be waived, Debtors agree that, if such notice is mailed, postage prepaid, to Debtors at the address shown opposite Debtors' signatures hereinbelow at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(d) Upon occurrence and continuance of an Event of Default, Secured Party is hereby granted the express right, at its option, to transfer to itself or to its nominee, the Collateral, or any part thereof, to notify any obligor or account debtor in the case of any Collateral to make payment directly to Secured Party, and to receive the money, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for the Secured Obligations or to apply the same on the principal and interest or other amounts owing on any of the Secured Obligations, whether or not then due, in such order or manner as Secured Party may elect, subject to the Loan Agreement and the Bond Indenture. With respect to the Collateral, Debtors, for themselves, their heirs and assigns, hereby expressly and specifically waive all rights to a marshaling of the assets of Debtors, including the Collateral, or to a sale in inverse order of alienation.

(e) All recitals in any instrument of assignment or any other instrument executed by Secured Party or by the Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein, no other proof shall be requisite to establish full legal propriety of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action or of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred. Proceeds of any sale of the collateral shall be applied to the Secured Obligations as set out in Section 9.5.

(f) Secured Party may require Debtors to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtors shall be fully liable for all expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Collateral which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses, and costs, all of which expenses and costs shall constitute a part of the Secured Obligations.

(g) Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the real estate hereinabove described, and this Deed of Trust upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral which is or may become fixtures. Debtors have an interest of record in the real estate.

(h) Any copy of this Deed of Trust which is signed by Debtors or any carbon, photographic, or other reproduction of this Deed of Trust may also serve as a financing statement under the Uniform Commercial Code by Debtors, whose addresses are set opposite their respective signatures hereinbelow, in favor of Secured Party, whose address is set out hereinabove.

(i) So long as any Secured Obligations remain outstanding, unless the prior written specific consent and approval of Secured Party shall have first been obtained, Debtors will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder.

SECTION 6.3 Debtors' Warranties and Representations. Debtors warrant and represent to Secured Party that, except for the security interest granted hereby in the Collateral, Debtors are the owners and holders of the Collateral, free of any adverse claim, security interest or encumbrance (other than as disclosed in Exhibit B hereto), and Debtors agree to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Debtors further warrant and represent with respect to the Collateral that they have not heretofore signed any financing statement and that no financing statements signed by Debtors are now on file in any public office except those statements true and correct copies of which have been delivered to Secured Party.

ARTICLE 7

CERTAIN COVENANTS AND WARRANTIES OF THE GRANTOR

SECTION 7.1 Covenants and Warranties of the Grantor. As further assurances with regard to the Secured Obligations, the Grantor hereby covenants, warrants, and agrees in favor of the Beneficiary, as follows:

20173857.9

17

when known by the Grantor, and will diligently endeavor to cure any defect which may be developed or claimed, and will take all necessary and proper steps for the defense of such action or proceeding, including the employment of counsel, the prosecution or defense of litigation, and, subject to the Beneficiary's approval, in its sole reasonable discretion, the compromise, release, or discharge of any and all adverse claims. If the Grantor fails to perform its obligations under this Section promptly, or if the positions of the Grantor, the Beneficiary and Indenture Trustee are not identical, each of Indenture Trustee and the Beneficiary (whether or not named as a party to such actions or proceedings and with or without Trustee) is hereby authorized and empowered (but shall not be obligated) to take such additional steps as it may deem necessary or proper for the defense of any such action or proceeding or the protection of the lien, security interest, validity, enforceability, or priority of this instrument or of such title or rights, including the employment of counsel, the prosecution or defense of litigation, the compromise, release or discharge of such adverse claims, the purchase of any tax title, and the removal of such prior liens and security interests. The Grantor shall, on demand, reimburse the Beneficiary for all expenses (including reasonable attorneys' fees and disbursements) incurred by it (directly or indirectly on its behalf by the Indenture Trustee) in connection with the foregoing matters. All such costs and expenses of the Beneficiary, until reimbursed by the Grantor, shall be part of the Secured Obligations and shall be deemed to be secured by this Deed of Trust.

SECTION 7.4 Compliance with Laws. The Grantor will perform and comply promptly with, and cause the Project to be maintained, used, and operated in accordance with, any and all (i) present and future laws, ordinances, rules, regulations, and requirements of every duly-constituted governmental or quasi-governmental authority or agency applicable to the Grantor or the Project, including, without limitation, the Americans with Disabilities Act of 1990 and the Fair Housing Act; (ii) similarly applicable orders, rules, and regulations of any regulatory, licensing, accrediting, insurance underwriting, or rating organization, or other body exercising similar functions; (iii) similarly applicable duties or obligations of any kind imposed under any Permitted Encumbrance or otherwise by law, covenant, condition, agreement, or easement, public or private; and (iv) policies of insurance at any time in force with respect to the Project. If the Grantor receives any notice that the Grantor or the Project is in default under or is not in compliance with any of the foregoing, or notice of any proceeding initiated under or with respect to any of the foregoing, the Grantor will promptly furnish a copy of such notice to the Beneficiary.

(a) **Zoning, Title Matters.** The Grantor warrants that the Project is currently zoned such that the Grantor may lawfully operate a continuing care facility thereon. The Grantor also warrants that it will not, without the prior written consent of the Beneficiary, such consent not to be unreasonably withheld or delayed, (i) initiate or support any zoning reclassification of the Mortgaged Properties, the Project, or the Improvements, seek any variance under existing zoning ordinances applicable to the Mortgaged Properties, the Project or the Improvements, or use or permit the use of the Mortgaged Properties, the Project, and Improvements in a manner which would result in such use becoming a non-conforming use under applicable zoning ordinances; (ii) modify, amend, or supplement any of the Permitted Encumbrances except utility distribution easements across the Land which will permit utility service to the Project; (iii) impose any restrictive covenants or encumbrances upon the Mortgaged Properties, execute or file any subdivision plat affecting the Mortgaged Properties, or the Improvements, or consent to the annexation of the Mortgaged Properties, or the Improvements to any municipality except utility distribution easements across the Land which will permit utility service to the Project; or (iv) permit or suffer the Mortgaged Properties, and the Improvements to be used by the public or any person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement.

(a) The Grantor hereby agrees and binds itself to perform and pay the Secured Obligations and every installment of principal and interest thereof promptly as the same becomes due or payable.

(b) The Grantor, to the extent same can lawfully be levied, hereby covenants and agrees to pay all taxes and assessments of every kind or character charged, levied, or assessed against the Mortgaged Properties or any part thereof, before any such taxes or assessments become delinquent; to pay all water, gas, sewer, electricity, and other utility rates and charges with regard to the Mortgaged Properties; to pay all maintenance fees or charges of any owners' association or like group assessed with respect to the Mortgaged Properties; to pay any ground rents or charges for any easement, license, or agreement existing for the benefit of the Mortgaged Properties; to pay any interest, costs or penalties with respect to the foregoing items; and, upon request of the Beneficiary, to furnish to the Beneficiary evidence of the timely payment of such items.

(c) The Land consists of one or more parcels assessed for purposes of Property Taxes as separate and distinct parcels from any other real property so that the Land shall never become subject to the lien of any Property Taxes levied or assessed against any real property other than the Land.

(d) The Grantor, shall, at its sole cost and expense, obtain and maintain the insurance coverage as described in the Master Indenture.

SECTION 7.2 Status of Project. The Grantor has, or will have prior to the Closing Date or prior to the first requisition to pay Project costs, all necessary certificates, licenses, and other approvals, governmental and otherwise, necessary for the construction of the Improvements, and all required zoning, building code, land use, environmental, and other similar permits or approvals, all of which are, or will be on the Closing Date or prior to the first requisition to pay Project Costs, in full force and effect and not subject to revocation, suspension, forfeiture, or modification, and all necessary certificates, licenses, and other approvals, governmental and otherwise, necessary for operation of the Project and Improvements and the conduct of its business thereat have been obtained or will be obtained prior to the Closing Date.

(a) The Grantor will cause all debts and liabilities of any character, including without limitation all debts and liabilities for labor, material and equipment and all debts and charges for utilities servicing the Project, incurred in the construction, maintenance, operation and development of the Project to be promptly paid, except for those being contested or bonded around in accordance with the applicable provisions of the Loan Agreement, the Master Indenture, or this Deed of Trust.

(b) The Project and Improvements are served by all utilities required for the contemplated construction and use thereof.

(c) All public roads and streets necessary to serve the Project and Improvements for the contemplated construction and use thereof have been completed or will be completed prior to the completion of construction, and will be serviceable, and have been dedicated to and formally accepted by the appropriate governmental entities.

SECTION 7.3 Defense of Title and Litigation. If the lien or security interest created by this Deed of Trust, or the validity, enforceability, or priority thereof or of this instrument or if title or any of the rights of the Grantor, Trustee, or the Beneficiary in or to the Project, shall be endangered or shall be attacked directly or indirectly or if any action or proceeding is instituted against the Grantor, the Indenture Trustee, or the Beneficiary with respect thereto, the Grantor will promptly notify the Beneficiary thereof

20173857.9

18

(b) **No Cooperative or Condominium.** The Grantor shall not operate or permit the Project or the Improvements to be operated as a cooperative, condominium, or other form of ownership in which the lessees or other occupants thereof participate in the ownership, control, or management of the Project, or any part thereof, as lessees, stockholders, or otherwise; provided, it shall not be a breach of this subsection for persons who are residents of the Project to participate in meetings of the board of directors of the Grantor.

(c) **Repair.** The Grantor hereby covenants and agrees to keep and maintain the Improvements now or at any time hereafter constituting a portion of the Mortgaged Properties in a state of good repair and condition; to make all repairs, replacements, reconstructions and restorations necessary to keep such Improvements in such condition; and, without the prior written consent of the Beneficiary, not to tear down or remove or permit to be torn down or removed any such Improvements now existing or hereafter erected.

(d) **Lien Priority.** The Grantor covenants and agrees that, should it be discovered after the execution and delivery hereof, that there is a lien or encumbrance of any nature whatsoever (other than Permitted Encumbrances) upon the Mortgaged Properties or any part thereof, equal or superior in rank to the lien of this Deed of Trust, or in case of an error or defect herein, or the execution or acknowledgment hereof, the Grantor shall immediately give written notice, together with a copy of such lien or encumbrance, to the Beneficiary and shall immediately thereafter, but in no event later than thirty (30) days of discovery of such lien or encumbrance, correct such defects in such title, or remove said liens or encumbrances or homestead claim, or correct such error or defect in this Deed of Trust or its execution or any acknowledgment hereof and provide evidence thereof to the Beneficiary.

(e) **Possession After Sale.** The Grantor covenants and agrees that, after any sale under this Deed of Trust, it, or its successors or assigns, shall be mere tenants at sufferance of the purchaser of the property at said sale, and that such purchaser shall be entitled to immediate possession thereof, and that, if the Grantor fails to vacate such property immediately, such purchaser may and shall have the right to go into any justice court having venue, or in any other court hereafter having jurisdiction of forcible detainer actions, and file an action in forcible detainer, which action shall lie against the Grantor or its successors or assigns as tenants at sufferance.

(f) **Subrogation.** The Grantor expressly agrees that the Beneficiary shall be fully subrogated to the rights of all holders of any vendor's liens or other liens whose indebtedness is paid in whole or in part with the proceeds of the Secured Obligations. To the extent that the Secured Obligations represent funds advanced for the acquisition of any of the Mortgaged Properties, the Grantor acknowledges and agrees that the Beneficiary is entitled to a vendor's lien securing the payment of said indebtedness, and the Grantor further specifically covenants, stipulates and agrees that foreclosure under the power of sale contained in this Deed of Trust shall operate fully to foreclose such vendor's lien.

(g) **Due on Sale.** The Grantor covenants and agrees that the Beneficiary shall treat any sale, transfer, or conveyance of the Mortgaged Properties or any interest therein (or otherwise, as provided in and in accordance with the Loan Agreement, the Master Indenture, and the Bond Indenture), as an Event of Default, and thereupon may invoke any remedies permitted by this Deed of Trust.

(h) **No Pledges or Mortgages.** The Grantor covenants and agrees that the Beneficiary may treat any mortgage, pledge, hypothecation, or encumbrance of the Mortgaged Properties or

20173857.9

19

20173857.9

20

any interest therein other than the Permitted Encumbrances (collectively referred to as the "Pledge"), whether or not such Pledge is expressly subordinate to the lien of this Deed of Trust, as an Event of Default and thereupon may invoke any remedies permitted by this Deed of Trust.

(j) **Personalty.** The Grantor shall not sell, convey or otherwise transfer or dispose of its interest in any machinery or equipment in which the Beneficiary has a security interest pursuant to any Document without the prior written consent of the Beneficiary, unless (i) such machinery or equipment has become unnecessary for the purposes it was originally intended to serve or (ii) such machinery or equipment is inadequate, obsolete or worn out and is being replaced in the ordinary course of business with other machinery or equipment to the extent necessary to perform the functions served by such inadequate, obsolete or worn out machinery or equipment, or (iii) the sale, conveyance, transfer of other disposition of such machinery or equipment will not adversely affect the financial condition of the Grantor or the operations of the Project.

(j) **Notice of Loss and Taking.** The Grantor will give the Beneficiary prompt notice of any casualty loss, threat of Condemnation, Condemnation, or taking affecting all or any portion of the Mortgaged Properties.

(k) **Payment After Default.** In the event the Secured Obligations shall become due and payable by virtue of an Event of Default, the Grantor agrees that any tender of payment of the Secured Obligations prior to a foreclosure sale shall, at the option of the Beneficiary, be deemed a voluntary prepayment by the Grantor requiring the payment of any prepayment penalty, or redemption premium required under the terms of the documents evidencing the Secured Obligations to the full extent that such payment, when added to all other amounts then and therefore paid and which constitute interest, would not exceed the maximum lawful interest permitted to be charged of the Grantor.

SECTION 7.5 Indemnification. THE GRANTOR HEREBY AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE ISSUER, THE COUNTY, THE TRUSTEE, THE INDENTURE TRUSTEE, AND THEIR RESPECTIVE OFFICERS, COMMISSIONERS, MEMBERS, DIRECTORS, OFFICIALS, AGENTS, ADVISORS, COUNSEL, AND EMPLOYEES AND EACH OF THEM (EACH AN "INDEMNIFIED PARTY") FROM AND AGAINST, ANY AND ALL ACTUAL OUT-OF-POCKET LOSS OR EXPENSE SUFFERED OR INCURRED BY ANY INDEMNIFIED PARTY TO THE EXTENT CAUSED BY CLAIMS, JOINT OR SEVERAL, BY OR ON BEHALF OF ANY PERSON ARISING FROM ANY UNTRUE STATEMENT OR OMISSION OR ALLEGED UNTRUE STATEMENT OR OMISSION OF A MATERIAL FACT BY GRANTOR IN CONNECTION WITH TRANSACTIONS CONTEMPLATED HEREBY OR OTHERWISE IN CONNECTION WITH THE MORTGAGED PROPERTIES, THE BONDS AND WITH RESPECT TO THE INDENTURE TRUSTEE, ACCEPTANCE OR ADMINISTRATION OF THE TRUST IMPOSED BY THE BOND INDENTURE, OR THE EXECUTION OR AMENDMENT OF ANY DOCUMENT RELATING THERETO, AND ALL REASONABLE ACTUAL OUT-OF-POCKET COSTS, COUNSEL FEES, EXPENSES OR LIABILITIES INCURRED IN CONNECTION WITH ANY SUCH CLAIM, OR PROCEEDING BROUGHT THEREON, EXCEPT TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE BAD FAITH, NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY (OK, AS TO THE ISSUER OR THE COUNTY, ITS WILLFUL MISCONDUCT OR BAD FAITH OR FRAUD ON ITS PART). IN THE EVENT THAT ANY ACTION OR PROCEEDING IS BROUGHT AGAINST ANY INDEMNIFIED PARTY WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT HEREUNDER, THE GRANTOR, UPON WRITTEN NOTICE FROM THE INDEMNIFIED PARTY, SHALL ASSUME THE PAYMENT OF ALL EXPENSES RELATED THERETO.

NOTWITHSTANDING THE FOREGOING, UPON ANY PERMITTED TRANSFER OF THE MORTGAGED PROPERTY TO ANOTHER PERSON, THE RELEASE OF THE MORTGAGED PROPERTY FROM THE LIEN OF THIS DEED OF TRUST, THE FORECLOSURE OF THE LIEN OF THIS DEED OF TRUST, THE

APPOINTMENT OF A RECEIVER OR THE OCCURRENCE OF ANY OTHER EVENT WHICH DIVESTS THE GRANTOR OF CONTROL OF THE MORTGAGED PROPERTY OR THE RECEIPTS THEREOF (EACH, A "TRANSFER"), THE GRANTOR SHALL REMAIN OBLIGATED TO INDEMNIFY EACH INDEMNIFIED PARTY PURSUANT TO THIS SECTION WITH RESPECT TO (BUT ONLY WITH RESPECT TO) ACTS OCCURRING PRIOR TO THE DATE OF SUCH TRANSFER (IRRESPECTIVE OF WHEN A CLAIM IS ACTUALLY MADE), PROVIDED THAT EXCEPT AS TO THE ISSUER, THE INDEMNITY PROVISIONS OF THIS SECTION (AS SO LIMITED) SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT, SUCH TRANSFER OR OTHER DISPOSITION OF A MORTGAGED PROPERTY FOR A PERIOD OF TWO YEARS. THE RIGHTS OF THE ISSUER HEREUNDER SHALL NOT TERMINATE AT SUCH TIME.

THE GRANTOR HEREBY FURTHER INDEMNIFIES, AND AGREES TO DEFEND AND HOLD HARMLESS, THE ISSUER, ANY MEMBER, OFFICER, OFFICIAL OR EMPLOYEE OF THE ISSUER, AND EACH PERSON, IF ANY, WHO CONTROLS THE ISSUER, INCLUDING, WITHOUT LIMITATION, THE COUNTY, AND ANY OFFICIAL THEREOF, WITHIN THE MEANING OF SECTION 15 OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE TRUSTEE, ITS OFFICERS, DIRECTORS, OFFICIALS OR EMPLOYEES AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES WHATSOEVER CAUSED BY ANY UNTRUE OR MISLEADING STATEMENT OR OMISSION BY GRANTOR, OR ALLEGED UNTRUE OR MISLEADING STATEMENT OR OMISSION BY GRANTOR, OF A MATERIAL FACT CONTAINED IN ANY OFFICIAL STATEMENT RELATING TO THE BONDS AND NOT SUPPLIED FOR USE THEREIN BY ANY INDEMNIFIED PARTY ("OFFICIAL STATEMENT") OR THE OMISSION OR ALLEGED OMISSION OF SUCH MATERIAL FACT OF ANY OFFICIAL STATEMENT, NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE THEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING.

SECTION 7.6 Environmental Audit. At any time and from time to time, that Beneficiary shall reasonably believe that any hazardous substance shall have been disposed of on or released onto the Mortgaged Properties, Grantor agrees to deliver to Beneficiary, within sixty (60) days of a written request by Beneficiary, an environmental audit prepared by an environmental consulting firm acceptable to Beneficiary in Beneficiary's reasonable judgment, at Grantor's cost and expense, detailing the results of an environmental investigation of the suspected release or disposal at the Mortgaged Properties prepared in accordance with prudent engineering standards, including, without limitation, where appropriate, the in accordance with a chemical analysis of soil and ground water samples. Grantor covenants and agrees to take such action as required by any Applicable Environmental Law (hereinafter defined) in connection with any hazardous substances investigated by the environmental audit which may be located on the Mortgaged Properties as a result of such release or disposal, including, without limitation, asbestos.

ARTICLE 8

DEFAULTS

SECTION 8.1 Event of Default. Should any of the following events or conditions occur, the same shall constitute an event of default under this Deed of Trust (herein called "Event of Default"):

(a) the Grantor shall fail or refuse to pay all or any portion of the Secured Obligations when due, subject to any grace periods applicable to such payments in the Documents evidencing such Secured Obligations;

(b) the Grantor shall fail to perform or to fulfill in a timely manner any other of the Secured Obligations, including specifically, but not limited to, the covenants and obligations of the Grantor contained in this Deed of Trust, subject to any applicable grace periods contained in this Deed of Trust or the Documents;

(c) any warranty or representation of the Grantor set forth in this Deed of Trust or the Documents shall prove untrue in any material respect;

(d) any event of default under the Loan Agreement, the Master Indenture, the Bond Indenture or other Document.

SECTION 8.2 Remedies. Upon the occurrence of an Event of Default, so long as such default remains uncured, the Beneficiary shall have the option and right to take any one or more of the following actions: (i) without demand, presentment, notice of intent to accelerate, notice of acceleration, or other notice or demand, all of which are expressly waived by the Grantor, declare the Secured Obligations immediately due and payable, (ii) proceed to enforce the lien of this Deed of Trust, and (iii) pursue any and all other remedies available to the Beneficiary whether set forth herein, in the Bond Indenture or otherwise available at law or in equity.

SECTION 8.3 Remedies Cumulative. Each of the rights and remedies set forth in this Deed of Trust or available at law or in equity shall be cumulative and concurrent, may be pursued jointly or severally against the Grantor or any of the Mortgaged Properties, and shall be nonexclusive. The election to pursue any such right or remedy shall not be deemed a waiver, then or thereafter, to pursue any other such right or remedy.

SECTION 8.4 No Waiver. The acceptance of payment of any portion of the Secured Obligations after its due date or after the giving of notice of an Event of Default and of election to accelerate the maturity of the Secured Obligations shall not waive any right of the Beneficiary to require prompt payment when due of all other sums constituting Secured Obligations or to declare an Event of Default for failure to pay the entire unpaid balance of the Secured Obligations, or any right of the Beneficiary to proceed with foreclosure sale pursuant to any such notice and acceleration for any unpaid balance of the Secured Obligations. Waiver of a right granted to the Beneficiary as to one transaction or occurrence shall not be deemed a waiver of such right as to any subsequent transaction or occurrence.

ARTICLE 9

CERTAIN REMEDIES; POWER OF SALE

SECTION 9.1 Beneficiary's Right to Advance. In the event that the Grantor fails or refuses to pay any taxes or assessments upon the Mortgaged Properties before the same become delinquent, fails to take out or procure or maintain such insurance as is required by the Master Indenture or this Deed of Trust, or fails to perform any other covenant or to pay any other obligation of the Grantor set forth in the Bond Indenture, the Loan Agreement, the Master Indenture, or this Deed of Trust or set forth in any other agreement or instrument evidencing or securing the Secured Obligations, then in any such case the Beneficiary, at its option and without any obligation to do so, may pay any such taxes or assessments (without being required to examine the legality or justice of same), take out or procure such insurance, or tender such performance or payment. All amounts advanced by the Beneficiary as aforesaid shall be due and payable upon demand, shall become a part of the Secured Obligations, shall bear interest from the date such payments are advanced until the repayment thereof at the highest nonusurious rate of interest set forth in the instruments evidencing the Secured Obligations, and shall be fully secured by the liens, assignments, and security interest of this Deed of Trust. Any amounts so paid, as well as the time of payment thereof, shall be deemed fully established by the affidavit or certificate of the Indenture Trustee, the Master Trustee, the Issuer or Beneficiary. The Grantor agrees that the payment of such taxes or assessments, the procuring and maintaining of such insurance, or the tendering of any such performance or payment by the Beneficiary shall not prevent the Beneficiary from declaring the Secured Obligations to

be due and payable under the provisions hereof by reason of such Event of Default and pursuing any other remedies available to the Beneficiary should the Beneficiary so elect.

SECTION 9.2 Request to Act. Upon failure to perform or to pay the Secured Obligations, or any part thereof, when the same shall become due, in whatever way the maturity thereof may be brought about, it shall thereupon, or at any time thereafter while any part of the Secured Obligations remains undischarged, be the duty of the Trustee, or her successors, as hereinafter provided, at the request of the Beneficiary made pursuant to the Bond Indenture, to enforce this trust and to sell the Mortgaged Properties. The Trustee may sell the Mortgaged Properties as an entirety or in parcels, by one sale or by several sales, held at one time or at different times, all as the Trustee may elect, each sale to be held at the location within the county courthouse designated for the holding of nonjudicial foreclosure sales by the Commissioners Court of any county in which a part of the real property to be sold is situated (or if no area has been so designated, then in an area within said courthouse described in the notice referred to in Section 9.3) and to be made on the first Tuesday of some month between the hours of 10 o'clock a.m. and 4 o'clock p.m. to the highest bidder for cash at public venue, after the Trustee (or a person or persons selected by the Trustee) and the Beneficiary shall have given notices of the proposed sale in the manner hereinafter set forth, and to make due conveyance to the purchaser or purchasers, with general warranty of title (subject to Permitted Encumbrances) to such purchaser or purchasers binding upon the Grantor, its successors and assigns. Such sale must begin at the time stated in the notice referred to in Section 9.3 or not later than three hours after that time. The Grantor, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of the Grantor, including the Mortgaged Properties, or to a sale in inverse order of alienation.

SECTION 9.3 Required Notices. The Trustee (or a person or persons selected by the Trustee) shall give notice of each such proposed sale by posting written notice of the time, place, and terms of sale at the courthouse door, and by filing a copy of such written notice in the office of the county clerk, of the county in which the sale is to be made for at least twenty-one (21) consecutive days preceding the date of the sale. Where real properties to be sold are situated in more than one county, one notice shall be posted at the courthouse door, and a copy of such notice shall be filed with the county clerk, of each county in which a part of the real properties to be sold is situated, and such notices shall designate the county where such real properties will be sold, which may be any county in which a part of said real properties is situated. In addition to the foregoing notice or notices to be posted and filed by the Trustee (or a person or persons selected by the Trustee), the Beneficiary shall, at least twenty-one (21) days preceding the date of sale, serve or cause to be served, written notice of the proposed sale by certified mail on each debtor obligated to pay such indebtedness according to the records of the Beneficiary. The service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to each such debtor at the most recent address (which shall be within the United States of America) as shown by the records of the Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. If the real property described in Exhibit A hereto is used as the residence of a debtor obligated to pay the Secured Obligations, then, notwithstanding any agreement to the contrary, the Beneficiary shall serve such debtor with written notice by certified mail stating that such debtor is in default under this Deed of Trust, and such debtor must be given at least twenty days to cure the default before the entire Secured Obligations are due and notice of sale pursuant to this Section is given. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. In this respect and to the full extent it may legally do so, the Grantor also expressly covenants, stipulates, and agrees that: (i) the address of the Grantor set out in Article 13 shall be deemed and considered conclusively to be and remain at all times the most recent address of all debtors obligated to pay such indebtedness as shown by the records of the Beneficiary, provided such address may be changed to some other address within the United States of America from time to time only by express written notice of change thereof signed by all debtors obligated to pay such indebtedness and actually delivered to

and received by the Beneficiary and setting forth a new address which shall be within the United States of America and which shall be deemed and considered conclusively to be and remain at all times thereafter the most recent address of all debtors obligated to pay such indebtedness as shown by the records of the Beneficiary until changed in the manner herein provided. (ii) the records of the Beneficiary shall not be deemed to reflect any change in the name or identity of the debtors obligated to pay the indebtedness (to whom notice of a proposed sale shall be required to be mailed as provided for above) unless and until express written notice of such change signed by all debtors obligated to pay such indebtedness shall have been actually delivered to and received by the Beneficiary, and (iii) no notice of such sale or sales other than the notices hereinabove provided shall be required by this instrument to be given to the Grantor or any other persons, and any other notice is expressly waived.

SECTION 9.4 Compliance with Texas Property Code Requirements. The provisions of Section 9.3 with respect to posting, serving, filing, and giving notices of sale are intended to comply with the provisions of Section 51.002 of the Texas Property Code, as amended (in this Section such Section 51.002 being called the "Subject Statute"). In the event the requirement for any notice, or the posting, serving, filing, or giving thereof, under the Subject Statute shall be eliminated or the prescribed manner of posting, serving, filing, or giving same is modified by future amendment to the Subject Statute, the requirement for such particular notice shall be stricken from, or the manner of posting, serving, filing, or giving any notice hereunder modified in, this Deed of Trust in conformity with such amendment. The manner herein prescribed for posting, serving, filing, or giving any notice, other than that to be posted and filed or caused to be posted and filed by the Trustee, shall not be deemed exclusive, but such notice or notices may be posted, served, filed, or given in any other manner which may be permitted by applicable law. Further, in relation to this Deed of Trust and the exercise of any power of sale by the Trustee hereunder, if the Subject Statute shall be amended or modified to require any other notice or the posting, filing, serving, or giving thereof or any statute hereafter enacted shall require any other notice or the posting, filing, serving, or giving thereof, the Trustee or the person selected by her is hereby authorized and empowered by the Grantor to give such notice or make such posting, filing, serving, or giving thereof; provided, however, the Grantor waives such other notice or the posting, filing, serving, or giving thereof to the full extent the Grantor may lawfully do so.

SECTION 9.5 Credit Bid, Right to Purchase by the Beneficiary and Application of Proceeds. At any sale conducted under this Deed of Trust, credit upon all or any part of the Secured Obligations shall be deemed cash paid for the purpose of Section 9.3, and the holder of all or any part of the Secured Obligations may purchase at any such sale. With the proceeds arising from such sale or sales, the Indenture Trustee shall apply the proceeds in the following order:

- (a) first, to payment of all expenses of advertising, sale and conveyance, including the reasonable fees and expenses of the Trustee acting;
- (b) next, to the payment of all principal, interest and costs legally due and secured hereby, in such order and priority as set forth in the Bond Indenture; and
- (c) finally, any remaining proceeds to the Grantor.

SECTION 9.6 Judicial Foreclosure. This instrument shall be effective as a mortgage as well as a deed of trust, and upon the occurrence of an Event of Default may be foreclosed as to any of the Mortgaged Properties in any manner permitted by the laws of the State of Texas or of any other state in which any part of the Land is situated, and any foreclosure suit may be brought by the Trustee or the Beneficiary. In the event a foreclosure hereunder shall be commenced by the Trustee, or any substitute or successor Trustee, the Beneficiary may at any time before the sale of the Mortgaged Properties direct the said Trustee to abandon the sale and may then institute suit for the collection of the Note and the other

Secured Obligations and for the foreclosure of this Deed of Trust. It is agreed that if the Beneficiary should institute a suit for the collection of the Note or any other Secured Obligations and for the foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of a final judgment in said suit dismiss the same and require the Trustee, any substitute or successor Trustee, to sell the Project in accordance with the provisions of this instrument.

SECTION 9.7 Installment Foreclosure. Without limiting any of the powers or remedies provided elsewhere, the Grantor agrees that, in the event the Secured Obligations are payable in installments or include, at any time, items of matured as well as unmatured indebtedness, the holder of the matured installments or items of indebtedness, as the case may be, shall have the right to have the Mortgaged Properties sold, subject to the part of the Secured Obligations which is unmatured at the time the Trustee is requested to make such sale, at Trustee's sale to satisfy the lien and security interest hereof securing the then matured portion of said indebtedness, and the Trustee is expressly authorized and empowered to conduct such sale which is called in this Section "Installment Foreclosure". Any Installment Foreclosure made under this Section shall not affect the liens, assignments, and security interest of this Deed of Trust existing to secure that portion of the Secured Obligations to which the sale is to be made subject. No Installment Foreclosure shall exhaust the power of the Trustee to conduct future Installment Foreclosures nor in any way limit the powers of sale provided elsewhere in this Deed of Trust. The provisions elsewhere in this Deed of Trust relating to manner of conducting trustee's sales, including the posting, filing, and giving of notices thereof, shall also apply to any Installment Foreclosure, and the same presumptions shall be applicable to any trustee's deed or recital therein contained in connection with an Installment Foreclosure and to any other affidavit as hereinabove provided.

SECTION 9.8 Appointment of a Substitute Trustee. In the case of the absence of the Trustee from the state, or of her death, refusal, or failure to act, or in the event the Beneficiary should elect at any time (with or without cause) to remove the Trustee then acting, a successor or substitute (the "Successor or Substitute Trustee") may be named, constituted, and appointed, without further formality than an appointment and designation in writing, which appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and such conveyance shall vest in the Successor or Substitute Trustee the title, powers, and duties conferred on the Trustee named herein, and the conveyance by the Successor or Substitute Trustee to the purchaser at any sale made pursuant hereto shall be valid and effective as fully as hereinabove provided in the case of a conveyance by the Trustee. Such right to appoint a Successor or Substitute Trustee shall exist as often as and whenever the Trustee, original, successor, or substitute, cannot or will not act or has been removed.

SECTION 9.9 Recitals Conclusive. The Grantor specifically covenants and stipulates that (i) the recitals in the conveyance made to the purchaser, either by the Trustee or any Successor or Substitute Trustee, shall be full proof and evidence of the matters therein stated; (ii) no other proof shall be requisite of the request by the holder of the Secured Obligations or the Trustee or on any Successor or Substitute Trustee to enforce this trust, or of the due, timely, and proper posting, filing, and giving of all notices and making of the sale, or any particulars thereof, or of the inability, refusal, or failure of the Trustee or any Successor or Substitute Trustee to act, or of the removal of the Trustee or any Successor or Substitute Trustee, or of the appointment of a Successor or Substitute Trustee, as herein provided, either as to the legality of her appointment or otherwise, or of the contingencies which brought about the failure or inability of the Trustee or any Successor or Substitute Trustee to act, or of her removal, as the case may be; (iii) all prerequisites of said sale shall be presumed to have been performed; and (iv) any sale made under the powers herein granted shall be a perpetual bar against the Grantor, its successors and assigns.

SECTION 9.10 Right of Sale Not Exhausted. The right of sale hereunder shall not be exhausted by one or any sale, but, so long as any of the Secured Obligations remain undischarged, the

201728579

25

201728579

26

Trustee or Successor or Substitute Trustee may make other and successive sales until all the Mortgaged Properties shall be legally sold.

SECTION 9.11 Purchaser's Right to Disaffirm Junior Encumbrances. The purchaser at any foreclosure sale may disaffirm any easement granted or rental, lease or other contract made subordinate to or in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Properties free from, and despite the terms of, such grant of easement or rental or lease contract.

SECTION 9.12 Appointment of Receivers.

(a) If an Event of Default occurs and is continuing, a receivership may be necessary to protect the Mortgaged Properties, whether before or after maturity of the Secured Obligations, or at the time of or after the institution of suit to collect the principal of, premium (if any), or interest on the Secured Obligations, or to enforce this Deed of Trust; accordingly, the Indenture Trustee, at the direction of the Beneficiary, shall, as a matter of strict right and regardless of the value of the Mortgaged Properties or of the solvency of any party bound for the payment of the Secured Obligations, have the right to the appointment on application and notice to the Grantor, by any court having jurisdiction, of a receiver to take charge of, manage, preserve, protect, and operate the Mortgaged Properties and any business or businesses located thereon, to collect the revenues, rents, issues, profits, products, and income thereof, to make all necessary and needed repairs, to complete the construction of any improvements which have been undertaken but not completed, to pay all taxes and assessments against the Mortgaged Properties and insurance premiums for insurance thereon, and after the payment of the expenses of the receivership, including reasonable attorneys' fees to the Indenture Trustee's attorney, and after compensation for management of the Mortgaged Properties, to apply the net proceeds to pay the Secured Obligations or in such manner as the court shall direct. All such expenses shall be secured by the lien of this Deed of Trust until paid.

(b) The receiver or its agents shall be entitled to enter upon and take possession of any part and all of the Mortgaged Properties, together with any and all businesses conducted and all business assets used therewith or thereon, or any part or parts thereof, and to operate and conduct the business or businesses, or complete construction of improvements, to the same extent and in the same manner as the Grantor might lawfully do. The receiver, personally or through its agents or attorneys, may exclude the Grantor and its subsidiaries, agents, servants, and employees wholly from the Mortgaged Properties and may have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Grantor, its subsidiaries or agents, may exercise all of their rights and powers and use all of the then existing items of security and collateral, materials, current supplies, stores, and assets and, at the expense of Mortgaged Properties, may maintain, restore, complete construction, insure, and keep insured the properties, equipment, and apparatus provided or required for use in connection with such business or businesses, and may make all necessary and proper repairs, renewals, and replacements and all such useful alterations, additions, betterments, and improvements as the receiver may deem judicious.

(c) Such receivership shall, at the option of the Beneficiary, continue until full payment of the Secured Obligations, title to and interest in the Mortgaged Properties having passed by foreclosure sale under this Deed of Trust, or the Event of Default having been cured.

SECTION 9.13 Application of Proceeds. The Indenture Trustee acting shall pay, distribute, and apply the proceeds of any disposition of the Mortgaged Properties to the Beneficiary for deposit and

use as provided in Section 9.5. Said disposition shall forever be a bar against the Grantor, its legal representatives, successors and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in each conveyance to the purchaser shall be full evidence of the truth of the matters therein stated, and all lawful prerequisites to said disposition shall be conclusively presumed to have been performed.

SECTION 9.14 Remedies Not Exclusive. No lien, right, or remedy herein conferred upon or otherwise available to the Indenture Trustee is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to every other lien, right, or remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power, or remedy accruing upon any default or Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of any other or additional security, collateral, or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive, or affect the security of this Deed of Trust or any rights, powers, or remedies hereunder, nor shall the Indenture Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guaranties.

SECTION 9.15 Abandonment of Sale; Termination of Proceedings.

(a) If foreclosure should be commenced by the Trustee, the Beneficiary may, at any time before the sale direct the Trustee to abandon the sale, and may at any time or times thereafter direct the Trustee to again commence foreclosure; or, irrespective of whether foreclosure is commenced by the Trustee, the Beneficiary may at any time after an Event of Default as described in Article 8 of this Deed of Trust institute suit for collection of all or any part of the Secured Obligations or foreclosure of the lien of this Deed of Trust or both. If the Beneficiary should institute suit for collection of the Secured Obligations and foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of final judgment dismiss the same and require the Trustee to sell the Mortgaged Properties in accordance with the provisions of this Deed of Trust.

(b) In case the Indenture Trustee shall have proceeded to enforce any right under this Deed of Trust by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Indenture Trustee, then and in every such case the Grantor, the Indenture Trustee, and the Beneficiary shall be restored to their former positions and rights hereunder, and all rights, remedies, and powers of the Indenture Trustee shall continue unimpaired as if no such proceedings had taken place.

SECTION 9.16 Waivers.

(a) All rights of marshaling of assets or sale in inverse order of alienation in the event of foreclosure of any lien at any time securing the Secured Obligations or any part thereof (including, but not limited to, the lien hereby created) are hereby waived.

(b) The Grantor agrees, to the full extent permitted by law, that in case of an Event of Default hereunder, neither the Grantor nor anyone claiming through or under it shall set up, claim, or seek to take advantage of any appraisal, valuation, stay, extension, homestead,

201728579

27

201728579

28

dower, elective share, exemption, or redemption (or, "equity of redemption") laws, statutory or otherwise, now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, or the absolute sale of the Mortgaged Properties, or the delivery of possession thereof immediately after such sale to the purchaser at such sale, and the Grantor, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all such laws.

(c) To the extent allowed by applicable law, the Grantor shall not at any time insist upon or plead or in any manner whatever claim or take the benefit or advantage of any stay or extension law or any law exempting the Mortgaged Properties from attachment, levy, or sale on execution now or at any time hereafter in force in any locality where the Mortgaged Properties or any part thereof may or shall be situated, and the Grantor hereby expressly waives all benefit and advantage of any such law or laws and covenants that the Grantor will not hinder, obstruct, delay, or impede the execution of any power herein granted and delegated to the Trustee, but that the Grantor will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

SECTION 9.17 Escalation of Trustee. The Trustee shall have no duties and shall not be obligated to perform any acts other than those herein expressly set forth or intended. Without limitation, the Trustee shall not be responsible for the execution, acknowledgment, or validity of this Deed of Trust, or of any instrument amendatory hereto or supplemental hereto or of the Loan Agreement or the Secured Obligations or of any other indebtedness, or for the sufficiency of the security purported to be created hereby. The Trustee shall not incur any personal liability hereunder except for its own willful neglect, willful misconduct or default, and the Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. The Trustee shall be entitled to reimbursement for all expenses incurred by it in the performance of its duties, and shall be entitled to reasonable compensation for such of its services as shall be rendered.

ARTICLE 10

CONDEMNATION AND CASUALTY LOSS

SECTION 10.1 Condemnation. If the Mortgaged Properties, or any part thereof, shall be condemned or taken for public use under the power of eminent domain, the Beneficiary shall have the right to demand all Net Proceeds from awards, compensation, settlement, and damages for such taking of or injury to the Mortgaged Properties be paid to the Beneficiary. To the extent such money is received by the Beneficiary, the Beneficiary shall apply the same to the Secured Obligations or to the restoration, repair, rebuilding or reequipping of the Project.

SECTION 10.2 Casualty. Should the Mortgaged Properties be wholly or partially destroyed or damaged by fire, explosion, windstorm, or other insured casualty, the Beneficiary shall have the right to collect, receive, and receipt for, in the name of the Grantor or otherwise, any and all Net Proceeds that may become payable or collectible upon any policy of insurance by reason of such damage to or destruction of the Mortgaged Properties. To the extent such money is received by the Beneficiary, the Beneficiary shall apply the same or so much thereof as is necessary to the Secured Obligations or to the restoration, repair, rebuilding or reequipping of the Project.

201738579

29

no revenue-producing improvements (as to Tract V, no revenue-producing improvements other than a hiking and walking path) have been made to such property, as determined by an Officer's Certificate (as defined in the Master Indenture) delivered to the Master Trustee and the Bond Trustee; or

(e) to grant to the Beneficiary additional property, rights, remedies, powers or privileges, in trust, for the purposes of this Deed of Trust.

SECTION 11.3 Consent to Substance Not Form. It shall not be necessary for any written consent of the Holders of outstanding Bonds, as the case may be, or of the Grantor given pursuant to Section 11.1 to specify the particular form of the proposed documents to be executed and delivered pursuant to Section 11.1, but it shall be sufficient if such consent shall be given in writing to the substance thereof.

SECTION 11.4 Documents Mailed to Holders. The Beneficiary shall mail, by certified mail, postage prepaid, a photocopy or conformed copy thereof, of any agreement or instrument entered into pursuant to Section 11.1 or 11.2, to each Holder of any Bonds at its address shown in the Bond Register.

SECTION 11.5 Arbitration. The Grantor will not, without the prior written consent of the Beneficiary, submit to arbitration any question, dispute or other matter arising under the Bond Indenture, the Loan Agreement, the Master Indenture, this Deed of Trust, or any document relating to the Bonds.

SECTION 11.6 Beneficiary Protected. If, in the opinion of the institution acting as the Beneficiary hereunder, any document required to be executed pursuant to the terms of Sections 11.1 and 11.2 affects any right, duty, immunity or indemnity with respect to it under this Deed of Trust, the Beneficiary may, in its discretion, decline to execute such document.

ARTICLE 12

ENVIRONMENTAL AND LAND USE MATTERS

SECTION 12.1 Environmental and Land Use Matters. The Grantor covenants as follows:

(a) the location, construction, occupancy, operation, and use of the Mortgaged Properties does not violate any applicable law (including, without limitation, applicable provisions of the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, and corresponding rules and regulations), statute, ordinance, rule, regulation, order, or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Mortgaged Properties, including, without limitation, all applicable zoning ordinances and building codes, flood disaster laws, and health and environmental laws and regulations (hereinafter sometimes collectively called "Applicable Regulations");

(b) neither the Mortgaged Properties nor the Grantor is in violation of or subject to any existing, pending, or, to the best of the Grantor's knowledge, after due inquiry, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any Application Regulations pertaining to health or the environment (herein sometimes collectively called "Applicable Environmental Law"), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq., as amended ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. §1801 et seq., as

ARTICLE 11

AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER DOCUMENTS

SECTION 11.1 Amendments and Supplements with Consent Limitations. With the prior written consent of (a) the Beneficiary and the Grantor (but without the prior consent of the Bondholders or notice to them) may at any time and from time to time enter into a supplemental deed of trust for the purpose of adding provisions to, or changing or eliminating provisions of, this Deed of Trust, and (b) the Grantor and the Beneficiary may execute and deliver any written waiver or modification of the terms of this Deed of Trust; however, no such consent shall be necessary to empower or permit the parties to this Deed of Trust and the other agreements and instruments referred to in Section 11.2 to execute the agreements and instruments and take the actions referred to therein for any of the purposes specified therein; and provided, further, that without the consent the Requisite Percentage of Holders of any Bonds to be affected by such supplemental deed of trust, amendment, supplement, waiver or modification, no such instrument or act shall:

(a) modify any of the provisions of Section 11.2, the definitions of the term "Event of Default" as such term is defined, directly or by cross-reference, herein (except to add additional events of default);

(b) reduce, amend or modify any indemnities (except to add additional indemnities) in favor of the Beneficiary; or

(c) adversely affect the Project or the lien of this Deed of Trust thereon;

however, in no event shall any such supplemental deed of trust or waiver or modification of the terms hereof shall permit the creation of any lien on the Project or any portion thereof, or deprive the Holder of any Bonds then outstanding of the lien of this Deed of Trust on the Project. Any supplemental deed of trust or other agreement, instrument or action made, entered into or taken in a manner inconsistent with or contrary to the provisions of this Article shall be void and of no effect.

SECTION 11.2 Amendments, Supplements and Consents Not Requiring Consent of Holders. Notice to, but not consent of, the Bondholders and except as provided below, no written consent under Section 11.1 shall be required to empower the Beneficiary at any time or from time to time to enter into any supplemental deed of trust with the Grantor:

(a) to add to the covenants and agreements of the Grantor contained in this Deed of Trust additional covenants or agreements of the Grantor or conditions or restrictions upon the Grantor, or to surrender or eliminate any right, power or privilege granted to or conferred upon the Grantor in this Deed of Trust;

(b) to cure any minor ambiguity, or formal defect or omission, contained herein or in any of the other said agreements or instruments (provided, however that the interests of the Holders of the Bonds shall not be adversely affected thereby);

(c) to correct or amplify the description of the Project (provided, however, that the interests of the Holders of the Bonds shall not be adversely affected thereby) or to reflect any release of any property from the Project pursuant to the express terms hereof;

(d) to release from the lien of this Deed of Trust Tract V described on Exhibit A (or any other undeveloped property subsequently subjected to the lien of this Deed of Trust), so long as

amended, the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6901 et seq., as amended, the Toxic Substance Control Act of 1976, 14 U.S.C. §2601 et seq., as amended, the Clean Water Act, 33 U.S.C. §466 et seq., as amended, the Clean Air Act, 42 U.S.C. §7401, et seq., as amended, and any other federal, state, or local law similar to those set forth in this definition, and, to the best of the Grantor's knowledge, after due inquiry, this representation and warranty would continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions, and circumstances, if any, pertaining to the Mortgaged Properties. If any such investigation or inquiry is subsequently initiated, the Grantor will promptly notify the Indenture Trustee and the Beneficiary;

(c) the Grantor has not obtained and, to the best of the Grantor's knowledge, after due inquiry, is not required to obtain any permits, licenses, or similar authorizations to construct, occupy, operate, or use any buildings, improvements, fixtures, and equipment forming a part of the Mortgaged Properties by reason of any Applicable Environmental Law;

(d) the Mortgaged Properties have not previously been used as a landfill or as a dump for garbage or refuse; the Site does not lie within a flood plain or in an area that has been identified by the Secretary of HUD as an area having special flood hazards, or, to the extent a portion of the Site may fall within such flood plain, the Grantor shall provide sufficient insurance coverage against such hazard. The Grantor has not illegally or improperly manufactured, used, generated, stored, found, released, or disposed of any Hazardous Substance (as herein defined) on, under, or about the Site in violation of applicable federal, state, or local law, statute, ordinance, or regulation ("Law"). The Grantor has no knowledge that any hazardous substance or solid wastes have been illegally or improperly disposed of or otherwise illegally or improperly released on or about the Mortgaged Properties;

(e) the Mortgaged Properties do not contain lead based paint, asbestos, ureaformaldehyde foam insulation, or any other chemical, material, or substance exposure to which may or could pose a health hazard whether or not the substance is prohibited, limited, or regulated by any governmental authority; and

(f) the use which the Grantor makes or intends to make of the Mortgaged Properties will not result in the illegal or improper manufacturing, treatment, refining, transportation, generation, storage, disposal, or other release or presence of any Hazardous Substance or solid waste on or to the Mortgaged Properties. For purposes of the Deed of Trust, the terms "Hazardous Substance" and "release" shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA, provided, in the event either CERCLA or RCRA is amended so as to broaden any meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment, and provided, further, to the extent that the laws of the State of Texas establish a meaning for "hazardous substance", "release", "solid waste", or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply, provided, further, that the term "Hazardous Substance" shall also include those listed in the U.S. Department of Transportation Table (49 C.F.R. 172.101) and amendments thereto from time to time.

The foregoing representations, covenants, and warranties are in addition to, and in no way limit the representations, covenants, and warranties of the Grantor to the Indenture Trustee, the Master Trustee, and the Beneficiary under the Loan Agreement and/or the Master Indenture.

The Grantor shall immediately advise the Beneficiary in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting all or any part of

201738579

31

201738579

32

or any interest in the Mortgaged Properties, (b) all claims made or threatened by any third party against the Grantor or the Mortgaged Properties relating to damage, contribution, cost recovery, compensation, or loss or injury resulting from any Hazardous Material, (c) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Mortgaged Properties that could cause the Mortgaged Properties to be classified in a manner which may support a claim under any Hazardous Material Law, and (d) the discovery of any occurrence or condition on any part of the Mortgaged Properties or any real property adjoining or in the vicinity of the Mortgaged Properties which could subject the Grantor or any part of the Mortgaged Properties to any limitations or restrictions on the ownership, occupancy, transferability or use thereof. The Beneficiary may elect (but shall not be obligated) to join and participate in any settlements, remedial actions, legal proceedings or other actions initiated in connection with any claims or responses under any Hazardous Material Law and to have its reasonable attorneys' fees relating to such participation paid by the Grantor. At its sole cost and expense, the Grantor agrees to promptly and completely cure and remedy every existing and future violation of a Hazardous Material Law occurring on or with respect to any part of the Mortgaged Properties and to promptly remove all Hazardous Materials now or hereafter in, on or under all or any part of the Mortgaged Properties and to dispose of the same as required by Hazardous Material Law(s).

Upon written direction by the Beneficiary (by its officers, employees and agents) at any time and from time to time (not more than once each calendar year unless an environmental condition is reported or found to exist on the Mortgaged Properties in which event no limit shall apply) shall contract for the services of persons or entities (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on all or any part of the Mortgaged Properties to determine the existence of any environmental condition which under any Hazardous Material Law might result in any liability, cost or expense to the owner, occupier or operator of any of the Mortgaged Properties. The Site Reviewers are authorized to enter upon all or any part of the Mortgaged Properties to conduct Site Assessments. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on any of the Mortgaged Properties and such other tests on or of any of the Mortgaged Properties as the Site Reviewers, the Beneficiary may deem necessary. The Grantor agrees to supply to the Site Reviewers and the Indenture Trustee such historical and operational information regarding the Mortgaged Properties as may be reasonably requested to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The results of Site Assessments shall be furnished to the Grantor upon request. The cost of performing Site Assessments shall be paid by the Grantor.

THE GRANTOR SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS THE INDENTURE TRUSTEE, THE TRUSTEE, THE ISSUER, BEXAR COUNTY, TEXAS (THE "COUNTY") AND THE BENEFICIARY, THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST (A) ANY LOSS, LIABILITY, DEMAND, DAMAGE, COST, EXPENSE, CLAIM, ACTION OR CAUSE OF ACTION ARISING FROM THE IMPOSITION OR RECORDING OF A LIEN, THE INCURRING OF COSTS OF REQUIRED REPAIRS, REMEDIATION, CLEAN UP OR DETOXIFICATION AND REMOVAL UNDER ANY HAZARDOUS MATERIAL LAW (INCLUDING OTHER ASSOCIATED COSTS, INTEREST, FEES, AND PENALTIES) WITH RESPECT TO ALL OR ANY PART OF THE MORTGAGED PROPERTIES OR LIABILITY TO ANY THIRD PARTY IN CONNECTION WITH ANY VIOLATION OF A HAZARDOUS MATERIAL LAW; (B) ANY OTHER LOSS, LIABILITY, DAMAGE, COST, EXPENSE, OR CLAIM (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS AND EXPENSES, AND COSTS AND EXPENSES REASONABLY INCURRED IN INVESTIGATING, PREPARING, SETTLING OR DEFENDING AGAINST ANY LITIGATION OR CLAIM, ACTION, SUIT, PROCEEDING OR DEMAND OF ANY KIND OR CHARACTER, INCLUDING, WITHOUT LIMITATION, THOSE ARISING BY REASON OF ANY ACTION TAKEN BY EACH OF THE INDENTURE TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY UNDER THE DEED OF TRUST, EVEN IF CAUSED BY SUCH PARTY'S OWN NEGLIGENCE OR,

AS TO THE ISSUER AND THE COUNTY, ITS GROSS NEGLIGENCE), WHICH MAY BE INCURRED BY OR ASSERTED AGAINST THE INDENTURE TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY, ITS DIRECTORS, OFFICERS, EMPLOYEES, SUCCESSORS OR ASSIGNS, DIRECTLY OR INDIRECTLY, ARISING FROM THE PRESENCE ON OR UNDER, OR THE DISCHARGE, EMISSION OR RELEASE FROM ANY OF THE MORTGAGED PROPERTIES INTO OR UPON THE LAND, ATMOSPHERE, OR ANY WATERCOURSE, BODY OF SURFACE OR SUBSURFACE WATER OR WETLAND, ARISING FROM THE INSTALLATION, USE, GENERATION, MANUFACTURE, TREATMENT, HANDLING, REFINING, PRODUCTION, PROCESSING, STORAGE, REMOVAL, REMEDIATION CLEAN UP OR DISPOSAL OF ANY HAZARDOUS MATERIAL WHETHER OR NOT CAUSED BY THE GRANTOR; (C) LOSS OF VALUE OF ANY OF THE MORTGAGED PROPERTIES AS A RESULT OF ANY SUCH LIEN, REMEDIATION CLEAN UP, DETOXIFICATION, LOSS, LIABILITY, DAMAGE, EXPENSE OR CLAIM OR A FAILURE OR DEFECT IN TITLE OCCASIONED BY ANY HAZARDOUS MATERIAL OR HAZARDOUS MATERIAL LAW; AND (D) ALL FORESEEABLE AND UNFORESEEABLE INCIDENTAL AND CONSEQUENTIAL DAMAGES. THE GRANTOR SHALL DEFEND SUCH CLAIM, AND THE INDENTURE TRUSTEE, THE TRUSTEE, THE ISSUER AND THE BENEFICIARY, AS THE CASE MAY BE, SHALL COOPERATE IN THE DEFENSE. THE INDENTURE TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY MAY HAVE SEPARATE COUNSEL AND THE GRANTOR SHALL PAY THE FEES AND EXPENSES OF SUCH COUNSEL.

Notwithstanding any other provision of this Deed of Trust to the contrary, the Indenture Trustee may first require, in the exercise of its sole and unlimited discretion, that it receive (a) a Phase I or other environmental report in form and substance satisfactory to it and (b) indemnification for all costs and expenses incurred in connection therewith, before the Trustee shall be required to foreclose upon or take possession or title to any Mortgaged Property in connection with an Event of Default. Further, if the Indenture Trustee determines, in the exercise of its sole and unlimited discretion, that it does not desire to become the owner of, or take possession of such real property or improvements thereon, in its capacity as Trustee or Indenture Trustee, the Trustee shall not be required to proceed with such foreclosure or to take possession, and shall give written notice of such determination to the Issuer. If the Bondholders (as defined in the Bond Indenture) nonetheless desire to proceed with foreclosure and so notify the Indenture Trustee in writing, the Indenture Trustee may resign, and such resignation shall become effective upon the appointment of a successor trustee in accordance with the provisions hereof. THE INDENTURE TRUSTEE SHALL HAVE NO OBLIGATION TO INDEMNIFY OR OTHERWISE COMPENSATE ANY SUCH SUCCESSOR INDENTURE TRUSTEE FOR ANY LOSS, COST, OR EXPENSE ARISING OUT OF ANY SUCH FORECLOSURE OR OTHER MATTER, AND IF ANY SUCH SUCCESSOR INDENTURE TRUSTEE REQUESTS SUCH INDEMNIFICATION, THE BONDHOLDERS SHALL HAVE THE SOLE RESPONSIBILITY FOR PROVIDING SUCH INDEMNIFICATION.

ARTICLE 13

MISCELLANEOUS

SECTION 13.1 Severability. In the event any item, term, or provision contained in this Deed of Trust is in conflict or may be held hereafter to be in conflict with any applicable laws, this Deed of Trust shall be affected only as to its application to such item, term, or provision and shall in all other respects remain in full force and effect.

SECTION 13.2 Captions and Titles. All article and section titles or captions contained in this Deed of Trust or in any schedule or exhibit hereto are for convenience only and shall not be deemed a part of this Deed of Trust and shall not affect the meaning or interpretation of this Deed of Trust.

SECTION 13.3 Usury Savings Clause. The Grantor and the Beneficiary specifically intend and agree to limit contractually the amount of interest payable under this Deed of Trust, the Secured

201738579

33

Obligations, and all other instruments and agreements related hereto and thereto to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Deed of Trust, the Secured Obligations, or any instrument pertaining to or relating to this Deed of Trust or the Secured Obligations shall ever be construed to create a contract to pay interest at a rate in excess of the maximum rate permitted to be charged under applicable law, and neither the Grantor nor any other party liable or to become liable hereunder, under the Secured Obligations, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this paragraph shall control over all other provisions of this Deed of Trust, the Secured Obligations, or of any other instrument pertaining to or relating to the transactions herein contemplated. If any amount of interest taken or received by the Beneficiary shall be in excess of said maximum amount of interest which, under applicable law, could lawfully have been collected by the Beneficiary incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall, at the election of the Beneficiary, either be applied as credit against the then unpaid principal amount of the Secured Obligations or refunded promptly to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions which would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated, and spread throughout the stated term of the Secured Obligations. "Applicable law" as used in this paragraph means that law in effect from time to time which lawfully permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated, including laws of the State of Texas and of the United States of America; and "maximum rate" as used in this paragraph means, with respect to each portion of the Secured Obligations, the maximum lawful, nonusurious rate of interest (if any) which under applicable law the Beneficiary is permitted to charge from time to time with respect to such portion of the Secured Obligations.

SECTION 13.4 Additional Security. The Grantor agrees that no other security, now existing or hereafter taken, for the Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Secured Obligations shall impair or affect in any manner the security given by this Deed of Trust; all security for the payment of the Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. The Grantor further agrees that any part of the security herein described may be released without in anywise altering, varying, or diminishing the force, effect, or lien of this Deed of Trust, or of any renewal or extension of said lien, and that this Deed of Trust shall continue as a first lien, assignment, and security interest on all the Mortgaged Properties not expressly released until all Secured Obligations are fully discharged and paid.

SECTION 13.5 Suit Not an Election of Remedies. The filing of a suit to foreclose any lien, assignment, or security interest under this Deed of Trust either on any matured portions of the Secured Obligations or for all Secured Obligations shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of the suit.

SECTION 13.6 Rules of Construction. The term "Grantor" as used herein shall include not only the party designated as the Grantor that executes this Deed of Trust but also the respective legal representatives, successors and assigns of such party. Whenever the context requires, the gender of words used herein shall include the masculine, feminine, and neuter, and number of words used herein shall include the singular and the plural.

SECTION 13.7 Notices. Any notice required or permitted to be given hereunder by one party to another shall be in writing and shall be given, except where a particular method is otherwise specified in this Deed of Trust, using one or more of the following methods: (a) delivered in person to the

address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by teletype (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized overnight delivery service, such as Federal Express Corporation, addressed to such party at the address herein specified. Any notice given in the above manner shall be deemed effective (i) if given by mail, three days after its deposit into the custody of the U.S. postal service (except as to the Indenture Trustee for whom notice shall be effective only upon receipt); or (ii) if employing any other method, upon receipt. The addresses for notices for the Beneficiary and the Grantor under this Deed of Trust and for all notices hereunder shall be as follows:

If to the Beneficiary
and the Indenture Trustee:

The Bank of New York Trust Company, N.A.
600 North Pearl, Suite 420
Dallas, Texas 75201
Attn: Corporate Trust Department

If to the Grantor:

Army Retirement Residence Supporting Foundation
7400 Crestway Drive
San Antonio, Texas 78239-3091
Attention: Executive Director

and

The Army Retirement Residence Foundation-San Antonio
7400 Crestway Drive
San Antonio, TX 78239-3091
Attention: Executive Director

If to Issuer:

Bexar County Health Facilities Development Corporation
Bexar County Courthouse, Suite 101
100 Dolores
San Antonio, TX 78205
Attn: President

If to Trustee:

Tamara Ellis
c/o The Bank of New York Trust Company, N.A.
600 North Pearl, Suite 420
Dallas, Texas 75201

SECTION 13.8 Extension, Rearrangement or Renewal of Secured Obligations. It is expressly agreed that any of the Secured Obligations at any time secured hereby may be from time to time extended for any period, rearranged, or renewed, and that any part of the security herein described, or any other security for the Secured Obligations may be waived or released without in anywise altering, varying or diminishing the force, effect, or lien of this Deed of Trust as to unaffected property.

SECTION 13.9 Governing Law. THIS DEED OF TRUST SHALL BE GOVERNED IN ALL RESPECTS INCLUDING VALIDITY, INTERPRETATION AND EFFECT BY, AND SHALL BE ENFORCEABLE IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

201738579

35

201738579

36

SECTION 13.10 Amendments. No amendment or waiver of any provision of this Deed of Trust, nor consent to any departure by the Grantor therefrom, shall in any event be effective unless the same is consented to in writing by the Beneficiary and is in writing and signed by the Grantor, the Indenture Trustee, and the Issuer and is accomplished in accordance with Article 11, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 13.11 Assignment. This Deed of Trust shall be binding upon the Grantor and its successors and assigns and shall inure to the benefit of the Beneficiary and its respective successors, transferees, and assigns, and no person other than the Beneficiary and its successors, transferees, and assigns shall under any circumstances be deemed to be a beneficiary of any provision of this Deed of Trust. Without limiting the generality of the foregoing, the Beneficiary may assign, grant a security interest in, or otherwise transfer this Deed of Trust to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Beneficiary herein or otherwise. Upon execution and delivery of the Loan Agreement and the Bond Indenture to the Beneficiary, all appointments, designations, representations, warranties, covenants, assurances, remedies, title, interest, privileges, directions, permits, licenses, and rights of every kind whatsoever herein conferred upon the Beneficiary shall be deemed to be conferred also upon the Beneficiary, in its capacity as the Indenture Trustee under the Bond Indenture. The Grantor agrees that the assignments made of this Deed of Trust shall not subject the Beneficiary to or transfer or pass or in any way affect or modify any obligation of the Grantor under the Loan Agreement, the Master Indenture, the Bonds, or this Deed of Trust, it being understood and agreed that all such obligations of the Grantor shall be and remain enforceable only against the Grantor.

SECTION 13.12 Further Acts. The Grantor shall do and perform all acts necessary to keep valid and effective the charges and lien hereof, to carry into effect its objective and purposes, and to protect (i) the position of the lawful Holders of the Bonds and (ii) the other Secured Obligations. Promptly upon request by the Beneficiary and at the Grantor's expense, the Grantor shall execute, acknowledge, and deliver to the Beneficiary or the Indenture Trustee such other and further instruments and do such other acts as in the reasonable opinion of the Beneficiary that may be necessary or appropriate to (a) grant to the Beneficiary and the Indenture Trustee the highest available perfected lien on all of the Mortgaged Properties; (b) grant to the Beneficiary and the Indenture Trustee, to the fullest extent permitted by applicable law, the right to foreclose on the Mortgaged Properties nonjudicially; (c) correct any defect, error, or omission which may be discovered in the contents of this instrument or any other Document; (d) identify more fully and subject to the liens, encumbrances, and security interests and assignments created hereby any property intended by the terms hereof to be covered hereby (including, without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Mortgaged Properties); (e) assure the first priority hereof and thereof, and (f) otherwise effect the intent of this Deed of Trust. Without limiting the generality of the foregoing, the Grantor shall promptly and, insofar as not contrary to applicable law, at the Grantor's own expense, record, re-record, file, and refile in such offices, as such times and as often as may be necessary, this instrument, additional mortgages and deeds of trust, and every other instrument in addition or supplemental hereto, including applicable financing statements, as may be necessary to create, perfect, maintain, and preserve the liens, encumbrances, and security interests intended to be created hereby and the rights and remedies of the Beneficiary and the Indenture Trustee hereunder. Upon request by the Beneficiary, the Grantor shall supply evidence of fulfillment of each of the covenants herein contained concerning which a request for such evidence has been made.

SECTION 13.13 Capitalized Terms. Capitalized terms herein shall have the meanings described in Section 1.1, unless the context requires otherwise.

SECTION 13.14 No Drilling or Exploration. Without the prior written consent of the Beneficiary, which consent may be withheld for any reason whatsoever at the sole and absolute discretion of the Beneficiary, the Grantor shall not and shall not consent to drilling or exploring for or extraction, removal, or production of minerals from the surface or subsurface of the Land. The term "minerals" as used herein shall include, without limiting the generality of such term, oil, gas, casinghead gas, coal, lignite, hydrocarbons, methane, carbon dioxide, helium, uranium and all other natural elements, compounds and substances, including sand and gravel.

SECTION 13.15 "Construction Mortgage". This Deed of Trust is a "Construction Mortgage" as defined in Texas Business and Commerce Code Section 9.334.

SECTION 13.16 Negation of Partnership. Nothing contained in the Loan Documents is intended to create any partnership, joint venture, or association between the Grantor and the Beneficiary, or in any way make the Beneficiary a co-principal with the Grantor with reference to the Mortgaged Properties, and any inferences to the contrary are hereby expressly negated.

SECTION 13.17 Submission to Jurisdiction. Without limiting the right of the Beneficiary to bring any action or proceeding against the undersigned or its property arising out of or relating to the Secured Obligations (an "Action") in the courts of other jurisdictions, the Grantor hereby irrevocably submits to the jurisdiction of a Texas court in Bexar County or any federal court sitting in the Southern District of Texas, and the Grantor hereby irrevocably agrees that any Action may be heard and determined in such Texas state court or in such federal court.

SECTION 13.18 Business or Commercial Purpose. The Grantor warrants that the extension of credit evidenced by the Bonds secured hereby is solely for business or commercial purposes, other than agricultural purposes.

THE LOAN AGREEMENT, THIS DEED OF TRUST, THE BONDS, THE BOND INDENTURE, THE MASTER INDENTURE, TOGETHER WITH THE OTHER DOCUMENTS AND INSTRUMENTS CREATING, EVIDENCING, AND SECURING THE SECURED OBLIGATIONS, REPRESENT THE FINAL AGREEMENT OF THE PARTIES HERETO AND THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OR ORAL AGREEMENTS OF THE UNDERSIGNED PARTIES, WHETHER MADE BEFORE, ON OR AFTER THE DATE OF THIS DEED OF TRUST. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE UNDERSIGNED PARTIES.

20173857.9

37

20173857.9

38

IN WITNESS WHEREOF, the Grantor has executed this Deed of Trust as of the date first above written.

ADDRESS OF GRANTOR:
7400 Crestway Drive
San Antonio, Texas 78239-3091

ARMY RETIREMENT RESIDENCE SUPPORTING
FOUNDATION,
a Texas non-profit corporation

By:
Title:

Bruce G. Furber
SECRETARY

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,
a District of Columbia non-profit corporation

By:
Title:

Mary Beth Bradley
VICE PRESIDENT

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 29th day of Dec., 2006, by *James B. Stubbins*, the *Vice Pres.* of The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas
Mary Beth Bradley
(Printed Name of Notary)

My commission expires: 2-25-09

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 29th day of Dec., 2006, by *Bruce G. Furber*, the *Secretary* of Army Retirement Residence Supporting Foundation, a Texas non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas
Mary Beth Bradley
(Printed Name of Notary)

My commission expires: 2-25-09

20173857.7

S-1

20173857.8

S-2

EXHIBIT A

Description of Real Property

Tract I: Lot 2, Block 1, Army Retirement Community Unit-2 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas.

Tract II: Lot 3, Block 1, Army Retirement Community Unit 3 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.

Tract III: Lot 4, Block 1, Army Retirement Community Unit 4 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.

Tract IV: A 6.0000 acre tract of land out of County Block 5051, William Winford Survey No. 326, Abstract 798, Bexar County, Texas and being more particularly described in Exhibit A-1, attached hereto and made a part hereof.

Tract V: A 75.00 acre (3,267,000 square feet) tract of land out of 92.8319 acres of land more or less, out of the William Winford Survey No. 326, Abstract 793, County Block 5051, the Charles Irwin Survey No. 43, Abstract 367, County Block 5072 and the Richard Bushel Survey No. 323, Abstract 46, County Block 5052 in Bexar County, Texas. The said 92.8319 acres as described in Deed of Trust recorded in Volume 5350, Page 855 of the Deed of Trust Records of Bexar County, Texas, fronts on the south side and on the west side of Miller Road, approximately 11 miles in a northeasterly direction from the Courthouse in Bexar County, Texas; said 75.00 acre tract of land being more particularly described by metes and bounds on Exhibit A-2, attached hereto and made a part hereof.

(remainder of the page intentionally blank)

THENCE North 74 degrees 49 minutes 00 seconds West, 910.31 feet to a 1/2 inch iron rod found for the most southwesterly corner of the herein described tract of land;

THENCE North 16 degrees 00 minutes 00 seconds West, 620.75 feet to a 5/8 inch iron rod set of corner;

THENCE South 74 degrees 00 minutes 00 seconds East, 203.96 feet to a 5/8 inch iron rod set of corner;

THENCE North 43 degrees 42 minutes 24 seconds East, 770.49 feet to a 5/8 inch iron rod set of corner on the southerly right of way line of Miller Road being the most northwesterly corner of the herein described tract of land;

THENCE South 74 degrees 00 minutes 00 seconds East, 2936.00 feet along the southerly right of way line of Miller Road to a 1/2 inch capped iron rod found for the point of curvature of a curve to the right;

THENCE in a southerly direction along said curve to the right having a radius of 274.80 feet, central angle of 90 degrees 02 minutes 00 seconds (chord bears South 28 degrees 59 minutes 00 seconds East, 388.74 feet) and an arc length of 431.81 feet to a 5/8 inch iron rod set for the point of tangency in said western right of way line of Miller Road;

THENCE South 16 degrees 02 minutes 00 seconds West, along said westerly right of way line of Miller Road, 213.85 feet to the POINT OF BEGINNING and point of closure containing 75.00 acres of land

EXHIBIT A-2

METES AND BOUNDS DESCRIPTION OF 75.00 ACRES OF LAND

Being 75.00 acres (3,267,000 square feet) out of 92.8319 acres of land, more or less containing 50.19 acres out of the William Winford Survey No. 326, Abstract 793, County Block 5051 and 42.638 acres out of the Charles Irwin Survey No. 43, Abstract 367, County Block 5072, Bexar County, Texas. The said 92.8319 acres as recorded in Volume 5350, Page 855-856 of the Bexar County Deed Records, fronts on the south side and on the west side of Miller Road approximately 11 miles in a northeasterly direction from the Courthouse in Bexar County, Texas. Said 75.00 acre tract being more particularly described by metes and bounds as follows:

COMMENCING at a point on the northerly right of way line of Gibbs Sprawl Road, with said point being the most southwesterly corner of the cut back line at the intersection of the northerly right of way line of Gibbs Sprawl Road and the westerly right of way line of Miller Road from which a concrete monument found bears North 36 degrees 49 minutes East, 1.00 foot, from said Point proceed along the following courses:

NORTH 39 degrees 07 minutes 00 seconds East 91.70 feet to an angle point on the westerly right of way line of Miller Road at the corner of the aforementioned cut back line;

NORTH 16 degrees 02 minutes 00 seconds East, 494.41 feet along the westerly right of way line of Miller Road to a 5/8 inch iron rod set for the POINT OF BEGINNING of the herein described tract;

THENCE North 74 degrees 00 minutes 00 seconds West, 420.00 feet to a 5/8 inch iron rod set for corner;

THENCE South 16 degrees 00 minutes 00 seconds West, 182.97 feet to a 5/8 inch iron rod set for corner;

THENCE North 74 degrees 00 minutes 00 seconds West, 763.40 feet to a 5/8 inch iron rod set for corner;

THENCE South 16 degrees 02 minutes 00 seconds West, 193.55 feet to a 5/8 inch iron rod set of corner;

THENCE North 74 degrees 51 minutes 22 seconds West, 417.99 feet to a 5/8 inch iron rod set of corner;

THENCE North 16 degrees 00 minutes 00 seconds East, 214.97 feet to a 5/8 inch iron rod set of corner;

THENCE North 74 degrees 51 minutes 22 seconds West, 495.63 feet to a 5/8 inch iron rod set of corner;

THENCE South 16 degrees 00 minutes 00 seconds West, 151.95 feet to a 5/8 inch iron rod set of corner;

THENCE North 74 degrees 51 minutes 22 seconds West, 531.24 feet to a 5/8 inch iron rod set of corner;

THENCE South 16 degrees 00 minutes 00 seconds West, 93.00 feet to a 5/8 inch iron rod set of corner;

THENCE North 74 degrees 00 minutes 00 seconds West, 566.00 feet to a 5/8 inch iron rod set of corner;

THENCE South 16 degrees 00 minutes 00 seconds West, 368.20 feet to a 5/8 inch iron rod set of corner;

THENCE North 74 degrees 31 minutes 00 seconds West, 358.58 feet to a 5/8 inch iron rod set of corner;

EXHIBIT B

Permitted Encumbrances

1. Various easements established by, and shown on plat recorded in Volume 9515, Page 96-97, Bexar County Deed and Plat Records.
2. Electric easement granted to San Antonio Public Service Company by instrument recorded in Volume 1803, Page 407, Bexar County Deed Records.
3. Electric easement granted to San Antonio Public Service Company by instrument recorded in Volume 1827, Page 198, Bexar County Deed Records.
4. Telephone easement granted to Southwestern Bell Telephone Company by instrument recorded in Volume 1881, Page 443, Bexar County Deed Records.
5. Pipeline easement, 30 feet wide, granted to Texas Gas Pipeline Company by instrument recorded in Volume 2976, Page 1687, Real Property Records of Bexar County, Texas.
6. C.P.S. easement, 135 feet wide, as shown on plat recorded in Volume 9515, Page 96-97, Bexar County Deed and Plat Records, and granted to the City of San Antonio by instrument recorded in Volume 6163, Page 65, Bexar County Deed Records; and as shown on plat recorded in Volume 9538, Page 58, Bexar County Deed and Plat Records.
7. Easements established by and as shown on plat recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.
8. Easements established by and shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.
9. Building setback line, 25 feet wide, along Crestway Road property line, and 25 feet wide, along the Miller Road property line, as shown on plat recorded in Volume 9515, Page 96-97, of the Deed and Plat Records of Bexar County, Texas.
10. Building setback line, 25 feet wide, along the Crestway Road property line; and 15 feet wide increasing to 20 feet wide along the Serene Ridge property line, as shown on plat recorded in Volume 9524, Page 130, of the Deed and Plat Records of Bexar County, Texas.
11. Building setback line, 25 feet wide, along the Glen Mont Drive property line and the Crestway Road property line, as shown on plat recorded in Volume 9538, Page 58, of the Deed and Plat Records of Bexar County, Texas.
12. Gas pipeline easement granted to Texas Pipe Line Company by instrument recorded in Volume 1053, Page 346, Bexar County Deed Records, defined as 30 feet wide by instrument recorded in Volume 6918, Page 1596, Bexar County Real Property Records.
13. Electric easement granted to the City of San Antonio by instrument recorded in Volume 6151, Page 5, Bexar County Deed Records.

14. Terms and provisions of electric service agreement with the City of San Antonio recorded in Volume 2128, Page 367, Real Property Records of Bexar County, Texas.
15. Texas Department of Insurance Continuing Care Retirement Community Notice of Lien filed by Army Retirement Residence Foundation San Antonio, Inc., dba Army Residence Community, recorded in Volume 5931, Page 1114, Real Property Records of Bexar County, Texas.
16. Various electric easements granted to the City of San Antonio by instrument recorded in Volume 7463, Page 1198, Real Property Records of Bexar County, Texas.
17. Cable TV easement granted to KBL Cablesystems of the Southwest, Inc., by instrument recorded in Volume 5774, Page 265, Real property Records of Bexar County, Texas.
18. Gas main pipeline and electric easement granted to the City of San Antonio by instrument recorded in Volume 5388, Page 685, Real Property Records of Bexar County, Texas.
19. Electric and gas easement granted to the City of San Antonio by instrument recorded in Volume 4316, Page 839, Real Property Records of Bexar County, Texas.
20. Electric easement granted to the City of San Antonio by instrument recorded in Volume 4378, Page 282, Real Property Records of Bexar County, Texas.
21. Restrictive covenants set forth in Volume 9515, Pages 96-97, Bexar County Deed and Plat Records; and Volume 3267, Page 842, Bexar County Real Property Records.
22. Deed of Trust, Assignment of Rents and Leases, and Security Agreement dated as of January 1, 2007 from the Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio to Tamara Ellis, as trustee, to secure the Note described in the first sentence of Section 2.01.
23. Assignment of Note, Liens, Security Interests, and Other Documents dated as January 1, 2007 from the Bexar County Health Facilities Development Corporation to The Bank of New York Trust Company, N.A., as Bond Trustee.

As to Tract V:

24. Pipeline easement to The Texas Pipe Line Co. recorded in Volume 1083, Page 346, Deed Records of Bexar County, Texas, amended by Easement Amendment recorded in Volume 6918, Page 1596, Real Property Records of Bexar County, Texas.
25. Easement for electric transmission and distribution lines to City Public Service Board of San Antonio recorded in Volume 6151, Page 5, Deed Records of Bexar County, Texas.
26. Drainage easement, 72 feet wide, to Bexar County by Condemnation Proceeding recorded in Volume 4406, Page 1153, Real Property Records of Bexar County, Texas.

20173857.9

B-2

TABLE OF CONTENTS

	Page
ARTICLE 1	
DEFINITIONS	
Section 1.1 Definitions.....	2
ARTICLE 2	
RULES OF CONSTRUCTION	
Section 2.1 Rules of Construction.....	5
Section 2.2 Recitals Incorporated Herein by Reference.....	6
ARTICLE 3	
SECURED OBLIGATIONS	
Section 3.1 Deed of Trust Secures Described Indebtedness.....	6
ARTICLE 4	
GRANT OF MORTGAGED PROPERTIES	
Section 4.1 Grant, Sale and Conveyance.....	6
Section 4.2 Grantor's Representations and Covenants Regarding Title.....	9
Section 4.3 Conveyance is as a Deed of Trust.....	9
ARTICLE 5	
ASSIGNMENT OF RENTS	
Section 5.1 Assignment.....	10
Section 5.2 Limited License.....	10
Section 5.3 Affirmative Covenants.....	11
Section 5.4 Negative Covenants.....	11
Section 5.5 Appointment of Attorney-in Fact.....	11
Section 5.6 Default.....	12
Section 5.7 No Obligation of Beneficiary.....	12
Section 5.8 No Waiver of Beneficiary's Rights.....	14
Section 5.9 Warranties Concerning Leases and Rents.....	14
Section 5.10 Termination of Assignment of Leases.....	15
Section 5.11 Right to Enforce the Leases.....	15
Section 5.12 Beneficiary Not Mortgagee-in-Possession.....	15
ARTICLE 6	
SECURITY AGREEMENT	
Section 6.1 Grant of Security Interest.....	16
Section 6.2 Debtors' Covenants.....	16
Section 6.3 Debtors' Warranties and Representations.....	17
ARTICLE 7	
CERTAIN COVENANTS AND WARRANTIES OF THE GRANTOR	
Section 7.1 Covenants and Warranties of the Grantor.....	18
Section 7.2 Status of Project.....	18

85276863.5

i

SCANNED

ATTENTION: COUNTY CLERK-THIS INSTRUMENT COVERS GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN AND IS TO BE FILED FOR RECORD IN THE RECORDS WHERE MORTGAGES ON REAL ESTATE ARE RECORDED. ADDITIONALLY, THIS INSTRUMENT SHOULD BE APPROPRIATELY INDEXED, NOT ONLY AS A MORTGAGE, BUT ALSO AS A FINANCING STATEMENT COVERING GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN. THE MAILING ADDRESSES OF THE GRANTOR (DEBTOR) AND THE BENEFICIARY (SECURED PARTY) ARE SET FORTH IN THIS INSTRUMENT.



FIRST SUPPLEMENT TO DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES, AND SECURITY AGREEMENT

Dated as of January 1, 2010

by

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION
and
THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO,
together as Grantor

to

TAMARA ELLIS, as Trustee

for the Benefit of

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION
as Indenture Trustee

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION
as Master Trustee



After recording please return to:

Michael L. Spain
Fulbright & Jaworski L.L.P.
3409 Convent Street, Suite 2200
San Antonio, TX 78205

85276863.5

Section 7.3 Defense of Title and Litigation.....	19
Section 7.4 Compliance with Laws.....	19
Section 7.5 Indemnification.....	21
Section 7.6 Environmental Audit.....	22

ARTICLE 8 DEFAULTS

Section 8.1 Event of Default.....	23
Section 8.2 Remedies.....	23
Section 8.3 Remedies Cumulative.....	23
Section 8.4 No Waiver.....	23

ARTICLE 9 CERTAIN REMEDIES: POWER OF SALE

Section 9.1 Beneficiary's Right to Advance.....	23
Section 9.2 Request to Act.....	24
Section 9.3 Required Notices.....	24
Section 9.4 Compliance with Texas Property Code Requirements.....	25
Section 9.5 Credit Bid, Right to Purchase by the Beneficiary and Application of Proceeds.....	25
Section 9.6 Judicial Foreclosure.....	26
Section 9.7 Installment Foreclosure.....	26
Section 9.8 Appointment of a Substitute Trustee.....	26
Section 9.9 Recitals Conclusive.....	26
Section 9.10 Right of Sale Not Exhausted.....	27
Section 9.11 Purchaser's Right to Disaffirm Junior Encumbrances.....	27
Section 9.12 Appointment of Receivers.....	27
Section 9.13 Application of Proceeds.....	28
Section 9.14 Remedies Not Exclusive.....	28
Section 9.15 Abandonment of Sale, Termination of Proceedings.....	28
Section 9.16 Waivers.....	29
Section 9.17 Exculpation of Trustee.....	29
Section 9.18 Direction by Master Trustee.....	29

ARTICLE 10 CONDEMNATION AND CASUALTY LOSS

Section 10.1 Condemnation.....	30
Section 10.2 Casualty.....	30

ARTICLE 11 AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER DOCUMENTS

Section 11.1 Amendments and Supplements with Consent; Limitations.....	30
Section 11.2 Amendments, Supplements, Consents, and Releases Not Requiring Consent of Holders.....	31
Section 11.3 Consent to Substance Not Form.....	31
Section 11.4 Documents Mailed to Holders.....	31
Section 11.5 Arbitration.....	31
Section 11.6 Beneficiary Protected.....	31

85276863.5

ii

ARTICLE 12
ENVIRONMENTAL AND LAND USE MATTERS

Section 12.1	Environmental and Land Use Matters.....	32
--------------	---	----

ARTICLE 13
MISCELLANEOUS

Section 13.1	Severability	35
Section 13.2	Captions and Titles	35
Section 13.3	Usury Savings Clause	35
Section 13.4	Additional Security	36
Section 13.5	Suit Not an Election of Remedies	36
Section 13.6	Rules of Construction	36
Section 13.7	Notices	36
Section 13.8	Extension, Rearrangement or Renewal of Secured Obligations	37
Section 13.9	Governing Law	37
Section 13.10	Amendments	37
Section 13.11	Assignment	37
Section 13.12	Further Acts	38
Section 13.13	Capitalized Terms	38
Section 13.14	No Drilling or Exploration	38
Section 13.15	"Construction Mortgage"	38
Section 13.16	Negation of Partnership	38
Section 13.17	Submission to Jurisdiction	38
Section 13.18	Business or Commercial Purpose	39
Section 13.19	Conflict with Original Deed of Trust	39
Section 13.20	Deed of Trust Relates Back	39

Exhibits

Exhibit A - Description of Real Property

Exhibit B - Permitted Encumbrances

FIRST SUPPLEMENT
TO
DEED OF TRUST, ASSIGNMENT OF RENTS
AND LEASES, AND SECURITY AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

Preamble

This First Supplement to Deed of Trust, Assignment of Rents and Leases, and Security Agreement is dated as January 1, 2010 (hereinafter called this "Deed of Trust") and executed by ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation (the "Supporting Foundation"), and its affiliate THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO, a District of Columbia non-profit corporation (the "ARC") (the "Supporting Foundation and the ARC, together, the "Grantor"), the mailing address of the Grantor being set forth on the execution page hereof, to TAMARA ELLIS, as Trustee, whose mailing address is 10161 Centurion Parkway, Townermare Plaza, Third Floor, Jacksonville, FL 32256 and also to any substitute or successor Trustee as hereinafter provided (all of whom shall be included within the term "Trustee" as used hereinafter), for the use and benefit of THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, (i) as trustee (the "Indenture Trustee"), as assignee of the Bexar County Health Facilities Development Corporation (the "Issuer") under a Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Bond Indenture") between the Issuer and the Indenture Trustee, whose mailing address is 2001 Bryan Street, Floor 11, Dallas, Texas 75201 (Attention: Corporate Trust Department), and any successor trustee appointed pursuant to the Bond Indenture, its successors and assigns as the owner and holder of a Note of even date therewith (who shall be included within the term "Beneficiary", "assignee" and "Secured Party" as used hereinafter), in the stated original aggregate principal amount of \$27,010,000 (the "Note") executed by the Grantor and held by the Indenture Trustee, and (ii) as trustee (the "Master Trustee") under a Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as amended from time to time (the "Master Indenture"), between the Grantor and the Master Trustee, and any successor trustee appointed pursuant to the Master Indenture, its successors and assigns, with respect to Secured Debt issued and to be issued thereunder.

WITNESSETH:

WHEREAS, the Grantor has previously granted a Deed of Trust, Assignment of Rents and Leases and Financing Statement dated as of December 1, 2007 (the "Original Deed of Trust") to the Indenture Trustee as beneficiary, with the Original Deed of Trust being recorded at volume 12651, page 1983 of the real property records of Bexar County, Texas; and

WHEREAS, the Supporting Foundation and the ARC executed the Original Deed of Trust to provide security for the performance by the Supporting Foundation of all of the Secured Obligations (herein defined), and have executed this Deed of Trust pursuant to Section 11.1 and 11.2(a) of the Original Deed of Trust to clarify the provisions of the Original Deed of Trust with respect to securing obligations of the Grantor under the Master Indenture, as described in the Original Deed of Trust, including but not limited to the Secured Debt issued by the Grantor to pay amounts necessary to permit the Issuer to pay the debt service requirements on the Bonds issued pursuant to the Bond Indenture (the "Bonds").

85276863.5

iii

85276863.5

1

NOW, THEREFORE, for valuable consideration, including the mutual covenants contained herein and in further consideration of the issuance and sale of the Note by the Grantor, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1 Definitions. Certain terms used in this Deed of Trust are defined in this Section. When used herein, such terms shall have the meanings given to them in this Section, unless specifically provided otherwise or unless the context clearly indicates otherwise. Further, references to the Uniform Commercial Code are to the law prior to the passage of the Revised Article 9 of the Uniform Commercial Code (Chapter 9, Texas Business and Commerce Code, as in force without regard to the Revised Article 9 of the Uniform Commercial Code).

"Accounts" means all accounts of the Grantor, both now owned and hereafter acquired, together with all cash and non-cash proceeds thereof.

"Additions" means any and all alterations, additions, accessions and improvements to property, substitutions therefor, and renewals and replacements thereof.

"Agent" means, with respect to any entity, any official, officer, employee or agent of such entity.

"Beneficiary" means the holder or holders of any Secured Obligation.

"Bond Indenture" means the Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 between the Issuer and the Indenture Trustee.

"Bonds" means the Issuer's \$27,010,000 Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007.

"Collateral" means all of the security described in this Deed of Trust and in all of the other Documents, together with all Proceeds and products thereof and Additions thereto.

"Condemnation" means any taking of title, of use, or of any other property interest under the exercise of the power of eminent domain, by any governmental body or by any person acting under governmental authority.

"Damage" means (a) any damage, destruction or other injury (in whole or in part) by fire or other casualty, and (b) any Condemnation. "Damaged" means (y) damaged, destroyed, or injured (in whole or in part) by fire or other casualty, or (z) taken by Condemnation.

"Deed of Trust" means this First Supplement to Deed of Trust, Assignment of Rents and Leases, and Security Agreement, together with all Supplements hereto.

"Documents" means and includes (without limitation) the Bonds, the Loan Agreement, the Note, the Bond Indenture, the Master Indenture, Secured Debt issued thereunder, this Deed of Trust, and any and all other documents which the Issuer, the Grantor, or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver, to create, evidence or secure the Secured Obligations, or any part thereof, or in connection therewith, together with all Supplements thereto.

"Encumbrance" means any deed of trust, mortgage, pledge, lien, security interest, charge or other encumbrance, including but not limited to any covenant or agreement restricting, regulating or otherwise affecting the use of the Land or the Mortgaged Properties.

"Equipment" means all building materials, fixtures, equipment and tangible personal property of every kind and nature whatsoever of the Grantor, whether affixed or not, now owned or hereafter acquired by the Grantor and wherever located, including all Equipment now or hereafter located or contained in or upon or attached to the Land or the Improvements or any part thereof, together with all Additions thereto and all Proceeds and products thereof.

"Event of Default" means, including with respect to the Master Indenture, those events of default specified in Section 4.01 thereof and, with respect to this Deed of Trust, those events of default specified in Section 8.1.

"Governmental Authority" means any federal, state or local governmental or quasi-governmental entity having jurisdiction over the Project, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

"Grantor" means, together, Army Retirement Residence Supporting Foundation, a Texas non-profit corporation, and its successors and assigns, and The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation, and its successors and assigns.

"Gross Negligence" means gross negligence or willful misconduct.

"Holder", "Owner", "Holders", or "Owners", as applicable, means the owner or owners from time to time of the Secured Obligations, their successors and registered assigns.

"Improvements" means all structures or buildings now or hereafter erected or placed on the Land, including without limitation, the Project, and all Additions thereto.

"Indebtedness" means all sums of money secured by this Deed of Trust, including

(a) all money (including all principal, interest, and premiums (if any)) due or to become due under any Secured Obligation,

(b) all other money now or hereafter advanced or expended by the Trustee, the Indenture Trustee, the Master Trustee, the Issuer or the Beneficiary as provided for herein or in any other of the Documents, which the Grantor is required to repay or reimburse hereunder, under any of the other Documents, or by applicable law, and

(c) all costs, expenses, charges, liabilities, commissions, half-commissions and attorneys' fees now or hereafter chargeable to the Grantor, or incurred by, or disbursed by, the Trustee, the Issuer, the Indenture Trustee, the Master Trustee, or the Beneficiary on behalf of the Grantor as provided for herein, or in any of the other Documents, which the Grantor is required to pay, repay or reimburse hereunder, under any of the other Documents, or by applicable law.

"Indemnity Payments" means all obligations of the Grantor to indemnify, protect, and hold harmless the persons and entities set forth in Section 5.7, Section 7.5, and Section 12.1.

"Indenture Trustee" means The Bank of New York Mellon Trust Company, National Association, acting as trustee under the Bond Indenture, and its successors and assigns.

85276863.5

2

85276863.5

3

"Instrument" or "Instruments" means all instruments of the Grantor, together with (a) all money due and to become due thereunder, and (b) all cash and non-cash proceeds of all of the foregoing.

"Land" has the meaning set forth in Section 4.1(a)

"Lease" or "Leases" have the meaning given such terms in Section 5.1.

"Licenses" means all licenses, operating permits, franchises, and other approvals which the Grantor has obtained or is required by any Governmental Authority to obtain in connection with the acquisition, rehabilitation, improving, leasing, ownership and/or operation of the Project.

"Loan Agreement" means the Loan Agreement dated as January 1, 2007 executed between the Issuer and the Grantor.

"Master Trustee" means The Bank of New York Mellon Trust Company, National Association, acting as trustee under the Master Indenture, and its successors and assigns.

"Master Indenture" means the Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as supplemented from time to time, between the Grantor and the Master Trustee.

"Net Proceeds", when used with respect to any Condemnation awards or insurance proceeds allocable to the Project, means the gross proceeds from Condemnation or insurance remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

"Note" means the promissory Note dated as of January 1, 2007 of the Grantor issued under the Loan Agreement and the Master Indenture in connection with the Bonds.

"Original Deed of Trust" means the Deed of Trust, Agreement of Rents and Leases, and Security Agreement of the Grantor dated as of January 1, 2007, as supplemented by this Deed of Trust.

"Permitted Encumbrances" means (i) this Deed of Trust; (ii) any other encumbrances listed in any title policy issued in connection with the closing of any Secured Debt; (iii) any liens, taxes or other governmental charges which are not yet due and payable; (iv) any lien, including, but not limited to, mechanics' liens, or other liens resulting from a good faith dispute on the part of the Grantor, which the dispute the Grantor agrees to resolve diligently, unless the Master Trustee determines the priority of the lien of this Deed of Trust on any part of the Project would be endangered or any part of the Project would be subject to loss or forfeiture, and, within five (5) Business Days following written notice of such determination, the Grantor shall not have either satisfied the claims giving rise to such liens or posted a bond or obtained an insurance policy to cover such lien; (v) other liens or encumbrances, including liens or pledges subordinate to the lien of this Deed of Trust; and (vi) easements and rights-of-way granted by the Grantor to utility providers and the City of San Antonio, Texas in connection with the platting of the Project.

"Proceeds" or "proceeds" means, when used with respect to any of the Collateral, all proceeds within the meaning of the Uniform Commercial Code and shall include the proceeds of any and all insurance policies.

"Project" means the Project described in the Bond Indenture or any project financed with the proceeds of any Secured Obligation.

"Property Taxes" means all taxes, payments in lieu of taxes, water rents, sewer rents, ground rents, assessments and other governmental or municipal or public or private dues, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof or any of the other Collateral, or upon any Leases, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes, as income taxes, or otherwise.

"Reimbursement Rights" means (a) the rights of the Issuer, the Trustee, the Indenture Trustee, the Master Trustee, and the Beneficiary to receive reimbursement and indemnification pursuant to the Documents, and (b) all enforcement remedies with respect to the foregoing, all of which shall survive any transfer or payment of the Secured Obligations in full or in part and, if so indicated in this Deed of Trust, in the Loan Agreement, the Bond Indenture, or the Master Indenture, which shall also survive the termination of this Deed of Trust or the Loan Agreement, the Bond Indenture, or the Master Indenture, as applicable.

"Requisite Percentage of Holders" means the Holder or Holders of not less than a majority in aggregate principal amount of the Secured Obligations then outstanding.

"Secured Obligations" means the obligations of the Grantor under the Note, the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Secured Debt issued and to be issued under the Master Indenture, this Deed of Trust, and the other Documents, to (a) pay amounts necessary to permit payment of the principal of, premium (if any) and interest on any Secured Obligation issued and to be issued pursuant to the Master Indenture, when and as the same shall become due and payable (whether at the stated maturity thereof, on any installment payment date, or by acceleration of maturity, or after notice of redemption or otherwise), (b) pay all other payments (if any) required by the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Secured Debt issued and to be issued under the Master Indenture, this Deed of Trust, any Secured Obligations, and the other Documents to which it is a party to be paid by the Grantor to the Issuer, the Trustee, the Indenture Trustee, the Master Trustee, the Holders or to others, when and as the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations and agreements, express or implied, which the Grantor is required by the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Secured Debt issued and to be issued under the Master Indenture, this Deed of Trust, or any of the other Documents to which it is a party, to perform and observe; and reimburse the Beneficiary for any sums advanced by Beneficiary as contemplated by the Loan Agreement, the Master Indenture, and this Deed of Trust and the other Documents. Secured Debt issued pursuant to the Master Indenture includes Secured Obligations previously issued and any Secured Debt issued in the future.

"State" means the State of Texas.

"Supplements" means any and all extensions, renewals, modifications, amendments, supplements and substitutions.

"Taxes" means all taxes, assessments and governmental charges or levies imposed upon the applicable Person or on its income or its properties, including, without limitation, all Property Taxes.

ARTICLE 2

RULES OF CONSTRUCTION

SECTION 2.1 Rules of Construction. The words "hereof", "herein", "hereunder", "hereto", and other words of similar import refer to this Deed of Trust in its entirety.

(a) "Including" means "including, but not limited to".

(b) References to Articles, Sections, and other subdivisions of this Deed of Trust are to the designated Articles, Sections and other subdivisions of this Deed of Trust as originally executed.

(c) The headings of this Deed of Trust are for convenience only and shall not define or limit the provisions hereof.

(d) All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

SECTION 2.2 Recitals Incorporated Herein by Reference. The Grantor acknowledges that the Recitals contained hereinabove are true and correct and agrees that the same are incorporated herein as a substantive part of this Deed of Trust.

ARTICLE 3

SECURED OBLIGATIONS

SECTION 3.1 Deed of Trust Secures Described Indebtedness. This Deed of Trust is executed and delivered by the Grantor to secure the payment and performance of the Secured Obligations; including Secured Obligations previously issued or issued hereafter pursuant to the Master Indenture; however, the Secured Obligations shall not include and there is expressly excepted therefrom any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security, including, but not limited to, items of indebtedness incurred pursuant to Chapter 4 or 15 of the Texas Credit Code as same be amended or recodified. Each and every item of the Secured Obligations including any and all renewals, rearrangements and extensions of all or any part of the Indebtedness described and included in this Section is intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Deed of Trust.

ARTICLE 4

GRANT OF MORTGAGED PROPERTIES

SECTION 4.1 Grant, Sale and Conveyance. For the purposes and trusts hereinafter set forth, and for TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration paid to the Grantor, the receipt and sufficiency of which are hereby acknowledged, the Grantor has GRANTED, SOLD, and CONVEYED, and by these presents does GRANT, SELL, and CONVEY, unto the Trustee, all the following described property (collectively, the "Mortgaged Properties"), to wit:

(a) those certain tract(s) or parcel(s) of land (the "Land") being situated in Bexar County, Texas, being more fully described as set forth in Exhibit A attached hereto and hereby referred to and incorporated herein for all purposes, together with all right, title and interest of the Grantor, including any after-acquired right, title or reversion, in and to the beds of the ways, streets, avenues and alleys adjoining the Land subject to the Permitted Encumbrances, and all Improvements.

(b) furniture, furnishings, fixtures, equipment and other goods necessary for or used in connection with the use (or proposed use) of the Project and/or the Improvements, and all

appurtenances and additions thereto and betterments, renewals, substitutions and replacements thereof, all of the foregoing as now owned or hereafter acquired by the Grantor, wherever situated, and now or hereafter located on, attached to, contained in, or used or usable in connection with the Project and/or the Improvements or placed on any part thereof, though not attached thereto, including all screens, awnings, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings, heating, electrical, lighting, plumbing, ventilating, air-conditioning, refrigerating, incinerating and/or composting plants, systems, fixtures and equipment, elevators, boilers, stoves, ranges, vacuum and other cleaning systems, call systems, sprinkler systems and other fire prevention and extinguishing apparatus, and materials, motors, machinery, pipes, ducts, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, tanks, appliances, equipment, fittings, and fixtures, lockers, exercise and fitness equipment, scales, duplication and communication equipment, calculators, cash registers, tables, chairs, pianos, satellite dishes, televisions, telephones, maid carts, all kitchen equipment (including kitchen utensils, china ware and glassware) towels, drapes, miniblinds, linens, bedspreads, pillows, robes, and all building materials and equipment now or hereafter delivered to the Project and intended to be installed therein, excluding however, all personal property owned by lessees or vendors and intangibles owned by third parties. The Grantor shall have the right to replace worn or obsolete material items of personal property (including items that have become fixtures) provided that (i) notice is given to the Master Trustee of such removal and replacement and setting out the property that is to replace such worn or obsolete item and (ii) the replacement property is equal to or better than the property removed with respect to quality, utility and function or is reasonably believed to promote greater operating efficiency for the Project or to save operating expenses.

(c) Leases (as hereinafter defined), the Rents (as hereinafter defined), and all rents, revenues, profits, income, damages, awards, and proceeds from or attributable to all or any portion of the Land hereinabove described, the Improvements, and any other property, both real and personal, hereinabove described.

(d) money, funds, and accounts of the Grantor, deposits (including lessee security deposits), instruments, documents, general intangibles, notes, and chattel paper arising from or by virtue of any transaction related to the Project, the Improvements, or any of the Personal Property (hereinafter defined), subject to Section 5.1, prior to distribution of any of the foregoing to the Grantor and except for balances in accounts that are subject to draw by the Grantor for approved draws under the Loan Agreement and amounts allocated to ordinary expenses for payment by any manager of the Project.

(e) appurtenances and additions to the items of tangible personal property described herein and betterments, renewals, substitutions, and replacements thereof and therefor; and, if the lien and security interest granted by this Deed of Trust is subject to any security interest in said personal property, all right, title, and interest of the Grantor as the Grantor, now or hereafter arising, in and to any and all said property is hereby assigned to the Beneficiary as the Beneficiary, together with the benefits of all deposits and payments now or hereafter made thereon by or on behalf of the Grantor; excluding, however, all personal property owned by tenants of the Improvements.

(f) other articles of personal property, tangible or intangible (together with those items described in subsections (b), (c), and (g), collectively, the "Personal Property") now or hereafter attached to or used in or about the Improvements or that are necessary or useful for the complete and comfortable use and occupancy of the Improvements for the purposes for which they are to be attached, placed, erected, constructed or developed, or which Personal Property is or may be used in or related to the planning, development, financing or operation of the Improvements; and

all renewals of or replacements or substitutions for any of the foregoing, whether or not the same are or shall be attached to the Land or Improvements.

(g) building materials and equipment now or hereafter delivered to and intended to be installed in or on the Land or the Improvements.

(h) contracts now or hereafter entered into by and between the Grantor and any Original Contractor (as such term is defined by §53.001 of the TEX. PROP. CODE ANN., as amended) or between the Grantor and any other party, as well as all right, title and interest of the Grantor under any subcontracts, provided for the construction (original, restorative or otherwise) of any improvements to or on any of the Land or the furnishing of any materials, supplies, equipment or labor in connection with such construction.

(i) right, title and interest of the Grantor in and to all plans, specifications and drawings of the Improvements (including, but not limited to, plat plans, foundation plans, floor plans, elevations, framing plans, cross-section of walls, mechanical plans, electrical plans and architectural and engineering plans, and architectural engineering studies and analysis) heretofore or hereafter prepared by any architect or any engineer, relating to any of the Land.

(j) right, title and interest of the Grantor in and to all agreements now or hereafter entered into and with any party, including any assigned obligations, relating to architectural, engineering, management, development or consulting services rendered or to be rendered relating to planning, design, inspection or supervision of the construction management or development of any of the Land.

(k) completion bond, performance bond or labor and material payment bond or other bond relating to the Land or to any contract providing for construction of Improvements to the Land.

(l) Grantor's rights (but not its obligations) under any contracts relating to the Land, the Improvements, or the Personal Property.

(m) right, title, and interest of the Grantor in and to all contracts, permits, certificates, licenses, approvals, utility deposits, utility capacity, and utility rights issued, granted agreed upon, or otherwise provided by any governmental or private authority, person or entity relating to the ownership, development, construction, operation, maintenance, marketing, sale or use of the Land and/or the Improvements, including all of the Grantor's rights and privileges hereto or hereafter otherwise arising in connection with or pertaining to the Land and/or the Improvements, including, without limiting the generality of the foregoing, all water and/or sewer capacity, all water, sewer and/or other utility deposits or prepaid fees, and/or all water and/or sewer and/or other utility tap rights or other utility rights, any right or privilege of the Grantor under any loan commitment, lease, contract, management contract, service contract, warranty and computer software related to the Project, or other agreement with any third party pertaining to the ownership, development, construction, operation, maintenance, marketing, sale, or use of the Land and/or the Improvements.

(n) proceeds arising from or by virtue of the sale, lease or other disposition of the Land, the Improvements or the Personal Property.

(o) Net Proceeds (including premium refunds) of each policy of insurance relating to the Land, the Improvements or the Personal Property.

(p) Net Proceeds from the taking of any of the Land, the Improvements, the Personal Property or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law.

(q) right, title and interest of the Grantor in and to all streets, roads, public places, easements and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land.

(r) rights, hereditaments and appurtenances pertaining to the foregoing.

(s) interests of every kind and character that the Grantor now has or at any time hereafter acquires in and to the Land, Improvements, and Personal Property described herein and all property that is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of the Grantor with respect to such property.

TO HAVE AND TO HOLD the hereinabove described properties, together with the rights, privileges, and appurtenances thereto belonging (all of which properties, rights, privileges, and appurtenances are hereinafter collectively called the "Mortgaged Properties"), unto the Trustee and to its successors or successors forever, and the Grantor does hereby bind itself, its successors, assigns, and legal representatives to warrant and forever defend all and singular the Mortgaged Properties unto the Trustee, his successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, subject only to the Permitted Encumbrances.

SECTION 4.2 Grantor's Representations and Covenants Regarding Title. Without in any way limiting the above conveyance and the warranty herein contained, the Grantor represents itself (either or both) to be the owner of all the Mortgaged Properties as hereinabove conveyed and, should any ambiguity exist in regard to the description of said properties, reference may be had to the Grantor's ownership of properties held by it in the survey(s), subdivision(s) or section(s) described in Exhibit A attached hereto and made a part hereof for further description of the properties herein conveyed, the Grantor agrees that it will, upon request by the holder of the Secured Obligations, execute any further instruments, amendments, or supplements desired in more adequately describe the Mortgaged Properties which it has agreed to make subject to this Deed of Trust.

SECTION 4.3 Conveyance is as a Deed of Trust. This conveyance, however, is intended as a deed of trust and security agreement and is made upon the following trusts, terms, and conditions, to wit: In the event the Grantor shall well and truly perform and pay the Secured Obligations (including payment of all principal and all interest and attorneys' fees and other amounts, if any, owing or to become owing thereon) to the legal holder thereof when the same shall become due or make provision for such payment such that there are no Secured Obligations that are outstanding, then this Deed of Trust and all herein contained shall be null and void and shall be released at the Grantor's cost and expense, otherwise this Deed of Trust shall continue in full force and effect; however, the Secured Obligation to make Indemnity Payments and hold harmless the Beneficiary, the Trustee, the Indenture Trustee, the Holders, the Master Trustee, and their respective officers, directors, employees, agents, and attorneys pursuant to the provisions hereof shall survive any such payment or release.

SECTION 5.3 Affirmative Covenants. The Grantor shall, at the sole cost and expense of the Grantor:

(a) duly and punctually observe, perform and discharge, all of the material obligations, terms, covenants, conditions and warranties of the lessor under the Leases; and

(b) give prompt notice to the Beneficiary of any failure on the part of the Grantor to observe, perform and discharge the same or of any claim made by any lessee of any such failure by the Grantor, but only to the extent that such failure, or alleged failure is a material obligation of the Grantor under the Leases; and

(c) enforce in accordance with sound commercial practices the Leases, or secure the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or any guarantor; and

(d) use its best efforts to keep the Mortgaged Properties leased at a sufficient rental and on other terms and conditions reasonably acceptable to the Beneficiary; and

(e) at the request of the Beneficiary, execute a written instrument evidencing that the rights, title, and interest of the Grantor in and to, but none of its obligations, responsibilities or liabilities relating to such future Leases have been transferred and assigned to the Beneficiary in accordance with the terms and conditions as herein contained; and

(f) make, execute and deliver to the Beneficiary upon demand and at any time or times, any and all assignments and other documents and other instruments which the Beneficiary may deem advisable to carry out the true purposes and intent of this assignment.

SECTION 5.4 Negative Covenants. The Grantor shall not, except in compliance with the Bond Indenture, the Master Indenture, or the Leases, and except as noted below and in the ordinary course of business:

(a) consent to any subletting of Mortgaged Properties or any part thereof, to any assignment of any Leases by any lessee thereunder, to any assignment or further subletting of any sublease; or

(b) pledge, transfer, mortgage or otherwise encumber or assign or permit an encumbrance upon future payments of Rents or any other interest of the Grantor.

SECTION 5.5 Appointment of Attorney-in-Fact. Subject to the License as described and limited in Section 5.2, the Grantor hereby constitutes and appoints the Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of the Grantor, empowered and authorized in the same, place and stead of the Grantor to demand, sue for, attach, levy, recover and receive the Rents, or any premium or penalty payable upon the exercise by any lessee under any Leases of a privilege of cancellation originally provided in any such Leases, and to give proper receipts, releases, and acquittances therefor and, after deducting expenses of collection, to apply the net proceeds as a credit upon any portion of the Secured Obligations selected by the Beneficiary, notwithstanding the fact that such portion of the Secured Obligations may not then be due and payable or that such portion of the Secured Obligations is otherwise adequately secured; and the Grantor does hereby authorize and direct any such lessee to deliver such payment to the Beneficiary, in accordance with this assignment, and the Grantor hereby ratifies and confirms all that its said attorney-in-fact shall do or cause to be done by virtue of the powers granted hereby. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges

ARTICLE 5

ASSIGNMENT OF RENTS

SECTION 5.1 Assignment. The Grantor does hereby GRANT, TRANSFER, ASSIGN and SET OVER unto the Beneficiary, its successors and assigns, the following:

(a) all rights, interests and estates of the Grantor in, to and under, but none of its obligations, responsibilities, or liabilities related to, any leases, now or hereafter made, executed or delivered, whether written or verbal, covering all or any portion of the Land, or the Improvements now or hereafter erected or constructed thereon, or any other portion of the Mortgaged Properties, together with all renewals, extensions, modifications and replacements thereof (such lease agreements, renewals, extensions, modifications and replacements thereof being hereinafter collectively called the "Leases"); and

(b) all rents, rentals, security deposits, royalties, bonuses, issues, profits, revenue, income, and other sums of money or benefits that may now or hereafter be derived from the Mortgaged Properties, but none of its obligations, responsibilities, or liabilities related to, or arising from the use or enjoyment of any portion thereof, or from any lease pertaining thereto, including but not limited to, liquidated damages arising from any default under a lease, amounts that may be collected from any guarantor of a lease, any proceeds payable under any insurance policy covering loss of rents, and any and all rights that the Grantor may have against any lessee, guarantor or sublessee under such Leases (hereinafter collectively called the "Rents").

The parties intend to establish an absolute transfer and assignment of all the rights, title, and interest of the Grantor in and to, but none of its obligations, responsibilities or liabilities relating to the Leases and the Rents to the Beneficiary and not just to create a security interest.

SECTION 5.2 Limited License. Although this assignment constitutes an absolute, present and current assignment of all Leases and Rents, so long as there exists no Event of Default hereunder (as defined in Article 8.1), the Grantor shall have the right under a limited license granted hereby, and the Beneficiary hereby grants to the Grantor a limited license (the "License") to collect (but not more than one month in advance or two months in advance where one month's rental is attributable to the next ensuing month and one month's rental is attributable to the last month in the lease term, if any, and is collected as security under the provisions of a written lease or rental agreement) all of the Rents arising from or out of the Leases or any renewals or extensions thereof, or from or out of the Mortgaged Properties or any part thereof. The Grantor shall receive such Rents and hold them in trust and as a trust fund to be applied, and the Grantor hereby covenants to apply the Rents so collected, first, to the satisfaction and discharge of the Secured Obligations and, second, to the satisfaction and discharge of all obligations under the Leases; thereafter, so long as there exists no Event of Default hereunder or under any of the other documents evidencing or securing the Secured Obligations the Grantor may use the Rents in any manner provided in the Loan Agreement or the Master Indenture. The License shall be revoked automatically upon the occurrence of an Event of Default hereunder or under any of the documents evidencing or securing the Secured Obligations, but to the extent the Grantor continues to collect the Rents after an Event of Default, the Grantor shall continue to hold the Rents in trust for the benefit of the Beneficiary. Upon the occurrence and continuation of an Event of Default, the Grantor shall cause the tenants under the Leases to pay Rents by check payable to the order of the Grantor or a name designated by the Grantor. Any such payment to the Beneficiary shall constitute payment to the Grantor under the Leases, and the Grantor hereby appoints the Beneficiary as the Grantor's lawful attorney-in-fact, coupled with an interest, for giving, and is hereby empowered to give, acquittances to any tenants for such payments and to give the Grantor's endorsement to any check made payable to the Grantor.

shall be exclusive in the Beneficiary, its successors and assigns, so long as any part of the Secured Obligations secured hereby remains unpaid and undischarged. A lessee need not inquire into the authority of the Beneficiary to collect any Rents, and its obligations to pay Rents to the Grantor shall be absolutely discharged to the extent of any payment to the Beneficiary. Subject to the License, the Grantor hereby constitutes and appoints the Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of the Grantor, empowered and authorized in the name and stead of the Grantor to subject and subordinate at any time any Leases or any part thereof to the lien and security interest of this Deed of Trust and the Master Indenture, or to request or require such subordination in any case where the Grantor otherwise would have the right, power or privilege so to do, and to cause some or all of the provisions of any Leases that are subordinate to the lien and security interest of this Deed of Trust to become superior to this Deed of Trust and the Master Indenture. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in the Beneficiary, its successors and assigns, so long as any Secured Obligations secured hereby remain unpaid and discharged, and the Grantor hereby warrants that the Grantor has not at any time prior to the date hereof exercised any such right, and the Grantor hereby covenants not to exercise any such right, to subordinate any such Leases to the lien of this Deed of Trust, the Master Indenture, or to any other mortgage, deed of trust or security agreement or to any ground lease.

SECTION 5.6 Default. If an "Event of Default" under any Secured Obligation or any of the documents evidencing or securing a Secured Obligation shall have occurred, or if the Grantor shall fail to make any payment or fail to perform any other obligation, covenant or agreement contained in this assignment, or if there occurs an Event of Default as defined in this Deed of Trust, then the Beneficiary may, at its option, but subject to the prior written consent of the Owners of greater than fifty percent (50%) of the Outstanding Secured Obligations, and shall at the written direction of the Owners of greater than fifty percent (50%) of the Outstanding Secured Obligations, without notice and without regard to the adequacy of security for the Secured Obligations hereby secured, terminate the License, and either in person or by agent, with or without bringing any action or proceedings, or by a receiver to be appointed by court, enter upon, take possession of, manage and operate the Mortgaged Properties or any portion thereof, make, cancel, enforce or modify Leases to the same extent that the Grantor could do; obtain and evict lessees, and fix or modify Rents, and do any acts which the Beneficiary deems proper to protect the security hereof; and either with or without taking possession of the Mortgaged Properties, in its own name sue for or otherwise collect and receive such Rents (including lessee's security deposits and Rents that are past due and unpaid), and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any Secured Obligations secured hereby, in such order as the Beneficiary may determine subject to the provisions of the Master Indenture and the Bond Indenture. Upon demand by the Beneficiary, the Grantor shall deliver to the Beneficiary all lessees' security deposits which the Grantor has in its possession or control. The entering upon and taking possession of the Mortgaged Properties or the collection of the Rents and security deposits and the application thereof as aforesaid, shall not cure or waive any default under the documents evidencing or securing the Secured Obligations, or waive, modify or affect notice of an Event of Default under this Deed of Trust or other Documents evidencing or securing the Secured Obligations, or invalidate any act done pursuant to such notice. The Beneficiary may exercise its rights under this paragraph as often as any such Event of Default may occur, and the exercise of such right shall not constitute a waiver of any of the other remedies of the Beneficiary under this Deed of Trust or other document evidencing or securing the Secured Obligations.

SECTION 5.7 No Obligation of Beneficiary. It is understood that the Beneficiary's acceptance of this assignment shall not operate to place responsibility for the control, care, management or repair of the Mortgaged Properties upon the Beneficiary, nor for the carrying out of any of the terms and conditions of said Leases; nor shall it operate to make the Beneficiary responsible or liable for any waste committed on the Mortgaged Properties by the lessees or any other parties, or for any dangerous or defective condition of the Mortgaged Properties, or for any negligence in the management, upkeep, repair

or control of the Mortgaged Properties resulting in loss, injury or death to the Grantor or any lessee, licensee, employee or stranger. The Beneficiary shall not be liable for any loss sustained by the Grantor resulting from the Beneficiary's failure to let the Mortgaged Properties after default or from any other act or omission of the Beneficiary in dealing with the Mortgaged Properties after default. The Beneficiary shall not be obligated to perform or discharge, nor does the Beneficiary hereby undertake to perform or discharge, any obligation, duty or liability under any of the Leases or under or by reason of this assignment and THE GRANTOR RELEASES THE ISSUER, THE COUNTY, THE TRUSTEE, THE MASTER TRUSTEE, AND THE INDENTURE TRUSTEE FROM, AGREES THAT THE ISSUER, THE COUNTY, THE TRUSTEE, THE MASTER TRUSTEE, AND THE INDENTURE TRUSTEE SHALL NOT BE LIABLE FOR, AND INDEMNIFIES THE ISSUER, THE COUNTY, THE TRUSTEE, THE MASTER TRUSTEE, AND THE INDENTURE TRUSTEE AGAINST, ALL LIABILITIES, LOSSES, DAMAGES (INCLUDING REASONABLE ATTORNEYS' FEES), CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS OF ANY NATURE IMPOSED UPON OR ASSERTED AGAINST THE ISSUER, THE COUNTY, THE TRUSTEE, THE MASTER TRUSTEE, OR THE INDENTURE TRUSTEE, ON ACCOUNT OF (i) ANY LOSS OR DAMAGE TO PROPERTY OR INJURY TO OR DEATH OF OR LOSS BY ANY PERSON THAT MAY BE OCCASIONED BY ANY CAUSE WHATSOEVER PERTAINING TO THE CONSTRUCTION, MAINTENANCE, OPERATION AND USE OF THE PROJECT; (ii) ANY BREACH OR DEFAULT ON THE PART OF THE GRANTOR IN THE PERFORMANCE OF ANY COVENANT OR AGREEMENT OF THE GRANTOR UNDER THIS DEED OF TRUST, THE LOAN AGREEMENT, THE MASTER INDENTURE, OR ANY RELATED DOCUMENT, OR ARISING FROM ANY ACT OR FAILURE TO ACT BY THE GRANTOR, OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, TENANTS OR LICENSEES; (iii) VIOLATION BY THE GRANTOR, ANY PARTNER OF THE GRANTOR OR ANY AFFILIATE THEREOF OF ANY LAW, ORDINANCE OR REGULATION AFFECTING THE OWNERSHIP, OCCUPANCY OR USE OF THE PROJECT; (iv) THE AUTHORIZATION, ISSUANCE AND SALE OF THE BONDS OR ANY OTHER SECURED OBLIGATION, AND THE PROVISION OF ANY INFORMATION FURNISHED BY THE GRANTOR IN CONNECTION THEREWITH CONCERNING THE PROJECT OR THE GRANTOR OR ARISING FROM (1) ANY ERRORS OR OMISSIONS OF ANY NATURE WHATSOEVER SUCH THAT THE BONDS OR ANY OTHER SECURED OBLIGATION, WHEN DELIVERED TO THE PURCHASERS THEREOF, WERE NOT VALIDLY ISSUED AND BINDING OBLIGATIONS OF THE GRANTOR, OR (2) ANY FRAUD OR MISREPRESENTATIONS OR OMISSIONS CONTAINED IN THE PROCEEDINGS OF THE ISSUER, THE MASTER TRUSTEE, OR THE INDENTURE TRUSTEE, IN EITHER CASE WITH RESPECT TO, OR AS A RESULT OF, MATERIALS FURNISHED IN WRITING BY THE GRANTOR RELATING TO THE ISSUANCE OF THE BONDS OR ANY OTHER SECURED OBLIGATION WHICH, IF KNOWN TO THE ORIGINAL PURCHASER THEREOF, WOULD REASONABLY BE A MATERIAL FACTOR IN ITS DECISION TO PURCHASE SUCH OBLIGATIONS; (v) FAILURE TO PAY REBATABLE ARBITRAGE WHEN REQUIRED; (vi) ANY CLAIM OR ACTION OR PROCEEDING WITH RESPECT TO THE MATTERS SET FORTH IN SUBSECTIONS (i), (ii), (iii), (iv) AND (v) ABOVE BROUGHT THEREON; AND (vii) AS TO THE ISSUER AND THE COUNTY ONLY, ITS ACTS OR OMISSIONS UNDER THIS DEED OF TRUST OR THE BOND INDENTURE ARISING FROM ANY CLAIM WHATSOEVER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY OR OTHERWISE IN CONNECTION WITH THE PROJECT, THE BONDS, OR ANY DOCUMENT (OR AMENDMENT THEREOF) RELATING THERETO DELIVERED IN CONNECTION WITH THE PROJECT OR THE BONDS. THE GRANTOR DOES NOT HEREBY RELEASE THE ISSUER, THE COUNTY, THE MASTER TRUSTEE, OR THE INDENTURE TRUSTEE FROM, OR AGREE THAT ANY OF THEM SHALL NOT BE LIABLE FOR, OR INDEMNIFIED OR HELD HARMLESS AGAINST ANY LIABILITIES, LOSSES, DAMAGES (INCLUDING ATTORNEYS' FEES), CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS OF ANY NATURE IMPOSED UPON OR ASSERTED AGAINST ANY OF THEM ON ACCOUNT OF, WITH RESPECT TO EACH OF THE ISSUER AND THE COUNTY, ITS WILLFUL MISCONDUCT OR FRAUD, OR, WITH RESPECT TO THE INDENTURE TRUSTEE AND THE MASTER TRUSTEE, ITS NEGLIGENCE, WILLFUL MISCONDUCT, OR FRAUD, BUT THE GRANTOR DOES RELEASE AND INDEMNIFY THE ISSUER AND THE COUNTY FOR CAUSES OF ACTION, SUITS, CLAIMS, COSTS AND EXPENSES, DEMANDS AND JUDGMENTS BASED UPON ALLEGATIONS OF ORDINARY NEGLIGENCE AND GROSS NEGLIGENCE.

85270863.5

12

85270863.5

13

(a) In case any action or proceeding is brought against the Issuer, the County, the Trustee, the Master Trustee, or the Indenture Trustee (each an "Indemnified Party") in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Grantor, and the Grantor upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided that failure of a party to give that notice shall not relieve the Grantor from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Grantor. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party. If the Indemnified Party is advised in an opinion of counsel that there may be conflicting interests between the Grantor and the Indemnified Party or legal defenses available to the Indemnified Party which are different from or in addition to those available to the Grantor or if the Grantor shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose reasonably satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Grantor. The Grantor shall be responsible for the reasonable counsel fees, costs, and expenses of the Indemnified Party in conducting its defense under the circumstances described in the preceding sentence.

(b) The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers, staff and employees of the Indemnified Party. That indemnification is intended to and shall be enforceable by the Indemnified Party to the full extent permitted by law.

(c) Nothing in this Section shall require the Grantor to satisfy or pay any claims settled by an Indemnified Party without the prior written consent of the Grantor.

SECTION 5.8 No Waiver of Beneficiary's Rights. Nothing contained in this assignment and no act done or omitted by the Beneficiary pursuant to the powers and rights granted to it hereunder shall be deemed to be a waiver by the Beneficiary of its other rights and remedies under the Loan Agreement, the Note, the Bond Indenture, the Master Indenture, this Deed of Trust, or other Document evidencing or securing the Secured Obligations, and this assignment is made and accepted without prejudice to any of the other rights and remedies possessed by the Beneficiary under the terms of the Loan Agreement, the Note, the Bond Indenture, the Master Indenture, this Deed of Trust, and other Documents evidencing or securing the Secured Obligations. The right of the Beneficiary to collect the principal sum, interest and other indebtedness under any Secured Obligation and to enforce any security therefor held by it may be exercised by the Beneficiary either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

SECTION 5.9 Warranties Concerning Leases and Rents. The Grantor represents and warrants to the Beneficiary that, to the best of Grantor's current actual knowledge:

(a) the Grantor has good title to the Leases and Rents hereby assigned and the authority to assign them, and no other person or entity has any right, title or interest therein, and no Rents have been or will be assigned, mortgaged or pledged;

(b) all existing Leases are valid, unmodified and in full force and effect, and no material default exists thereunder;

(c) except in the ordinary course of business, no Rents have been or will be, without the Beneficiary's prior written consent, anticipated, waived, released, discounted, setoff or compromised;

(d) except in the ordinary course of business, except as indicated in the Leases, the Grantor has not received any funds or deposits from any lessee for which credit has not already been made on account of secured Rents; and

(e) no settlement for damages for termination of any of the Leases under the United States Bankruptcy Code or under any other federal, state, or local statute shall be made without the prior written consent of the Beneficiary, and any check in payment of such damages shall be made payable to both the Grantor and the Beneficiary, and the Grantor agrees to endorse any check for such payment to the order of the Beneficiary, to be applied to the Indebtedness as the Beneficiary may elect.

SECTION 5.10 Termination of Assignment of Leases. Upon the payment or performance in full of the Secured Obligations, this assignment shall become void and of no effect; but the affidavit of any officer or loan correspondent of the Beneficiary stating that any part of the indebtedness remains unpaid shall be and constitute evidence of the validity, effectiveness and continuing force of this assignment, and any person may and is hereby authorized to rely thereon.

SECTION 5.11 Right to Enforce the Leases. In exercise of the rights and powers created under this Article, if an Event of Default has occurred or is continuing under the Master Indenture, the Grantor specifically agrees that the Beneficiary, the Beneficiary's agent, or the Master Trustee, as such party may see fit, may do any of the following: (i) sue against the Grantor or any other persons lawful or peaceable means to enforce the collection of any such rents, revenues, profits, and income, (ii) secure possession of the Mortgaged Properties, or any part thereof, settle or compromise on any terms the liability of any person or persons for any such rents, revenues, profits, or income; institute and prosecute to final conclusion actions of forcible entry and detainer, or actions of trespass to try title, or actions for damages, or any other appropriate actions, in the name of such person or in the name of the Grantor; and (iii) settle, compromise, or abandon any such actions. In furtherance of the foregoing and not by way of limitation, the Grantor binds itself to take whatever lawful or peaceable steps the Beneficiary may ask it to take for such purposes, including the institution and prosecution of actions of the character above stated; however, the Grantor recognizes that neither the Master Trustee, the Beneficiary, or any person acting on behalf of the Beneficiary shall ever be required to collect any such rents or income or be liable or chargeable for failure so to do. All money collected by the Beneficiary shall be applied to the Secured Obligations as provided in the Master Indenture.

SECTION 5.12 Beneficiary Not Mortgagee-in-Possession. Neither the foregoing assignment of Rents and Leases to the Beneficiary, nor the exercise by the Beneficiary of any of its rights or remedies hereunder shall be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties, unless the Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Mortgaged Properties by any court at the request of the Beneficiary or by agreement with the Grantor, or the entry into possession of the Mortgaged Properties by such receiver, be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties.

85270863.5

14

85270863.5

15

ARTICLE 6

SECURITY AGREEMENT

SECTION 6.1 Grant of Security Interest. Without limiting any of the other provisions of the Loan Agreement, this Deed of Trust, or the Master Indenture, or the Grantor, as Debtor (referred to in this Article as "Debtors", whether one or more), expressly GRANTS unto the Beneficiary, as Secured Party (referred to in this Article as "Secured Party", whether one or more), a security interest in all the Mortgaged Properties (including both those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code—Secured Transactions (Chapter 9, Texas Business and Commerce Code, as in force without regard to the Revised Article 9 of the Uniform Commercial Code) (hereinafter called the "Uniform Commercial Code").

SECTION 6.2 Debtors' Covenants. Debtors covenant and agree with Secured Party as follows:

(a) In addition to any other remedies granted in this Deed of Trust to Secured Party or the Master Trustee (including specifically, but not limited to, the right to proceed against all the Mortgaged Properties in accordance with the rights and remedies in respect of those Mortgaged Properties which are real property pursuant to section 9.604 of the Uniform Commercial Code), Secured Party may, should an Event of Default occur and be continuing, proceed under the Uniform Commercial Code as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to sell, at one or more public or private sales, or otherwise dispose of, lease, or utilize the Collateral and any part or parts thereof in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party, and toward payment of the Secured Obligations in such order or manner as Secured Party may elect.

(b) Among the rights of Secured Party upon occurrence and continuance of an Event of Default and without limitation, Secured Party shall have the right, by any lawful means, to take possession of the Collateral or any part thereof and to enter, in any lawful manner, upon any premises where same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned, and to take any lawful action deemed necessary or appropriate or desirable by Secured Party, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

(c) To the extent permitted by law and except as otherwise provided in the Loan Agreement or the Master Indenture, Debtors expressly waive any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and, to the extent any such notice is required and cannot be waived, Debtors agree that, if such notice is mailed, postage prepaid, to Debtors at the address shown opposite Debtors' signatures hereinbelow at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(d) Upon occurrence and continuance of an Event of Default, Secured Party is hereby granted the express right, at its option, to transfer to itself or to its nominee, the Collateral, or any part thereof, to notify any obligor or account debtor in the case of any Collateral to make payment

directly to Secured Party, and to receive the money, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for the Secured Obligations or to apply the same on the principal and interest or other amounts owing on any of the Secured Obligations, whether or not then due, in such order or manner as Secured Party may elect, subject to the Loan Agreement, the Bond Indenture, and the Master Indenture. With respect to the Collateral, Debtors, for themselves, their heirs and assigns, hereby expressly and specifically waive all rights to a marshaling of the assets of Debtors, including the Collateral, or to a sale in inverse order of alienation.

(e) All recitals in any instrument of assignment or any other instrument executed by Secured Party or by the Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein, no other proof shall be requisite to establish full legal property of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action and of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred. Proceeds of any sale of the collateral shall be applied to the Secured Obligations as set out in Section 9.5.

(f) Secured Party may require Debtors to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtors shall be fully liable for all expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Collateral which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses, and costs, all of which expenses and costs shall constitute a part of the Secured Obligations.

(g) Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the real estate hereinabove described, and this Deed of Trust upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral which is or may become fixtures. Debtors have an interest of record in the real estate.

(h) Any copy of this Deed of Trust which is signed by Debtors or any carbon, photographic, or other reproduction of this Deed of Trust may also serve as a financing statement under the Uniform Commercial Code by Debtors, whose addresses are set opposite their respective signatures hereinbelow, in favor of Secured Party, whose address is set out hereinabove.

(i) So long as any Secured Obligations remain outstanding, unless the prior written specific consent and approval of Secured Party shall have first been obtained, Debtors will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder.

SECTION 6.3 Debtors' Warranties and Representations. Debtors warrant and represent to Secured Party that, except for the security interest granted hereby in the Collateral, Debtors are the owners and holders of the Collateral, free of any adverse claim, security interest or encumbrance (other than as disclosed in Exhibit B hereto), and Debtors agree to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Debtors further warrant and represent with respect to the Collateral that they have not heretofore signed any financing statement and that no financing statements signed by Debtors are now on file in any public office except those statements true and correct copies of which have been delivered to Secured Party.

ARTICLE 7

CERTAIN COVENANTS AND WARRANTIES OF THE GRANTOR

SECTION 7.1 Covenants and Warranties of the Grantor. As further assurances with regard to the Secured Obligations, each Grantor hereby jointly and severally covenants, warrants, and agrees in favor of the Beneficiary, as follows:

(a) The Grantor hereby agrees and binds itself to perform and pay the Secured Obligations and every installment of principal and interest thereof promptly as the same becomes due or payable.

(b) The Grantor, to the extent same can lawfully be levied, hereby covenants and agrees to pay all taxes and assessments of every kind or character charged, levied, or assessed against the Mortgaged Properties or any part thereof, before any such taxes or assessments become delinquent; to pay all water, gas, sewer, electricity, and other utility rates and charges with regard to the Mortgaged Properties; to pay all maintenance fees or charges of any owners' association or like group assessed with respect to the Mortgaged Properties; to pay any ground rents or charges for any easement, license, or agreement existing for the benefit of the Mortgaged Properties; to pay any interest, costs or penalties with respect to the foregoing items; and, upon request of the Beneficiary, to furnish to the Beneficiary evidence of the timely payment of such items.

(c) The Land consists of one or more parcels assessed for purposes of Property Taxes as separate and distinct parcels from any other real property so that the Land shall never become subject to the lien of any Property Taxes levied or assessed against any real property other than the Land.

(d) The Grantor, shall, at its sole cost and expense, obtain and maintain the insurance coverage as described in the Master Indenture.

SECTION 7.2 Status of Project. The Grantor has, or will have prior to the closing date of any Secured Obligation or prior to the first requisition to pay Project costs, all necessary certificates, licenses, and other approvals, governmental and otherwise, necessary for the construction of the Improvements, and all required zoning, building code, land use, environmental, and other similar permits or approvals, all of which are, or will be on such closing date or prior to the first requisition to pay Project Costs, in full force and effect and not subject to revocation, suspension, forfeiture, or modification, and all necessary certificates, licenses, and other approvals, governmental and otherwise, necessary for operation of the Project and Improvements and the conduct of its business thereat have been obtained or will be obtained prior to the such closing date.

(a) The Grantor will cause all debts and liabilities of any character, including without limitation all debts and liabilities for labor, material and equipment and all debts and charges for utilities servicing the Project, incurred in the construction, maintenance, operation and development of the Project, to be promptly paid, except for those being contested or bonded around in accordance with the applicable provisions of the Master Indenture or this Deed of Trust.

(b) The Project and Improvements are served by all utilities required for the contemplated construction and use thereof.

(c) All public roads and streets necessary to serve the Project and Improvements for the contemplated construction and use thereof have been completed or will be completed prior to the completion of construction, and will be serviceable, and have been dedicated to and formally accepted by the appropriate governmental entities.

SECTION 7.3 Defense of Title and Litigation. If the lien or security interest created by this Deed of Trust, or the validity, enforceability, or priority thereof or of this instrument or of title or any of the rights of the Grantor, the Trustee, the Master Trustee, the Indenture Trustee, or the Beneficiary in or to the Project, shall be endangered or shall be attacked directly or indirectly or if any action or proceeding is instituted against the Grantor, the Trustee, the Master Trustee, the Indenture Trustee, or the Beneficiary with respect thereto, the Grantor will promptly notify the Beneficiary thereof when known by the Grantor, and will diligently endeavor to cure any defect which may be developed or claimed, and will take all necessary and proper steps for the defense of such action or proceeding, including the employment of counsel, the prosecution or defense of litigation, and, subject to the Beneficiary's approval, in its sole reasonable discretion, the compromise, release, or discharge of any and all adverse claims. If the Grantor fails to perform its obligations under this Section promptly, or if the positions of the Grantor, the Beneficiary, the Indenture Trustee, and the Master Trustee are not identical, each of the Indenture Trustee and the Master Trustee and the Beneficiary (whether or not named as a party to such actions or proceedings and with or without Trustee) is hereby authorized and empowered (but shall not be obligated) to take such additional steps as it may deem necessary or proper for the defense of any such action or proceeding or the protection of the lien, security interest, validity, enforceability, or priority of this instrument or of such title or rights, including the employment of counsel, the prosecution or defense of litigation, the compromise, release or discharge of such adverse claims, the purchase of any tax title, and the removal of such prior liens and security interests. The Grantor shall, on demand, reimburse the Beneficiary for all expenses (including reasonable attorneys' fees and disbursements) incurred by it (directly or indirectly on its behalf by the Master Trustee) in connection with the foregoing matters. All such costs and expenses of the Beneficiary, until reimbursed by the Grantor, shall be part of the Secured Obligations and shall be deemed to be secured by this Deed of Trust.

SECTION 7.4 Compliance with Laws. The Grantor will perform and comply promptly with, and cause the Project to be maintained, used, and operated in accordance with, any and all (i) present and future laws, ordinances, rules, regulations, and requirements of every duly-constituted governmental or quasi-governmental authority or agency applicable to the Grantor or the Project, including, without limitation, the Americans with Disabilities Act of 1990 and the Fair Housing Act; (ii) similarly applicable orders, rules, and regulations of any regulatory, licensing, accrediting, insurance underwriting, or rating organization, or other body exercising similar functions; (iii) similarly applicable duties or obligations of any kind imposed under any Permitted Encumbrance or otherwise by law, covenant, condition, agreement, or easement, public or private; and (iv) policies of insurance at any time in force with respect to the Project. If the Grantor receives any notice that the Grantor or the Project is in default under or is not in compliance with any of the foregoing, or notice of any proceeding initiated under or with respect to any of the foregoing, the Grantor will promptly furnish a copy of such notice to the Beneficiary.

(a) **Zoning, Title Matters.** The Grantor warrants that the Project is currently zoned such that the Grantor may lawfully operate a continuing care facility thereon. The Grantor also warrants that it will not, without the prior written consent of the Beneficiary, such consent not to be unreasonably withheld or delayed, (i) initiate or support any zoning reclassification of the Mortgaged Properties, the Project, or the Improvements, seek any variance under existing zoning ordinances applicable to the Mortgaged Properties, the Project or the Improvements, or use or permit the use of the Mortgaged Properties, the Project, and Improvements in a manner which would result in such use becoming a non-conforming use under applicable zoning ordinances; (ii)

modify, amend, or supplement any of the Permitted Encumbrances except utility distribution easements across the Land which will permit utility service to the Project; (iii) impose any restrictive covenants or encumbrances upon the Mortgaged Properties, execute or file any subdivision plat affecting the Mortgaged Properties, or the Improvements, or consent to the annexation of the Mortgaged Properties, or the Improvements to any municipality except utility distribution easements across the Land which will permit utility service to the Project; or (iv) permit or suffer the Mortgaged Properties, and the Improvements to be used by the public or any person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement.

(b) **No Cooperative or Condominium.** The Grantor shall not operate or permit the Project or the Improvements to be operated as a cooperative, condominium, or other form of ownership in which the lessees or other occupants thereof participate in the ownership, control, or management of the Project, or any part thereof, as lessees, stockholders, or otherwise; provided, it shall not be a breach of this subsection for persons who are residents of the Project to participate in meetings of the board of directors of the Grantor.

(c) **Repair.** The Grantor hereby covenants and agrees to keep and maintain the Improvements now or at any time hereafter constituting a portion of the Mortgaged Properties in a state of good repair and condition; to make all repairs, replacements, reconstructions and restorations necessary to keep such Improvements in such condition; and, without the prior written consent of the Beneficiary, not to tear down or remove or permit to be torn down or removed any such Improvements now existing or hereafter erected.

(d) **Lien Priority.** The Grantor covenants and agrees that, should it be discovered after the execution and delivery hereof, that there is a lien or encumbrance of any nature whatsoever (other than Permitted Encumbrances) upon the Mortgaged Properties or any part thereof, equal or superior in rank to the lien of this Deed of Trust, or in case of an error or defect herein, or the execution or acknowledgment hereof, the Grantor shall immediately give written notice, together with a copy of such lien or encumbrance, to the Beneficiary and shall immediately thereafter, but in no event later than thirty (30) days of discovery of such lien or encumbrance, correct such defects in such title, or remove said liens or encumbrances or homestead claim, or correct such error or defect in this Deed of Trust or its execution or any acknowledgment hereof and provide evidence thereof to the Beneficiary.

(e) **Possession After Sale.** The Grantor covenants and agrees that, after any sale under this Deed of Trust, it, or its successors or assigns, shall be mere tenants at sufferance of the purchaser of the property at said sale, and that such purchaser shall be entitled to immediate possession thereof, and that, if the Grantor fails to vacate such property immediately, such purchaser may and shall have the right to go into any justice court having venue, or in any other court hereafter having jurisdiction of forcible detainer actions, and file an action in forcible detainer, which action shall lie against the Grantor or its successors or assigns as tenants at sufferance.

(f) **Subrogation.** The Grantor expressly agrees that the Beneficiary shall be fully subrogated to the rights of all holders of any vendor's liens or other liens whose indebtedness is paid in whole or in part with the proceeds of the Secured Obligations. To the extent that the Secured Obligations represent funds advanced for the acquisition of any of the Mortgaged Properties, the Grantor acknowledges and agrees that the Beneficiary is entitled to a vendor's lien securing the payment of said indebtedness, and the Grantor further specifically covenants,

stipulates and agrees that foreclosure under the power of sale contained in this Deed of Trust shall operate fully to foreclose such vendor's lien.

(g) **Due on Sale.** The Grantor covenants and agrees that the Beneficiary shall treat any sale, transfer, or conveyance of the Mortgaged Properties or any interest therein (or otherwise, as provided in and in accordance with the Master Indenture), as an Event of Default, and thereupon may invoke any remedies permitted by this Deed of Trust.

(h) **No Pledges or Mortgages.** The Grantor covenants and agrees that the Beneficiary may treat any mortgage, pledge, hypothecation, or encumbrance of the Mortgaged Properties or any interest therein other than the Permitted Encumbrances (collectively referred to as the "Pledge"), whether or not such Pledge is expressly subordinate to the lien of this Deed of Trust, as an Event of Default and thereupon may invoke any remedies permitted by this Deed of Trust.

(i) **Personalty.** The Grantor shall not sell, convey or otherwise transfer or dispose of its interest in any machinery or equipment in which the Beneficiary has a security interest pursuant to any Document without the prior written consent of the Beneficiary, unless (i) such machinery or equipment has become unnecessary for the purposes it was originally intended to serve or (ii) such machinery or equipment is inadequate, obsolete or worn out and is being replaced in the ordinary course of business with other machinery or equipment to the extent necessary to perform the functions served by such inadequate, obsolete or worn out machinery or equipment, or (iii) the sale, conveyance, transfer of other disposition of such machinery or equipment will not adversely affect the financial condition of the Grantor or the operations of the Project.

(j) **Notice of Loss and Taking.** The Grantor will give the Beneficiary prompt notice of any casualty loss, threat of Condemnation, Condemnation, or taking affecting all or any portion of the Mortgaged Properties.

(k) **Payment After Default.** In the event the Secured Obligations shall become due and payable by virtue of an Event of Default, the Grantor agrees that any tender of payment of the Secured Obligations prior to a foreclosure sale shall, at the option of the Beneficiary, be deemed a voluntary prepayment by the Grantor requiring the payment of any prepayment penalty, or redemption premium required under the terms of the documents evidencing the Secured Obligations to the full extent that such payment, when added to all other amounts then and therefore paid and which constitute interest, would not exceed the maximum lawful interest permitted to be charged of the Grantor.

SECTION 7.5 Indemnification. THE GRANTOR HEREBY AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE ISSUER, THE COUNTY, THE TRUSTEE, THE MASTER TRUSTEE, THE INDENTURE TRUSTEE, AND THEIR RESPECTIVE OFFICERS, COMMISSIONERS, MEMBERS, DIRECTORS, OFFICIALS, AGENTS, ADVISORS, COUNSEL, AND EMPLOYEES AND EACH OF THEM (EACH AN "INDEMNIFIED PARTY") FROM AND AGAINST, ANY AND ALL ACTUAL OUT-OF-POCKET LOSS OR EXPENSE SUFFERED OR INCURRED BY ANY INDEMNIFIED PARTY TO THE EXTENT CAUSED BY CLAIMS, JOINT OR SEVERAL, BY OR ON BEHALF OF ANY PERSON ARISING FROM ANY UNTRUE STATEMENT OR OMISSION OR ALLEGED UNTRUE STATEMENT OR OMISSION OF A MATERIAL FACT BY GRANTOR IN CONNECTION WITH TRANSACTIONS CONTEMPLATED HEREBY OR OTHERWISE IN CONNECTION WITH THE MORTGAGED PROPERTIES, THE BONDS AND WITH RESPECT TO THE MASTER TRUSTEE AND THE INDENTURE TRUSTEE, ACCEPTANCE OR ADMINISTRATION OF THE TRUST IMPOSED BY THE MASTER INDENTURE AND THE BOND INDENTURE, RESPECTIVELY, OR THE EXECUTION OR AMENDMENT OF ANY DOCUMENT RELATING THERETO, AND ALL REASONABLE ACTUAL OUT-OF-POCKET COSTS, COUNSEL FEES, EXPENSES OR LIABILITIES INCURRED IN CONNECTION WITH ANY SUCH CLAIM, OR

85276663.5

20

PROCEEDING BROUGHT THEREON, EXCEPT TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE BAD FAITH, NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY (OR, AS TO THE ISSUER OR THE COUNTY, ITS WILLFUL MISCONDUCT OR BAD FAITH OR FRAUD ON ITS PART). IN THE EVENT THAT ANY ACTION OR PROCEEDING IS BROUGHT AGAINST ANY INDEMNIFIED PARTY WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT HEREUNDER, THE GRANTOR, UPON WRITTEN NOTICE FROM THE INDEMNIFIED PARTY, SHALL ASSUME THE PAYMENT OF ALL EXPENSES RELATED THERETO.

NOTWITHSTANDING THE FOREGOING, UPON ANY PERMITTED TRANSFER OF THE MORTGAGED PROPERTY TO ANOTHER PERSON, THE RELEASE OF THE MORTGAGED PROPERTY FROM THE LIEN OF THIS DEED OF TRUST, THE FORECLOSURE OF THE LIEN OF THIS DEED OF TRUST, THE APPOINTMENT OF A RECEIVER OR THE OCCURRENCE OF ANY OTHER EVENT WHICH DIVESTS THE GRANTOR OF CONTROL OF THE MORTGAGED PROPERTY OR THE RECEIPT THEREOF (EACH, A "TRANSFER"), THE GRANTOR SHALL REMAIN OBLIGATED TO INDEMNIFY EACH INDEMNIFIED PARTY PURSUANT TO THIS SECTION WITH RESPECT TO (BUT ONLY WITH RESPECT TO) ACTS OCCURRING PRIOR TO THE DATE OF SUCH TRANSFER (IRRESPECTIVE OF WHEN A CLAIM IS ACTUALLY MADE), PROVIDED THAT EXCEPT AS TO THE ISSUER, THE INDEMNITY PROVISIONS OF THIS SECTION (AS SO LIMITED) SHALL SURVIVE THE TERMINATION OF THIS DEED OF TRUST, SUCH TRANSFER OR OTHER DISPOSITION OF A MORTGAGED PROPERTY FOR A PERIOD OF TWO YEARS. THE RIGHTS OF THE ISSUER HEREUNDER SHALL NOT TERMINATE AT SUCH TIME.

THE GRANTOR HEREBY FURTHER INDEMNIFIES, AND AGREES TO DEFEND AND HOLD HARMLESS, THE ISSUER, ANY MEMBER, OFFICER, OFFICIAL OR EMPLOYEE OF THE ISSUER, AND EACH PERSON, IF ANY, WHO CONTROLS THE ISSUER, INCLUDING, WITHOUT LIMITATION, THE COUNTY, AND ANY OFFICIAL THEREOF, WITHIN THE MEANING OF SECTION 15 OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE MASTER TRUSTEE AND THE INDENTURE TRUSTEE, ITS OFFICERS, DIRECTORS, OFFICIALS OR EMPLOYEES AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES WHATSOEVER CAUSED BY ANY UNTRUE OR MISLEADING STATEMENT OR OMISSION BY GRANTOR, OR ALLEGED UNTRUE OR MISLEADING STATEMENT OR OMISSION BY GRANTOR, OF A MATERIAL FACT CONTAINED IN ANY OFFICIAL STATEMENT RELATING TO THE BONDS OR ANY OTHER SECURED OBLIGATION AND NOT SUPPLIED FOR USE THEREIN BY ANY INDEMNIFIED PARTY ("OFFICIAL STATEMENT") OR THE OMISSION OR ALLEGED OMISSION OF SUCH MATERIAL FACT OF ANY OFFICIAL STATEMENT, NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE THEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING.

SECTION 7.6 Environmental Audit. At any time and from time to time, that Beneficiary shall reasonably believe that any hazardous substance shall have been disposed of on or released onto the Mortgaged Properties, Grantor agrees to deliver to Beneficiary, within sixty (60) days of a written request by Beneficiary, an environmental audit prepared by an environmental consulting firm acceptable to Beneficiary in Beneficiary's reasonable judgment, at Grantor's cost and expense, detailing the results of an environmental investigation of the suspected release or disposal at the Mortgaged Properties prepared in accordance with prudent engineering standards, including, without limitation, where appropriate, the interpretation of and results of a chemical analysis of soil and ground water samples. Grantor covenants and agrees to take such action as required by any Applicable Environmental Law (hereinafter defined) in connection with any hazardous substances investigated by the environmental audit which may be located on the Mortgaged Properties as a result of such release or disposal, including, without limitation, asbestos.

ARTICLE 8

DEFAULTS

SECTION 8.1 Event of Default. Should any of the following events or conditions occur, the same shall constitute an event of default under this Deed of Trust (herein called "Event of Default"):

(a) the Grantor shall fail or refuse to pay all or any portion of the Secured Obligations when due, subject to any grace periods applicable to such payments in the Documents evidencing such Secured Obligations;

(b) the Grantor shall fail to perform or to fulfill in a timely manner any other of the Secured Obligations, including specifically, but not limited to, the covenants and obligations of the Grantor contained in this Deed of Trust, subject to any applicable grace periods contained in this Deed of Trust or the Documents;

(c) any warranty or representation of the Grantor set forth in this Deed of Trust or the Documents shall prove untrue in any material respect;

(d) any event of default under the Loan Agreement, the Master Indenture, the Bond Indenture, or any other Document.

SECTION 8.2 Remedies. Upon the occurrence of an Event of Default, so long as such default remains uncured, the Beneficiary shall have the option and right to take any one or more of the following actions: (i) without demand, presentment, notice of intent to accelerate, notice of acceleration, or other notice or demand, all of which are expressly waived by the Grantor, declare the Secured Obligations immediately due and payable, (ii) proceed to enforce the lien of this Deed of Trust, and (iii) pursue any and all other remedies available to the Beneficiary whether set forth herein, in the Master Indenture, the Bond Indenture, or otherwise available at law or in equity.

SECTION 8.3 Remedies Cumulative. Each of the rights and remedies set forth in this Deed of Trust or available at law or in equity shall be cumulative and concurrent, may be pursued jointly or severally against the Grantor or any of the Mortgaged Properties, and shall be nonexclusive. The election to pursue any such right or remedy shall not be deemed a waiver, then or thereafter, to pursue any other such right or remedy.

SECTION 8.4 No Waiver. The acceptance of payment of any portion of the Secured Obligations after its due date or after the giving of notice of an Event of Default and of election to accelerate the maturity of the Secured Obligations shall not waive any right of the Beneficiary to require prompt payment when due of all other sums constituting Secured Obligations or to declare an Event of Default for failure to pay the entire unpaid balance of the Secured Obligations, or any right of the Beneficiary to proceed with foreclosure sale pursuant to any such notice and acceleration for any unpaid balance of the Secured Obligations. Waiver of a right granted to the Beneficiary as to one transaction or occurrence shall not be deemed a waiver of such right as to any subsequent transaction or occurrence.

ARTICLE 9

CERTAIN REMEDIES; POWER OF SALE

SECTION 9.1 Beneficiary's Right to Advance. In the event that the Grantor fails or refuses to pay any taxes or assessments upon the Mortgaged Properties before the same become delinquent, fails

85276663.5

22

85276663.5

23

to take out or procure or maintain such insurance as is required by the Master Indenture or this Deed of Trust, or fails to perform any other covenant or to pay any other obligation of the Grantor set forth in the Bond Indenture, the Loan Agreement, the Master Indenture, or this Deed of Trust or set forth in any other agreement or instrument evidencing or securing any Secured Obligations, then in any such case the Beneficiary, at its option and without any obligation to do so, may pay any such taxes or assessments (without being required to examine the legality or justice of same), take out or procure such insurance, or tender such performance or payment. All amounts advanced by the Beneficiary as aforesaid shall be due and payable upon demand, shall become a part of the Secured Obligations, shall bear interest from the date such payments are advanced until the repayment thereof at the highest nonusurious rate of interest set forth in the instruments evidencing the Secured Obligations, and shall be fully secured by the liens, assignments, and security interest of this Deed of Trust. Any amounts so paid, as well as the time of payment thereof, shall be deemed fully established by the affidavit or certificate of the Master Trustee, the issuer or the Beneficiary. The Grantor agrees that the payment of such taxes or assessments, the procuring and maintaining of such insurance, or the tendering of any such performance or payment by the Beneficiary shall not prevent the Beneficiary from declaring the Secured Obligations to be due and payable under the provisions hereof by reason of such Event of Default and pursuing any other remedies available to the Beneficiary should the Beneficiary so elect.

SECTION 9.2 Request to Act. Upon failure to perform or to pay the Secured Obligations, or any part thereof, when the same shall become due, in whatever way the maturity thereof may be brought about, it shall thereupon, or at any time thereafter while any part of the Secured Obligations remains undischarged, be the duty of the Trustee, or her successors, as hereinafter provided, at the request of the Beneficiary made pursuant to the Master Indenture, to enforce this trust and to sell the Mortgaged Properties. The Trustee may sell the Mortgaged Properties as an entirety or in parcels, by one sale or by several sales, held at one time or at different times, all as the Trustee may elect, each sale to be held at the location within the county courthouse designated for the holding of nonjudicial foreclosure sales by the Commissioners Court of any county in which a part of the real property to be sold is situated (or if no area has been so designated, then in an area within said courthouse described in the notice referred to in Section 9.3) and to be made on the first Tuesday of some month between the hours of 10 o'clock a.m. and 4 o'clock p.m. to the highest bidder for cash at public venue, after the Trustee (or a person or persons selected by the Trustee) and the Beneficiary shall have given notices of the proposed sale in the manner hereinafter set forth, and to make due conveyance to the purchaser or purchasers, with general warranty of title (subject to Permitted Encumbrances) to such purchaser or purchasers binding upon the Grantor, its successors and assigns. Such sale must begin at the time stated in the notice referred to in Section 9.3 or not later than three hours after that time. The Grantor, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of the Grantor, including the Mortgaged Properties, or to a sale in inverse order of alienation.

SECTION 9.3 Required Notices. The Trustee (or a person or persons selected by the Trustee) shall give notice of each such proposed sale by posting written notice of the time, place, and terms of sale at the courthouse door, and by filing a copy of such written notice in the office of the county clerk, of the county in which the sale is to be made for at least twenty-one (21) consecutive days preceding the date of the sale. Where real properties to be sold are situated in more than one county, one notice shall be posted at the courthouse door, and a copy of such notice shall be filed with the county clerk, of each county in which a part of the real properties to be sold is situated, and such notices shall designate the county where such real properties will be sold, which may be any county in which a part of said real properties is situated. In addition to the foregoing notice or notices to be posted and filed by the Trustee (or a person or persons selected by the Trustee), the Beneficiary shall, at least twenty-one (21) days preceding the date of sale, serve or cause to be served, written notice of the proposed sale by certified mail on each debtor obligated to pay such indebtedness according to the records of the Beneficiary. The service of such notice shall be completed upon deposit of the notice, enclosed in a

(a) first, to payment of all expenses of advertising, sale and conveyance, including the reasonable fees and expenses of the Trustee acting;

(b) next, to the payment of all principal, interest and costs legally due and secured hereby, in such order and priority as set forth in the Master Indenture; and

(c) finally, any remaining proceeds to the Grantor.

SECTION 9.6 Judicial Foreclosure. This instrument shall be effective as a mortgage as well as a deed of trust, and upon the occurrence of an Event of Default may be foreclosed as to any of the Mortgaged Properties in any manner permitted by the laws of the State of Texas or of any other state in which any part of the Land is situated, and any foreclosure suit may be brought by the Trustee or the Beneficiary. In the event a foreclosure hereunder shall be commenced by the Trustee, or any substitute or successor Trustee, the Beneficiary may at any time before the sale of the Mortgaged Properties direct said Trustee to abandon the sale and may then institute suit for the collection of the Note and the other Secured Obligations and for the foreclosure of this Deed of Trust. It is agreed that if the Beneficiary should institute a suit for the collection of the Note or any other Secured Obligations and for the foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of a final judgment in said suit dismiss the same and require the Trustee, any substitute or successor Trustee, to sell the Project in accordance with the provisions of this instrument.

SECTION 9.7 Installment Foreclosure. Without limiting any of the powers or remedies provided elsewhere, the Grantor agrees that, in the event the Secured Obligations are payable in installments or include, at any time, items of matured as well as unmatured indebtedness, the holder of the matured installments or items of indebtedness, as the case may be, shall have the right to have the Mortgaged Properties sold, subject to the part of the Secured Obligations which is unmatured at the time the Trustee is requested to make such sale, at Trustee's sale to satisfy the lien and security interest hereof securing the then matured portion of said indebtedness, and the Trustee is expressly authorized and empowered to conduct such sale which is called in this Section "Installment Foreclosure". Any Installment Foreclosure made under this Section shall not affect the liens, assignments, and security interest of this Deed of Trust existing to secure that portion of the Secured Obligations to which the sale is to be made subject. No Installment Foreclosure shall exhaust the power of the Trustee to conduct future Installment Foreclosures nor in any way limit the powers of sale provided elsewhere in this Deed of Trust. The provisions elsewhere in this Deed of Trust relating to manner of conducting trustee's sales, including the posting, filing, and giving of notices thereof, shall also apply to any Installment Foreclosure, and the same presumptions shall be applicable to any trustee's deed or recital therein contained in connection with an Installment Foreclosure and to any other affidavit as hereinabove provided.

SECTION 9.8 Appointment of a Substitute Trustee. In the case of the absence of the Trustee from the state, or of her death, refusal, or failure to act, or in the event the Beneficiary should elect at any time (with or without cause) to remove the Trustee then acting, a successor or substitute (the "Successor or Substitute Trustee") may be named, constituted, and appointed, without further formality than an appointment and designation in writing, which appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Successor or Substitute Trustee the title, powers, and duties conferred on the Trustee named herein, and the conveyance by the Successor or Substitute Trustee to the purchaser at any sale made pursuant hereto shall be valid and effective as fully as hereinabove provided in the case of a conveyance by the Trustee. Such right to appoint a Successor or Substitute Trustee shall exist as often as and whenever the Trustee, original, successor, or substitute, cannot or will not act or has been removed.

postpaid wrapper, properly addressed to each such debtor at the most recent address (which shall be within the United States of America) as shown by the records of the Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. If the real property described in Exhibit A hereto is used as the residence of a debtor obligated to pay the Secured Obligations, then, notwithstanding any agreement to the contrary, the Beneficiary shall serve such debtor with written notice by certified mail stating that such debtor is in default under this Deed of Trust, and such debtor must be given at least twenty days to cure the default before the entire Secured Obligations are due and notice of sale pursuant to this Section is given. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. In this respect and to the full extent it may legally do so, the Grantor also expressly covenants, stipulates, and agrees that: (i) the address of the Grantor set out in Article 13 shall be deemed and considered conclusively to be and remain at all times the most recent address of all debtors obligated to pay such indebtedness as shown by the records of the Beneficiary, provided such address may be changed to some other address within the United States of America from time to time only by express written notice of change thereof signed by all debtors obligated to pay such indebtedness and actually delivered to and received by the Beneficiary and setting forth a new address which shall be within the United States of America and which shall be deemed and considered conclusively to be and remain at all times thereafter the most recent address of all debtors obligated to pay such indebtedness as shown by the records of the Beneficiary until changed in the manner herein provided; (ii) the records of the Beneficiary shall not be deemed to reflect any change in the name or identity of the debtors obligated to pay the indebtedness (to whom notice of a proposed sale shall be required to be mailed as provided for above) unless and until express written notice of such change signed by all debtors obligated to pay such indebtedness shall have been actually delivered to and received by the Beneficiary; and (iii) no notice of such sale or sales other than the notices hereinabove provided shall be required by this instrument to be given to the Grantor or any other persons, and any other notice is expressly waived.

SECTION 9.4 Compliance with Texas Property Code Requirements. The provisions of Section 9.3 with respect to posting, serving, filing, and giving notices of sale are intended to comply with the provisions of Section 51.002 of the Texas Property Code, as amended (in this Section such Section 51.002 being called the "Subject Statute"). In the event the requirement for any notice, or the posting, serving, filing, or giving thereof, under the Subject Statute shall be eliminated or the prescribed manner of posting, serving, filing, or giving same is modified by future amendment to the Subject Statute, the requirement for such particular notice shall be stricken from, or the manner of posting, serving, filing, or giving any notice hereunder modified in, this Deed of Trust in conformity with such amendment. The manner herein prescribed for posting, serving, filing, or giving any notice, other than that to be posted and filed or caused to be posted and filed by the Trustee, shall not be deemed exclusive, but such notice or notices may be posted, served, filed, or given in any other manner which may be permitted by applicable law. Further, in relation to this Deed of Trust and the exercise of any power of sale by the Trustee hereunder, if the Subject Statute shall be amended or modified to require any other notice or the posting, filing, serving, or giving thereof or any statute hereafter enacted shall require any other notice or the posting, filing, serving, or giving thereof, the Trustee or the person selected by her is hereby authorized and empowered by the Grantor to give such notice or make such posting, filing, serving, or giving thereof; provided, however, the Grantor waives such other notice or the posting, filing, serving, or giving thereof to the full extent the Grantor may lawfully so do.

SECTION 9.5 Credit Bid, Right to Purchase by the Beneficiary and Application of Proceeds. At any sale conducted under this Deed of Trust, credit upon all or any part of the Secured Obligations shall be deemed cash paid for the purpose of Section 9.3, and the holder of all or any part of the Secured Obligations may purchase at any such sale. With the proceeds arising from such sale or sales, the Master Trustee shall apply the proceeds in the following order:

SECTION 9.9 Recitals Conclusively. The Grantor specifically covenants and stipulates that

(i) the recitals in the conveyance made to the purchaser, either by the Trustee or any Successor or Substitute Trustee, shall be full proof and evidence of the matters therein stated; (ii) no other proof shall be requisite of the request by the holder of the Secured Obligations or the Trustee or on any Successor or Substitute Trustee to enforce this trust, or of the due, timely, and proper posting, filing, and giving of all notices and making of the sale, or any particulars thereof, or of the inability, refusal, or failure of the Trustee or any Successor or Substitute Trustee to act, or of the removal of the Trustee or any Successor or Substitute Trustee, or of the appointment of a Successor or Substitute Trustee, as herein provided, either as to the legality of her appointment or otherwise, or of the contingencies which brought about the failure or inability of the Trustee or any Successor or Substitute Trustee to act, or of her removal, as the case may be; (iii) all prerequisites of said sale shall be presumed to have been performed, and (iv) any sale made under the powers herein granted shall be a perpetual bar against the Grantor, its successors and assigns.

SECTION 9.10 Right of Sale Not Exhausted. The right of sale hereunder shall not be exhausted by one or any sale, but, so long as any of the Secured Obligations remain undischarged, the Trustee or Successor or Substitute Trustee may make other and successive sales until all the Mortgaged Properties shall be legally sold.

SECTION 9.11 Purchaser's Right to Disaffirm Junior Encumbrances. The purchaser at any foreclosure sale may disaffirm any easement granted or rental, lease or other contract made subordinate to or in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Properties free from, and despite the terms of, such grant of easement or rental or lease contract.

SECTION 9.12 Appointment of Receivers.

(a) If an Event of Default occurs and is continuing, a receivership may be necessary to protect the Mortgaged Properties, whether before or after maturity of the Secured Obligations, or at the time of or after the institution of suit to collect the principal of, premium (if any), or interest on the Secured Obligations, or to enforce this Deed of Trust; accordingly, the Master Trustee, at the direction of the Beneficiary, shall, as a matter of strict right and regardless of the value of the Mortgaged Properties or of the solvency of any party bound for the payment of the Secured Obligations, have the right to the appointment on application and notice to the Grantor, by any court having jurisdiction, of a receiver to take charge of, manage, preserve, protect, and operate the Mortgaged Properties and any business or businesses located thereon, to collect the revenues, rents, issues, profits, products, and income thereof, to make all necessary and needed repairs, to complete the construction of any improvements which have been undertaken but not completed, to pay all taxes and assessments against the Mortgaged Properties and insurance premiums for insurance thereon, and after the payment of the expenses of the receivership, including reasonable attorneys' fees to the Master Trustee's attorney, and after compensation for management of the Mortgaged Properties, to apply the net proceeds to pay the Secured Obligations or in such manner as the court shall direct. All such expenses shall be secured by the lien of this Deed of Trust until paid.

(b) The receiver or its agents shall be entitled to enter upon and take possession of any part and all of the Mortgaged Properties, together with any and all businesses conducted and all business assets used therewith or thereon, or any part or parts thereof, and to operate and conduct the business or businesses, or complete construction of improvements, to the same extent and in the same manner as the Grantor might lawfully do. The receiver, personally or through its agents or attorneys, may exclude the Grantor and its subsidiaries, agents, servants, and employees wholly from the Mortgaged Properties and may have, hold, use, operate, manage, and control the

same and each and every part thereof, and in the name of the Grantor, its subsidiaries or agents, may exercise all of their rights and powers and use all of the then existing items of security and collateral, materials, current supplies, stores, and assets and, at the expense of Mortgaged Properties, may maintain, restore, complete construction, insure, and keep insured the properties, equipment, and apparatus provided or required for use in connection with such business or businesses, and may make all necessary and proper repairs, renewals, and replacements and all such useful alterations, additions, betterments, and improvements as the receiver may deem judicious.

(c) Such receivership shall, at the option of the Beneficiary, continue until full payment of the Secured Obligations, title to and interest in the Mortgaged Properties having passed by foreclosure sale under this Deed of Trust, or the Event of Default having been cured.

SECTION 9.13 Application of Proceeds. The Master Trustee acting shall pay, distribute, and apply the proceeds of any disposition of the Mortgaged Properties to the Beneficiary for deposit and use as provided in Section 9.5. Said disposition shall forever be a bar against the Grantor, its legal representatives, successors and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in each conveyance to the purchaser shall be full evidence of the truth of the matters therein stated, and all lawful prerequisites to said disposition shall be conclusively presumed to have been performed.

SECTION 9.14 Remedies Not Exclusive. No lien, right, or remedy herein conferred upon or otherwise available to the Master Trustee is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to every other lien, right, or remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power, or remedy accruing upon any default or Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of any other or additional security, collateral, or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive, or affect the security of this Deed of Trust or any rights, powers, or remedies hereunder, nor shall the Master Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guaranties.

SECTION 9.15 Abandonment of Sale; Termination of Proceedings.

(a) If foreclosure should be commenced by the Trustee, the Beneficiary may, at any time before the sale direct the Trustee to abandon the sale, and may at any time or times thereafter direct the Trustee to again commence foreclosure; or, irrespective of whether foreclosure is commenced by the Trustee, the Beneficiary may at any time after an Event of Default as described in Article 8 of this Deed of Trust institute suit for collection of all or any part of the Secured Obligations or foreclosure of the lien of this Deed of Trust or both. If the Beneficiary should institute suit for collection of the Secured Obligations and foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of final judgment dismiss the same and require the Trustee to sell the Mortgaged Properties in accordance with the provisions of this Deed of Trust.

(b) In case the Master Trustee shall have proceeded to enforce any right under this Deed of Trust by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have

been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every such case the Grantor, the Master Trustee, and the Beneficiary shall be restored to their former positions and rights hereunder, and all rights, remedies, and powers of the Master Trustee shall continue unimpaired as if no such proceedings had taken place.

SECTION 9.16 Waivers.

(a) All rights of marshaling of assets or sale in inverse order of alienation in the event of foreclosure of any lien at any time securing the Secured Obligations or any part thereof (including, but not limited to, the lien hereby created) are hereby waived.

(b) The Grantor agrees, to the full extent permitted by law, that in case of an Event of Default hereunder, neither the Grantor nor anyone claiming through or under it shall set up, claim, or seek to take advantage of any appraisal, valuation, stay, extension, homestead, dower, elective share, exemption, or redemption (or, "equity of redemption") laws, statutory or otherwise, now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, or the absolute sale of the Mortgaged Properties, or the delivery of possession thereof immediately after such sale to the purchaser at such sale, and the Grantor, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all such laws.

(c) To the extent allowed by applicable law, the Grantor shall not at any time insist upon or plead or in any manner whatever claim or take the benefit or advantage of any stay or extension law or any law exempting the Mortgaged Properties from attachment, levy, or sale on execution now or at any time hereafter in force in any locality where the Mortgaged Properties or any part thereof may or shall be situated, and the Grantor hereby expressly waives all benefit and advantage of any such law or laws and covenants that the Grantor will not hinder, obstruct, delay, or impede the execution of any power herein granted and delegated to the Trustee, but that the Grantor will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

SECTION 9.17 Exculpation of Trustee. The Trustee shall have no duties and shall not be obligated to perform any acts other than those herein expressly set forth or intended. Without limitation, the Trustee shall not be responsible for the execution, acknowledgment, or validity of this Deed of Trust, or of any instrument amendatory hereto or supplemental hereto or of the Secured Obligations or of any other indebtedness, or for the sufficiency of the security purported to be created hereby. The Trustee shall not incur any personal liability hereunder except for its own willful neglect, willful misconduct or default, and the Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. The Trustee shall be entitled to reimbursement for all expenses incurred by it in the performance of its duties, and shall be entitled to reasonable compensation for such of its services as shall be rendered.

SECTION 9.18 Direction by Master Trustee. In the event of any actual or apparent conflict in the rights and duties hereunder of the Master Trustee and the Indenture Trustee, the Indenture Trustee agrees that the Master Trustee shall have full authority and obligation to exercise such disputed right or duty.

SECTION 11.2 Amendments, Supplements, Consents, and Releases Not Requiring Consent of Holders. Notice to, but not consent of, the Holders of the Bonds and other Secured Obligations and except as provided below, no written consent under Section 11.1 shall be required to empower the Beneficiary at any time or from time to time to enter into any supplemental deed of trust with the Grantor:

(a) to add to the covenants and agreements of the Grantor contained in this Deed of Trust additional covenants or agreements of the Grantor or conditions or restrictions upon the Grantor, or to surrender or eliminate any right, power or privilege granted to or conferred upon the Grantor in this Deed of Trust;

(b) to cure any minor ambiguity, or formal defect or omission, contained herein or in any of the other said agreements or instruments (provided, however that the interests of the Holders of the Bonds and the other Secured Obligations shall not be adversely affected thereby);

(c) to correct or amplify the description of the Project (provided, however, that the interests of the Holders of the Bonds and the other Secured Obligations shall not be adversely affected thereby) or to reflect any release of any property from the Project pursuant to the express terms hereof;

(d) to release from the lien of this Deed of Trust Tract II described on Exhibit A (or any other undeveloped property subsequently subjected to the lien of this Deed of Trust), so long as no revenue-producing improvements (as to Tract II, no revenue-producing improvements other than a biking and walking path) have been made to such property, as determined by an Officer's Certificate (as defined in the Master Indenture) delivered to the Master Trustee and the Indenture Trustee;

(e) to grant or confirm the priority of any lien or encumbrance described in clause (3) or (4) of Section 8.08 of the Master Indenture over the lien of this Deed of Trust;

(f) to confirm, grant, convey, or release any property or interest therein from the lien of this Deed of Trust pursuant to Section 8.10 of the Master Indenture; or

(g) to grant to the Beneficiary additional property, rights, remedies, powers or privileges, in trust, for the purposes of this Deed of Trust.

SECTION 11.3 Consent to Substance Not Form. It shall not be necessary for any written consent of the Holders of outstanding Bonds or other Secured Obligations, as the case may be, or of the Grantor given pursuant to Section 11.1 to specify the particular form of the proposed documents to be executed and delivered pursuant to Section 11.1, but it shall be sufficient if such consent shall be given in writing to the substance thereof.

SECTION 11.4 Documents Mailed to Holders. The Beneficiary shall mail, by certified mail, postage prepaid, a photocopy or conformed copy thereof, of any agreement or instrument entered into pursuant to Section 11.1 or 11.2, to each Holder of any Bonds at its address shown in the Bond Register under the Bond Indenture and to the Holder of any Secured Obligations.

SECTION 11.5 Arbitration. The Grantor will not, without the prior written consent of the Beneficiary, submit to arbitration any question, dispute or other matter arising under the Bond Indenture, the Loan Agreement, any document relating to the Bonds, the Master Indenture, or this Deed of Trust.

ARTICLE 10

CONDEMNATION AND CASUALTY LOSS

SECTION 10.1 Condemnation. If the Mortgaged Properties, or any part thereof, shall be condemned or taken for public use under the power of eminent domain, the Beneficiary shall have the right to demand all Net Proceeds from awards, compensation, settlement, and damages for such taking or injury to the Mortgaged Properties be paid to the Beneficiary. To the extent such money is received by the Beneficiary, the Beneficiary shall apply the same to the Secured Obligations or to the restoration, repair, rebuilding or reequipping of the Project.

SECTION 10.2 Casualty. Should the Mortgaged Properties be wholly or partially destroyed or damaged by fire, explosion, windstorm, or other insured casualty, the Beneficiary shall have the right to collect, receive, and receipt for, in the name of the Grantor or otherwise, any and all Net Proceeds that may become payable or collectible upon any policy of insurance by reason of such damage to or destruction of the Mortgaged Properties. To the extent such money is received by the Beneficiary, the Beneficiary shall apply the same or so much thereof as is necessary to the Secured Obligations or to the restoration, repair, rebuilding or reequipping of the Project.

ARTICLE 11

AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER DOCUMENTS

SECTION 11.1 Amendments and Supplements with Consent; Limitations. With the prior written consent of (a) the Beneficiary and the Grantor (but without the prior consent of the Holders of the Bonds or other Secured Obligations or notice to them) may at any time and from time to time enter into a supplemental deed of trust for the purpose of adding provisions to, or changing or eliminating provisions of, this Deed of Trust, and (b) the Grantor and the Beneficiary may execute and deliver any written waiver or modification of the terms of this Deed of Trust; however, no such consent shall be necessary to empower or permit the parties to this Deed of Trust and the other agreements and instruments referred to in Section 11.2 to execute the agreements and instruments and take the actions referred to therein for any of the purposes specified therein; and provided, further, that without the consent of the Requisite Percentage of Holders of the Bonds and the other Secured Obligations to be affected by such supplemental deed of trust, amendment, supplement, waiver or modification, no such instrument or act shall:

(a) modify any of the provisions of Section 11.2, the definitions of the term "Event of Default" as such term is defined, directly or by cross-reference, herein (except to add additional events of default);

(b) reduce, amend or modify any indemnities (except to add additional indemnities) in favor of the Beneficiary; or

(c) adversely affect the Project or the lien of this Deed of Trust thereon;

however, in no event shall any such supplemental deed of trust or waiver or modification of the terms hereof shall permit the creation of any lien on the Project or any portion thereof, or deprive the Holder of any Bonds or other Secured Obligation then outstanding of the lien of this Deed of Trust on the Project. Any supplemental deed of trust or other agreement, instrument or action made, entered into or taken in a manner inconsistent with or contrary to the provisions of this Article shall be void and of no effect.

SECTION 11.6 Beneficiary Protected. If, in the opinion of the institution acting as the Beneficiary hereunder, any document required to be executed pursuant to the terms of Sections 11.1 and 11.2 affects any right, duty, immunity or indemnity with respect to it under this Deed of Trust, the Beneficiary may, in its discretion, decline to execute such document.

ARTICLE 12

ENVIRONMENTAL AND LAND USE MATTERS

SECTION 12.1 Environmental and Land Use Matters. The Grantor covenants as follows:

(a) the location, construction, occupancy, operation, and use of the Mortgaged Properties does not violate any applicable law (including, without limitation, applicable provisions of the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, and corresponding rules and regulations), statute, ordinance, rule, regulation, order, or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Mortgaged Properties, including, without limitation, all applicable zoning ordinances and building codes, flood disaster laws, and health and environmental laws and regulations (hereinafter sometimes collectively called "Applicable Regulations");

(b) neither the Mortgaged Properties nor the Grantor is in violation of or subject to any existing, pending, or, to the best of the Grantor's knowledge, after due inquiry, threatened investigation or inquiry by any governmental authority or to any remedial obligations under any Application Regulations pertaining to health or the environment (herein sometimes collectively called "Applicable Environmental Law"), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq., as amended ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. §1801 et seq., as amended, the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6901 et seq., as amended, the Toxic Substance Control Act of 1976, 15 U.S.C. §2601 et seq., as amended, the Clean Water Act, 33 U.S.C. §466 et seq., as amended, the Clean Air Act, 42 U.S.C. §7401, et seq., as amended, and any other federal, state, or local law similar to those set forth in this definition, and, to the best of the Grantor's knowledge, after due inquiry, this representation and warranty would continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions, and circumstances, if any, pertaining to the Mortgaged Properties. If any such investigation or inquiry is subsequently initiated, the Grantor will promptly notify the Master Trustee and the Beneficiary;

(c) the Grantor has not obtained and, to the best of the Grantor's knowledge, after due inquiry, is not required to obtain any permits, licenses, or similar authorizations to construct, occupy, operate, or use any buildings, improvements, fixtures, and equipment forming a part of the Mortgaged Properties by reason of any Applicable Environmental Law;

(d) the Mortgaged Properties have not previously been used as a landfill or as a dump for garbage or refuse; the Site does not lie within a flood plain or in an area that has been identified by the Secretary of HUD as an area having special flood hazards, or, to the extent a portion of the Site may fall within such flood plain, the Grantor shall provide sufficient insurance coverage against such hazard. The Grantor has not illegally or improperly manufactured, used, generated, stored, found, released, or disposed of any Hazardous Substance (as herein defined) on, under, or about the Site in violation of applicable federal, state, or local law, statute, ordinance, or

regulation ("Law"). The Grantor has no knowledge that any hazardous substance or solid wastes have been illegally or improperly disposed of or otherwise illegally or improperly released on or about the Mortgaged Properties;

(e) the Mortgaged Properties do not contain lead based paint, asbestos, ureaformaldehyde foam insulation, or any other chemical, material, or substance exposure to which may or could pose a health hazard whether or not the substance is prohibited, limited, or regulated by any governmental authority; and

(f) the use which the Grantor makes or intends to make of the Mortgaged Properties will not result in the illegal or improper manufacturing, treatment, refining, transportation, generation, storage, disposal, or other release or presence of any Hazardous Substance or solid waste on or to the Mortgaged Properties. For purposes of the Deed of Trust, the terms "Hazardous Substance" and "release" shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposal") shall have the meanings specified in RCRA, provided, in the event either CERCLA or RCRA is amended so as to broaden any meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment, and provided, further, to the extent that the laws of the State of Texas establish a meaning for "hazardous substance", "release", "solid waste", or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply; provided, further, that the term "Hazardous Substance" shall also include those listed in the U.S. Department of Transportation Table (49 C.F.R. 172.101) and amendments thereto from time to time.

The foregoing representations, covenants, and warranties are in addition to, and in no way limit the representations, covenants, and warranties of the Grantor to the Master Trustee, and the Beneficiary under the Master Indenture.

The Grantor shall immediately advise the Beneficiary in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting all or any part of or any interest in the Mortgaged Properties, (b) all claims made or threatened by any third party against the Grantor or the Mortgaged Properties relating to damage, contribution, cost recovery, compensation, or loss or injury resulting from any Hazardous Material, (c) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Mortgaged Properties that could cause the Mortgaged Properties to be classified in a manner which may support a claim under any Hazardous Material Law, and (d) the discovery of any occurrence or condition on any part of the Mortgaged Properties or any real property adjoining or in the vicinity of the Mortgaged Properties which could subject the Grantor or any part of the Mortgaged Properties to any limitations or restrictions on the ownership, occupancy, transferability or use thereof. The Beneficiary may elect (but shall not be obligated) to join and participate in any settlements, remedial actions, legal proceedings or other actions initiated in connection with any claims or responses under any Hazardous Material Law and to have its reasonable attorneys' fees relating to such participation paid by the Grantor. At its sole cost and expense, the Grantor agrees to promptly and completely cure and remedy every existing and future violation of a Hazardous Material Law occurring on or with respect to any part of the Mortgaged Properties and to promptly remove all Hazardous Materials now or hereafter in, on or under all or any part of the Mortgaged Properties and to dispose of the same as required by Hazardous Material Law(s).

Upon written direction by the Beneficiary (by its officers, employees and agents) at any time and from time to time (not more than once each calendar year unless an environmental condition is reported or found to exist on the Mortgaged Properties in which event no limit shall apply) shall contract for the services of persons or entities (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on all or any part of the Mortgaged Properties to determine the existence of any

83276863.5

32

environmental condition which under any Hazardous Material Law might result in any liability, cost or expense to the owner, occupier or operator of any of the Mortgaged Properties. The Site Reviewers are authorized to enter upon all or any part of the Mortgaged Properties to conduct Site Assessments. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on any of the Mortgaged Properties and such other tests on or of any of the Mortgaged Properties as the Site Reviewers, the Beneficiary may deem necessary. The Grantor agrees to supply to the Site Reviewers and the Master Trustee such historical and operational information regarding the Mortgaged Properties as may be reasonably requested to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The results of Site Assessments shall be furnished to the Grantor upon request. The cost of performing Site Assessments shall be paid by the Grantor.

THE GRANTOR SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS THE INDENTURE TRUSTEE, THE MASTER TRUSTEE, THE TRUSTEE, THE ISSUER, BEXAR COUNTY, TEXAS (THE "COUNTY") AND THE BENEFICIARY, THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST (A) ANY LOSS, LIABILITY, DEMAND, DAMAGE, COST, EXPENSE, CLAIM, ACTION OR CAUSE OF ACTION ARISING FROM THE IMPOSITION OR RECORDING OF A LIEN, THE INCURRING OF COSTS OF REQUIRED REPAIRS, REMEDIATION, CLEAN UP OR DETOXIFICATION AND REMOVAL UNDER ANY HAZARDOUS MATERIAL LAW (INCLUDING OTHER ASSOCIATED COSTS, INTEREST, FEES, AND PENALTIES) WITH RESPECT TO ALL OR ANY PART OF THE MORTGAGED PROPERTIES OR LIABILITY TO ANY THIRD PARTY IN CONNECTION WITH ANY VIOLATION OF A HAZARDOUS MATERIAL LAW; (B) ANY OTHER LOSS, LIABILITY, DAMAGE, COST, EXPENSE, OR CLAIM (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS AND EXPENSES, AND COSTS AND EXPENSES REASONABLY INCURRED IN INVESTIGATING, PREPARING, SETTLING OR DEFENDING AGAINST ANY LITIGATION OR CLAIM, ACTION, SUIT, PROCEEDING OR DEMAND OF ANY KIND OR CHARACTER, INCLUDING, WITHOUT LIMITATION, THOSE ARISING BY REASON OF ANY ACTION TAKEN BY EACH OF THE INDENTURE TRUSTEE, THE MASTER TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY UNDER THE DEED OF TRUST, EVEN IF CAUSED BY SUCH PARTY'S OWN NEGLIGENCE OR, AS TO THE ISSUER AND THE COUNTY, ITS GROSS NEGLIGENCE), WHICH MAY BE INCURRED BY OR ASSERTED AGAINST THE INDENTURE TRUSTEE, THE MASTER TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY, ITS DIRECTORS, OFFICERS, EMPLOYEES, SUCCESSORS OR ASSIGNS, DIRECTLY OR INDIRECTLY, ARISING FROM THE PRESENCE ON OR UNDER, OR THE DISCHARGE, EMISSION OR RELEASE FROM ANY OF THE MORTGAGED PROPERTIES INTO OR UPON THE LAND, ATMOSPHERE, OR ANY WATERCOURSE, BODY OF SURFACE OR SUBSURFACE WATER OR WETLAND, ARISING FROM THE INSTALLATION, USE, GENERATION, MANUFACTURE, TREATMENT, HANDLING, REFINING, PRODUCTION, PROCESSING, STORAGE, REMOVAL, REMEDIATION CLEAN UP OR DISPOSAL OF ANY HAZARDOUS MATERIAL WHETHER OR NOT CAUSED BY THE GRANTOR; (C) LOSS OF VALUE OF ANY OF THE MORTGAGED PROPERTIES AS A RESULT OF ANY SUCH LIEN, REMEDIATION CLEAN UP, DETOXIFICATION, LOSS, LIABILITY, DAMAGE, EXPENSE OR CLAIM OR A FAILURE OR DEFECT IN TITLE OCCASIONED BY ANY HAZARDOUS MATERIAL OR HAZARDOUS MATERIAL LAW; AND (D) ALL FORESEEABLE AND UNFORESEEABLE INCIDENTAL AND CONSEQUENTIAL DAMAGES. THE GRANTOR SHALL DEFEND SUCH CLAIM, AND THE INDENTURE TRUSTEE, THE MASTER TRUSTEE, THE TRUSTEE, THE ISSUER AND THE BENEFICIARY, AS THE CASE MAY BE, SHALL COOPERATE IN THE DEFENSE. THE INDENTURE TRUSTEE, THE MASTER TRUSTEE, THE TRUSTEE, THE ISSUER, THE COUNTY, AND THE BENEFICIARY MAY HAVE SEPARATE COUNSEL AND THE GRANTOR SHALL PAY THE FEES AND EXPENSES OF SUCH COUNSEL.

Notwithstanding any other provision of this Deed of Trust to the contrary, the Master Trustee may first require, in the exercise of its sole and unlimited discretion, that it receive (a) a Phase I or other

83276863.5

34

83276863.5

33

environmental report in form and substance satisfactory to it and (b) indemnification for all costs and expenses incurred in connection therewith, before the Trustee shall be required to foreclose upon or take possession or title to any Mortgaged Property in connection with an Event of Default. Further, if the Master Trustee determines, in the exercise of its sole and unlimited discretion, that it does not desire to become the owner of, or take possession of such real property or improvements thereon, in its capacity as Trustee or Master Trustee, the Trustee shall not be required to proceed with such foreclosure or to take possession, and shall give written notice of such determination to the Issuer. If the Holders of Secured Obligations nonetheless desire to proceed with foreclosure and so notify the Master Trustee in writing, the Master Trustee may resign, and such resignation shall become effective upon the appointment of a successor trustee in accordance with the provisions hereof. THE MASTER TRUSTEE SHALL HAVE NO OBLIGATION TO INDEMNIFY OR OTHERWISE COMPENSATE ANY SUCH SUCCESSOR MASTER TRUSTEE FOR ANY LOSS, COST, OR EXPENSE ARISING OUT OF ANY SUCH FORECLOSURE OR OTHER MATTER, AND IF ANY SUCH SUCCESSOR MASTER TRUSTEE REQUESTS SUCH INDEMNIFICATION, THE HOLDERS OF THE BONDS AND THE HOLDERS OF THE OTHER SECURED OBLIGATIONS SHALL HAVE THE SOLE RESPONSIBILITY FOR PROVIDING SUCH INDEMNIFICATION.

ARTICLE 13

MISCELLANEOUS

SECTION 13.1 Severability. In the event any item, term, or provision contained in this Deed of Trust is in conflict or may be held hereafter to be in conflict with any applicable laws, this Deed of Trust shall be affected only as to its application to such item, term, or provision and shall in all other respects remain in full force and effect.

SECTION 13.2 Captions and Titles. All article and section titles or captions contained in this Deed of Trust or in any schedule or exhibit hereto are for convenience only and shall not be deemed a part of this Deed of Trust and shall not affect the meaning or interpretation of this Deed of Trust.

SECTION 13.3 Usury Savings Clause. The Grantor and the Beneficiary specifically intend and agree to limit contractually the amount of interest payable under this Deed of Trust, the Secured Obligations, and all other instruments and agreements related hereto and thereto to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Deed of Trust, the Secured Obligations, or any instrument pertaining to or relating to this Deed of Trust or the Secured Obligations shall ever be construed to create a contract to pay interest at a rate in excess of the maximum rate permitted to be charged under applicable law, and neither the Grantor nor any other party liable or to become liable hereunder, under the Secured Obligations, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this paragraph shall control over all other provisions of this Deed of Trust, the Secured Obligations, or of any other instrument pertaining to or relating to the transactions herein contemplated. If any amount of interest taken or received by the Beneficiary shall be in excess of said maximum amount of interest which, under applicable law, could lawfully have been collected by the Beneficiary incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall, at the election of the Beneficiary, either be applied as credit against the then unpaid principal amount of the Secured Obligations or refunded promptly to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions which would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated, and spread throughout the stated term of the Secured Obligations. "Applicable law" as used in this paragraph means that law in effect from time to time which lawfully permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated, including laws of the State of

83276863.5

35

Texas and of the United States of America; and "maximum rate" as used in this paragraph means, with respect to each portion of the Secured Obligations, the maximum lawful, nonusurious rate of interest (if any) which under applicable law the Beneficiary is permitted to charge from time to time with respect to such portion of the Secured Obligations.

SECTION 13.4 Additional Security. The Grantor agrees that no other security, now existing or hereafter taken, for the Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Secured Obligations shall impair or affect in any manner the security given by this Deed of Trust; all security for the payment of the Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. The Grantor further agrees that any part of the security herein described may be released without in anywise altering, varying, or diminishing the force, effect, or lien of this Deed of Trust, or of any renewal or extension of said lien, and that this Deed of Trust shall continue as a first lien, assignment, and security interest on all the Mortgaged Properties not expressly released until all Secured Obligations are fully discharged and paid.

SECTION 13.5 Suit Not an Election of Remedies. The filing of a suit to foreclose any lien, assignment, or security interest under this Deed of Trust either on any matured portions of the Secured Obligations or for all Secured Obligations shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of the suit.

SECTION 13.6 Rules of Construction. The term "Grantor" as used herein shall include not only the party designated as the Grantor that executes this Deed of Trust but also the respective legal representatives, successors and assigns of such party. Whenever the context requires, the gender of words used herein shall include the masculine, feminine, and neuter, and number of words used herein shall include the singular and the plural.

SECTION 13.7 Notices. Any notice required or permitted to be given hereunder by one party to another shall be in writing and shall be given, except where a particular method is otherwise specified in this Deed of Trust, using one or more of the following methods: (a) delivered in person to the address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by teletype (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized overnight delivery service, such as Federal Express Corporation, addressed to such party at the address herein specified. Any notice given in the above manner shall be deemed effective (i) if given by mail, three days after its deposit into the custody of the U.S. postal service (except as to the Indenture Trustee and the Master Trustee for whom notice shall be effective only upon receipt); or (ii) if employing any other method, upon receipt. The addresses for notices for the Beneficiary and the Grantor under this Deed of Trust and for all notices hereunder shall be as follows:

If to the Beneficiary, the Indenture Trustee, and the Master Trustee: The Bank of New York Mellon Trust Company,
National Association
2001 Bryan Street, Floor 11
Dallas, Texas 75201
Attn: Corporate Trust Department

If to the Grantor: Army Retirement Residence Supporting Foundation
7400 Crestway Drive
San Antonio, Texas 78239-3091
Attention: Executive Director

and

The Army Retirement Residence Foundation-San Antonio
7400 Crestway Drive
San Antonio, Texas 78239-3091
Attention: Executive Director

If to Issuer: Bexar County Health Facilities Development Corporation
Bexar County Courthouse, Suite 101
100 Dolores
San Antonio, Texas 78205
Attn: President

If to Trustee: Tamara Ellis
c/o The Bank of New York Mellon Trust Company,
National Association
10161 Centurion Parkway
Towermarc Plaza, Third Floor
Jacksonville, Florida 32256

SECTION 13.8 Extension, Rearrangement or Renewal of Secured Obligations. It is expressly agreed that any of the Secured Obligations at any time secured hereby may be from time to time extended for any period, rearranged, or renewed, and that any part of the security herein described, or any other security for the Secured Obligations may be waived or released without in anywise altering, varying or diminishing the force, effect, or lien of this Deed of Trust as to unaffected property.

SECTION 13.9 Governing Law. THIS DEED OF TRUST SHALL BE GOVERNED IN ALL RESPECTS INCLUDING VALIDITY, INTERPRETATION AND EFFECT BY, AND SHALL BE ENFORCEABLE IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

SECTION 13.10 Amendments. No amendment or waiver of any provision of this Deed of Trust, nor consent to any departure by the Grantor therefrom, shall in any event be effective unless the same is consented to in writing by the Beneficiary and is in writing and signed by the Grantor, and the Master Trustee and is accomplished in accordance with Article 11, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 13.11 Assignment. This Deed of Trust shall be binding upon the Grantor and its successors and assigns and shall inure to the benefit of the Beneficiary and its respective successors, transferees, and assigns, and no person other than the Beneficiary and its successors, transferees, and assigns shall under any circumstances be deemed to be a beneficiary of any provision of this Deed of Trust. Without limiting the generality of the foregoing, the Beneficiary may assign, grant a security interest in, or otherwise transfer this Deed of Trust to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Beneficiary herein or otherwise. All appointments, designations, representations, warranties, covenants, assurances, remedies, title, interest, privileges, directions, permits, licenses, and rights of every kind whatsoever herein conferred upon the Beneficiary shall be deemed to be conferred also upon the Beneficiary, in its

85276863.5

36

capacity as the Master Trustee under the Master Indenture. The Grantor agrees that the assignments made of this Deed of Trust shall not subject the Beneficiary to or transfer or pass or in any way affect or modify any obligation of the Grantor under the Loan Agreement, the Bonds, the Master Indenture, this Deed of Trust, or any other Secured Obligation, it being understood and agreed that all such obligations of the Grantor shall be and remain enforceable only against the Grantor.

SECTION 13.12 Further Acts. The Grantor shall do and perform all acts necessary to keep valid and effective the charges and lien hereof, to carry into effect its objective and purposes, and to protect the position of the lawful Holders of the Secured Obligations. Promptly upon request by the Beneficiary and at the Grantor's expense, the Grantor shall execute, acknowledge, and deliver to the Beneficiary or the Master Trustee such other and further instruments and do such other acts as in the reasonable opinion of the Beneficiary that may be necessary or appropriate to (a) grant to the Beneficiary and the Master Trustee the highest available perfected lien on all of the Mortgaged Properties; (b) grant to the Beneficiary and the Master Trustee, to the fullest extent permitted by applicable law, the right to foreclose on the Mortgaged Properties nonjudicially; (c) correct any defect, error, or omission which may be discovered in the contents of this instrument or any other Document; (d) identify more fully and subject to the liens, encumbrances, and security interests and assignments created hereby any property intended by the terms hereof to be covered hereby (including, without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Mortgaged Properties); (e) assure the first priority hereof and thereof; and (f) otherwise effect the intent of this Deed of Trust. Without limiting the generality of the foregoing, the Grantor shall promptly and, insofar as not contrary to applicable law, at the Grantor's own expense, record, re-record, file, and refile in such offices, as such times and as often as may be necessary, this instrument, additional mortgages and deeds of trust, and every other instrument in addition or supplemental hereto, including applicable financing statements, as may be necessary to create, perfect, maintain, and preserve the liens, encumbrances, and security interests intended to be created hereby and the rights and remedies of the Beneficiary and the Master Trustee hereunder. Upon request by the Beneficiary, the Grantor shall supply evidence of fulfillment of each of the covenants herein contained concerning which a request for such evidence has been made.

SECTION 13.13 Capitalized Terms. Capitalized terms herein shall have the meanings described in Section 1.1, unless the context requires otherwise.

SECTION 13.14 No Drilling or Exploration. Without the prior written consent of the Beneficiary, which consent may be withheld for any reason whatsoever at the sole and absolute discretion of the Beneficiary, the Grantor shall not and shall not consent to drilling or exploring for or extraction, removal, or production of minerals from the surface or subsurface of the Land. The term "minerals" as used herein shall include, without limiting the generality of such term, oil, gas, casinghead gas, coal, lignite, hydrocarbons, methane, carbon dioxide, helium, uranium and all other natural elements, compounds and substances, including sand and gravel.

SECTION 13.15 "Construction Mortgage." This Deed of Trust is a "Construction Mortgage" as defined in Texas Business and Commerce Code Section 9.334.

SECTION 13.16 Negation of Partnership. Nothing contained in the Loan Documents is intended to create any partnership, joint venture, or association between the Grantor and the Beneficiary, or in any way make the Beneficiary a co-principal with the Grantor with reference to the Mortgaged Properties, and any inferences to the contrary are hereby expressly negated.

SECTION 13.17 Submission to Jurisdiction. Without limiting the right of the Beneficiary to bring any action or proceeding against the undersigned or its property arising out of or relating to the Secured Obligations (an "Action") in the courts of other jurisdictions, the Grantor hereby irrevocably

submits to the jurisdiction of a Texas court in Bexar County or any federal court sitting in the Southern District of Texas, and the Grantor hereby irrevocably agrees that any Action may be heard and determined in such Texas state court or in such federal court.

SECTION 13.18 Business or Commercial Purpose. The Grantor warrants that the extension of credit evidenced by the Bonds secured hereby is solely for business or commercial purposes, other than agricultural purposes.

SECTION 13.19 Conflict with Original Deed of Trust. In the event of any conflict between this Deed of Trust and the Original Deed of Trust, this Deed of Trust shall control.

SECTION 13.20 Deed of Trust Relates Back. This Deed of Trust and the liens described herein relate back and shall be effective in all respects as of the date and time of recording of the Original Deed of Trust.

THE LOAN AGREEMENT, THE BONDS, THE BOND INDENTURE, THE MASTER INDENTURE, THIS DEED OF TRUST, TOGETHER WITH THE OTHER DOCUMENTS AND INSTRUMENTS CREATING, EVIDENCING, AND SECURING THE SECURED OBLIGATIONS, REPRESENT THE FINAL AGREEMENT OF THE PARTIES HERETO AND THEREUTO AND MAY NOT BE CONTRADICTED BY EVIDENCE OR ORAL AGREEMENTS OF THE UNDERSIGNED PARTIES, WHETHER MADE BEFORE, ON OR AFTER THE DATE OF THIS DEED OF TRUST. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE UNDERSIGNED PARTIES.

85276863.5

38

85276863.5

39

IN WITNESS WHEREOF, the Grantor has executed this Deed of Trust as of the date first above written.

ADDRESS OF GRANTOR:
7400 Crestway Drive
San Antonio, Texas 78239-3091

ARMY RETIREMENT RESIDENCE SUPPORTING
FOUNDATION,
a Texas non-profit corporation

By: *Bruce G. Furber*
Title: Secretary

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO, a District of
Columbia non-profit corporation

By: *Neal T. Jacob*
Title: President

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION, as Bond
Trustee under the Bond Indenture and as Master Trustee
under the Master Indenture

By: _____
Authorized Officer

IN WITNESS WHEREOF, the Grantor has executed this Deed of Trust as of the date first above written.

ADDRESS OF GRANTOR:
7400 Crestway Drive
San Antonio, Texas 78239-3091

ARMY RETIREMENT RESIDENCE SUPPORTING
FOUNDATION,
a Texas non-profit corporation

By: _____
Title: _____

THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO, a District of
Columbia non-profit corporation

By: _____
Title: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION, as Bond
Trustee under the Bond Indenture and as Master Trustee
under the Master Indenture

By: *Deirdre A. Stevenson*
Authorized Officer

85276863.4

S-1

85276863.4

S-1

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 11th day of January, 2010, by Bruce G. Furber, the Secretary of Army Retirement Residence Supporting Foundation, a Texas non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas
Mary Beth Bradley
(Printed Name of Notary)
My commission expires: 2-25-13

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 11th day of January, 2010, by Neal T. Jacob, the President of The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation on behalf of such corporation.

(SEAL)



Mary Beth Bradley
Notary Public in and for the State of Texas
Mary Beth Bradley
(Printed Name of Notary)
My commission expires: 2-25-13

85276863.4

S-2

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 11th day of January, 2010, by Deirdre Steven, the Senior Associate of The Bank of New York Mellon Trust Company, National Association, a national banking association, on behalf of such association.

(SEAL)



Michelle L. Baldwin
Notary Public in and for the State of Texas
Michelle L. Baldwin
(Printed Name of Notary)
My commission expires: MAR - 4 2010

85276863.4

S-3

EXHIBIT A
REAL PROPERTY

Tract I:

Being a 44.74 acre tract (1,948,710 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas, being comprised of a 6.0000 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Real Property Records of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from the County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas, a part of a 75.00 acre tract conveyed from RDI Wag, LLC et al to the Army Retirement Residence Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas, and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas; said 44.74 acre tract being more particularly described in Exhibit "A-1", attached hereto and made a part hereof;
SAVE AND EXCEPT:
Parcel A, being a 2.259 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 2.259 acre tract being more particularly described in Exhibit "A-2", attached hereto and made a part hereof;
and SAVE AND EXCEPT:
Parcel B, being a 6.073 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 6.073 acre tract being more particularly described in Exhibit "A-3", attached hereto and made a part hereof.

Tract II: Being a 44.70 acre tract (1,947,290 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract No. 367, County Block 5072 and 5073, Bexar County, Texas, comprised of part of a 75.00 acre tract conveyed from RDI Wag, LLC, et al, to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas, and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas; said 44.70 acre tract being more particularly described in Exhibit A-4, attached hereto and made a part hereof;

SAVE AND EXCEPT
Parcel C, being a 0.1611 acre tract of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas, said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract III: Lot 2, Block 1, Army Retirement Community Unit 2 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas.

Tract IV: Lot 3, Block 1, Army Retirement Community Unit 3 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.

Tract V: Lot 4, Block 1, Army Retirement Community Unit 4 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.

85276863.5

A-1

Tract VI: A tract of land containing 2.259 acres, more or less, out of a 3.5402 acre tract, being out of the William Winford Survey No. 326, Abstract No. 793, Bexar County, Texas; said 2.259 acre tract being more particularly described in Exhibit A-2, attached hereto and made a part hereof.

Tract VII: A tract of land containing 0.1611 acres, more or less, being out of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas; said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract VIII: A 6.073 acre (264,544 square feet) tract, more or less, out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, Bexar County, Texas comprised of a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, and a 0.644 acre tract known as P-7H in County Block 5073, conveyed from Bexar County to the Army Retirement Residence Foundation-SA by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas; said 6.073 acre tract being more particularly described in Exhibit A-3, attached hereto and made a part hereof.

[The remainder of the page intentionally blank]

85276863.6

A-2

EXHIBIT A-1

Tract I

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description
For

Tract 1, 44.74 acres out of the William Winford Survey No. 326,
Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42,
Abstract 34, County Block 5073, Bexar County, Texas

Being a 44.74 acre tract (1,948,710 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract 34, County Block 5073, Bexar County, Texas being comprised of a 6.0000 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Official Public Records of Real Property of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Official Public Records of Real Property of Bexar County, Texas, part of a 75.00 acre tract conveyed from RDI Wag, LLC, et al to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas; said 44.74 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." on the south right-of-way line (ROW) of Miller Road (80' ROW), said point also being the northeast corner of Lot 16, Block 15, NCB 15658, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 8800, Page 212, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 10B for the Northwest corner of the herein described tract;

THENCE, South 73° 28' 43" East, along the common line of said Miller Road and said Tract 10B and Tract 11C, a distance of 310.05 feet to a found 1/2" iron rod with cap stamped "RPLS 4380," at the Northeast corner of said Tract 11C, same point also being at the northwest corner of said 6.0000 acre tract, for a corner of the herein described tract;

THENCE, South 74° 27' 38" East, along the common line of said Miller Road and said 6.0000 acre tract, at a distance of 582.20 feet, passing a found 1/2" iron rod with cap stamped "Prejan" at the northeast corner of said 6.0000 acre tract, same point also being the northwest corner of said 75.00 acre tract, continuing along the common line of said Miller Road and 75.00 acre tract, a total distance of 579.02 feet to a set 3/4" iron rod with cap stamped "Vickrey Prop. Cor." at the northernmost, northeast corner of the herein described tract, said corner being the northwest corner of Tract 2 a 44.70 acre tract surveyed this same date;

EXHIBIT A-1
Page 1 of 3

I:\WP5111281011.00\1M68 ARC 44-74 acres.dwg

Page 1 of 3

12949 Country Parkway • San Antonio, Texas 78216 • 210-349-3271 • FAX 210-349-2561

85276863.5

A-1-1

THENCE, leaving said Miller Rd ROW, across said 75.00 acre tract and partially along a common line with said Tract 2 the following three (3) calls:

South 16° 32' 22" West, a distance, 315.00 feet to a set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2;

South 74° 27' 14" East, a distance of 858.40 feet to a set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2, and

South 15° 32' 46" West, at 802.28 feet passing the common northerly corner of a 2.258 acre tract, recorded in Volume 14216, Page 1178, Official Public Records of Real Property, Bexar County, Texas, a remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a southern corner of Tract 2, continuing for a total distance of 967.05 feet to a set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." at the southeast corner of said 2.259 acre tract, same point also being the southwest corner of said remaining portion of a 3.5402 acre tract and also being on the north line of Lot 24, Block 13, East Village Subdivision, Unit 41 as shown on plat recorded in Volume 8800, Page 207, Deed and Plat Records of Bexar County, Texas, for the most southeast corner of the herein described tract;

THENCE, North 75° 11' 09" West, along the common line of said 2.258 acre tract and Lots 19 thru 24, in said East Village Subdivision, Unit 41, at a distance of 268.53 feet passing the southwest corner of said 2.258 acre tract, same point also being a south corner of said 75.00 acre tract, continuing along the common line of said 75.00 acre tract and Lots 11-19, in said East Village Subdivision, Unit 41 and Lots 1-10, Block 13, in East Village Subdivision, Unit 40, as shown on plat recorded in Volume 8800, Page 184, Deed and Plat Records of Bexar County, Texas, a total distance of 1413.30 feet to a set nail at the northwest corner of said Lot 1, same point also being the northeast corner for said Lot P-7H, for a corner of the herein described tract;

THENCE, South 02° 19' 15" West, departing the south line of said 75.00 acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.97 feet to a set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of Glenn Heights Drive (50' ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for a corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) calls:

North 75° 11' 09" West, a distance of 257.30 feet to a set 5/2" iron rod with cap stamped "Vickrey Prop. Cor." at a tangent point of curvatures of a curve to the right for a corner of the herein described tract;

EXHIBIT A-1
Page 2 of 3

I:\WP5111281011.00\1M68 ARC 44-74 acres.dwg

Page 2 of 3

85276863.5

A-1-2

TRACT I SAVE AND EXCEPT PARCEL & TRACT VI

METES AND BOUNDS DESCRIPTION
2.259-ACRE TRACT OUT OF THE WILLIAM WINFORD SURVEY NO. 326,
ABSTRACT NO. 793, COUNTY BLOCK 8051, BEXAR COUNTY, TEXAS

Being a 2.259-acre (98,400 square feet) tract out of a 3.5402-acre tract of land out of the William Winford Survey No. 326, Abstract 793, County Block 8051, Bexar County, Texas, said 2.259-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, said 2.259-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southwest corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S16°32'48"W, 182.97', N74°27'14"W, 73.40', S16°32'48"W, 193.85' to a point on the north line of a 55.2818-acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'36"W, 417.98', N15°32'48"E, 214.97', N75°18'36"W, 498.23', S16°32'48"W, 151.95', N75°18'36"W, 531.24', S16°32'48"W, 95.00', N74°27'14"W, at 287.49 feet reaching the northeast corner of said 3.5402-acre tract, continuing along the common line of said 3.5402-acre and 75.00-acre tracts a total distance of 888.00' to a found 1/2" iron rod with cap stamped "GOUTH TEXAS," for the POINT OF BEGINNING and northwest corner of said 3.5402-acre tract and the herein described tract;

Thence, S74°27'14"E, returning along said common line, a distance of 288.51 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

Thence, S16°32'48"W, departing said common line, into and across said 3.5402-acre tract, a distance of 364.77 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," on the common line of said 3.5402-acre tract and Lot 24, Block 13, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 8500, Page 207, Deed and Plat Records of Bexar County, Texas, for the southeast corner of the herein described tract;

Thence, N75°11'09"W, along the common line of said 3.5402-acre tract and Lots 19-24, in said Block 13, a distance of 268.53 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," on the north line of Lot 18, same point being a corner of said 75.00-acre tract, for the southwest corner of said 3.5402-acre tract and the herein described tract;

Thence, N16°32'48"E, along the common line of said 3.5402-acre tract and said 75.00-acre tract, a distance of 368.20 feet to the POINT OF BEGINNING, containing 2.259 acres (98,400 square feet) of land, more or less.

along said curve to the right a distance of 6.78 feet, with a radius of 5.00 feet, a central angle of 77° 39' 44", and a chord bearing a distance of North 36° 21' 17" West, 6.27 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50' ROW), for the most westerly corner of the herein described tract;

THENCE, North 02° 28' 35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 265.89 feet to a found 3/8" iron rod at the southwest corner of Lot 1, Block 15, NCB 19558, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 87° 31' 25" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02° 28' 35" East, along the common line of Lots 1 thru 18, Block 15, NCB 19558, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 10B, a distance of 1168.61 feet to the POINT OF BEGINNING containing 44.74 acres (1,948,710 square feet) of land, more or less.

V&A Job No. 1281
 JD m&b 1,848,710 sq. ft.
 February 1, 2010

Certified this 1st day of February, 2010

John E. Dehan
 John E. Dehan, R.P.L.S.
 Registered Professional Land Surveyor
 Texas Registration No. 5542
 Vickrey & Associates, Inc.



EXHIBIT A1
 Page 3 of 3

BWP511281011.001M&B ARC 44-74 acres

85276863.5

A-1-3

85276863.5

A-2-1

EXHIBIT A-3

TRACT I SAVE AND EXCEPT PARCEL & TRACT VIII

VICKREY & ASSOCIATES, Inc.
 CONSULTING ENGINEERS

Parce B

Notes and Bounds Description
 for
 8.073 acres out of the William Winford Survey No. 326,
 Abstract 793, County Block 8051, Bexar County, Texas

Being a 8.073-acre (354,544 sq. ft.) tract of land out of the William Winford Survey No. 326, Abstract 793, County Block 8051, Bexar County, Texas being comprised of a 3.324-acre tract known as Tract 32 in County Block 8051A, Tract 136 and 110 in County Block 8051B, and a 0.644-acre tract known as P-7H in County Block 8073, conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 6800, Page 753, Official Public Records of Real Property of Bexar County, Texas. Said 8.073-acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way (ROW) line of Miller Road (95' ROW), said point also being the northeast corner of Lot 18, Block 15, NCB 19558, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 8500, Page 214, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 10B to the northwest corner of the herein described tract;

THENCE, South 79° 26' 45" East, along the common line of said Miller Road and said Tract 10B and Tract 110, a distance of 218.08 feet to a found 1/2" iron rod with cap stamped "RPLS 4850," at the northeast corner of said Tract 110, same point also being at the northwest corner of a 6.0000-acre tract recorded in Volume 8278, Page 1241, Official Public Records of Real Property of Bexar County, Texas, for the northeast corner of the herein described tract;

THENCE, South 15°32'19"W, departing said common line and along the common line of said Tract 110, Tract 32, and 6.0000-acre tract, at a distance of 682.24 feet, passing the southwest corner of said 6.0000-acre tract, same point also being a corner for a 75.00-acre tract recorded in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said Tract 32 and 75.00-acre tract, a total distance of 1301.62 feet to a found 1/2" iron rod on the north line of Lot P-7H, same point also being the southwest corner of said 75.00-acre tract and a re-entrant corner of said Tract 32, for a re-entrant corner of the herein described tract;

THENCE, South 75° 11' 09" East, along the common line of said 75.00-acre tract and Tract P-7H, a distance of 123.52 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said Tract P-7H, same point also being the northeast corner of Lot 1, Block 15, East Village Subdivision, Unit 40, as shown on plat recorded in Volume 8500, Page 184, Deed and Plat Records of Bexar County, Texas, for a corner of the herein described tract;

THENCE, South 02° 19' 15" West, departing the south line of said 75.00-acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," on the north line of Glen

EXHIBIT A3 *Parce B*

BWP511281011.001M&B ARC 12-17-09 RA.doc

Page 1 of 2

1290 Country Parkway • San Antonio, Texas 78216 • 210-349-3271 • FAX 210-349-3861

35276863.5

A-3-1

Certified this 17th day of December, 2009

Stephen Horvath
 Stephen Horvath, R.P.L.S.
 Registered Professional Land Surveyor
 Texas Registration No. 2811
 Vickrey & Associates, Inc.



EXHIBIT A3 *Parce B*

BWP511281011.001M&B ARC 12-17-09 RA.doc

Page 2 of 2

35276863.5

A-3-2

EXHIBIT A-4

TRACT II

Metes and Bounds Description

For
 Tract 2, 44.70 acres out of the William Winford Survey No. 328,
 Abstract 798, County Block 5051, and out of the Charles Irwin Survey No. 43,
 Abstract 387, County Block 5072, Bexar County, Texas

Being a 44.70 acre tract (1,847,290 sq. ft.) of land out of the William Winford Survey No. 328, Abstract 798, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract 387, County Block 5072 and 5073, Bexar County, Texas being comprised of part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al to the Army Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 629, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas. said 44.70 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way line (ROW) of Miller Road (60' ROW), the north line of said 75.00 acre tract, said point also being the northernmost northeast corner of Tract 1, a 44.74 acre tract surveyed this same date for the northwest corner of the herein described tract;

THENCE, along the common line of said Miller Road and 75.00 acre tract the following three (3) calls:

South 74° 27' 38" East, a distance of 2919.32 feet along the common line of said Miller Road and 75.00 acre tract to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

along said curve to the right, a distance of 431.85 feet, with a radius of 274.80 feet, a central angle of 90° 02' 24" and a chord bearing a distance of South 29° 28' 28" East, 388.79 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South 15° 34' 48" West, a distance of 214.58 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of a 4.25 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property, Bexar County, Texas, same point also being the southeast corner of said 75.00 acre tract, for the southeast corner of the herein described tract.

THENCE, departing said common line and along the common line of said 4.25 acre tract and 75.00 acre tract, the following four (4) calls:

85276863.5

A-4-1

North 74° 27' 14" West, a distance of 420.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

South 15° 32' 46" West, a distance of 182.97 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

North 74° 27' 14" West, a distance of 73.40 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South 15° 32' 46" West, a distance of 183.55 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at a corner on the north line of the remaining portion of a 55.2818 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, for a corner of the herein described tract.

THENCE, departing said common line and along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, the following four (4) calls:

North 75° 18' 36" West, a distance of 417.99 feet to a found 1/2" iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North 16° 32' 46" East, a distance of 214.97 feet to a found 1/2" iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North 75° 18' 36" West, a distance of 495.63 feet to a found 1/2" iron rod with cap stamped "South Texas" for a corner of the herein described tract, and

South 15° 32' 46" West, a distance of 151.95 feet to a found 1/2" iron rod with cap stamped "South Texas" for a corner of the herein described tract.

THENCE, North 75° 18' 36" West, continuing along said common line, a distance of 456.24 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said 0.1611 acre tract, for a corner of the herein described tract;

THENCE, South 15° 32' 46" West, departing said common line and along the common line of said 0.1611 acre tract and said remaining portion of 55.2818 acre tract, a distance of 94.12 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said 0.1611 acre tract, same point also being a corner of said remaining portion of 55.2818 acre tract, for a corner of the herein described tract;

THENCE, North 74° 27' 14" West, along the common line of said remaining portion of said 55.2818 acre tract and 0.1611 acre tract, at a distance of 74.99 feet passing a found 1/2" iron rod with cap stamped "South Texas," at the southwest corner of said 0.1611 acre tract, continuing along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, at a distance of 224.26 feet, passing the northeast corner of the remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00 acre tract

85276863.5

A-4-2

EXHIBIT A-5

TRACT II SAVE AND EXCEPT PARCEL & TRACT VII

METES AND BOUNDS DESCRIPTION

FOR A

0.1611-ACRE TRACT OUT OF
 THE CHARLES IRWIN SURVEY NO. 43, ABSTRACT 367, COUNTY BLOCK 5072
 BEXAR COUNTY, TEXAS

THENCE, across said 75.00 acre tract and along said common line with Tract 1 the following three (3) calls:

North 15° 32' 46" East, a distance of 602.28 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1,

North 74° 27' 14" West, a distance of 958.40 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1, and

North 15° 32' 22" East, a distance of 315.00 feet to the POINT OF BEGINNING containing 44.70 acres (1,847,290 square feet) of land, more or less.

Being a 0.1611-acre (7,020 square feet) tract out of a 55.2818-acre tract out of the Charles Irwin Survey No. 43, Abstract 367, County Block 5072, Bexar County, Texas, said 55.2818-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 0.1611-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract; N74°27'14"W, 420.00', S15°32'46"W, 182.97', N74°27'14"W, 73.40', S15°32'46"W, 183.55' to a point on the north line of said 55.2818-acre tract, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract; N75°18'36"W, 417.99', N16°32'46"E, 214.97', N75°18'36"W, 495.63', S15°32'46"W, 151.95', and N75°18'36"W, 531.24', to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," for the POINT OF BEGINNING and northwest corner of the herein described tract;

Thence; S75°18'36"E, returning along said common line, a distance of 75.00 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

Thence; departing said common line, into and across said 55.2818-acre tract, the following two (2) courses:

S15°32'46"W, a distance of 94.12 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR.," for the southeast corner of the herein described tract;

N74°27'14"W, a distance of 74.99 feet to a found 1/2" iron rod with cap stamped "SOUTHTEXAS," on said common line, for the southwest corner of the herein described tract;

Thence; N15°32'46"E, along said common line, a distance of 93.00 feet to the POINT OF BEGINNING, containing 0.1611 acres (7,020 square feet), more or less.

85276863.5

A-4-3

85276863.5

A-5-1

EXHIBIT B

Permitted Encumbrances

- a. Electric easement, 135 feet wide, awarded to City Public Service Board of San Antonio by Condemnation Proceedings in County Court No. 6 of Bexar County, Texas under Cause No. C-837 and as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- b. Building setback line, 25 feet from the Crestway Road and Miller Road property line and 25 feet from the portion of subject property abutting Camelot Subdivision, as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- c. Electric easement, 20 feet wide, along a portion of the northwesterly property line of the herein described property, as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- d. Sanitary sewer, water, electric, gas, telephone and cable TV easement, of variable width, considering within subject property, as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- e. Sanitary sewer easements and various electric easements to service structures on subject property as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- f. Gas and electric easement, 20 feet wide extending easterly into subject property increasing to 25 feet wide as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas; and as created by Electric and Gas Agreement dated July 28, 1986, recorded in Volume 4316, Page 839, Real Property Records of Bexar County, Texas (Tract III)
- g. Electric transmission and distribution line easement, 135 feet wide, lying within the CPSB right-of-way, as granted to the City of San Antonio by instrument dated October 6, 1986, recorded in Volume 4378, Page 282, Real Property Records of Bexar County, Texas (Tract III)
- h. Electric easement, 13 feet wide, adjacent to CPSB easement, as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas (Tract III)
- i. Pipeline easement granted to Texas Pipe Line Company by instrument recorded in Volume 1093, Page 48, Deed Records of Bexar County, Texas, having been defined to 30 feet wide by Easement Agreement recorded in Volume 2976, Page 1687, Real Property Records of Bexar County, Texas, as shown on plat recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas; and as modified by Quitclaim Deed from Texaco Downstream Properties, Inc. recorded in Volume 14288, Page 1831, Real Property Records of Bexar County, Texas. (Tract III)
- j. Cable television service easements granted to KBL Cable Systems of the Southwest Inc. by instrument dated August 25, 1993, recorded in Volume 3774, Page 265, Real Property Records of Bexar County, Texas (Tract III)
- k. Building setback line, 25 feet from the Crestway Road property line and 15 feet, increasing to 20 feet wide along Serrano Ridge Drive, as shown on plat recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas (Tract IV)

- l. Electric and gas easement, 14 feet wide, along the Crestway Road line of the herein described property, as shown on plat recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas (Tract IV)
- m. Electric, Gas, Telephone, Cable TV and Sanitary Sewer easement, 50 feet wide along the south property line as shown on plat recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas (Tract IV)
- n. Gas main pipeline and electric transmission and distribution line easements, of various widths and locations, granted to the City of San Antonio by instrument recorded in Volume 5388, Page 685, Real Property Records of Bexar County, Texas (Tract IV)
- o. Building setback line, 25 feet from the Glen Mount Drive property line and 25 feet from the Crestway Road property line, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- p. Vehicular non-access easement, 1 foot wide, along the Crestway Road property line of the herein described property, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- q. Electric, gas, telephone, cable TV and sanitary sewer easement, 16 feet wide, along the Crestway Road property line of the herein described property, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- r. Water line easement, of variable width, located along Crestway Road, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- s. Underground electric, gas and telephone easement, 12 feet wide, along the western portion of the herein described property, as shown on plat recorded in Volume 7500, Page 122 and Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- t. Cable TV easement, 12 feet wide, located in the western portion of subject property, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- u. Electric transmission and distribution line easement, 135 feet, crossing the westerly portion of subject, awarded to City Public Service Board of San Antonio by Condemnation Proceeding in County Court At Law No. 6, Bexar County, Texas under Cause No. C-837, and as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- v. Electric, gas, telephone and cable TV easement, 13 feet wide, along the CPSB electric line, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- w. Electric, gas, telephone and cable TV easement, of variable width, along a portion of the southeasterly property line, as shown on plat recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas (Tract V)
- x. Electric transmission and distribution line easements of various widths and locations, granted to the City of San Antonio by instrument recorded in Volume 7463, Page 1198, Real Property Records of Bexar County, Texas (Tract V)
- y. Electric transmission and distribution line easement, being a portion of the CPSB right-of-way line, located at the southwest corner of subject property, granted to the City of San Antonio by instrument recorded in Volume 6151, Page 5, Deed Records of Bexar County, Texas (Tract I)
- z. Drainage easement, 72 feet wide, extending into the northerly portion of subject property from Miller Road, awarded to Bexar County by Condemnation Proceeding in Probate Court No. 2, Bexar County, Texas under Cause No. 88-ED-0035,

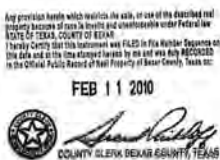
85276863

B-1

- copy of Judgment therein recorded in Volume 4406, Page 1153, Real Property Records of Bexar County, Texas (Tract II)
- aa. Electric transmission and distribution line easement granted to San Antonio Public Service Company by instrument recorded in Volume 1803, Page 407, Deed Records of Bexar County, Texas (Tracts III, IV and V)
 - bb. Electric transmission and distribution line easement granted to San Antonio Public Service Company by instrument recorded in Volume 1827, Page 198, Deed Records of Bexar County, Texas (Tracts III, IV and V)
 - cc. This item has been intentionally deleted
 - dd. Texas Department of Insurance Consumer's Clear Retirement Community Notice of Lien recorded in Volume 5931, Page 1114, Real Property Records of Bexar County, Texas
 - ee. Easement And Memorandum Of Agreement with Time Warner Cable recorded in Volume 12655, Page 828, Real Property Records of Bexar County, Texas (Tract III)
 - ff. Electric easement, 135 feet wide, granted to the City of San Antonio by instrument recorded in Volume 6169, Page 936, Deed Records of Bexar County (Tract VIII)
 - gg. This item has been intentionally deleted
 - hh. Drainage and electric easements established by plat recorded in Volume 6900, Page 212, Deed and Plat Records of Bexar County, Texas (Tract VIII)

[THIS PAGE INTENTIONALLY LEFT BLANK]

Doc# 28100023106 Fee: \$200.00
02/11/2010 10:02AM 9 Pages 02
Filed & Recorded in the Official Public
Records of BEXAR COUNTY
GERARD REICHGOTT COUNTY CLERK



RECORDER'S MEMORANDUM
AT THE TIME OF RECORDATION, THIS
INSTRUMENT WAS FOUND TO BE INADEQUATE
FOR THE BEST PHOTOGRAPHIC REPRODUCTION
BECAUSE OF ALLEGIBILITY, CARBON OR
PHOTO COPY, DISCOLORED PAPER ETC.

85276863

B-3

[THIS PAGE INTENTIONALLY LEFT BLANK]

**PROPOSED FORM OF BOND INDENTURE OF TRUST AND SECURITY AGREEMENT
PROPOSED FORM OF LOAN AGREEMENT
PROPOSED FORM OF MASTER INDENTURE SUPPLEMENT NO. 4**

[THIS PAGE INTENTIONALLY LEFT BLANK]

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Bond TrusteeBOND INDENTURE OF TRUST
AND
SECURITY AGREEMENT

Dated as of February 1, 2018

relating to

\$28,540,000
Bexar County Health Facilities Development Corporation
Revenue Refunding Bonds
(Army Retirement Residence Foundation Project)
Series 2018This Instrument Contains
After-Acquired Property Provisions

88503054.9

TABLE OF CONTENTS

Page

ARTICLE V
DEFEASANCE

Section 5.01	Payment of Indebtedness; Satisfaction and Discharge of Bond Indenture.....	35
Section 5.02	Defeasance	36
Section 5.03	Application of Deposited Money	37

ARTICLE VI
DEFAULTS AND REMEDIES

Section 6.01	Events of Default.....	38
Section 6.02	Acceleration of Maturity; Rescission and Annulment	39
Section 6.03	Power of Sale; Suits for Enforcement	40
Section 6.04	Incidents of Sale	40
Section 6.05	Covenant to Pay Bond Trustee Amounts Due on Bonds and Right of Bond Trustee to Judgment	41
Section 6.06	Application of Money Collected	42
Section 6.07	Bond Trustee May File Proofs of Claim	43
Section 6.08	Bond Trustee May Enforce Claims Without Possession of Bonds	43
Section 6.09	Limitation on Suits	43
Section 6.10	Unconditional Right of Bondholders to Receive Principal, Premium, and Interest	44
Section 6.11	Restoration of Positions.....	44
Section 6.12	Rights and Remedies Cumulative	44
Section 6.13	Delay or Omission Not Waiver	45
Section 6.14	Control by Bondholders	45
Section 6.15	Waiver of Past Defaults	45
Section 6.16	Undertaking for Costs	46
Section 6.17	Waiver of Appraisalment and Other Laws	46
Section 6.18	Suits to Protect the Trust Estate	46
Section 6.19	Remedies Subject to Applicable Law.....	46

ARTICLE VII
THE BOND TRUSTEE AND OTHER FUNCTIONARIES

Section 7.01	Certain Duties and Responsibilities	48
Section 7.02	Notice of Defaults; Other Notice Requirements	49
Section 7.03	Certain Rights of Bond Trustee.....	49
Section 7.04	Not Responsible for Recitals or Issuance of Bonds or Application of Proceeds	51
Section 7.05	May Hold Bonds	52
Section 7.06	Money Held in Trust	52
Section 7.07	Compensation and Reimbursement	52
Section 7.08	Corporate Bond Trustee Required; Eligibility	52
Section 7.09	Resignation and Removal; Appointment of Successor	53
Section 7.10	Acceptance of Appointment by Successor	54
Section 7.11	Merger, Conversion, Consolidation, or Succession to Business	54
Section 7.12	Co-trustees and Separate Bond Trustees	55

88503054.9

ii

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01	Definitions.....	4
Section 1.02	Acts of Bondholders	13
Section 1.03	Notices, Etc	14
Section 1.04	Form and Contents of Documents Delivered to Bond Trustee	16
Section 1.05	Effect of Headings, Table of Contents, and Exhibits	16
Section 1.06	Successors and Assigns	16
Section 1.07	Severability Clause.....	17
Section 1.08	Benefits of Bond Indenture	17
Section 1.09	Governing Law	17
Section 1.10	Compliance Certificates and Opinions	17
Section 1.11	Reliance on Opinions and Representations	17
Section 1.12	Book-Entry Only System	18
Section 1.13	Successor Securities Depository; Transfers Outside Book-Entry Only System	18
Section 1.14	Payments and Notices to Cede & Co	19

ARTICLE II
FORMS

Section 2.01	Forms Generally	19
Section 2.02	Form of Bond	19
Section 2.03	Modification of Initial Bond	19
Section 2.04	Form of Registration Certificate	21

ARTICLE III
TERMS AND ISSUE OF THE BONDS

Section 3.01	Title and Terms	22
Section 3.02	Redemption of Bonds.....	22
Section 3.03	Authentication and Delivery	25
Section 3.04	Execution, Authentication, Delivery, and Dating	25
Section 3.05	Temporary Bonds	26
Section 3.06	Registration, Transfer, and Exchange	26
Section 3.07	Mutilated, Destroyed, Lost, and Stolen Bonds	27
Section 3.08	Payment of Interest on Bonds; Interest Rights Preserved	27
Section 3.09	Persons Deemed Owners.....	28
Section 3.10	Cancellation.....	28
Section 3.11	Limited Obligations.....	29

ARTICLE IV
FUNDS

Section 4.01	Bond Fund	30
Section 4.02	Proceeds Fund	30
Section 4.03	Rebate Fund.....	31
Section 4.04	Security for Deposits	32
Section 4.05	Investments.....	33

88503054.9

i

TABLE OF CONTENTS

Page

ARTICLE VIII
CONSOLIDATION, MERGER, CONVEYANCE, OR TRANSFER

Section 8.01	Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms	57
Section 8.02	Successor Issuer Substituted	57

ARTICLE IX
SUPPLEMENTAL BOND INDENTURES

Section 9.01	Supplemental Bond Indentures Without Consent of Bondholders.....	59
Section 9.02	Supplemental Bond Indentures With Consent of Bondholders.....	60
Section 9.03	Execution of Supplemental Bond Indentures	61
Section 9.04	Effect of Supplemental Bond Indentures	61
Section 9.05	Reference in Bonds to Supplemental Bond Indentures.....	61
Section 9.06	Amendments to Master Indenture	61

ARTICLE X
COVENANTS

Section 10.01	Payment of Principal and Interest	62
Section 10.02	Maintenance of Agency.....	62
Section 10.03	Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.....	62
Section 10.04	Warranty of Title	63
Section 10.05	Further Assurances	63
Section 10.06	Recordation and Filing	63
Section 10.07	Limitations on Liens; Payment of Taxes	64
Section 10.08	Covenant as to Arbitrage and Other Tax Matters.....	64
Section 10.09	Corporate Existence	65

ARTICLE XI
REDEMPTION OF BONDS

Section 11.01	General Applicability of Article	66
Section 11.02	Election to Redeem; Notice to Bond Trustee	66
Section 11.03	Selection by Bond Trustee of Bonds to be Redeemed; Possible Serialization of Bonds	66
Section 11.04	Notice of Redemption	66
Section 11.05	Deposit of Redemption Price	67
Section 11.06	Bonds Payable on Redemption Date	68
Section 11.07	Bonds Redeemed in Part	68

EXHIBIT A — FORM OF BOND

88503054.9

iii

THIS BOND INDENTURE OF TRUST AND SECURITY AGREEMENT (as supplemented, modified, or amended in accordance with the applicable provisions hereof, this “*Bond Indenture*”) dated as of February 1, 2018 between the Bexar County Health Facilities Development Corporation (the “*Issuer*”, which term includes any successor corporation hereunder), a non-profit health facilities development corporation organized by the Commissioners Court of Bexar County, Texas, and existing pursuant to the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended (the “*Enabling Act*”), and The Bank of New York Mellon Trust Company, National Association, a national banking association, as trustee (together with any successor to the trust herein granted, the “*Bond Trustee*”),

WITNESSETH:

WHEREAS, pursuant to a Loan Agreement (as supplemented, modified, or amended in accordance with the applicable provisions thereof, the “*Loan Agreement*”) of even date herewith between the Issuer and Army Retirement Residence Supporting Foundation, a Texas non-profit corporation, its successors and assigns (the “*Borrower*”), the Issuer has agreed to issue the bonds described herein (the “*Bonds*”) and to loan the proceeds thereof to the Borrower to currently refund the Refunded Bonds (hereinafter defined), and such refinancing has been found by the board of directors of the Issuer to be required, necessary, and convenient for health care within the State of Texas (the “*State*”);

WHEREAS, pursuant to Section 221.065(a) of the Act, the board of directors of the Issuer has found that there is a public benefit and a public purpose for the refinancing;

WHEREAS, the Borrower and its affiliate, The Army Retirement Residence Foundation—San Antonio, a District of Columbia non-profit corporation (“*Foundation—San Antonio*”), have entered into a Master Indenture of Trust and Security Agreement dated as of January 1, 2007 as previously amended and supplemented, including as supplemented by Master Indenture Supplement No. 4 dated as of February 1, 2018 (together, the “*Master Indenture*”), each with The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A., as trustee (in such capacity, the “*Master Trustee*”) for the purpose of securing the payment of principal of (premium, if any) and interest on the Bonds issued hereunder and any additional Secured Debt secured by the Master Indenture;

WHEREAS, in order to induce the issuance and sale of the Bonds, the Borrower has agreed to the covenants set forth in the Loan Agreement and in the Master Indenture;

WHEREAS, the board of directors of the Issuer has by resolution authorized the issuance of the Bonds and, in order to provide terms for the Bonds and to secure the Bonds and to provide for their authentication and delivery by the Bond Trustee, the Issuer has duly authorized the execution and delivery of this Bond Indenture; and

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer and authenticated and delivered by the Bond Trustee hereunder, the valid limited obligations of the Issuer, and to constitute this Bond Indenture a valid security agreement, collateral assignment, and contract for the security of the Bonds, in accordance with the terms of this Bond Indenture;

GRANTING CLAUSES

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Secured Bonds (hereinafter defined) and the performance of the covenants therein and herein contained, and to declare the terms and

conditions on which the Outstanding Secured Bonds are secured, and in consideration of the premises, of the purchase of the Bonds by the Holders (hereinafter defined) thereof, and of the sum of ONE DOLLAR (\$1.00) to the Issuer in hand paid by the Bond Trustee at or before the execution and delivery of this Bond Indenture, the receipt and sufficiency of which are hereby acknowledged, the Issuer by these presents does grant, bargain, sell, alienate, remise, release, convey, collaterally assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Bond Trustee, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title, and interest of the Issuer in and to the Loan Agreement, including without limitation (1) the Loan Payments (hereinafter defined) and the Note (hereinafter defined) by which the rights to such Loan Payments are evidenced, (2) the rights and benefits of the obligee under the Loan Agreement and the holder of such Note, (3) any and all security heretofore or hereafter granted or held for the payment of amounts owing under the Loan Agreement or, in respect of the Loan Agreement or such Note, and (4) the present and continuing right to bring actions and proceedings under the Loan Agreement and the Note for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do thereunder, but excluding the Indemnity Payments (hereinafter defined);

GRANTING CLAUSE SECOND

All right, title, and interest of the Issuer in and to all money and investments held for the credit of the funds and accounts established by or under this Bond Indenture as hereinafter described, excluding the Rebate Fund (hereinafter defined) and any fund which may be established to defease Bonds pursuant to Section 5.02, and all money and investments held for the credit of the Rebate Fund and any fund so established to defease Bonds;

GRANTING CLAUSE THIRD

All the rents, issues, profits, revenues, and other income and proceeds of the property subjected or required to be subjected to the lien of this Bond Indenture, and all the estate, right, title, and interest of every nature whatsoever of the Issuer in and to the same and every part thereof; and

GRANTING CLAUSE FOURTH

Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone in its behalf (and the Bond Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the Issuer or the Person so acting in its behalf or by the Bond Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, alienated, remised, released, conveyed, collaterally assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, and any cash and securities hereafter deposited or required to be deposited with the Bond Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate), being herein collectively referred to as the “*Trust Estate*”) unto the Bond Trustee and its successors and assigns forever;

88503054.9

1

88503054.9

2

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Secured Bonds;

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of (and premium, if any) and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Bond Trustee such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Bond Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Bond Indenture and the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void, and this Bond Indenture shall be released by the Bond Trustee in due form acceptable to the Issuer and the Borrower at the expense of the Issuer, except only as herein provided; otherwise this Bond Indenture to be and remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all the Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Bond Trustee, subject to the further covenants, conditions, and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Bond Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Bonds.

* * *

88503054.9

3

88503054.9

4

“*Bond Depository*” means DTC or any other securities depository selected by the Issuer which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“*Bond Fund*” means the fund of the Issuer so defined in Section 4.01.

“*Bondholder*” means a Holder of a Bond.

“*Bond Indenture*” means this instrument as originally executed or as it may from time to time be supplemented, modified, or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

“*Bond Register*” and “*Bond Registrar*” have the respective meanings stated in Section 3.06.

“*Bond Trustee*” means the Person named as the “*Bond Trustee*” in the first paragraph of this instrument until a successor Bond Trustee shall have become such pursuant to the applicable provisions of this Bond Indenture, and thereafter “*Bond Trustee*” shall mean such successor.

“*Bonds*” means all bonds authenticated and delivered hereunder.

“*Bond Year*” means the twelve month period ending July 15, provided the initial Bond Year shall be the period from the Closing Date to July 15, 2019.

“*Borrower*” means the Person named as the “*Borrower*” in the Loan Agreement until a successor or assign shall have become such pursuant to the applicable provisions of the Loan Agreement, and thereafter “*Borrower*” shall mean such successor or assign.

“*Borrower Consent*”, “*Borrower Order*”, and “*Borrower Request*” mean, respectively, a written consent, direction, order, or request signed in the name of the Borrower by the Chairman of the Board, the President, a Vice President, the Secretary or an Assistant Secretary of the Borrower, and delivered to the Bond Trustee.

“*Business Day*” means any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in (a) a Place of Payment or (b) in the city in which is located the designated corporate trust office of the Bond Trustee or the Paying Agent, or (3) a day on which the New York Stock Exchange is closed.

“*Closing Date*” and “*Issue Date*” mean the date of the authentication and delivery of the initial Bonds in exchange for the purchase price therefor.

“*Code*” means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date. References to sections of the Code include relevant applicable Regulations and any applicable successor provisions to such sections or Regulations.

“*Computation Date*” has the meaning set forth in Regulations Section 1.148-8(b)(1).

“*County*” means Bexar County, Texas.

“*Default*” means the occurrence of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default. A Default shall “exist” if a Default shall have occurred and be continuing.

88503054.9

5

(3) direct obligations of any of the following federal agencies or federally-sponsored entities which are not fully guaranteed by the full faith and credit of the United States of America:

- (a) Federal National Mortgage Association (FNMA);
- (b) Federal Home Loan Mortgage Corporation (FHLMC);
- (c) Resolution Funding Corporation (REFCORP) principal strips; and
- (d) Federal Home Loan Bank Systems (FHLB).

in the event these securities are used for defeasance of the Bonds, they shall be non-callable and non-prepayable;

The following obligation may be used as Eligible Investments for all purposes other than defeasance of the Bonds:

(4) commercial paper which is rated at the time of purchase “A-1” by S&P, “F-1” by Fitch, or “P-1” by Moody’s, and which matures not more than 270 days after the date of purchase;

(5) investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two Rating Services under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in clauses (1)–(4) above;

(6) investment agreements the provider of which is rated in one or two highest rating categories, without regard to qualifiers, by two Rating Services and which are continuously and fully secured by such securities as are described in clauses (1) – (3) above, which securities shall have a market value at all times at least equal to 102% of the principal amount invested under the investment agreement (marked to market at least weekly);

(7) (a) certificates of deposit that are rated in any of the three highest rating categories of a Rating Service, fully secured by a security interest in government obligations or obligations of federal agencies described in clause (1) or (2) above, or (b) compilations of certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation;

(8) (a) investment agreements with banks that at the time any such agreement is executed is rated by any Rating Service in one of the three highest rating categories assigned by such Rating Service (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or (b) investment agreements with non-bank financial institutions or vehicles, (i) all of the unsecured, direct long-term debt of either the non-banking financial institution, vehicle, or the related guarantor of such non-bank financial institution or vehicle is rated by any Rating Service at the time such agreement is executed in one of the three highest rating categories of such Rating Service (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (ii) if such non-bank

88503054.9

7

“*Defaulted Interest*” has the meaning stated in Section 3.08.

“*DTC*” means The Depository Trust Company and its successors and assigns.

“*Eligible Investments*” means any of the following investments, the investment in which does not conflict with the Texas Public Funds Investment Act, Texas Government Code Chapter 2256 and other existing law and which mature (or are redeemable at the option of the Bond Trustee) at such time or times as to enable disbursements to be made from the fund in which such investment is held in accordance with the terms hereof:

(1) bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent guaranteed by the United States of America; in the event these securities are used for defeasance of the Bonds, they shall be non-callable and non-prepayable;

(2) obligations of any of the following federal agencies or federally sponsored entities which obligations represent the full faith and credit (guaranteed obligations) of the United States of America:

- (a) Export-Import Bank;
- (b) Farm Credit System Financial Assistance Corporation;
- (c) Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- (d) General Services Administration;
- (e) U.S. Maritime Administration;
- (f) Small Business Administration;
- (g) Government National Mortgage Association (GNMA);
- (h) U.S. Department of Housing & Urban Development (PHAs);
- (i) Federal Housing Administration;
- (j) Federal Financing Bank;
- (k) Resolution Funding Corporation (REFCORP) interest strips only;
- (l) Agency for International Development; and
- (m) Overseas Private Investment Corporation;

in the event these securities are used for defeasance of the Bonds, they shall be non-callable and non-prepayable;

88503054.9

6

financial institution or vehicle has no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution, vehicle, or the related guarantor of such non-bank financial institution is rated by any Rating Service in the highest rating category of such Rating Service (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by such Rating Service; or (iii) such non-bank financial institution, vehicle, or the related guarantor has a claims paying ability rated by any Rating Service in one of the three highest rating categories of such Rating Service (without regard to any refinement or gradation of rating category by numerical modifier or otherwise); provided that if at any time after purchase the provider of any of such investment agreement drops below the three highest rating categories of the Rating Service, the investment agreement must, within 30 days, either (x) be assigned to a provider rated in one of the three highest rating categories of a Rating Service, or (y) be secured by the provider with collateral securities described in clause (1), (2), or (3) above the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%, or (z) enter into a new funding agreement contract with the provider upon the same terms and conditions (with appropriate changes in terminology) as are set forth herein and which funding agreement contract is fully guaranteed by a financial guaranty insurance policy issued by an entity with a rating in one of the three highest categories of a Rating Service (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(9) U.S. dollar denominated deposit accounts, including demand deposit accounts and other bank products with domestic commercial banks that have a short term rating on the date of purchase in one of the three highest rating categories of a Rating Service (without regard to any refinement or gradation of rating category by numerical modifier or otherwise); and

(10) Investments in a money market or other fund (including those of the Bond Trustee or its Affiliates and including those for which the Trustee or its Affiliates receive compensation) which are the time of purchase are rated in the highest investment category granted thereby from S&P and Moody’s.

“*Enabling Act*” means the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, as in force and effect on the Issue Date.

“*Escrow Agreement*” means that certain Escrow and Trust Agreement dated February 28, 2018 between the Issuer, Borrower and Trustee, acting as escrow agent.

“*Event of Default*” has the meaning stated in Article VI. An Event of Default shall “exist” if an Event of Default shall have occurred and be continuing.

“*Exempt Person*” means any organization described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code, the District of Columbia, any state of the United States, any possession of the United States, and any political subdivision of any such State or possession if such political subdivision has more than an insubstantial amount of any of the power to tax, the power of eminent domain, or the police power.

“*Fitch*” means Fitch Ratings, its successors and assigns.

88503054.9

8

“*Foundation—San Antonio*” means The Army Retirement Residence Foundation—San Antonio, a District of Columbia non-profit corporation, its successors and assigns.

“*Governmental Obligations*” has the meaning stated in Section 5.02.

“*Gross Proceeds*” has the meaning set forth in Regulation Section 1.148-1(b).

“*Holder*” when used with respect to any Bond means the Person in whose name such Bond is registered in the Bond Register.

“*Indemnity Payments*” means those certain amounts agreed to be paid by the Borrower to the Issuer pursuant to Sections 5.03 and 5.05 of the Loan Agreement.

“*Independent*” when used with respect to any specified Person means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Issuer, the Borrower, or any other obligor upon the Bonds or in any Affiliate of any such Person, and (3) is not connected with any such Person or Affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director, or individual performing similar functions. Whenever it is herein provided that any Independent Person’s opinion or certificate shall be furnished to the Bond Trustee, such Person shall be appointed by an Issuer Order or a Borrower Order, as the case may be, and approved by the Bond Trustee in the exercise of reasonable care and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

“*Interest Payment Date*” means the Stated Maturity of an installment of interest on the Bonds.

“*Investments*” means

- (1) a share of stock in a corporation or a right to subscribe for or to receive such a share;
- (2) any obligation, including United States Treasury bonds, notes, and bills, and bank deposits, whether or not certificated or interest bearing, but excluding obligations the interest on which is, in the opinion of counsel nationally recognized in the field of municipal bond law, excludable from the gross income of the Borrower (and not included in computing the alternative minimum taxable income of individuals) under the Code;
- (3) any annuity contract, or any other deferred payment contract acquired to fund an obligation of the Issuer; or
- (4) any other investment-type property.

“*Issue Date*” and “*Closing Date*” mean the date of the authentication and delivery of the initial Bonds in exchange for the purchase price therefor.

“*Issuer*” means the Person named as the “*Issuer*” in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Bond Indenture, and thereafter “*Issuer*” shall mean such successor corporation.

“*Issuer Consent*”, “*Issuer Order*”, and “*Issuer Request*” mean, respectively, a written consent, order, or request signed in the name of the Issuer by the President, a Vice President, the Treasurer, the Secretary, or an Assistant Secretary of the Issuer, and delivered to the Bond Trustee.

88503054.9

9

- (1) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation;
- (2) Bonds for the payment or redemption of which money in the necessary amount is deposited with the Bond Trustee or any Paying Agent at or after the Maturity thereof in trust for the Holders of such Bonds in accordance with Sections 4.01 and 4.05;
- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Bond Indenture;
- (4) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 3.07; and
- (5) Bonds for the payment of the principal of (and premium, if any) and interest on which money or Governmental Obligations or both are held by the Bond Trustee or an escrow agent with the effect specified in Section 5.02;

however, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Bonds owned by the Issuer, the Borrower, or any Affiliate of any such Person shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Bond Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Bond Trustee actually knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Bond Trustee the pledgee’s right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Borrower, or any Affiliate of any such Person; provided, however, that the pledgee of those Bonds pledged under a pledge agreement shall not be required to establish to the satisfaction of the Bond Trustee its right so to act, but rather the Bond Trustee shall presume such right.

“*Outstanding Secured Bonds*” means, as of the date of determination, (1) all Bonds then Outstanding and (2) all Bonds, if any, alleged to have been destroyed, lost, or stolen which have been replaced as provided in Section 3.07 but whose ownership and enforceability by the Holder thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Bond Trustee.

“*Paying Agent*” means any Person authorized by the Issuer or the Bond Trustee with the approval of the Borrower to pay the principal of (and premium, if any) or interest on any Bonds on behalf of the Issuer.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Place of Payment*” means the City of Dallas, Texas.

“*Predecessor Bonds*” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 3.07 in lieu of a lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed, or stolen Bond.

“*Proceeds Fund*” means the fund of the Borrower so defined in Section 4.02.

88503054.9

11

“*Loan Agreement*” means the Loan Agreement dated as of even date herewith between the Issuer and the Borrower providing for the issuance of the Bonds, as originally executed or as it may from time to time be supplemented, modified, or amended by one or more instruments supplemental thereto entered into in accordance with the applicable provisions thereof.

“*Loan Payments*” means those certain payments agreed to be made by the Borrower pursuant to Section 3.04 of the Loan Agreement and pursuant to the Note evidencing such agreement.

“*Master Indenture*” means the Master Indenture of Trust and Security Agreement dated as of February 1, 2007 as previously amended and supplemented, including as supplemented by Master Indenture Supplement No. 4 between the Borrower and Foundation—San Antonio, as Co-Obligors, and the Master Trustee, as originally executed, or as it may, from time to time, be supplemented, modified, or amended by one or more indentures or other instruments supplemental thereto and entered into pursuant to the applicable provisions thereof.

“*Master Indenture Supplement No. 4*” means Master Indenture Supplement No. 4 dated as of February 1, 2018 between the Borrower, as Obligated Group Representative, and the Master Trustee.

“*Master Trustee*” means The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee under the Master Indenture until a successor Master Trustee shall have become such pursuant to the applicable provisions of the Master Indenture and, thereafter, “*Master Trustee*” shall mean such successor.

“*Maturity*” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

“*Moody’s*” means Moody’s Investors Services, its successors and assigns.

“*Net Proceeds*” means “net proceeds” of the Bonds within the meaning of section 150(a)(3) of the Code.

“*Note*” means the promissory note made by the Borrower pursuant to Section 3.04B of the Loan Agreement and Master Indenture Supplement No. 4 to evidence the obligation of the Borrower to make Loan Payments.

“*Officer’s Certificate*” means a certificate signed, for the Issuer, by the President, a Vice President, the Secretary, or an Assistant Secretary and, for the Borrower, by the Chairman of the Board of the Borrower, the President, a Vice President, the Secretary, or an Assistant Secretary and, in either case, delivered to the Bond Trustee.

“*Opinion of Counsel*” means a written opinion of counsel who may (except as otherwise expressly provided in this Bond Indenture) be counsel for one or more of the Issuer, the Borrower, any Affiliate of the Borrower, any Guarantor, or the Bond Trustee and shall be acceptable to the Bond Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and, when given with respect to any matter under the Bankruptcy Code, shall be counsel of nationally recognized standing in the field of bankruptcy law.

“*Outstanding*” when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Bond Indenture, except, without duplication

88503054.9

10

“*Project*” means any Project described in Exhibit A to the Loan Agreement.

“*Rating Service*” means each nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds.

“*Rebate Amount*” has the meaning set forth in Regulation Section 1.148-1(b).

“*Rebate Fund*” means the fund of the Issuer so defined in Section 4.03

“*Redemption Date*” when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to this Bond Indenture.

“*Redemption Price*” when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to this Bond Indenture, excluding installments of interest with a Stated Maturity the Regular Record Date for which is prior to the Redemption Date.

“*Refunded Bonds*” means:

- (1) \$17,585,000 of the Issuer’s Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007; and
- (2) \$14,775,000 of the Issuer’s Revenue Bonds (Army Retirement Residence Foundation Project) Series 2012-1 and Series 2012-2.

“*Regular Record Date*” for the interest payable on the Bonds on any Interest Payment Date is the date specified as such in Section 3.01.

“*Regulations*” means any temporary or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any temporary or final Income Tax Regulation designed to supplement, amend, or replace the specific Regulation referenced.

“*Responsible Officer*” when used with respect to the Bond Trustee means the officer in the corporate trust department of the Bond Trustee having direct responsibility for the administration of this Bond Indenture.

“*Secured Debt*” has the meaning set forth in the Master Indenture.

“*S&P*” means S&P Ratings, its successors and assigns.

“*Special Record Date*” for the payment of any Defaulted Interest on the Bonds means a date fixed by the Bond Trustee pursuant to Section 3.08.

“*State*” means the State of Texas.

“*Stated Maturity*” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“*Taxable Investment*” means any Eligible Investment other than

88503054.9

12

- (1) obligations the interest on which is excluded from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes and which is not a preference item as defined in section 57 of the Code,
- (2) stock of a qualified regulated investment company described in Notice 87-22 issued by the Internal Revenue Service on March 9, 1987, and
- (3) one-day certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344, if the Issuer and the Borrower in good faith attempt to comply with all the requirements of such program.

“*Trust Estate*” has the meaning stated in the habendum to the Granting Clauses of this Bond Indenture.

“*Vice President*” when used with respect to any Person means any vice president thereof, whether or not designated by a number or a word added to the title.

“*Yield*” of

- (1) any investment property has the meaning set forth in Regulations Section 1.148-2, and
- (2) the Bonds has the meaning set forth in Regulations Section 1.148-3.

Section 1.02 Acts of Bondholders.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Bond Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Bond Trustee and, if hereby expressly required, to the Issuer or the Borrower, as the case may be. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “*Act*” of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Bond Indenture and conclusive in favor of the Issuer, the Borrower, and (subject to Section 7.01) in favor of the Bond Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution by any Person of any such instrument or writing shall be conclusively established for all purposes of this Bond Indenture if (1) the Bond Trustee or the Bond Registrar shall have mailed or delivered to such Person (or any Bondholder for whom he purports to act as agent or proxy), at his address as shown on the Bond Register, such instrument or writing, (2) such instrument or writing shall have been returned to the Bond

Trustee or the Bond Registrar bearing a signature purporting and reasonably appearing to be that of the Bondholder or a Person purporting to be his agent or proxy, and (3) the Person receiving such executed instrument or writing shall have no actual knowledge or notice of any irregularity, or of any fact or circumstance which, if substantiated, would impair the validity of such instrument or writing. The matters referred to in Clauses (1), (2), and (3) of the preceding sentence may be evidenced by a certificate of the Bond Trustee or the Bond Registrar, as the case may be. The fact and date of execution of any such instrument or writing and the authority of any Person executing the same may also be proved in any other manner which the Bond Trustee deems sufficient. The Bond Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

C. The ownership of Bonds shall be proved conclusively by the Bond Register, and no beneficial or legal owner of Bonds whose ownership is not so registered shall have any right hereunder to give or take any Act with respect to the Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee, the Issuer, or the Borrower, in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 1.03 Notices, Etc.

Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, Act of Bondholders, or other document by or from any Person provided or permitted by this Bond Indenture to be made upon, given or furnished to, or filed with,

A. the Bond Trustee, the Paying Agent, or the Bond Registrar shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Bond Trustee, the Paying Agent, or the Bond Registrar addressed to it at 2001 Bryan Street, Floor 10, Dallas, TX 75201, Attention: Corporate Trust Department, or, if expressly permitted hereunder, given to the Bond Trustee, the Paying Agent, or the Bond Registrar by telecopy to (214) 468-6322, or at such other address or to such other number furnished in writing to such Person by the Bond Trustee, the Paying Agent, or the Bond Registrar, or

B. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it in care of Paul Elizondo Tower, 101 West Nueva, Suite 901, San Antonio, Texas 78205, Attention: President, or at such other address previously furnished in writing to the Bond Trustee by the Issuer, or

C. the Borrower shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Borrower addressed to it at 7400 Crestway, San Antonio, Texas 78239-3091, Attention: Administrator, or, if expressly permitted hereunder, given to the Borrower by telecopy to (210) 646-5327, or at such other address or telecopy number, as the case may be, previously furnished in writing to the Bond Trustee by the Borrower, or

D. the Rating Service shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, addressed to it, in the case of S&P, at 55 Water Street, 38th Floor, New York, New York 10041, Attention: Health Care Rating Surveillance, and in the case of Fitch, at One State Street Plaza, 28th Floor, New York, New York, 10004,

88503054.9

13

Attention: U.S. Public Surveillance Group, or at such other address previously furnished in writing to the Bond Trustee by either such Rating Service or, if expressly permitted hereunder, given to such Rating Service by telecopy, if to S&P, to (212) 438-2151, and if to Fitch, to (212) 480-4421, or such other telecopy number previously furnished in writing to the Bond Trustee by either such Rating Service.

Where this Bond Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

Where this Bond Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Bond Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

The Bond Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Indenture and delivered using Electronic Means (“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Bond Trustee, or another method or system specified by the Bond Trustee as available for use in connection with its services hereunder); provided, however, that the Issuer and/or Borrower shall provide to the Bond Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Issuer and/or Borrower whenever a person is to be added or deleted from the listing. If the Issuer and/or Borrower elects to give the Bond Trustee Instructions using Electronic Means and the Bond Trustee in its discretion elects to act upon such Instructions, the Bond Trustee’s understanding of such Instructions shall be deemed controlling. The Issuer and/or Borrower understands and agrees that the Bond Trustee cannot determine the identity of the actual sender of such Instructions and that the Bond Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Bond Trustee have been sent by such Authorized Officer. The Issuer and/or Borrower shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Bond Trustee and the Issuer and/or Borrower and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Issuer and/or Borrower. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer and/or Borrower agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Bond Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer and/or Borrower; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Bond Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

88503054.9

15

88503054.9

14

Section 1.04 Form and Contents of Documents Delivered to Bond Trustee.

Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of any Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows that such certificate or opinion or representations are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of any Person stating that the information with respect to such factual matters is in the possession of such Person, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Bond Indenture, they may, but need not, be consolidated and form one instrument.

Wherever in this Bond Indenture, in connection with any application or certificate or report to the Bond Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of compliance by such Person with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report, and the Bond Trustee may rely upon such application, certificate, or report.

Nothing in this section shall be construed to place any duty or obligation on the Trustee to verify or to investigate independently the truth, completeness or accuracy of any certificate, opinion, report or other instruments provided by any Person to the Trustee hereunder, and the Trustee shall be entitled to rely, and shall be fully protected in relying upon, such certificates, opinions, reports or other instruments in accordance with Article Seven of the Indenture.

Section 1.05 Effect of Headings, Table of Contents, and Exhibits.

The Article and Section headings herein and in the Table of Contents and the summary of certain provisions of the Bond Indenture included in Exhibit A are for convenience only and shall not affect the construction or terms hereof. In the event of any inconsistency between such summary and other provisions of this Bond Indenture, such other provisions shall control.

Section 1.06 Successors and Assigns.

All covenants and agreements in this Bond Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

88503054.9

16

Section 1.07 Severability Clause.

In case any provision in this Bond Indenture or in the Bonds or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 1.08 Benefits of Bond Indenture.

Nothing in this Bond Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any separate trustee or co-trustee appointed under Section 7.12, the Borrower, and the Holders of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim under this Bond Indenture.

Section 1.09 Governing Law.

This Bond Indenture shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

Section 1.10 Compliance Certificates and Opinions.

Upon any application or request by the Issuer or the Borrower to the Bond Trustee to take any action under any provision of this Bond Indenture, the Issuer or the Borrower, as the case may be, shall furnish to the Bond Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Bond Indenture relating to the proposed action have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Bond Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Bond Indenture shall include the following:

- A. a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- B. a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- C. a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- D. a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.11 Reliance on Opinions and Representations.

In making the representations contained in this Bond Indenture, and in making all other representations made in connection with the issuance of the Bonds, the Board of Directors of the Issuer may rely, and is in fact relying, upon (i) as to legal matters, opinions of counsel, including bond counsel, (ii) as to financial matters, opinions or advice of the Issuer's financial advisor, and (iii) as to matters of

fact outside the personal knowledge of the members of such Board of Directors, on statements, representations and certificates of third parties in the Loan Agreement, Bond Indenture or in other certificates, instruments and documents.

Section 1.12 Book-Entry Only System.

It is intended that the Bonds be registered so as to participate in a securities depository system (the "*DTC System*") with DTC, as set forth herein. The Bonds shall be issued (following cancellation of the initial Bonds described in Section 2.03) in the form of a separate single fully registered Bond. Upon issuance, the ownership of such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and except as provided in Section 1.13, all of the outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The Issuer and the Bond Trustee are authorized and directed to execute, deliver and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Representation Letter (the "*Representation Letter*") previously delivered to DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer, the Borrower, and the Bond Trustee shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC or another Bond Depository holds Bonds from time to time as securities depository (a "*Depository Participant*") or to any Person on behalf of whom such a Depository Participant holds an interest in the Bonds (an "*Indirect Participant*"). Without limiting the immediately preceding sentence, the Issuer, the Borrower, and the Bond Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., any other Bond Depository, or any Depository Participant or any Indirect Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on, the Bonds. While in the DTC System, no Person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest pursuant to this Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Bond Indenture with respect to interest checks being mailed to the Holder, the word "*Cede & Co.*" in this Bond Indenture shall refer to such new nominees of DTC; and upon receipt of such a notice of the Bond Trustee shall promptly deliver a copy of the same to each Paying Agent, if any.

Section 1.13 Successor Securities Depository; Transfers Outside Book-Entry Only System.

In the event that (a) the Borrower determines that (i) DTC is incapable of discharging its responsibilities described herein and in the Representation Letter or (ii) it is in the best interest of the owners of beneficial interests in the Bonds that they be able to obtain certificated Bonds, or (b) DTC discontinues discharging its services for any reason, the Bond Trustee (with the written consent of the Borrower) shall notify DTC. At that time, the Borrower may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the Borrower, and if the Borrower does not select such an alternate securities depository system, then the Bonds may be registered in whatever name or names the owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

88503054.9

17

Section 1.14 Payments and Notices to Cede & Co.

Notwithstanding any other provision of this Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

* * *

88503054.9

18

ARTICLE II

FORMS

Section 2.01 Forms Generally.

The Bonds, including the forms of the Certificate of Authentication and Assignment, shall be substantially in the form set forth in this Article and on Exhibit A, with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by this Bond Indenture, and may have such letters, numbers, or other marks of identification and such legends, endorsements, reproductions of Opinions of Counsel and related certificates placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing the Bonds, as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof or on a separate page or pages attached thereto, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, engraved, typewritten, or photocopied, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

Section 2.02 Form of Bond.

The form of Bond is attached hereto as Exhibit A and is incorporated herein.

Section 2.03 Modification of Initial Bond.

The initial Bond or Bonds submitted to the Attorney General of the State of Texas for approval shall be in the form set forth in Exhibit A to this Bond Indenture, except that the initial Bonds shall be numbered "I-1" and upward and the following shall be substituted for the first paragraph after the title of the Bonds:

"REFERENCE IS HEREBY MADE TO THE PROVISIONS OF THIS BOND SET FORTH ON THE SUBSEQUENT PAGES HEREOF, WHICH PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH ON THE FACE OF THIS BOND.

Owner: _____

Principal Amount: [Complete in accordance with Section 3.01.]

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION (the "*Issuer*", which term includes any successor under the Bond Indenture herein defined), a non-profit health facilities development corporation organized by the Commissioners Court of Bexar County, Texas, and existing pursuant to the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, for value received, hereby promises to pay to the Owner named above, or the registered assigns thereof, but solely from and to the extent of the sources hereinafter described, the Principal Amount hereinabove stated (or so much thereof as shall not have been paid upon prior redemption) on the Due Date above and to pay, but solely from and to the extent of such sources, interest on the unpaid portion thereof from the date herein described until payment of such portion is made or duly provided for at the Maturity hereof. The principal and Redemption Price of this Bond are payable at the agent of the Issuer for such purpose (herein referred to as a "*Paying Agent*") in the City of Dallas, Texas (such place herein referred to as a "*Place of Payment*"), upon presentation and surrender of this Bond. All capitalized terms

88503054.9

19

88503054.9

20

used herein not otherwise defined shall have the meanings assigned to such terms in the Bond Indenture, as herein defined.”

Section 2.04 Form of Registration Certificate.

The following certificate shall appear on the initial Bond submitted to the Attorney General of the State of Texas for approval immediately after the Certificate of Authentication:

“REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
§ REGISTER NO. _____
THE STATE OF TEXAS §

I HEREBY CERTIFY that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

(SEAL)

Comptroller of Public Accounts
of the State of Texas”

* * *

88503054.9

21

A. *Optional Redemption.* The Bonds maturing on or after July 15, 2024 are subject to optional redemption by the Issuer, at the direction of the Borrower pursuant to Section 4.02 of the Loan Agreement, in whole or in part and, if in part, in denominations of \$5,000 and integral multiples thereof, on any date on or after July 15, 2023, at a Redemption Price of one hundred and five percent (105%), declining annually by one percent (1%) thereafter such that from and after July 15, 2028, such Redemption Price shall be one hundred percent (100%) of par, plus accrued interest to the date of redemption.

B. *Extraordinary Optional Redemption.* The Issuer shall, upon Borrower Request given to the Issuer and the Bond Trustee not more than ninety (90) days after the occurrence of the event described below upon which such Borrower Request is based and not less than sixty (60) days prior to the Redemption Date, redeem the Bonds prior to their Stated Maturity, in whole or in part and, if in part, in denominations of \$5,000 and integral multiples thereof, on any date, within such 90-day period at a Redemption Price equal to 100% of the principal amount thereof together with interest, if any, accrued on such Bonds from the most recent Interest Payment Date to the Redemption Date, and without premium:

(1) in whole or in part, if any properties of the Borrower shall have been damaged or destroyed to the extent that, in the reasonable judgment of the Borrower, (a) restoration and repair of a substantial portion of the properties of the Borrower is required and either could not reasonably be expected to be completed within a period of six (6) months or is not economically practicable or desirable, or (b) the Borrower is prevented or would likely be prevented from using a substantial portion of its properties for their normal purposes for a period of six months or more; or

(2) in whole or in part, if title to any properties of the Borrower or the use or possession thereof shall have been taken or condemned by a competent authority for any public use or purpose to such an extent that the Borrower is prevented or, in the reasonable judgment of the Borrower, would likely be prevented from using a substantial portion of its properties for their normal purposes for a period of six (6) months or more, or the repair, rebuilding, or restoration of such property or the acquisition of other property of at least equal value and economic utility to that taken or condemned and suitable for the proper and efficient operation of the properties of the Borrower is substantial and is not economically practicable or desirable; or

C. *Mandatory Redemption.* The Bonds maturing on July 15, 2033, July 15, 2037, and July 15, 2042 are subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on the dates and in the principal amounts shown below, plus accrued interest to the date of redemption, and without premium:

88503054.9

23

ARTICLE III

TERMS AND ISSUE OF THE BONDS

Section 3.01 Title and Terms.

There shall be one series of Bonds issued and secured hereunder entitled

“REVENUE REFUNDING BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2018”

(the “Bonds”). The Bonds shall bear interest payable on January 15 and July 15 of each year, commencing July 15, 2018, computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds shall mature on the dates and in the amounts, and bear interest at the rates per annum, set for the below.

<u>Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
July 15, 2018	885,000	4.000
July 15, 2019	845,000	5.000
July 15, 2020	880,000	5.000
July 15, 2021	925,000	5.000
July 15, 2022	970,000	5.000
July 15, 2023	1,020,000	5.000
July 15, 2024	1,065,000	5.000
July 15, 2025	1,120,000	5.000
July 15, 2026	1,170,000	5.000
July 15, 2027	1,230,000	5.000
July 15, 2028	1,285,000	5.000
July 15, 2033	7,430,000	5.000
July 15, 2037	6,400,000	5.000
July 15, 2042	3,315,000	5.000

The Bonds shall be issued in the denominations of \$5,000 and any integral multiple thereof.

The principal and Redemption Price of the Bonds shall be payable upon surrender of the Bonds at the agency of the Issuer for payment of the Bonds in the City of Dallas, Texas. Such city is herein referred to as a Place of Payment.

The Regular Record Date is the close of business on the first (1st) day of the month (whether or not a Business Day) immediately preceding the date of any interest payment is due and payable hereunder.

Section 3.02 Redemption of Bonds.

The Bonds shall be redeemable in accordance with Article XI as follows:

88503054.9

22

BONDS MATURING JULY 15, 2033

<u>Date (July 15)</u>	<u>Principal Amount (\$)</u>
2029	1,350,000
2030	1,410,000
2031	1,490,000
2032	1,550,000
2033*	1,630,000

*Stated maturity

BONDS MATURING JULY 15, 2037

<u>Date (July 15)</u>	<u>Principal Amount (\$)</u>
2034	1,150,000
2035	1,205,000
2036	1,265,000
2037*	2,780,000

*Stated maturity

BONDS MATURING JULY 15, 2042

<u>Date (July 15)</u>	<u>Principal Amount (\$)</u>
2038	595,000
2039	630,000
2040	660,000
2041	700,000
2042*	730,000

*Stated maturity

provided, however, that the principal amount of Bonds so to be redeemed in any year shall be reduced, upon Borrower Request, by an amount equal to the principal amount of Bonds (a) surrendered uncancelled and in transferable form by the Borrower to the Bond Trustee not less than sixty (60) days prior to such Redemption Date or (b) redeemed (not less than sixty (60) days prior to such Redemption Date) pursuant to Subsection A or B of this Section, if in either case such Bonds shall not have previously served as the basis for any such reduction.

Purchase in Lieu of Redemption. At any time that Bonds are subject to redemption in whole or in part pursuant to this Bond Indenture the Bond Trustee may purchase such Bonds for the account of the Borrower. The purchase price of such Bonds, excluding accrued interest, shall not exceed the applicable Redemption Price of the Bonds that would otherwise have been redeemed. Such option may be exercised by delivery to the Bond Trustee on or prior to the Business Day preceding the Redemption Date of a written Borrower Order specifying that the Bonds shall not be redeemed, but instead shall be subject to

88503054.9

24

purchase pursuant to this Section. Upon delivery of such Borrower Order, the Bonds shall not be redeemed but shall instead be subject to mandatory tender on the date that would have been the Redemption Date.

Section 3.03 Authentication and Delivery.

Forthwith upon the execution and delivery of this Bond Indenture and receipt of Bonds duly executed by the Issuer, the Bond Trustee shall authenticate and deliver the Bonds upon written application by the Issuer and receipt by the Bond Trustee of the following:

A. a Board Resolution of the Issuer authorizing the execution and delivery of this Bond Indenture and the Loan Agreement and the authentication and delivery of the Bonds;

B. a Board Resolution of the Borrower approving the Loan Agreement, the Bond Indenture, the Master Indenture, and the material terms of the Bonds or authorizing the Chairman of the Board of Directors, the President, or a Vice President to approve such documents and accompanied by a Borrower Consent evidencing such approval;

C. the Note issued by the Borrower, payable to the order of the Issuer, and endorsed and transferred to the order of the Bond Trustee, as assignee;

D. an executed counterpart of this Bond Indenture, the Loan Agreement, and the Master Indenture;

E. the money specified in such application for the authentication and delivery of the Bonds;

F. the initial Bond bearing the completed registration certificate of the Comptroller of Public Accounts of the State of Texas, with such Bond duly endorsed by the Holder thereof; and

G. an Officer's Certificate of the Issuer and one or more Opinions of Counsel to the effect that all conditions precedent under the Bond Indenture for the authentication and delivery of the Bonds have been satisfied.

Simultaneously with the delivery of the initial Bonds, the Bond Trustee shall deposit the money described in Subsection E of this Section in the Proceeds Fund.

Section 3.04 Execution, Authentication, Delivery, and Dating.

The Bonds shall be executed on behalf of the Issuer by its President or its Vice President under its corporate seal impressed or reproduced thereon and attested by its Secretary or its Assistant Secretary. The signature of any of these officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of such Bonds or shall not have held such offices at the date of such Bonds.

At any time and from time to time after the execution and delivery of this Bond Indenture, the Issuer may deliver Bonds executed by the Issuer to the Bond Trustee for authentication and the Bond Trustee shall authenticate and deliver such Bonds as in this Bond Indenture provided and not otherwise.

88503054.9

25

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Bond Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to any Bondholder for any transfer or exchange of Bonds, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges upon partial redemption not involving any transfer.

The Issuer and the Bond Trustee shall not be required to issue, transfer, or exchange any Bond (i) during a period beginning at the opening of business five days before the day of the mailing of a notice of redemption of Bonds under Section 11.04 and ending at the close of business on the day of such mailing, or (ii) which is selected for redemption in whole or in part.

Section 3.07 Mutilated, Destroyed, Lost, and Stolen Bonds.

If (i) any mutilated Bond is surrendered to the Bond Trustee, or if the Bond Trustee receives evidence to its satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Bond Trustee, the Borrower, and the Issuer such security or indemnity as may be required by each of them to save each of them harmless, then, in the absence of actual notice to the Issuer or the Bond Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and upon Issuer Request the Bond Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer in its discretion may (and upon Borrower Order shall), instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Bond Indenture equally and ratably with all other Outstanding Secured Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Bonds.

Section 3.08 Payment of Interest on Bonds; Interest Rights Preserved.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date therefor shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest (1) by check or draft mailed to such Person at the address specified in the Bond Register, (2) at the option of the Holder thereof (if such Holder owns not less than \$1,000,000 principal amount of Bonds) exercised by written notice delivered to the Paying Agent therefor not less than fifteen (15) days prior to the relevant Interest Payment Date therefor, by Federal Funds wire to any designated account within the

88503054.9

27

Except for the initial Bond approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of Texas, no Bond shall be secured by, or be entitled to any lien, right, or benefit under, this Bond Indenture or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided for herein, executed by the Bond Trustee by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

Section 3.05 Temporary Bonds.

Pending the preparation of definitive Bonds, the Issuer may execute, and upon Issuer Request the Bond Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in fully registered form, and with such appropriate insertions, omissions, substitutions, and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

If temporary Bonds are issued, the Issuer will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds at the agency of the Issuer in a Place of Payment without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of the same maturity and of authorized denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Bond Indenture.

Section 3.06 Registration, Transfer, and Exchange.

The Issuer shall cause to be kept at its agency for payment of the Bonds in a Place of Payment a register (herein sometimes referred to as the "*Bond Register*") in which, subject to such reasonable regulations as it or the Bond Registrar may prescribe, the Issuer shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as herein provided. The Bond Trustee will act as Bond Registrar.

Upon surrender for transfer of any Bond at the agency of the Issuer therefor in a Place of Payment, the Issuer shall execute, and the Bond Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Bonds may be exchanged for other Bonds of any authorized denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at an agency of the Issuer therefor in a Place of Payment with written instructions therefor. Whenever any Bonds are so to be surrendered for exchange, the Issuer shall execute, and the Bond Trustee shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Bond Indenture shall be promptly cancelled and disposed of by the Bond Trustee in such manner as it deems appropriate.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Bond Indenture, as the Bonds surrendered upon such transfer or exchange.

88503054.9

26

United States of America, or (3) pursuant to other customary arrangements made by such Person and acceptable to the Paying Agent for such interest.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date therefor (herein referred to as "*Defaulted Interest*") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Issuer, upon Borrower Request, as provided in this Section.

The Borrower may elect for payment of any Defaulted Interest on the Bonds to be made to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Borrower shall notify the Bond Trustee in writing of the amount of Defaulted Interest proposed to be paid and the date of the proposed payment (which date shall be such as will enable the Bond Trustee to comply with the next sentence hereof), and at the same time the Borrower shall deposit with the Bond Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Bond Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this paragraph provided and not to be deemed part of the Trust Estate. Thereupon the Bond Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Bond Trustee of the written notice of the proposed payment. The Bond Trustee shall promptly notify the Issuer and the Borrower of such Special Record Date and, in the name of the Issuer and at the expense of the Borrower, shall 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 Holder of a Bond at his address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Bond Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

Section 3.09 Persons Deemed Owners.

The Issuer, the Borrower, the Bond Trustee, and any of their respective agents shall treat the Person in whose name any Bond is registered as the sole legal and beneficial owner of such Bond for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 3.08) interest on such Bond and for all other purposes whatsoever whether or not such Bond is overdue, and, to the extent permitted by law, none of the Issuer, the Borrower, the Bond Trustee, and any such agent shall be affected by notice to the contrary.

Section 3.10 Cancellation.

All Bonds surrendered to the Bond Trustee or the Bond Registrar for payment, redemption, transfer, or exchange shall be promptly cancelled by it and, if surrendered to any Person other than the Bond Trustee, shall be delivered to the Bond Trustee and, if not already cancelled, shall be promptly

88503054.9

28

cancelled by it, unless the Issuer shall default in any such payment or redemption. The Issuer and the Borrower may at any time deliver to the Bond Trustee for cancellation any Bonds previously authenticated and delivered hereunder which the Issuer or the Borrower may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bond Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Bond Indenture. All cancelled Bonds held by the Bond Trustee shall be maintained by the Bond Trustee pursuant to the Bond Trustee's standard retention policies.

Section 3.11 Limited Obligations.

The Bonds are limited obligations of the Issuer payable solely from and to the extent of Loan Payments to be made or provided for by the Borrower, pursuant to the Loan Agreement, the obligations of the Borrower under which are evidenced by the Note entitled to the benefits of any funds held under this Bond Indenture for such purpose.

* * *

88503054.9

29

C. *Application.* Immediately upon authentication and delivery of the initial Bonds hereunder the Bond Trustee shall disburse \$32,657,081.00 to purchase State and Local Government Securities, as described in the Escrow Agreement, \$1,201.21 to the Bond Fund and \$620,048.57 to pay the costs of issuing the Bonds.

The Bond Trustee shall have no responsibility for the use of the proceeds of the Bonds paid out in accordance with the provisions of this Bond Indenture.

Section 4.03 Rebate Fund.

A. *Creation in Trust.* The Issuer hereby establishes with the Bond Trustee, which shall maintain, for the benefit of all Persons who are or have at any time from and after the first Issue Date been Holders of any Bonds, at all times prior to the final payment to the United States of America of the amounts described in Subsection C of this Section, a special fund of the Bond Trustee entitled "Bexar County Health Facilities Development Corporation Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 Rebate Fund (the "Rebate Fund"). The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom, shall not be a part of the Trust Estate but shall be held in trust and applied solely as provided in this Section, unless in the Opinion of Counsel failure to make such application as so provided will not adversely affect any exclusion from gross income of interest on any Bond under the Code.

B. *Deposits and Transfers.* The Bond Trustee shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Bond Trustee by the Borrower for deposit thereto and each amount directed by the Borrower in writing to be transferred thereto.

C. *Application.*

(1) *Rebate Payments.* Within five days after each receipt or transfer of funds to the Rebate Fund in accordance with Section 5.070(1)(b) of the Loan Agreement (and in any event within thirty (30) days after each Computation Date), the Bond Trustee shall withdraw from the Rebate Fund and pay to the United States of America, to the extent of funds on deposit in the Rebate Fund, the appropriate portion of the Rebate Amount (determined by the Borrower) in the installments, to the place and in the manner required by section 148(f) of the Code, the Regulations and rulings thereunder.

(2) *Correction Payments.* Within five (5) days after receipt by the Bond Trustee from the Borrower of written notification pursuant to Section 5.070(2) of the Loan Agreement of any amount due to the United States of America pursuant to Section 1.148-3(h) of the Regulations accompanied by relevant IRS forms, including IRS Form 8038-T, the Bond Trustee shall withdraw from the Rebate Fund, to the extent of funds on deposit in the Rebate Fund, an amount which when added to all prior payments to the United States of America equals the correct appropriate portion of the Rebate Amount, plus any penalties and interest and pay such correction amount to the United States of America.

(3) *Payments Generally.* All payments to the United States of America pursuant to this Subsection shall be made by the Bond Trustee for the account and in the name of the Issuer and shall be paid by draft posted by registered United States Mail (return receipt requested), addressed to the Internal Revenue Service Center, Ogden, Utah 84201 (if appropriate, accompanied by the relevant Internal Revenue Service Form, such

88503054.9

31

ARTICLE IV

FUNDS

Section 4.01 Bond Fund.

A. *Creation in Trust.* There is hereby created by the Issuer and established with the Bond Trustee the special fund of the Issuer designated its "Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 Bond Fund" (herein referred to as the "Bond Fund"). The money deposited to the Bond Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section and Section 6.06.

B. *Deposits.* The Bond Trustee shall deposit to the credit of the Bond Fund (1) all cash received by the Bond Trustee for the Bond Fund pursuant to Section 3.03, (2) immediately upon receipt all Loan Payments made by the Borrower to the Bond Trustee for the account of the Issuer, (3) required transfers pursuant to other provisions of this Bond Indenture, and (4) any other amounts delivered to the Bond Trustee specifically for deposit thereto.

C. *Application.* The Bond Trustee shall, subject to the provisions of this Subsection, apply the money in the Bond Fund to set aside or deposit in trust with the Paying Agent on each Interest Payment Date and on each Maturity of Bonds sufficient money

(1) to pay the interest on the Bonds then coming due, whether by reason of the Stated Maturity of such interest, declaration of acceleration, or call for redemption with money to pay such interest, and

(2) to pay the principal of (and premium, if any, on) the Bonds then coming due, whether by reason of the Stated Maturity thereof, declaration of acceleration, or call for redemption,

first, in respect of Bonds other than Bonds registered in the name of the Borrower, any Person that the Bond Trustee has been informed in writing is an Affiliate of the Borrower or the Issuer, and, second, in respect of Bonds so registered.

On each Interest Payment Date and each Maturity of Bonds any balance remaining in the Bond Fund after the requirements of Subsection C of this Section have been satisfied shall be paid or transferred to or on the written order of the Borrower as a rebate of Loan Payments made pursuant to the Loan Agreement.

Section 4.02 Proceeds Fund.

A. *Creation in Trust.* The "Proceeds Fund" to be established by the Borrower with the Bond Trustee pursuant to Section 3.01 of the Loan Agreement (the "Proceeds Fund") shall be held in trust and applied solely as provided in this Section and Section 6.06.

B. *Deposits.* The Bond Trustee shall deposit to the credit of the Proceeds Fund (1) all cash received by the Bond Trustee for the Proceeds Fund pursuant to other provisions of this Bond Indenture and (2) all other amounts paid to the Bond Trustee by the Borrower specifically for deposit to the credit of the Proceeds Fund.

88503054.9

30

as Form 8038-T or such other statements or forms described in Section 5.070(1)(c) of the Loan Agreement, if such payment is described in Clause (1) of this Subsection C, and by the relevant Internal Revenue Service Form 8038-T and written explanation described in Section 5.070(2) of the Loan Agreement, if such payment is described in Clause (2) of this Subsection).

(4) In the event that there remain any funds in the Rebate Fund immediately after any payments are made pursuant to Clauses (1) or (2) of this Subsection C, such remaining funds shall be transferred to the Borrower.

D. *Records.* The Bond Trustee shall preserve all statements, forms, and explanations received from the Borrower pursuant to Section 5.070 of the Loan Agreement and all records of transactions in the Rebate Fund until six (6) years after the discharge of all of the Bonds.

E. *Reliance on Instructions.* The Bond Trustee may conclusively rely on the information provided, instructions of and forms prepared by the Borrower with regard to any actions to be taken by it, including payments to be made, pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower to supply accurate or sufficient instructions or to compute erroneously any payment due pursuant to this Section.

F. *Modification of Requirements.* If at any time during the term of this Bond Indenture the Issuer, the Bond Trustee, or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide at the expense of the Borrower to the other Persons named herein an Opinion of Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and shall be in compliance with the laws of the State of Texas and the other terms of this Bond Indenture.

G. *Survival of this Section.* Notwithstanding any other provision of this Bond Indenture, the obligation to pay the Rebate Amount to the United States and to comply with all other requirements of this Section shall survive the defeasance or payment in full of the Bonds.

Section 4.04 Security for Deposits.

All money held by the Bond Trustee hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured by the Bond Trustee, for the benefit of the owners of such money, and the Bondholders, either (1) by lodging with a bank or trust company as collateral security Governmental Obligations having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit or (2) in any other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; however, it shall not be necessary for the Bond Trustee to give such security for the deposit with it of any money to be used to pay principal, premium, if any, or interest which is at the time of such deposit due and payable with respect to any Bonds.

88503054.9

32

Section 4.05 Investments.

Money held for the credit of the Bond Fund, the Proceeds Fund, or the Rebate Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Bond Trustee pursuant to Borrower Order in Eligible Investments. The Trustee may rely on such Borrower Order as to the suitability, the legality and the compliance with the terms of this Bond Indenture of the investments directed therein. If the Borrower Order requires purchase of Eligible Investments through a broker-dealer, Borrower agrees that periodic statements from the Bond Trustee are adequate substitutes for trade confirmations. Such investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when such money is expected to be required for the purpose intended.

Obligations so purchased as an investment of any money credited to any such fund or any account thereof shall be deemed at all times to be a part of such fund or account. Except as set forth below, the interest accruing on obligations so purchased and any profit realized from such investment shall be credited to such fund or account and any loss resulting from such investment shall be charged to such fund or account. The Bond Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such fund or account. The Bond Trustee shall not be liable for any loss resulting from any such investment made in accordance with any permitted direction by the Borrower or Borrower Order.

The Borrower shall not (1) acquire any investment with money held for the credit of any fund or account hereunder for a price which is in excess of (or sell any such investment for a price which is less than) the fair market value thereof or (2) otherwise enter into any transaction that reduces the amount required to be paid to the United States of America pursuant to Section 10.08E because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield of the Bonds not been relevant to either party, unless in the Opinion of Counsel such action will not adversely affect the exclusion from gross income of interest on any Bond under the Code. Notwithstanding the foregoing limitation, however, the Borrower may

(1) purchase directly from the United States of America at any price any obligation of the United States Treasury, including obligations of the State and Local Government Series,

(2) purchase or sell a certificate of deposit issued by a commercial bank for a price which either

(a) is equal to the bona fide price quoted by a dealer who maintains an active secondary market in such certificates of deposit, or

(b) if there is no such active secondary market in such certificates of deposit, results in a yield which is at least equal to both

(i) the yield on comparable obligations traded on an active secondary market, as certified by a dealer who maintains such market, based on actual trades adjusted to reflect the size and term of the certificate of deposit purchased or sold and the stability and reputation of the issuer of such certificate of deposit, and

88503054.9

33

ARTICLE V

DEFEASANCE

Section 5.01 Payment of Indebtedness; Satisfaction and Discharge of Bond Indenture.

Whenever the following conditions shall exist,

A. all Bonds theretofore authenticated and delivered have been cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation, excluding, however:

(1) Bonds for the payment of which money has theretofore been deposited in trust with the Bond Trustee or a Paying Agent pursuant to Section 4.01 and thereafter held for the Holders or paid to the Borrower as unclaimed money as provided in Section 10.03,

(2) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.07, except for any such Bond which, prior to the satisfaction and discharge of this Bond Indenture, has been presented to the Bond Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction,

(3) Bonds, other than those referred to in the foregoing Clauses, for the payment or redemption of which the Issuer or the Borrower has deposited or caused to be deposited with the Bond Trustee at the Maturity thereof in trust for such purpose funds in an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal (and premium, if any) and interest to such Maturity, and

(4) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described in Section 5.02;

B. the Issuer or the Borrower has paid or caused to be paid all other sums payable by the Issuer or the Borrower hereunder and under the Loan Agreement (except the Loan Payments); and

C. there has been delivered to the Bond Trustee an Opinion of Counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Bond Indenture have been complied with;

then, upon Issuer Request (which the Issuer shall make upon Borrower Order), this Bond Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void (except as to any surviving rights of transfer, exchange, or tender of Bonds herein or therein provided for, the obligations of the Trustee under Section 4.03, and the obligations of the Issuer under Section 10.08) and the Bond Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Borrower, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary (in form and substance satisfactory to the Borrower) and pay, assign, transfer, and deliver to the Borrower or upon Borrower Order all cash, securities, and other property then held by it hereunder as a part of the Trust Estate.

88503054.9

35

(ii) the yield available on comparable obligations offered by the United States Treasury, and

(3) purchase or sell investments pursuant to an investment contract if

(a) such contract is with the bidder which offers the highest yield and is not the initial purchaser or otherwise has an economic interest in the Bonds or, after taking bids on such contract from at least three such bidders,

(b) the successful bidder certifies in writing to the Borrower that it reasonably expects on the date such contract is entered into that investments will not be purchased pursuant to such contract for a price in excess of, or sold pursuant to such contract for a price less than, the fair market value thereof, and

(c) the yield on such contract is at least equal to the yield offered on similar investments under similar investment contracts.

The Bond Trustee shall retain all records of its application and investment of funds hereunder for at least six (6) years after the final Maturity of Bonds.

88503054.9

34

In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Secured Bonds shall not render this Bond Indenture inoperative.

Notwithstanding the satisfaction and discharge of this Bond Indenture, the obligations of the Issuer and the Borrower to the Bond Trustee under Sections 7.03P and 7.07 shall survive unless otherwise agreed by the Bond Trustee in writing.

Section 5.02 Defeasance.

Any Bond shall be deemed to be no longer Outstanding when payment of the principal of (and premium, if any on) such Bond, plus interest thereon to the Maturity thereof (whether such Maturity is by reason of the Stated Maturity thereof or call for redemption, if notice of such call has been given or waived or irrevocable arrangements therefor satisfactory to the Bond Trustee have been made), shall have been provided for by depositing for such payment under the terms provided in this Section (1) money sufficient to make such payment or (2) money and Governmental Obligations certified by an Independent Accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, provided that all fees, compensation, and expenses of the Bond Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Bond Trustee. Any such deposit shall be made either with the Bond Trustee or, if notice of such deposit is given to the Bond Trustee, with a state or nationally chartered bank with a minimum combined capital and surplus of \$25,000,000, as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Paying Agents in the amounts and at the times required to pay the principal of (and premium, if any) and interest on the Bonds with respect to which such deposit is made on each Interest Payment Date and at the Maturity thereof. In the event such deposit is made with respect to some but not all of the Bonds then Outstanding, the Bond Trustee shall select the Outstanding Bonds to be benefited by such deposit in the same manner as provided in Section 11.03 for the selection of Bonds to be redeemed.

Notwithstanding anything herein to the contrary however, no such deposit shall have the effect specified in this Section (1) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding, and (2) unless there shall be delivered to the Bond Trustee an Opinion of Counsel to the effect that such deposit will not adversely affect any exclusion from gross income of interest on any Bond under the Code. Any money and Governmental Obligations deposited with the Bond Trustee or such other bank for such purpose shall be held in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of (and premium, if any) and interest on such Bonds when due, provided that any amount certified by an Independent Accountant of national reputation not to be required for such purpose shall be disbursed upon Borrower Order. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an Independent Accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Bond Indenture, except for the purposes of any such payment from such money or Governmental Obligations and except for the benefits of Section 4.05 and Article VI.

88503054.9

36

As used in this Section, the term “*Governmental Obligations*” means direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America which may not be called for redemption prior to maturity. Governmental Obligations issued in book entry form shall be deemed deposited with the Bond Trustee or other escrow agent upon the deposit to the account of such Person.

Section 5.03 Application of Deposited Money.

Money deposited with the Bond Trustee pursuant to Section 5.01 or 5.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 10.03, such money shall be applied by the Bond Trustee to the payment (either directly or through any Paying Agent as the Bond Trustee may determine) to the Persons entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Bond Trustee.

* * *

88503054.9

37

they become due, or the taking of corporate action by the Issuer in furtherance of any such action and in any case a court shall not have limited such case, petition, or possession so as to remove the Trust Estate from the control, supervision, and jurisdiction of such court or custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official within ninety (90) days after such commencement, consent, or acquiescence; or

F. *Loan Payment Default:* default in the payment of a Loan Payment, including amounts due upon redemption of the Bonds; or

G. *Master Indenture Default:* an Event of Default, as therein defined, under the Master Indenture and the expiration of any applicable period of grace, if any; provided that, if any such Event of Default under the Master Indenture is cured or waived as therein permitted, the Default under this Bond Indenture by reason of such Event of Default shall be deemed likewise cured or waived.

The Issuer hereby grants to the Borrower full authority for the account of the Issuer to perform any covenant or obligation alleged in any notice given pursuant to Subdivision C to be in default or breached, in the name and stead of the Issuer, with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts with power of substitution, subject to Section 1.10.

Section 6.02 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Bond Trustee shall, if the Bond Trustee shall have received the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds Outstanding, and, otherwise, may give written notice to the Issuer and the Borrower declaring that the principal of the Note is due and payable immediately, and that the principal of all the Outstanding Bonds is due and payable immediately.

At any time after such a declaration of acceleration has been made or otherwise occurred, but before any Bond which has become due and payable as the result of such declaration of acceleration has been paid or any sale of any of the Trust Estate has been made under this Article or any judgment or decree for payment of money due on any Bonds has been obtained by the Bond Trustee as hereinafter in this Article provided, the Bond Trustee may, by written notice to the Issuer and the Borrower, rescind and annul the declaration and its consequences, if the conditions specified under Subsection B of this Section are met.

At any time after such a declaration of acceleration has been made or otherwise occurred, but before any sale of any of the Trust Estate has been made under this Article or any judgment or decree for payment of money due on any Bonds has been obtained by the Bond Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Bonds Outstanding may, by written notice to the Issuer, the Borrower, and the Bond Trustee, rescind and annul such declaration and its consequences if

A. the Issuer or the Borrower has deposited with the Bond Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Bonds,

88503054.9

39

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01 Events of Default.

“*Event of Default*”, wherever used herein, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

A. *Interest Default:* default in the payment of any interest upon any Bond when such interest becomes due and payable; or

B. *Principal Default:* default in the payment of the principal of (or premium, if any, on) any Bond at its Maturity; or

C. *Covenant Default:* default in the performance, or breach, of any covenant or warranty (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with) of the Issuer in this Bond Indenture or of the Borrower in the Loan Agreement and the continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Issuer (with respect to covenants and warranties of the Issuer) or to the Borrower (with respect to covenants and warranties of the Borrower) by the Bond Trustee or the Holders of at least ten percent (10%) in aggregate principal amount of the Outstanding Bonds with a copy to the Bond Trustee, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “*Notice of Default*” hereunder, provided, however, that if the default or breach stated in such notice cannot be corrected within such 30-day period, but can be corrected with due diligence, it shall not constitute an Event of Default if within such 30-day period such defaulting party shall deliver to the Bond Trustee an Officer’s Certificate stating that such default or breach can be corrected and corrective action is instituted by the Issuer or the Borrower, as the case may be, within such 30-day period and diligently pursued until such default or breach is corrected; or

D. *Issuer Involuntary Bankruptcy:* the filing of a petition for relief against the Issuer, as debtor, under the Bankruptcy Code or any other applicable federal or state law of similar import, or the entry of a decree or order by a court having jurisdiction in the premises appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for the Issuer or the Trust Estate, or ordering the winding up or liquidation of the affairs of the Issuer, and the continuance of the case commenced by such petition or any such decree or order unstayed and in effect for a period of ninety (90) consecutive days, unless such decree or order has been limited so as to remove the Trust Estate from the control, supervision, and jurisdiction of the court entering such decree or order and of such custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official by the end of such period; or

E. *Issuer Voluntary Bankruptcy:* the commencement by the Issuer of a voluntary case under the Bankruptcy Code or any other applicable federal or state law of similar import, or the consent or acquiescence by the Issuer to the commencement of such a case under the Bankruptcy Code or any such law or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or the Trust Estate, or the making by the Issuer of an assignment for the benefit of creditors, or the admission by the Issuer in writing of its inability to pay its debts hereunder as

88503054.9

38

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,

(3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds,

(4) all sums paid or advanced by the Bond Trustee hereunder and the reasonable compensation, expenses, disbursements, and advances of the Bond Trustee and its agents and counsel; and

B. all Events of Default, other than the nonpayment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in Section 6.15, and the Borrower has deposited with the Bond Trustee a sum sufficient to pay all sums paid or advanced by the Bond Trustee hereunder and the reasonable compensation, expenses, disbursements, and advances of the Bond Trustee and its agents and counsel.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Section 6.03 Power of Sale; Suits for Enforcement.

In case an Event of Default shall occur and be continuing, the Bond Trustee, subject to the provisions of Section 6.14, may

A. sell, subject to any mandatory requirements of applicable law, the Trust Estate as an entirety, or in such portions as the Holders of a majority in principal amount of the Bonds then Outstanding shall in writing request or, in the absence of such request, as the Bond Trustee may determine to the highest bidder at public auction at such place and at such time (which sale may be adjourned by the Bond Trustee from time to time in its discretion by announcement at the time and place fixed for such sale, without further notice) and upon such terms as the Bond Trustee may fix; or

B. proceed to protect and enforce its rights and the rights of the Bondholders under this Bond Indenture by sale pursuant to judicial proceedings or by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Bond Indenture or in aid of the execution of any power granted in this Bond Indenture or for the foreclosure of this Bond Indenture or for the enforcement of any other legal, equitable, or other remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Bond Trustee and the Bondholders.

Section 6.04 Incidents of Sale.

Upon any sale of any of the Trust Estate, whether made under the power of sale hereby given or pursuant to judicial proceedings, to the extent permitted by law

A. the principal of and accrued and unpaid interest on all Outstanding Secured Bonds, if not previously due, shall at once become and be immediately due and payable;

88503054.9

40

B. any Bondholder or Bondholders or the Bond Trustee may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain, and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Secured Bonds or claims for interest thereon in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Bonds, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show partial payment;

C. the Bond Trustee may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale, and instrument of assignment and transfer of the property sold;

D. the Bond Trustee is hereby irrevocably appointed the true and lawful attorney of the Issuer, in its name and stead, to make all necessary deeds, bills of sale, and instruments of assignment and transfer of the property thus sold; and for that purpose it may execute all necessary deeds, bills of sale, and instruments of assignment and transfer, and may substitute one or more persons, firms, or corporations with like power, the Issuer hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof; but if so requested by the Bond Trustee or any purchaser, the Issuer shall ratify and confirm any such sale or transfer by executing and delivering to the Bond Trustee or to such purchaser or purchasers all proper deeds, bills of sale, instruments of assignment and transfer, and releases as may be designated in any such request;

E. all right, title, interest, claim, and demand whatsoever, either at law or in equity or otherwise, of the Issuer of, in, and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against the Issuer, its successors and assigns, and against any and all Persons claiming or who may claim the property sold or any part thereof from, through, or under the Issuer, its successors and assigns; and

F. the receipt of the Bond Trustee or of the officer making such sale on behalf of the Bond Trustee of the purchase money shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money and such purchaser or purchasers and his or their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt, be obliged to see to the application of such purchase money, or be in any manner answerable for any loss, misapplication, or non-application thereof.

Section 6.05 Covenant to Pay Bond Trustee Amounts Due on Bonds and Right of Bond Trustee to Judgment.

The Issuer covenants that, if

A. default is made in the payment of any interest on any Bond when such interest becomes due and payable, or

B. default is made in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Bond Trustee, the Issuer will pay to the Bond Trustee for the benefit of the Holders of such Bonds for such interest, principal, and premium, if any, but solely from the sources from which the principal of (and premium, if any) and interest on such Bonds are payable pursuant to the terms

88503054.9

41

Section 6.07 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 relative to the Issuer, the Borrower, or any other obligor upon the Bonds or the property of the Issuer, the Borrower, or such other obligor or their creditors, the Bond Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or, in the case of principal, by declaration or otherwise, and irrespective of whether the Bond Trustee shall have made any demand on the Issuer or the Borrower for the payment of overdue principal, premium, if any, or interest on the Bonds) shall be entitled and empowered, by intervention in such proceeding or otherwise,

A. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Bonds 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 Bondholders allowed in such judicial proceeding, and

B. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator, or other similar official in any such judicial proceeding is hereby authorized by each Bondholder 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 Bondholders, to pay to the Bond Trustee any amount due to 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 Section 7.07.

Nothing herein contained shall be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

Section 6.08 Bond Trustee May Enforce Claims Without Possession of Bonds.

All rights of action and claims under this Bond Indenture or the Bonds may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Bond Trustee shall be brought in its own name as the trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances of the Bond Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

Section 6.09 Limitation on Suits.

No Bondholder shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Bond Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, unless

A. such Person has previously given written notice to the Bond Trustee of a continuing Event of Default;

88503054.9

43

thereof, the whole amount then due and payable on such Bonds for principal (and premium, if any) and interest, with interest at the respective rate or rates prescribed therefor in the Bonds on overdue principal (and premium, if any) and, to the extent that payment of such interest is legally enforceable, on overdue installments of interest; and, in addition thereto, but solely from such sources, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements, and advances of the Bond Trustee and its agents and counsel. If the Issuer fails to pay such amounts forthwith upon such demand, the Bond Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Issuer and any other obligor on the Bonds for the whole amount so due and unpaid, but solely from and to the extent of such sources.

The Bond Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of this Bond Indenture, and in case of a sale of the Trust Estate and the application of the proceeds of sale as aforesaid, the Bond Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce the payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Bonds, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien of this Bond Indenture upon the Trust Estate or any rights, powers, or remedies of the Bond Trustee hereunder, or any rights, powers, or remedies of the Holders of the Bonds.

Section 6.06 Application of Money Collected.

Any money collected by the Bond Trustee pursuant to this Article, including any proceeds of any sale (after deducting the costs and expenses of such sale, including reasonable compensation to the Bond Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of this Bond Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of a sale or as otherwise provided herein, any other sums then held by the Bond Trustee as part of the Trust Estate shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. First: To the payment of all amounts due the Bond Trustee, and any predecessor Bond Trustee, under Section 7.07;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Secured Bonds, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest (to the extent that payment of such interest is legally enforceable), and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due;

C. Third: to the payment of the balance thereof to the Borrower, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

88503054.9

42

B. the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds shall have made written request to the Bond Trustee to institute proceedings in respect of such Event of Default in its own name as Bond Trustee hereunder;

C. such Holders have furnished to the Bond Trustee reasonable indemnity satisfactory to the Bond Trustee against the costs, expenses, and liabilities to be incurred in compliance with such request;

D. the Bond Trustee for sixty (60) days after the receipt of such notice, request, and indemnity has failed to institute any such proceeding; and

E. no direction inconsistent with such written request has been given to the Bond Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Bonds; it being understood and intended that neither one or more Bondholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Bond Indenture to affect, disturb, or prejudice the lien of this Bond Indenture or the rights of any other Bondholder, or to obtain or to seek to obtain priority or preference over any other Bondholder or to enforce any right under this Bond Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Secured Bonds.

Section 6.10 Unconditional Right of Bondholders to Receive Principal, Premium, and Interest.

Notwithstanding any other provision in this Bond Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), but solely from the sources from which such principal, premium, if any, and interest are payable pursuant to the terms of such Bonds, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; however, no Bondholder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest, or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver, or loss of the lien of this Bond Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondholder.

Section 6.11 Restoration of Positions.

If the Bond Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under this Bond Indenture by foreclosure or otherwise and such proceeding has been discontinued or abandoned for any reason (other than failure by the Bond Trustee to comply with the terms of this Bond Indenture) or has been determined adversely to any such Person, then and in every such case the Issuer, the Borrower, the Bond Trustee, and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Bond Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

Section 6.12 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy

88503054.9

44

hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.13 Delay or Omission Not Waiver.

No delay or omission of the Bond Trustee or any Bondholder to exercise any right or remedy accruing upon an Event of Default or Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or Default or an acquiescence therein. Every right and remedy given hereunder or by law to the Bond Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Bond Trustee or the Bondholders, as the case may be.

Section 6.14 Control by Bondholders.

The Holders of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, during the continuance of an Event of Default,

A. to require the Bond Trustee to proceed to enforce this Bond Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of this Bond Indenture, the sale of the Trust Estate, or otherwise as permitted hereunder or, at the election of the Bond Trustee, by the exercise of the power of sale hereby conferred; and

B. to direct the time, method, and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee hereunder; provided that (1) such direction shall not be in conflict with any rule of law or this Bond Indenture, (2) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction, and (3) the Bond Trustee shall not determine that the action so directed would be unjustly prejudicial to the Bondholders not taking part in such direction, and the Bond Trustee shall follow such direction even though the same may be inconsistent with a direction received from the Holders of less than a majority in aggregate principal amount of the Outstanding Bonds. All directions contemplated by this Section shall be in writing and delivered to the Bond Trustee.

Section 6.15 Waiver of Past Defaults.

Before any sale of any of the Trust Estate has been made under this Article or any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in this Article, any past Default hereunder and its consequences may be waived as provided in this Section, except a Default

A. in the payment of the principal of (or premium, if any) or interest on any

Bond, or

B. in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

Such waiver may be effected by the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds, by Act of such Bondholders delivered to the Bond Trustee, the Issuer, and the Borrower, on behalf of the Holders of all the Bonds. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose

88503054.9

45

be limited to the extent necessary so that they will not render this Bond Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

* * *

88503054.9

47

of this Bond Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.16 Undertaking for Costs.

All parties to this Bond Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Bond Indenture, or in any suit against the Bond Trustee for any action taken or omitted by it as Bond Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, giving due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Bond Trustee, any Holder or Holders of more than 10% in aggregate principal amount of the Outstanding Bonds, or any Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date), if in any case such suit is brought in good faith.

Section 6.17 Waiver of Appraisal and Other Laws.

To the full extent that it may lawfully so agree, the Issuer will not at any time insist upon, plead, claim, or take the benefit or advantage of any appraisal, valuation, stay, extension, or redemption law now or hereafter in force in order to prevent or hinder the enforcement of this Bond Indenture or the absolute sale of the Trust Estate, or any part thereof, or the possession thereof by any purchaser at any sale under this Article; and the Issuer, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Issuer, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Trust Estate marshaled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose this Bond Indenture may order the sale of the Trust Estate as an entirety.

If any law in this Section referred to and now in force, of which the Issuer or its successor or successors might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section.

Section 6.18 Suits to Protect the Trust Estate.

The Bond Trustee shall have the power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Bond Indenture and to protect its interests and the interests of the Bondholders in the Trust Estate, including the power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule, or order would impair the security hereunder or be prejudicial to the interests of the Bondholders or the Bond Trustee.

Section 6.19 Remedies Subject to Applicable Law.

All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to

88503054.9

46

ARTICLE VII

THE BOND TRUSTEE AND OTHER FUNCTIONARIES

Section 7.01 Certain Duties and Responsibilities.

A. Except during the continuance of an Event of Default,

(1) the Bond Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Bond Indenture, and no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee; and

(2) in the absence of bad faith on its part, the Bond Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bond Trustee and conforming to the requirements of this Bond Indenture; but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Bond Trustee, the Bond Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Bond Indenture.

B. Subject to Section 7.01C, in case an Event of Default of which the Bond Trustee has actual knowledge (and which has not been cured or waived) has occurred and is continuing, the Bond Trustee shall exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

C. No provision of this Bond Indenture shall be construed to relieve the Bond Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

(2) the Bond Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts;

(3) the Bond 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 the Outstanding Bonds relating to the time, method, and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee, under this Bond Indenture; and

(4) no provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

88503054.9

48

D. Whether or not therein expressly so provided, every provision of this Bond Indenture or the Loan Agreement relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Section.

Section 7.02 Notice of Defaults; Other Notice Requirements.

Promptly after the occurrence of any Default hereunder actually known to the Bond Trustee, the Bond Trustee shall notify all Holders of Bonds and each Rating Service. Within ninety (90) days after the occurrence of any Default hereunder actually known to the Bond Trustee, the Bond Trustee shall furnish to all Holders of Bonds notice of such Default, unless such Default shall have been cured or waived; however, except in the case of a Default in the payment of principal of (or premium, if any) or interest on any Bond, the Bond Trustee shall be protected in withholding such notice to Bondholders if and so long as the Board of Directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Bond Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders.

The Bond Trustee shall mail, first-class postage prepaid, to each Rating Service which has assigned a credit rating to the Bonds notice of any of the following events, whenever

A. *Successor Bond Trustee:* the Bond Trustee, pursuant to the Bond Indenture, has resigned or been removed and a successor Bond Trustee has been appointed, such notice to be mailed within ten (10) Business Days after the appointment of such successor Bond Trustee,

B. *Amendments:* a material amendment or supplement to the Bond Indenture or the Loan Agreement executed or consented to by the Bond Trustee or of which the Bond Trustee has received written notice is to be entered into, such notice to such Rating Service to be mailed, if possible, at least ten (10) Business Days prior to the effective date of such amendment or supplement and within three (3) Business Days after the receipt of such written notice by the Bond Trustee,

C. *Redemption or Acceleration:* the Bond Trustee either (1) receives a Borrower Request pursuant to Section 3.02 which directs the Bond Trustee to redeem all the Outstanding Bonds or (2) declares the principal of all Outstanding Bonds to be immediately due and payable pursuant to Section 6.02, such notice to be mailed simultaneously with the mailing of such notice to the Holders as required herein (and to specify the Redemption Date requested thereby) or after such declaration,

D. *Defeasance:* the Bonds are defeased pursuant to Section 5.02.

Section 7.03 Certain Rights of Bond Trustee.

Except as otherwise provided in Section 7.01,

A. the Bond Trustee may rely and shall be protected in acting or refraining from acting upon

(1) any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by a proper Person;

88503054.9

49

of any such provision by the Bond Trustee shall be binding upon the Holders of the Bonds and the Issuer;

K. the Bond Trustee may intervene on behalf of Holders of the Bonds in any judicial proceeding to which the Issuer or the Borrower is a party and which, in the reasonable opinion of the Bond Trustee and its counsel, has a substantial bearing on the interests of owners of the Bonds and shall do so if requested in writing by the Holders of not less than a majority in aggregate principal amount of the then Outstanding Bonds and the indemnity required by this Bond Indenture has been provided; the rights and obligations of the Bond Trustee under this paragraph are subject to the approval of a court of competent jurisdiction;

L. the Bond Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder except an Event of Default under Sections 6.01A, 6.01B, or 6.01F or failure by the Issuer to cause to be made any of the payments to the Bond Trustee required to be made in Article VII, unless the Bond Trustee shall be specifically notified in writing of such Default by the Issuer or the Holders of at least a majority in aggregate principal amount of all then Outstanding Bonds; all notices or other instruments required by this Bond Indenture to be delivered to the Bond Trustee shall be delivered at the address of the Bond Trustee set forth herein, and, in the absence of such notice so delivered, the Bond Trustee may conclusively assume there is no Default except as aforesaid;

M. notwithstanding the effective date of this Bond Indenture or anything to the contrary in this Bond Indenture, the Bond Trustee shall have no liability or responsibility for any act or event relating to this Bond Indenture which occurs prior to the date the Bond Trustee formally executes this Bond Indenture and commences acting as Bond Trustee hereunder;

N. the Bond Trustee has no obligation or liability to the Bondholders for the payment of interest or premium, if any, on or principal of the Bonds from its funds, but rather the Bond Trustee's sole obligations are to administer, for the benefit of the Issuer, the Borrower, and the Bondholders, the funds established hereunder;

O. except for information provided by the Bond Trustee concerning the Bond Trustee, the Bond Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds; the Bond Trustee shall have no responsibility for compliance with securities laws in connection with issuance of the Bonds;

P. the Bond Trustee's immunities and protections from liability, and its right to payment of compensation and indemnification in connection with the performance of its duties and obligations under this Bond Indenture and the Loan Agreement, shall survive the Bond Trustee's resignation or removal, or the final payment of the Bonds; and

Q. in acting or omitting to act pursuant to the provisions of the Loan Agreement and/or the Master Indenture, the Bond Trustee shall be entitled to all of the rights, protections, and immunities accorded to the Bond Trustee under the terms of this Bond Indenture, including but not limited to those set out in this Article.

Section 7.04 Not Responsible for Recitals or Issuance of Bonds or Application of Proceeds.

The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Bond Trustee assumes no responsibility for

88503054.9

51

(2) failure of the Bond Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by this Bond Indenture before the Bond Trustee is to take or refrain from taking any action;

B. any request or direction of the Issuer or the Borrower mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order or Borrower Request or Borrower Order, respectively, and any resolution of the Board of Directors of any Person shall be sufficiently evidenced by a Board Resolution of such Person;

C. whenever in the administration of this Bond Indenture the Bond Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Bond Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officer's Certificate;

D. the Bond Trustee may consult with legal counsel and the written advice of such legal counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Bond Trustee hereunder in good faith and in reliance thereon;

E. the Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request or direction of any of the Bondholders pursuant to this Bond Indenture, unless one or more such Persons shall have furnished to the Bond Trustee reasonable security or indemnity satisfactory to the Bond Trustee against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

F. the Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, but the Bond Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Bond Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney;

G. the Bond Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, accountants, receivers, or attorneys, and may pay reasonable compensation to such agents, accountants, receivers, and attorneys, and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any agent, accountant, receiver, or attorney (unless an employee) appointed with due care by it hereunder;

H. the permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty, and the Bond Trustee shall not be answerable with respect to any such permissive right for other than for its negligence;

I. the Bond Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises hereof;

J. the Bond Trustee may construe any provision hereof insofar as such may appear to it to be ambiguous or inconsistent with any other provision hereof, and any construction

88503054.9

50

their correctness. The Bond Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Bond Trustee hereunder, or as to the validity or sufficiency of this Bond Indenture or of the Bonds. The Bond Trustee shall not be accountable for the use or application by the Issuer or the Borrower of the Bonds or the proceeds thereof or of any money paid to the Issuer or the Borrower upon Issuer Order or Borrower Order under any provision hereof.

Section 7.05 May Hold Bonds.

The Bond Trustee, any Paying Agent, the Bond Registrar, and any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer and the Borrower, with the same rights it would have if it were not Bond Trustee, Paying Agent, Bond Registrar, or such other agent.

Section 7.06 Money Held in Trust.

All money received by the Bond Trustee shall, until used, applied, or invested as provided herein, be held by the Bond Trustee in trust hereunder for the purposes for which it was received but need not be segregated from other funds except to the extent required by law or this Bond Indenture. The Bond Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer or the Borrower.

Section 7.07 Compensation and Reimbursement.

The Issuer agrees, but solely from any funds received from the Borrower pursuant to the Loan Agreement,

A. to pay to the Bond Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

B. to reimburse the Bond Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bond Trustee in accordance with any provisions of this Bond Indenture (including the reasonable compensation, expenses, and disbursements of its agents and counsel), except any such expense, disbursement, or advance as may be attributable to the negligence or bad faith of the Bond Trustee. In the event that the Bond Trustee is removed pursuant to Section 7.09, the Issuer agrees to pay the Bond Trustee reasonable compensation and reimburse the Bond Trustee for reasonable expenses, disbursements, and advances, as described above, incurred up until the effective date of removal.

As security for the performance of the obligations of the Issuer under this Section, the Bond Trustee shall be secured under this Bond Indenture by a lien subject and subordinate to the Bonds, for the payment of the expenses, reimbursements, and indemnity due hereunder the Bond Trustee, subject to Section 6.06A.

Section 7.08 Corporate Bond Trustee Required; Eligibility.

There shall at all times be a Bond Trustee hereunder which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of

88503054.9

52

at least \$25,000,000, subject to supervision or examination by federal or state authority. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09 Resignation and Removal; Appointment of Successor.

A. *Conditions to Resignation or Removal.* No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Bond Trustee under Section 7.10.

B. *Resignation.* The Bond Trustee may resign at any time by giving written notice thereof to the Issuer and the Borrower. If an instrument of acceptance by a successor Bond Trustee shall not have been delivered to the Bond Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

C. *Removal by Bondholders or Borrower.* The Bond Trustee may be removed at any time upon at least 30 days notice by Act of the Holders of a majority in aggregate principal amount of the Outstanding Bonds, delivered to the Bond Trustee, the Issuer and the Borrower.

D. *Removal by Issuer or Petition.* If at any time

(1) the Bond Trustee shall cease to be eligible under Section 7.08 and shall fail to resign after written request therefor by the Issuer, the Borrower, or any such Bondholder, or

(2) the Bond Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Bond Trustee or of its property shall be appointed or any public officer shall take charge or control of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, or

(3) the successor Bond Trustee proposed to be appointed has agreed to perform the duties of Bond Trustee hereunder for compensation materially less than the compensation charged by the Bond Trustee hereunder,

then, in any such case, (a) the Issuer by a Board Resolution may remove the Bond Trustee, or (b) subject to Section 6.14, any Bondholder who has been a bona fide Holder of a Bond for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Bond Trustee and the appointment of a successor Bond Trustee.

E. *Appointment of Successor.* If the Bond Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Bond Trustee for any cause, the Issuer, by a Board Resolution (subject to the approval of the Borrower, unless the Borrower is then in default under the Loan Agreement), shall promptly appoint a successor Bond Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver

88503054.9

53

deliver the Bonds so authenticated with the same effect as if such successor Bond Trustee had itself authenticated such Bonds.

Section 7.12 Co-trustees and Separate Bond Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, the Issuer and the Bond Trustee (with the approval of the Borrower, if the Borrower is not then in default under the Loan Agreement) shall have the power to appoint, and, upon the written request of the Bond Trustee, or the Holders of at least 25% in aggregate principal amount of the Bonds Outstanding, the Issuer shall for such purpose join with the Bond Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Bond Trustee either to act as co-trustee, jointly with the Bond Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid any property, title, right, or power deemed necessary or desirable, subject to the other provisions of this Section. If the Issuer does not join in such appointment within 15 days after the receipt of it of a request so to do, or in case an Event of Default has occurred and is continuing, the Bond Trustee alone shall have the power to make such appointment.

Should any written instrument from the Issuer be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, upon request, be executed, acknowledged, and delivered by the Issuer.

Every co-trustee or separate trustee shall, to the extent permitted by law, be appointed subject to the following terms:

A. The Bonds shall be authenticated and delivered, and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash, and other personal property held by, or required to be deposited or pledged with, the Bond Trustee hereunder, shall be exercised, solely by the Bond Trustee.

B. The rights, powers, duties, and obligations hereby conferred or imposed upon the Bond Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Bond Trustee or by the Bond Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Bond Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

C. The Bond Trustee at any time, by an instrument in writing executed by it (with the concurrence of the Issuer and the Borrower evidenced by Board Resolutions) may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default has occurred and is continuing, the Bond Trustee shall have the power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer or the Borrower. Upon the written request of the Bond Trustee, the Issuer shall join with the Bond Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee having so resigned or having been so removed may be appointed in the manner provided in this Section.

88503054.9

55

or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Bond Trustee shall be appointed by the Bondholders. If, within one (1) year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Bond Trustee shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Bonds and delivered to the Issuer, the Borrower, and the retiring Bond Trustee, then the successor Bond Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Bond Trustee and supersede the successor Bond Trustee appointed by the Issuer or by such receiver or trustee. If no successor Bond Trustee shall have been so appointed by the Issuer or the Bondholders and accepted appointment in the manner hereinafter provided, until a successor Bond Trustee has been appointed as provided herein, the Bond Trustee or any Bondholder who has been a bona fide Holder of a Bond for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

F. *Notice of Resignation, Removal, and Appointment.* The retiring Bond Trustee shall give notice of each resignation and each removal of the Bond Trustee and each appointment of a successor Bond Trustee to the Borrower and the Bondholders. Each notice shall include the name of the successor Bond Trustee and the address of its designated corporate trust office.

Section 7.10 Acceptance of Appointment by Successor.

Every successor Bond Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer, the Borrower, and the retiring Bond Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Bond Trustee shall, subject to Section 7.09A, become effective and such successor Bond Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, and duties of the retiring Bond Trustee; but, on request of the Issuer, the Borrower, or the successor Bond Trustee, such retiring Bond Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Bond Trustee upon the trusts herein expressed all the estates, properties, rights, powers, and trusts of the retiring Bond Trustee, and shall duly assign, transfer, and deliver to such successor Bond Trustee all property and money held by such retiring Bond Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 7.07. Upon request of any such successor Bond Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Bond Trustee all such estates, properties, rights, powers, and trusts.

No successor Bond Trustee shall accept its appointment unless at the time of such acceptance such successor Bond Trustee shall be qualified and eligible under this Article.

Section 7.11 Merger, Conversion, Consolidation, or Succession to Business.

Any entity into which the Bond Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion, or consolidation to which the Bond Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Bond Trustee, shall be the successor of the Bond Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Bond Trustee then in office, any successor by merger, conversion, or consolidation to such authenticating Bond Trustee may adopt such authentication and

88503054.9

54

D. No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Bond Trustee, or any other such trustee hereunder, and the Bond Trustee shall not be personally liable by reason of any act or omission of any co-trustee, separate trustee, or any other such trustee hereunder.

E. Any Act of Bondholders delivered to the Bond Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

* * *

88503054.9

56

ARTICLE VIII

CONSOLIDATION, MERGER, CONVEYANCE, OR TRANSFER

Section 8.01 Consolidation, Merger, Conveyance, or Transfer Only on Certain Terms.

The Issuer shall not consolidate with or merge into any other corporation or convey or transfer the Trust Estate substantially as an entirety to any Person, unless

A. such consolidation, merger, conveyance, or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Bond Trustee and the Bondholders hereunder;

B. the corporation formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer the Trust Estate substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any state thereof or the District of Columbia and shall execute and deliver to the Bond Trustee an indenture supplemental hereto in form recordable and satisfactory to the Bond Trustee, meeting the requirements of Section 8.02 and containing:

(1) an assumption by such successor corporation of the due and punctual payment of the principal of (and premium, if any) and interest on all the Bonds and the performance and observance of every covenant and condition of this Bond Indenture to be performed or observed by the Issuer, subject, however, to the same limitations and conditions as are herein or in the Bonds provided, and

(2) a grant, conveyance, transfer, and mortgage complying with Section 8.02;

C. immediately after giving effect to such transaction, no Default hereunder shall have occurred and be continuing;

D. the Bond Trustee shall have received an Opinion of Counsel to the effect that such consolidation, merger, conveyance, or transfer will not adversely affect any exclusion of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes; and

E. the Issuer shall have delivered to the Bond Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance, or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 8.02 Successor Issuer Substituted.

Upon any consolidation or merger or any conveyance or transfer of the Trust Estate substantially as an entirety in accordance with Section 8.01, the successor corporation formed by such consolidation or into which the Issuer is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Bond Indenture with the same effect as if such successor corporation had been named as the Issuer herein, if the supplemental indenture required by Section 8.01 shall contain a grant, conveyance, transfer, and mortgage in terms sufficient to include and subject to the lien of this Bond Indenture all and singular the properties described

88503054.9

57

in the Granting Clauses hereof, whereupon such successor corporation may cause to be executed, in its own name or in the name of the Issuer prior to such succession, and delivered to the Bond Trustee for authentication, any Bonds issuable hereunder; and upon the request of such successor corporation, and subject to all the terms of this Bond Indenture, the Bond Trustee shall authenticate and deliver any Bonds which shall have been previously executed and delivered by the Issuer to the Bond Trustee for authentication, and any Bonds which such successor corporation shall thereafter, in accordance with this Bond Indenture, cause to be executed and delivered to the Bond Trustee for such purpose. Such changes in phraseology and form (but not in substance) may be made in such Bonds as may be appropriate in view of such consolidation, merger, conveyance, or transfer.

* * *

ARTICLE IX

SUPPLEMENTAL BOND INDENTURES

Section 9.01 Supplemental Bond Indentures Without Consent of Bondholders.

Without the consent of the Holders of any Bonds, the Issuer, when authorized by a Board Resolution, and the Bond Trustee may from time to time, upon receipt of Borrower Consent, enter into one or more indentures supplemental hereto, in form satisfactory to the Bond Trustee, for any of the following purposes:

A. to correct or amplify the description of any property at any time subject to the lien of this Bond Indenture, or better to assure, convey, and confirm unto the Bond Trustee any property subject or required to be subjected to the lien of this Bond Indenture, or to subject to the lien of this Bond Indenture additional property; or

B. to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Bonds, as herein set forth, additional conditions, limitations, and restrictions thereafter to be observed; or

C. to evidence the succession of another corporation to the Issuer and the assumption by any such successor of the covenants of the Issuer herein and in the Bonds contained; or

D. to add to the covenants of the Issuer for the benefit of the Holders of all of the Bonds or to surrender any right or power herein conferred upon the Issuer; or

E. to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Bond Indenture, provided such action shall not adversely affect the interests of the Bondholders; or

F. to change any provisions of Section 4.03 or Section 10.08, if in the Opinion of Counsel such change would not adversely affect any exclusion of interest on any Bonds from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes; or

G. to modify, eliminate, or add to the provisions of this Bond Indenture in any manner for which the consent of the Holder of each Outstanding Bond affected thereby would not be required by Section 9.02, if all principal of and interest on the Bonds then Outstanding is (or, if in default, would be) payable through the Maturity thereof from amounts which may be drawn or demanded under an irrevocable policy of insurance, letter of credit, acceptance, guarantee, purchase agreement, or similar undertaking issued or made by any Person the long-term senior unsecured obligations of which are rated by a Rating Service in one of the two highest long-term rating categories (without regard to subcategories) of such Rating Service and each such Person has consented to the execution of such supplement; or

H. to add, delete, or modify any provision as required by Fitch or S&P in order for such Rating Services to assign and maintain a rating of "BBB" and "BBB", respectively, to the Bonds.

88503054.9

59

The Bond Trustee may, upon advice of counsel, determine whether or not any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon every Bondholder, whether theretofore or thereafter authenticated and delivered hereunder. The Bond Trustee shall not be liable for any such determination made in good faith.

Section 9.02 Supplemental Bond Indentures With Consent of Bondholders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture (by Act of such Holders delivered to the Issuer, the Borrower and the Bond Trustee), the Issuer (when authorized by a Board Resolution) and the Bond Trustee may, upon receipt of Borrower Consent authorized by a Board Resolution of the Borrower, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Bond Indenture or of modifying in any manner the rights of the Holders of the Bonds under this Bond Indenture; however, no such supplemental indenture shall, without the consent of the Holder of each Outstanding Bond affected thereby,

A. change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon, or change any Place of Payment where, or the coin or currency in which, any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or make any of the foregoing changes to the obligation of the Borrower to make Loan Payments; or

B. reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any such supplemental indenture, or the consent of Holders of which is required for any waiver provided for in this Bond Indenture of compliance with certain provisions of this Bond Indenture or certain defaults hereunder and their consequences; or

C. modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

D. modify any of the provisions of this Section or Section 6.15, except to increase any percentage provided thereby or to provide that certain other provisions of this Bond Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

E. permit the creation of any lien ranking prior to or on a parity with the lien of this Bond Indenture with respect to any of the Trust Estate or terminate the lien of this Bond Indenture on any property at any time subject hereto or deprive any Bondholder of the security afforded by the lien of this Bond Indenture; or

The Bond Trustee may, upon advice of counsel, determine whether or not any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon every Bondholder, whether theretofore or thereafter authenticated and delivered hereunder. The Bond Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

88503054.9

60

Section 9.03 Execution of Supplemental Bond Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Bond Indenture, the Bond Trustee shall be entitled to receive and, subject to Section 7.01, shall be fully protected in relying upon, and shall receive an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Bond Indenture and all conditions precedent have been satisfied. The Bond Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the rights, duties, or immunities of the Bond Trustee itself or its agents under this Bond Indenture or otherwise.

Section 9.04 Effect of Supplemental Bond Indentures.

Upon the execution of any supplemental indenture under this Article, this Bond Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Bond Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.05 Reference in Bonds to Supplemental Bond Indentures.

Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and if required by the Bond Trustee shall, bear a notation in form approved by the Bond Trustee as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Bonds so modified as to conform, in the opinion of the Bond Trustee and the Board of Directors of the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Bond Trustee in exchange for Outstanding Bonds.

Section 9.06 Amendments to Master Indenture.

So long as the Note is secured under the Master Indenture, if the terms of the Master Indenture require or permit the consent or approval of the Holders of Outstanding Secured Debt (as therein defined), the Bond Trustee as Holder of such Note shall give its approval or consent

- A. if the consent or approval of the Holders of Outstanding Secured Debt is being sought in connection with an amendment to or other action under the Master Indenture which requires the consent of each such Holder affected by such amendment or other action, then upon written direction from the Holder of each Bond affected by such amendment or other action,
- B. otherwise, as provided in the Master Indenture.
- * * *

88503054.9

61

Persons entitled to such principal or interest. Money held in trust by the Bond Trustee or any other Paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law. All such funds shall be held uninvested.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Bond Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Bond Trustee all money held in trust by such Paying Agent, such money to be held by the Bond Trustee upon the same trusts as those upon which such money was held by such Paying Agent; and, upon such payment by any Paying Agent to the Bond Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Bond Trustee or any Paying Agent in trust for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for three years after such principal (and premium, if any) or interest has become due and payable shall be paid, subject to applicable unclaimed property laws, to the Borrower on Borrower Request; and the Holder of such Bond shall thereafter, as an unsecured general creditor, look only to the Borrower for payment thereof, and all liability of the Bond Trustee or such Paying Agent with respect to such trust money shall thereupon cease; however, the Bond Trustee or such Paying Agent, before being required to make any such payment to the Borrower, may at the expense of the Borrower cause to be published once, in a newspaper of general circulation, printed in the English language and customarily published on each Business Day, in each Place of Payment of such Bond, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Borrower.

Section 10.04 Warranty of Title.

The Issuer lawfully owns the personal property described in the Granting Clauses, subject to no other assignment, pledge, mortgage, lien, charge, encumbrance, or security interest and has full power and lawful authority to mortgage, assign, transfer, deliver, and pledge said personal property in the manner and form aforesaid. The Issuer hereby does and will forever warrant and defend the title to such property against the claims and demands of all Persons whomsoever.

Section 10.05 Further Assurances.

The Issuer will do, execute, acknowledge, and deliver all and every such further acts, conveyances, mortgages, financing statements, and assurances as the Bond Trustee shall reasonably require for accomplishing the purposes of this Bond Indenture.

Section 10.06 Recordation and Filing.

The Bond Trustee will, at the Borrower's expense, cause financing statements relating to the Bonds on which it is listed as a secured party (other than the initial statement filed at the Closing Date by the Borrower) with respect to the Trust Estate described in this Bond Indenture to be at all times continued in such manner and in such places if required by law in order to preserve and protect fully the rights of the Bond Trustee hereunder and to perfect the security interest created by this Bond Indenture in the Trust Estate described herein. To the extent possible under applicable law, as in effect in the jurisdiction(s) in which the Trust Estate is located, the Issuer will maintain the priority of the security interest herein created in the Trust Estate as a first lien thereon, and warrant, protect, preserve and defend its interest in the Trust Estate and the security interest of the Bond Trustee therein and all rights of the

88503054.9

63

ARTICLE X

COVENANTS

Section 10.01 Payment of Principal and Interest.

The Issuer will duly and punctually pay the principal of (and premium, if any) and interest on the Bonds in accordance with the terms of (but solely from the sources described in) the Bonds and this Bond Indenture.

If the specified date for any such payment shall be a day other than a Business Day, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 10.02 Maintenance of Agency.

The Issuer will maintain an agency acceptable to the Bond Trustee in each Place of Payment where Bonds may be presented or surrendered for payment, where Bonds entitled to be registered, transferred, exchanged, or converted may be presented or surrendered for registration, transfer, exchange, or conversion, and where notices and demands to or upon the Issuer in respect of the Bonds and this Bond Indenture may be served. The Bond Trustee is hereby appointed an agency of the Issuer for such purpose in the City of Dallas, Texas.

Each Paying Agent must be a commercial bank or trust company organized under the laws of the United States or of any state of the United States, or a company the long term debt obligations of which are rated no lower than "BBB" and "BBB" by Fitch and S&P, respectively.

The Bond Trustee will cause each Paying Agent other than the Bond Trustee to execute and deliver to the Bond Trustee an instrument in which such Paying Agent shall agree with the Bond Trustee, subject to the provisions of this Section, that such Paying Agent will

- A. hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Holders of such Bonds until such sums shall be paid to the Holders or otherwise disposed of as herein provided; and
- B. at any time, upon the written request of the Bond Trustee, forthwith pay to the Bond Trustee all sums so held in trust by such Paying Agent.

The Issuer will give prompt written notice to the Bond Trustee of the location, and of any change in the location, of any such agency. If at any time the Issuer shall fail to maintain such an agency or shall fail to furnish the Bond Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the designated corporate trust office of the Bond Trustee, and the Issuer hereby appoints the Bond Trustee its agent to receive all such presentations, surrenders, notices, and demands.

Section 10.03 Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.

The sums which are segregated by the Bond Trustee or deposited with any other Paying Agent to pay the principal of (and premium, if any) or interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Holders of such Bonds. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the

88503054.9

62

Bond Trustee under this Bond Indenture against all actions, proceedings, claims and demands of all Persons, all paid for solely from the Trust Estate.

The Issuer expressly authorizes the Bond Trustee to file and refile all required financing statements to perfect the Bond Trustee's security interest in the Trust Estate, and the Issuer confirms that its charter number is 65241901 and its federal tax identification number is 52-1299417. The Borrower shall be responsible for the reasonable costs incurred by the Bond Trustee in preparations and filing of all such continuation statements hereunder. The Bond Trustee agrees to promptly release all of its security interest in the Trust Estate upon payment (or provision for payment pursuant to Article V) in full of the Bonds; if the Bond Trustee does not so promptly release such security interest, the Issuer is expressly authorized to do so. The Issuer shall not otherwise modify or release the Bond Trustee's security interest in the Trust Estate without the prior written consent of the Bond Trustee.

Section 10.07 Limitations on Liens; Payment of Taxes.

The Issuer will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge, or encumbrance on or pledge of any of the Trust Estate, except the lien of this Bond Indenture.

The Issuer will pay or cause to be paid as they become due and payable all taxes, assessments, and other governmental charges lawfully levied or assessed or imposed upon the Trust Estate or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments, and other governmental charges lawfully levied, assessed, or imposed upon the lien or interest of the Bond Trustee or the Bondholders in the Trust Estate, so that (to the extent aforesaid) the lien of this Bond Indenture shall at all times be wholly preserved at the cost of the Issuer and without expense to the Bond Trustee or the Bondholders; however, the undertaking of the Issuer in this paragraph is limited to the extent of amounts advanced for such purpose by the Borrower pursuant to the Loan Agreement; and provided further, however, that the Issuer shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, or governmental charge to the extent that (1) the amount, applicability, or validity thereof shall currently be contested in good faith by appropriate proceedings and (2) the Borrower shall have established and shall maintain adequate reserves on its books or other adequate security for the payment of the same.

Section 10.08 Covenant as to Arbitrage and Other Tax Matters.

- A. *General.* The Issuer shall not knowingly take any action, or omit to take any action within its control, which, if taken or omitted, respectively, would cause the interest on the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and, without limiting the generality of the foregoing, the Issuer will observe and perform each provision of this Section, unless and until an Opinion of Counsel shall have been delivered to the effect that failure to comply with such provision will not adversely affect such exclusion from gross income.

- B. *Not to Invest at Higher Yield.* The Issuer shall not direct or itself make any investment of the proceeds of the Bonds or any other funds of the Issuer in a manner which would result in constituting the Bonds of such series "*arbitrage bonds*" within the meaning of section 148 of the Code or "*hedge bonds*" within the meaning of section 149 of the Code.

In the event the Issuer or the Borrower is of the opinion that it is necessary to restrict or limit the yield on the investment of any money paid to or held by the Bond Trustee hereunder in order to avoid classification of the Bonds as "*arbitrage bonds*" within the meaning of section 148 of the Code, or

88503054.9

64

ARTICLE XI

REDEMPTION OF BONDS

Section 11.01 General Applicability of Article.

The Bonds shall be redeemable in accordance with Section 3.02 and this Article.

Section 11.02 Election to Redeem; Notice to Bond Trustee.

Subject to the provisions of Section 3.02, the exercise by the Borrower of its option to redeem any Bonds shall be evidenced by a Board Resolution of the Borrower. In case of any redemption at the election of the Borrower of less than all the Outstanding Bonds, the Borrower shall, at least sixty (60) days prior to the Redemption Date fixed by the Borrower (or such shorter period as may be acceptable to the Trustee), notify the Bond Trustee in writing of such Redemption Date and of the principal amount of Bonds to be redeemed.

Section 11.03 Selection by Bond Trustee of Bonds to be Redeemed; Possible Serialization of Bonds.

If less than all the Bonds are to be redeemed, the particular Bonds to be redeemed pursuant to Subsection A or B of Section 3.02 shall be selected not more than sixty (60) days prior to the Redemption Date by the Borrower and the particular Bonds of a maturity to be redeemed shall be selected not more than sixty (60) days prior to the Redemption Date by the Bond Trustee, by lot or such method as the Bond Trustee shall deem fair and appropriate, from the Bonds which have not previously been called for redemption (and except in the case of redemption pursuant to Section 3.02C, which were Outstanding on the date of the election described in Section 11.02).

If less than all the Bonds are to be redeemed, the particular Bonds to be redeemed pursuant to Subsection C of Section 3.02 shall be selected not more than sixty (60) days prior to the Redemption Date by the Bond Trustee, by lot or such method as the Bond Trustee shall deem fair and appropriate, from the Bonds subject to redemption pursuant to Subsection C which have not previously been called for redemption.

The Bond Trustee shall promptly notify the Borrower, the Issuer, and the Paying Agent in writing of the Bonds selected for redemption, the Redemption Date therefor, and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Bond Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

Section 11.04 Notice of Redemption.

The Bond Trustee shall give notice of redemption of Bonds by mail, first-class postage prepaid, mailed not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register. In either case, the Bond Trustee shall give a copy of such notice to the Paying Agent.

All notices of redemption shall include the following:

"hedge bonds" within the meaning of section 149 of the Code, the Issuer or the Borrower may issue to the Bond Trustee a written instrument to such effect (along with appropriate written instructions), in which event the Bond Trustee will take such action as is necessary so to restrict or limit the yield on such investment in accordance with such instrument and instructions, irrespective of whether the Bond Trustee shares such opinion. The Bond Trustee may conclusively rely upon any such instructions and shall be responsible for no loss resulting from investment of any money held hereunder in accordance with such instructions.

C. *Not Federally Guaranteed.* The Issuer shall not direct or itself take any action, or omit to take any action within its control, which, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

D. *Information Report.* The Issuer shall timely file with the Secretary of the Treasury the information required by section 149(e) of the Code with respect to the Bonds in such form and at such place as such Secretary may prescribe.

E. *Rebate of Arbitrage Profits.* The Issuer shall pay to the United States of America, but solely from and to the extent of funds advanced by the Borrower or any Person on behalf of the Borrower for such purpose pursuant to Section 5.07 of the Loan Agreement, the amounts and at the times described in such Section, in such manner and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the regulations and rulings thereunder. The Issuer shall not, at any time prior to the Maturity of the Bonds, direct or itself enter into any transaction that reduces the amounts so required to be paid to the United States of America pursuant to this Subsection because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of Bonds not been relevant to either party.

F. *Not to Cause Interest to be Taxable.* The Issuer shall not use, permit the use of, or omit to use gross proceeds, as defined in Regulation Section 1.148-1(b), or any other amounts (or any property the acquisition, construction, or improvement of which is to be financed directly or indirectly with gross proceeds) in a manner which, if made or omitted, respectively, would cause the interest on the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Issuer shall have received a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on the Bonds, the Issuer shall comply with each of the specific covenants in this Section.

G. *Elections.* The Issuer hereby directs and authorizes the Borrower to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds.

Section 10.09 Corporate Existence.

Subject to Article VIII, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises; however, the Issuer shall not be required to preserve any right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the affairs of the Issuer and that the loss thereof is not disadvantageous in any material respect to the Bondholders.

* * *

88503054.9

65

- A. the Redemption Date;
- B. a description of the Redemption Price of the Bonds to be redeemed which are owned by such Holder specifying the principal amount of such Bonds;
- C. the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (by Bond and CUSIP number, Stated Maturity, and date of issue) and, in the case of partial redemption, the respective principal amounts of the Bonds to be redeemed;
- D. the fact that on the Redemption Date the Redemption Price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date;
- E. the place or places where the Bonds to be redeemed are to be surrendered for payment of the Redemption Price, which shall be the agency of the Issuer in any Place of Payment for payment of principal of the Bonds pursuant to Section 10.02; and
- F. any condition to such redemption.

If any Bond selected for redemption is transferred after the foregoing notice of redemption, the Bond Trustee shall deliver a copy of such notice to the designated transferee together with each Bond authenticated and delivered to such Person pursuant to Section 3.06.

Notice of redemption of Bonds to be redeemed and any cancellation thereof shall be given by the Bond Trustee in the name of the Issuer and at the expense of the Borrower. The Bond Trustee shall also give written notice of redemption, by registered mail, overnight delivery, or other comparable secure means, not less than twenty five (25) days prior to the Redemption Date, to each registered securities depository (and to any two national information services that disseminates municipal bond redemption notices or redemption notice information) known to the Bond Trustee, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to Bondholders as hereinabove stated.

An additional notice of redemption shall be sent by certified or registered mail, return receipt requested, or by overnight delivery service contemporaneously with such mailing to any Owner of \$1,000,000 or more in principal amount of the Bonds.

An additional notice of redemption is required to be given by first-class mail, postage prepaid, mailed not less than sixty (60) nor more than ninety (90) days after the redemption date to any Owner of Bonds selected for redemption that has not surrendered the Bonds called for redemption, at its address appearing in the Bond Register. Neither the failure to give any such notice specified in this paragraph nor any defect therein shall affect the sufficiency of notice mailed to Holders.

Section 11.05 Deposit of Redemption Price.

On each Redemption Date, the Bond Trustee shall segregate or deposit in trust with the Paying Agents money from the Bond Fund which is available for such purpose pursuant to Section 4.01 in an amount sufficient to pay the Redemption Price of all the Bonds then to be redeemed. Such money and amounts shall be segregated and shall be held in trust for the benefit of the Persons entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate. All such funds shall be held uninvested.

88503054.9

67

88503054.9

66

Section 11.06 Bonds Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the Redemption Price, but solely from the sources therein provided. Installments of interest with a Stated Maturity the Regular Record Date for which is prior to the Redemption Date shall be payable to the Holders of the Bonds registered as such on such Record Date according to the terms of such Bonds and the provisions of Section 3.08.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption or as otherwise provided under Section 11.07 in lieu of surrender, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in such Bond.

Section 11.07 Bonds Redeemed in Part.

Any Bond which is to be redeemed only in part shall be surrendered to the Paying Agent at a Place of Payment (with due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer, the Borrower, and the Bond Trustee duly executed by the Holder thereof or his attorney duly authorized in writing), and the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity of any authorized denomination or denominations requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

* * *

88503054.9

68

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Indenture of Trust and Security Agreement to be duly executed as of the day and year first above written.

BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION

By: _____
Assistant Secretary

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signature

88503054.9

S-1

otherwise defined shall have the meanings assigned to such terms in the Bond Indenture, as herein defined.

If the specified date for any payment hereon shall be a Saturday, Sunday, or legal holiday or the equivalent (other than a moratorium) on which banking institutions generally are authorized or required to close in a Place of Payment or in the city in which is located the designated corporate trust office of the hereinafter defined Bond Trustee, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Interest. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Bond Indenture herein referred to, be paid to the Person in whose name this Bond (or one or more Predecessor Bonds representing the same debt) is registered at the close of business on the Regular Record Date for such interest specified herein. Any such interest otherwise so payable to the Holder on such Regular Record Date which is not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and shall be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Bond Trustee, notice thereof being given to Bondholders not less than ten (10) days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in said Bond Indenture. All such interest shall be paid by check or draft mailed to the address of such Person specified in the Bond Register or pursuant to customary arrangements made by such Person and acceptable to the Paying Agent, except that upon the written request of any Holder of not less than \$1,000,000 principal amount of Bonds provided to such Paying Agent not less than fifteen (15) days prior to the relevant Interest Payment Date thereof, interest due on any Interest Payment Date shall be made by Federal Funds wire transfer to any designated account within the United States of America.

This Bond bears interest from and including the Issue Date (as defined in the Bond Indenture) or the most recent January 15 or July 15 to which interest has been paid or duly provided for, at the per annum Interest Rate specified above (computed on the basis of a 360-day year comprised of twelve 30-day months), payable semiannually on each January 15 and July 15, commencing July 15, 2018, and the Regular Record Date for each such Interest Payment Date is the 1st day (whether or not a Business Day) of the calendar month immediately preceding the date any interest payment is due and payable hereunder.

Title; Limited Obligations. This Bond is one of a duly authorized series of Bonds of the Issuer originally designated as its "Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018" (the "Bonds") in the original aggregate principal amount of \$28,540,000. The Bonds are issued and to be issued under, and all equally and ratably secured by, a Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 (herein, together with all indentures supplemental thereto, the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (in such capacity, the "Bond Trustee", which term includes any successor Bond Trustee under the Bond Indenture), to which Bond Indenture reference is hereby made for a description of the properties thereby pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Bonds, the Bond Trustee, and the Issuer, and the terms upon which the Bonds are, and are to be, authenticated and delivered. The Bonds are issued for the purposes of currently refunding the Refunded Bonds (as defined in the Bond Indenture), and paying a portion of the costs of issuance of the Bonds.

88503054.9

Exhibit A-2

EXHIBIT A

FORM OF BOND

REGISTERED
No.

REGISTERED
\$.

NOTICE: Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

UNITED STATES OF AMERICA
STATE OF TEXAS

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2018

Interest Rate	Due Date	Date of Series	CUSIP NO.
.....%	July 15, ____	February ____, 2018	088354.....

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION (the "Issuer", which term includes any successor corporation under the Bond Indenture hereinafter referred to), a non-profit health facilities development corporation organized by the Commissioners Court of Bexar County, Texas, and existing pursuant to the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, for value received, hereby promises to pay, but solely from and to the extent of the sources hereinafter described, to

.....
.....
.....
.....

or registered assigns, on the due date specified above, the principal sum of

..... AND NO/100 DOLLARS

(or so much thereof as shall not have been paid upon prior redemption) and to pay, but solely from and to the extent of such sources, interest on the unpaid portion thereof from the date herein described until payment of such portion is made or duly provided for at the Maturity hereof, at the rate or rates of interest and to the Person hereinafter described. The principal and Redemption Price of this Bond are payable at the agent of the Issuer for such purpose (a "Paying Agent") in the City of Dallas, Texas (such place, a "Place of Payment"), upon presentation and surrender of this Bond. All capitalized terms used herein not

* Delete from Initial Bond

88503054.9

Exhibit A-1

The Bonds are limited obligations of the Issuer payable solely from and to the extent of loan payments to be made or provided for by Army Retirement Residence Supporting Foundation, a Texas non-profit corporation (together with its successors and assigns referred to in the Bond Indenture, the "Borrower"), pursuant to a Loan Agreement with the Issuer dated as of even date with the Bond Indenture (together with all amendments and supplements thereto, the "Loan Agreement"), the obligations of the Borrower under which are evidenced by a note (the "Note") entitled to the benefits of any funds held under the Bond Indenture for such purpose.

To secure the payment of the Bonds, the Borrower and The Army Retirement Residence Foundation—San Antonio and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (in such capacity, the "Master Trustee"), have entered into a Master Indenture of Trust and Security Agreement dated as of January 1, 2007 as previously amended and supplemented, included as supplemented by Master Indenture Supplement No. 4 dated as of February 1, 2018 (together, the "Master Indenture"), pursuant to which the Note is issued. Under the Master Indenture, the Borrower has agreed to make loan payments in amounts sufficient to pay the principal of (premium, if any) and interest on the Bonds. The obligations of the Borrower under the Master Indenture are subject to modification and release as therein provided.

Redemption, Acceleration, and Purchase in Lieu of Redemption. The Bonds are subject to redemption, acceleration, and purchase in lieu of redemption as set forth in the Bond Indenture.

Amendments; Waivers; Limited Enforcement Rights. The Bond Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the Borrower and the rights of the Holders of the Bonds under the Bond Indenture at any time by the Issuer with the consent of the Holders of a majority in aggregate principal amount of the Bonds at the time Outstanding (as defined in the Bond Indenture) affected by such modification. The Bond Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Bonds Outstanding, on behalf of the Holders of all the Bonds, to waive certain past defaults under the Bond Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued upon the transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Bond.

The Holder of this Bond shall have no right to enforce the provisions of the Bond Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Indenture, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Bond Indenture.

Denominations; Transfer and Exchange. The Bonds are issuable as fully registered bonds only, without coupons, in the denominations of \$5,000 and any integral multiple thereof.

As provided in the Bond Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Bond Trustee at a Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Bonds of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

As provided in the Bond Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like aggregate principal amount of Bonds of different authorized denominations, as

88503054.9

Exhibit A-3

requested by the Holder, upon surrender of the Bonds to be exchanged to the Bond Trustee at a Place of Payment.

No service charge shall be made for any such transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Persons Deemed Owners. The Issuer, the Bond Trustee, and their agents shall treat the Person in whose name this Bond is registered in the Bond Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Bond Trustee, or any such agent shall be affected by notice to the contrary.

Severability; Governing Law. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Texas.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING BEXAR COUNTY, TEXAS, SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, BEXAR COUNTY, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Unless the certificate of authentication hereon has been executed by the Bond Trustee by manual signature or the certificate of registration hereon has been executed by the Comptroller of Public Accounts of the State of Texas, this Bond shall not be entitled to any benefit under the Bond Indenture or be valid or obligatory for any purpose.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed under its seal.



BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION

By _____
[Vice] President

ATTEST:

[Assistant] Secretary

88503054.9

Exhibit A-4

88503054.9

Exhibit A-5

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Bond Indenture, the Bond originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, as shown by the records of the Bond Registrar.

The Bank of New York Mellon Trust
Company, N.A., as Trustee

By _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address, and zip code of transferee) (Social Security or other identifying number:) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature(s) guaranteed:

NOTICE: The signature(s) on this assignment must correspond with the name(s) of the registered owner(s) appearing on the face of the within Bond in every particular.

88503054.9

Exhibit A-6

88503054.9

Exhibit A-7

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION

and

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION

LOAN AGREEMENT

Dated as of February 1, 2018

relating to

\$28,540,000

Bexar County Health Facilities Development Corporation
Revenue Refunding Bonds
(Army Retirement Residence Foundation Project)
Series 2018

NOTICE: All right, title, and interest of the Bexar County Health Facilities Development Corporation in and to this Loan Agreement, including the Loan Payments (herein defined), the Note (herein defined) by which the rights to such Loan Payments are evidenced, and any and all security heretofore or hereafter granted or held for the payment thereof but excluding the Indemnity Payments (herein defined), have been collaterally assigned to The Bank of New York Mellon Trust Company, National Association, as Bond Trustee, to secure payment of the Bonds described herein.

88503053.6

Section 5.03	Limitation on Obligations of Issuer; Reimbursement of Expenses, Charges, and Taxes.....	15
Section 5.04	Directors, Officers, Employees, and Agents Exempt from Personal Liability.....	15
Section 5.05	Indemnification	15
Section 5.06	Modification of Bonds and Bond Indenture.....	17
Section 5.07	Maintenance of Tax-Exempt Status of Bonds.....	17
Section 5.08	Authorization to Act for Issuer.....	23
Section 5.09	Statement as to Compliance	23
Section 5.10	Duties and Obligations Under Bond Indenture	24

EXHIBIT A - DESCRIPTION OF THE PROJECT

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01	Definitions.....	2
Section 1.02	Acts of Bondholders.....	2
Section 1.03	Notices, etc.....	3
Section 1.04	Form and Contents of Documents Delivered to Bond Trustee	3
Section 1.05	Effect of Headings and Table of Contents	4
Section 1.06	Successors and Assigns.....	4
Section 1.07	Severability Clause.....	4
Section 1.08	Benefits of Loan Agreement; Assignment	4
Section 1.09	Remedies and Waivers	5
Section 1.10	Governing Law.....	5
Section 1.11	Term and Terminations	5
Section 1.12	Amendment of Loan Agreement.....	6
Section 1.13	Compliance Certificates and Opinions; Further Assurances and Corrective Instruments; Cooperation with Recordation.....	6

ARTICLE II
THE PROJECT

Section 2.01	Project Description and Purpose of Bonds.....	8
Section 2.02	Borrower to Own, Operate, Possess, and Maintain the Project.....	8
Section 2.03	Non-Sectarian, Non-Profit Use of the Project.....	8

ARTICLE III
LOAN TO REFUND THE REFUNDED BONDS

Section 3.01	Establishment of Funds	9
Section 3.02	Security Interest for Loan Payments	9
Section 3.03	Loan to Refinance the Project	9
Section 3.04	Terms and Payment of Loan and Note.....	9
Section 3.05	Borrower to Pay Certain Fees, Expenses, and Charges Under Bond Indenture.....	11
Section 3.06	Waiver of Set-Off, Recoupment, Counterclaim, and Abatement.....	11
Section 3.07	Recording	11
Section 3.08	Borrower to Secure Note, Pay Amounts Due Under Master Indenture	12
Section 3.09	Security for Deposits.....	12
Section 3.10	Investments.....	12

ARTICLE IV
THE BONDS

Section 4.01	Issuer to Issue Bonds.....	13
Section 4.02	Issuer to Redeem Bonds	13

ARTICLE V
COVENANTS AND WARRANTIES

Section 5.01	Representations and Warranties of Issuer	14
Section 5.02	Representations and Warranties of Borrower.....	14

88503053.6

i

THIS LOAN AGREEMENT (as supplemented, modified, or amended in accordance with the applicable provisions hereof, this "Loan Agreement") dated as of February 1, 2018 between the Bexar County Health Facilities Development Corporation (the "Issuer", which term includes any successor corporation under the Bond Indenture hereinafter referred to), a non-profit health facilities development corporation organized by the Commissioners Court of Bexar County, Texas, and existing pursuant to the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code, as amended, and the Army Retirement Residence Supporting Foundation, a Texas non-profit corporation (the "Borrower", which term includes any successors and assigns permitted hereunder),

WITNESSETH:

WHEREAS, the Borrower desires that the Issuer issue its limited obligation revenue bonds and loan the proceeds thereof to the Borrower to refinance the Cost of the Project described herein in order that the Cost of the Project may be refinanced at the low interest rates which prevail in the market for tax-exempt securities, and, in order to induce the issuance and sale of such bonds, the Borrower agrees to the covenants herein described;

WHEREAS, in order to induce the issuance and sale of such bonds, the Borrower has agreed to the covenants set forth in this Loan Agreement and has undertaken the obligations and agreed to the covenants set forth in the Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as supplemented, including by Master Indenture Supplement No. 4 dated as of February 1, 2018 (together, the "Master Indenture"), each between the Borrower and the Army Retirement Residence Foundation—San Antonio and The Bank of New York Mellon Trust Company, National Association (formerly known as The Bank of New York Trust Company, N.A.), as trustee;

WHEREAS, the Issuer has found that the refinancing of the Project is for a public benefit and a public purpose and are required, necessary, and convenient for health care within the State of Texas and that the refinancing thereof by means of the issuance of such bonds and the loan described herein will improve the adequacy, cost, and accessibility of health care in the State of Texas (the "State"), and assist in the maintenance of the public health in furtherance of the corporate purposes of the Issuer; and

WHEREAS, all things have been done which are necessary to authorize the issuance of such bonds and to constitute this Loan Agreement a valid contract of the parties hereto in accordance with its terms;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, and subject to the conditions herein set forth, the parties hereto covenant, agree, and bind themselves as follows:

* * *

88503053.6

ii

C-2-21

88503053.6

1

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 Definitions.

Capitalized terms not otherwise defined herein have the meanings set forth in the Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 between the Issuer and The Bank of New York Mellon Trust Company, National Association, as bond trustee (the “*Bond Indenture*”).

For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires

A. the terms defined in this Loan Agreement have the meanings assigned to them in this Loan Agreement and include the plural as well as the singular;

B. unless otherwise provided herein, all accounting terms have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting terms;

C. all references in this instrument to designated “*Articles*”, “*Sections*”, “*Exhibits*”, and other subdivisions are to the designated Articles, Sections, Exhibits, and other subdivisions of this instrument as originally executed; and

D. the words “*herein*”, “*hereof*”, and “*hereunder*” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section, Exhibit, or other subdivision.

Section 1.02 Acts of Bondholders.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Loan Agreement to be given or taken by the Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Bond Trustee and, if hereby expressly required, to the Issuer or the Borrower, as the case may be. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “*Act*” of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Loan Agreement and conclusive in favor of the Issuer, the Borrower, and (subject to Section 7.01 of the Bond Indenture) in favor of the Bond Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of execution by any Person of any such instrument or writing shall be conclusively established for all purposes of this Loan Agreement if (1) the Bond Trustee or the Bond Registrar shall have mailed or delivered to such Person (or any Bondholder for whom he purports to act as agent or proxy), at his address as shown on the

Bond Register, such instrument or writing, (2) such instrument or writing shall have been returned to the Bond Trustee or the Bond Registrar bearing a signature purporting and reasonably appearing to be that of the Bondholder or a Person purporting to be his agent or proxy, and (3) the Person receiving such executed instrument or writing shall have no actual knowledge or notice of any irregularity, or of any fact or circumstance which, if substantiated, would impair the validity of such instrument or writing. Upon request, the matters referred to in Clauses (1), (2), and (3) of the preceding sentence may be evidenced by a certificate of the Bond Trustee or the Bond Registrar, as the case may be. The fact and date of execution of any such instrument or writing and the authority of such Person to execute the same may also be proved in any other manner which the Bond Trustee deems sufficient. The Bond Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

C. The ownership of Bonds shall be proved by the Bond Register, and no beneficial or legal owner of Bonds whose ownership is not so registered shall have any right hereunder to give or take any Act with respect to the Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by a Holder of Bonds shall bind every future Holder of the same Bonds and the Holder of every Bond issued upon the transfer thereof or in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee, the Issuer, the Borrower, in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 1.03 Notices, etc.

Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, Act of Bondholders, or other document by or from any Person provided or permitted by this Loan Agreement to be made upon, given or furnished to, or filed with the Issuer, the Borrower, the Bond Trustee, the Bond Registrar, and the Paying Agent shall be provided in accordance with Section 1.03 of the Bond Indenture.

Where this Loan Agreement provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

Where this Loan Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Bond Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.04 Form and Contents of Documents Delivered to Bond Trustee.

Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

88503053.6

2

Any certificate or opinion of an officer of any Person may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of any Person stating that the information with respect to such factual matters is in the possession of such Person unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Loan Agreement, they may, but need not, be consolidated and form one instrument.

Wherever in this Loan Agreement, in connection with any application or certificate or report to the Issuer or the Bond Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of compliance by such Person with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report, and the Bond Trustee may rely upon such application, certificate, or report.

Section 1.05 Effect of Headings and Table of Contents.

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.06 Successors and Assigns.

All covenants and agreements in this Loan Agreement by the Issuer and the Borrower shall bind their respective successors and assigns, whether so expressed or not.

Section 1.07 Severability Clause.

In case any provision in this Loan Agreement or any application hereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 1.08 Benefits of Loan Agreement; Assignment.

Nothing in this Loan Agreement, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim under this Loan Agreement to any Person, other than the parties hereto and their successors hereunder and, as third party beneficiaries, the Bond Trustee, any separate trustee or co-trustee appointed under Section 7.12 of the Bond Indenture, and the Holders of the Outstanding Secured Bonds.

The Issuer shall collaterally assign to the Bond Trustee pursuant to the Bond Indenture all right, title, and interest of the Issuer in and to (1) the Loan Payments and the Note by which the rights to such Loan Payments are evidenced, (2) the rights and benefits of the obligee under this Loan Agreement and the holder of such Note, (3) any and all security heretofore or hereafter granted or held for the payment of amounts owing under the Loan Agreement or in respect of the Loan Agreement or such Note, and (4) the

88503053.6

4

88503053.6

3

present and continuing right to bring actions and proceedings under this Loan Agreement, or for the enforcement hereof and thereof and to do any and all things which the Issuer is or may become entitled to do hereunder or thereunder, but excluding the Indemnity Payments, and the other security set forth in the Granting Clauses of the Bond Indenture. The Borrower hereby consents to such assignment.

Section 1.09 Remedies and Waivers.

A. No right or remedy herein conferred upon the Issuer is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or otherwise shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

B. No delay or omission by the Issuer or its assigns to exercise any right or remedy accruing upon a default herein shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given hereunder or by law to the Issuer may be exercised from time to time, and as often as may be deemed expedient, by the Issuer and its assigns.

C. The Issuer and its assigns shall, under the conditions and with the consent of the Holders of the specified percentage in principal amount of Outstanding Bonds described in Section 6.15 of the Bond Indenture for the waiver of past defaults thereunder, waive any past default hereunder and its consequences. Upon any such waiver, such default shall cease to exist and shall be deemed to have been cured for every purpose of this Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

D. The Borrower may, with the written approval of the Issuer and the Bond Trustee, in compliance with the requirements of the Bond Indenture, omit in any particular instance to comply with any covenant or condition set forth herein except in Sections 2.01, 2.03, 3.02, 3.04A, 3.04D, 3.06, 3.07, and 5.07, if before or after the time for such compliance the Issuer, the Bond Trustee, and the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding which are affected by such waiver shall either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Borrower in respect of any such covenant or condition shall remain in full force and effect.

Section 1.10 Governing Law.

This Loan Agreement shall be construed in accordance with and governed by the laws of the State.

Section 1.11 Term and Terminations.

A. The term of this Loan Agreement shall commence on the date and at the time the Bonds are authenticated and delivered under the Bond Indenture and shall terminate on the later of the last Maturity of Bonds, the first date on which there are no Outstanding Secured Bonds, or the date on which the Borrower has satisfied in full its obligations under Section 5.070, unless terminated sooner pursuant to the provisions hereof.

B. The Borrower may, at its option, terminate (1) all provisions of this Loan Agreement except the covenants contained in Sections 2.03, 5.03, 5.05, and 5.07 whenever the Bond Indenture may be released and discharged in accordance with its terms and (2) all remaining provisions hereof other than

88503053.6

5

Section 5.05 at the later of the last Maturity of Bonds whenever no Bonds shall remain Outstanding, or the date on which the Borrower has satisfied in full its obligations under Section 5.07O.

C. This Loan Agreement shall automatically terminate and be discharged if no Bonds shall have been authenticated and delivered pursuant to the Bond Indenture within ninety (90) days after the date hereof.

Section 1.12 Amendment of Loan Agreement.

The Issuer and the Borrower may, when authorized by their respective Board Resolutions, from time to time enter into one or more amendments or supplements hereto, for any of the following purposes:

A. to correct or amplify the description of any Project or better to assure and confirm any property subject or required to be subjected to the terms of this Loan Agreement; or

B. if otherwise permitted hereunder, to evidence the succession of another Person to the Issuer or the Borrower and the assumption by any successor of the covenants of the Issuer or the Borrower, respectively, herein; or

C. to add to the covenants of the Borrower for the benefit of the other Persons described in Section 1.08 or to surrender any right or power herein conferred upon the Issuer; or

D. to cure any ambiguities, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Loan Agreement, provided that such action shall not adversely affect the interests of the Bondholders (unless approval of the Bondholders is received pursuant to Subsection E of this Section), or to make any change in Section 5.07 which, in the Opinion of Counsel, will not adversely affect any exclusion of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes; or

E. with the approval of the Holders of the same percentage in principal amount of the Bonds then Outstanding affected by such amendment or supplement as the percentage in principal amount of the Bonds then Outstanding affected by any supplemental indenture the consent of the Holders of which is sufficient for the authorization of such supplemental indenture pursuant to Section 9.02 of the Bond Indenture to add any provisions to or change in any manner or eliminate any provisions of this Loan Agreement, except as otherwise provided in Section 9.02 of the Bond Indenture for indentures supplemental to the Bond Indenture; or

F. to add, delete, or modify any provision as required by Standard & Poor's Ratings Services to achieve and maintain ratings on the Bonds of "BBB".

The Borrower shall give the Bond Trustee notice of any amendment or supplement to this Loan Agreement, together with an executed copy thereof, within fifteen (15) days after the adoption thereof.

Section 1.13 Compliance Certificates and Opinions; Further Assurances and Corrective Instruments; Cooperation with Recordation.

Upon any application or request by the Borrower to the Issuer or the Bond Trustee to take any action under any provision of this Loan Agreement, the Borrower shall furnish to the Issuer or the Bond Trustee, as the case may be, an Officer's Certificate stating that all conditions precedent, if any, to be satisfied by the Borrower provided for in this Loan Agreement relating to the proposed action have been

complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Loan Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance by the Borrower with a condition or covenant provided for in this Loan Agreement shall include the following:

A. a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

B. a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

C. a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

D. a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

The Borrower and the Issuer agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments, certificates, and opinions as may reasonably be required for carrying out the intention of or facilitating the performance of this Loan Agreement and the Bond Indenture, including, without limitation, Section 10.05 of the Bond Indenture.

The Borrower agrees that it will cooperate to the end that this Loan Agreement, the Bond Indenture, any financing statements and all supplements thereto, and any other instruments that may be required from time to time to be kept, will be recorded and filed in such manner and in such places as may from time to time be required by law and in order fully to preserve and protect the security of the Holders of the Bonds and the rights of the Bond Trustee under the Bond Indenture.

* * *

88503053.6

6

ARTICLE II

THE PROJECT

Section 2.01 Project Description and Purpose of Bonds.

The Bonds are being issued among other purposes to refund the Refunded Bonds. The Refunded Bonds were issued to finance the Project described on Exhibit A as the 2007 Project and the 2012-1 and 2012-2 Project. All of the proceeds of the Refunded Bonds, except for amounts deposited in the respective Reserve Funds have been expended in accordance with the documents for the Refunded Bonds.

Section 2.02 Borrower to Own, Operate, Possess, and Maintain the Project.

The Borrower shall have exclusive ownership and possession of, and shall have the sole right and responsibility to operate, maintain, and insure the Project. The Borrower may transfer all or a portion of the Project in accordance with the Master Indenture. The Issuer and the Bond Trustee shall have no responsibility or liability for any such ownership, possession, operation, maintenance, or insurance.

Section 2.03 Non-Sectarian, Non-Profit Use of the Project.

Throughout the useful life of the Project financed in whole or in part with proceeds of the Bonds, the Borrower shall not

A. prohibit or restrict the free exercise of religion by any patient or guest using such Project, or otherwise interfere with the religious rights or conscience of any such patient or visitor, except to the extent the same may unreasonably interfere with the operation of the Project;

B. allow any part of the Project to be used for sectarian purposes, including, without limitation, the teaching of doctrines or tenets of any particular faith, sect, or religion; religious worship in the form of organized or group services; or the education of students for the ministry of religion, the teaching of theological subjects, or other religious vocation (other than the clinical training of hospital chaplains for therapeutic purposes); or

C. operate the Project in a manner which discriminates against any person on the basis of race, color, religion, sex, or national origin.

The foregoing covenants shall not apply, however, (1) to any portion of the Project the cost of which was or is to be financed otherwise than with proceeds of the sale of the Bonds or (2) commencing from the date of any sale of the Project or part thereof to any Person who shall not assume the obligations set forth in this Section, to the Project or part thereof so sold or transferred if such sale or transfer shall be for adequate consideration and if such consideration shall be used expeditiously to acquire, construct, equip, or furnish, or such consideration is, additional property subject to such obligations.

* * *

88503053.6

8

C-2-23

88503053.6

7

ARTICLE III

LOAN TO REFUND THE REFUNDED BONDS

Section 3.01 Establishment of Funds.

The Borrower shall establish and maintain with the Bond Trustee under the Bond Indenture its special fund designated the "Bexar County Health Facilities Development Corporation Revenue Bonds (Army Retirement Residence Foundation Project) Series 2018 Proceeds Fund" (the "*Proceeds Fund*") for the purpose of currently refunding the Refunded Bonds.

Section 3.02 Security Interest for Loan Payments.

The Borrower hereby grants to the Issuer a security interest in the Proceeds Fund, and all money, securities, and obligations held for the credit of such fund and account, as security for payment of the Loan Payments and the other amounts required to be paid by the Borrower pursuant to this Article.

Section 3.03 Loan to Refinance the Project.

The Issuer shall loan to the Borrower, for the purpose of currently refunding the Refunded Bonds and for the additional purposes described in the Bond Indenture, all amounts received from the sale of the Bonds pursuant to Section 4.01 immediately upon receipt. Such loan shall be made by depositing such amounts into the Proceeds Fund and the Bond Fund.

The principal amount of, the interest borne by, the rights and obligations of prepayment with respect to, and the other terms of such loan shall be as provided in Section 3.04.

Section 3.04 Terms and Payment of Loan and Note.

A. The loan made by the Issuer to the Borrower pursuant to Section 3.03 shall, subject to Subsection E of this Section,

1. be in the same principal amount,
2. mature on the same date or dates, in installments or otherwise, and in the same principal amounts,
3. be subject to optional and mandatory prepayment in the same amounts, on or before the same dates, at the same prepayment premiums, if any, and under the same conditions, and
4. accrue interest from and bear interest for each day of accrual at the same rate per annum payable on the same dates, including interest on overdue payments of principal (and premium, if any) and, to the extent that payment of such interest is legally enforceable, on overdue interest,

in every case as the Bonds, and such loan shall not otherwise be subject to prepayment. The Loan Payments on such loan shall be payable directly to the Bond Trustee for the account of the Issuer, at the designated corporate trust office of the Bond Trustee, in immediately available funds, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Borrower shall repay such loan in accordance with its terms.

88503053.6

9

B. The obligation to repay the loan made pursuant to Section 3.03 shall be evidenced by a Note in the form attached to Master Indenture Supplement No. 4 as Exhibit B which shall, subject to Subsection E of this Section,

1. be in the principal sum, bear interest at the rate or rates, and have such other terms as are described in Subsection A of this Section,
2. be dated as of the date of this Loan Agreement, and
3. be payable to the order of the Issuer and, upon authentication and delivery of the Bonds, be assigned by the Issuer to the Bond Trustee as collateral security for payment of the Bonds.

Notwithstanding any provisions herein or in the Note to the contrary, the Issuer and its assigns agree that, on the date any Bonds are defeased pursuant to Section 5.02 of the Bond Indenture or acquired by the Borrower and delivered to the Bond Trustee for cancellation, the principal amount owing on the Note and the loan evidenced thereby shall be reduced by the principal amount of the Bonds so defeased or acquired and canceled, and the Bond Trustee shall mark on the face of the Note the amount by which the principal of the Note has been so reduced. The Issuer and its assigns further agree that the rights and obligations of the Borrower described in Subsections C and D of this Section shall supersede any contrary provisions in the Note.

C. The Borrower may, at its option, credit against any Loan Payment required to be made pursuant to this Section with respect to the Bonds, without duplication, any amounts held for the credit of the Bond Fund, except amounts segregated by the Bond Trustee or deposited with the Paying Agents to pay the principal of (and premium, if any) and interest on any Outstanding Secured Bonds with a Maturity, or the interest on any Outstanding Secured Bonds with a Stated Maturity, at or prior to the date on which such Loan Payment is due, notwithstanding anything in the Note to the contrary, and to the extent of any Loan Payment on the Note in excess of the amount required by this Section to be paid giving effect to such credit, the Borrower shall, at its option and to the extent of the available balance of the Bond Fund, be entitled to reimbursement of such excess as an overpayment of such Loan Payment, but without any right to interest thereon.

D. In the event that, at the Maturity of any Bonds or the Stated Maturity of the interest thereon, the available balance of the Bond Fund is insufficient for any reason to pay in full the principal of (and premium, if any) and interest on the Bonds then due, the Borrower shall immediately pay to the Bond Trustee upon two (2) hours notice, in immediately available funds, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, the amount required to cure such insufficiency.

E. Notwithstanding any provision herein or in the Note to the contrary, in no event shall the rate of interest on the loan made pursuant to Section 3.03 or the Note exceed the maximum lawful non-usurious rate of interest, if any, which the Issuer is permitted to charge the Borrower from time to time under the laws of the State and the United States of America in effect on the Issue Date permitting the charging and collecting of the highest permissible lawful non-usurious interest rate on such loan (hereinafter referred to as "*Applicable Law*"), and in no event shall the aggregate of the interest on such loan and the Note, plus any other amounts paid in connection herewith which are deemed "*interest*" under Applicable Law in effect on the Issue Date, ever exceed the maximum amount of interest which could be lawfully charged on such loan and the Note under Applicable Law, and if any amount of interest taken or received by the Issuer or assigns shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected on such loan and the Note, then such excess

88503053.6

10

will also take all such action as may be reasonably necessary when requested by the Borrower at the expense of the Borrower.

Section 3.08 Borrower to Secure Note, Pay Amounts Due Under Master Indenture.

The Borrower acknowledges that as a condition to issuing the Bonds and to loan the proceeds thereof to the Borrower, the Issuer has requested the Borrower to enter into, and the Borrower has entered into, the Master Indenture, and the Borrower agrees to secure the Note evidencing such loan under the Master Indenture and to make all payments it is required to make under the Note and the Master Indenture as provided therein.

Section 3.09 Security for Deposits.

All money held for the credit of the Proceeds Fund or the Bond Fund to the extent not insured by the Federal Deposit Insurance Corporation or other federal agency, shall be continuously secured by the Bond Trustee, for the benefit of the Borrower and the Holders of Bonds, by placing with a bank or trust company as collateral security Eligible Investments having a market value (as determined by the Borrower) at all times (exclusive of accrued interest) not less than the amount of such deposit; however, it shall not be necessary for the Bond Trustee to give security for any money which shall be represented by obligations purchased under the provisions of Section 3.10 as an investment of such money.

Section 3.10 Investments.

Money held for the credit of the Proceeds Fund or the Bond Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Bond Trustee pursuant to a Borrower Request in Eligible Investments. Obligations so purchased as an investment of any money credited to any fund or account hereunder shall be deemed at all times to be a part of such fund or account. Except as specifically set forth in the Bond Indenture, the interest accruing on obligations so purchased or on such interest-bearing time deposits and any profit realized from such investment shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The Bond Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may result from willful disregard or negligent implementation of any permitted direction by the Borrower.

* * *

88503053.6

12

shall be deemed to have been the result of a mathematical error by the Issuer, the Bond Trustee, and the Borrower and shall be refunded promptly to the Borrower. All amounts paid or agreed to be paid in connection with the indebtedness evidenced by this Loan Agreement and the Note which under Applicable Law would be deemed "*interest*" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term of this Loan Agreement.

Section 3.05 Borrower to Pay Certain Fees, Expenses, and Charges Under Bond Indenture.

The Borrower shall pay the following when due:

A. all fees, expenses, and other charges of the Bond Trustee, any separate trustee or co-trustee appointed under Section 7.12 of the Bond Indenture, the Bond Registrar, and all Paying Agents assessed in connection with the performance of the duties of such Persons under the Bond Indenture or reimburse the same for any expenses, disbursements, and advances incurred or made in accordance with the provisions of the Bond Indenture; and

B. all other expenses or other amounts which the Issuer has agreed to pay or has agreed to cause the Borrower to pay under the Bond Indenture.

The Borrower may contest the reasonableness or propriety of any such fee, expense, charge, or amount, in its own name or in the name of the Issuer. If such contest is brought in good faith, so long as the exercise by the Bond Trustee of its lien on the Trust Estate securing such payment has been effectively stayed by agreement by the Bond Trustee, or judicial order, failure by the Borrower to pay the contested portion of any such fee, expense, charge, or amount shall not be considered a default hereunder during the pendency of such contest.

Section 3.06 Waiver of Set-Off, Recoupment, Counterclaim, and Abatement.

The obligation of the Borrower to pay or cause to be paid the amounts payable hereunder shall be an absolute, irrevocable, complete, and unconditional general obligation of the Borrower. In order to induce Persons to purchase the Bonds, thereby providing funds to finance the loan described in Section 3.03, the Borrower hereby waives, to the full extent that it may lawfully so agree, all rights of set-off, recoupment, counterclaim, and abatement against the Issuer, the Bond Trustee, any separate trustee or co-trustee appointed under Section 7.12 of the Bond Indenture, the Bond Registrar and all Paying Agents with respect to the Loan Payments and (to the extent secured by a lien upon the Trust Estate and unless the exercise of such lien has been effectively stayed by agreement of the Bond Trustee, or judicial order) with respect to the payment of the fees, expenses, charges, and amounts described in Section 3.05, in every case notwithstanding any breach by the Issuer of its obligations hereunder or by any other such Person of its obligations under the Bond Indenture. The Borrower may, however, except as otherwise provided in Section 3.05, exercise any other remedy it may have at law or otherwise for any such breach.

Section 3.07 Recording.

The Borrower shall cause this Loan Agreement (if necessary) and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered, and filed, and to cause to be kept recorded, registered, and filed, and when necessary, to re-record, re-register, and re-file the same, all in such manner and in such places as may be required by law fully to preserve and protect the rights of the Bondholders and the Bond Trustee under the Bond Indenture to all property comprising the Trust Estate or in which a security interest is granted hereunder. The Borrower shall take all such action as may be necessary to cause such a filing. The Issuer

88503053.6

11

ARTICLE IV

THE BONDS

Section 4.01 Issuer to Issue Bonds.

Upon Borrower Request, the Issuer shall authorize, execute, and deliver the Bonds under the Bond Indenture for the purpose of financing the loan described in Section 3.03. The Bonds shall bear such terms as shall be required by the Bond Indenture; provided that no Bonds shall impose any pecuniary liability on the Issuer except to the extent of the proceeds of the Bonds, the Loan Payments, the balance of any funds or accounts of the Issuer established under the Bond Indenture, or such other revenues as may be provided by the Borrower.

Section 4.02 Issuer to Redeem Bonds.

The Issuer shall cause the Bond Trustee to call for redemption

A. such Bonds at such times as are required by the terms thereof or by the Bond Indenture to be redeemed prior to their Stated Maturity; and

B. any Bonds upon Borrower Request, at the time specified in such Borrower Request, provided that such Bonds are subject to optional redemption prior to their Stated Maturity at such time pursuant to the terms thereof.

The Issuer shall, at the expense of the Borrower and upon Borrower Request, give or cause to be given all notices required, and shall otherwise cooperate fully with the Borrower, in connection with the redemption of Bonds.

* * *

88503053.6

13

ARTICLE V
COVENANTS AND WARRANTIES

Section 5.01 Representations and Warranties of Issuer.

The Issuer represents and warrants as follows:

A. the Issuer has been duly created and validly exists pursuant to the provisions of the Enabling Act;

B. the Issuer has due corporate power and authority under the Enabling Act and its Articles of Incorporation to enter into this Loan Agreement and to observe or perform the covenants and obligations required to be observed or performed by the Issuer hereunder;

C. this Loan Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery hereof by the Borrower, constitutes a legal, valid, and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms; and

D. the observance and performance by the Issuer of its obligations hereunder will not violate or conflict with its Articles of Incorporation or Bylaws or any material provision of any material mortgage, deed of trust, indenture, or other agreement or judgment to which it is a party.

In making the foregoing representations, and all of the representations made in connection with the issuance of the Bonds, the Board of Directors of the Issuer may rely, and is in fact relying, upon (i) as to legal matters, Opinions of Counsel, including bond counsel, (ii) as to financial matters, opinions or advice of the Issuer's financial advisor, if any, and (iii) as to matters of fact outside the personal knowledge of the members of the Board of Directors of the Issuer, on statements, representations and certificates of third parties in this Loan Agreement, the Bond Indenture or in other certificates, instruments and documents.

Section 5.02 Representations and Warranties of Borrower.

The Borrower represents and warrants as follows:

A. the Borrower is a corporation duly organized and existing under the laws of the State;

B. the Borrower has due power and authority under its Articles of Incorporation and applicable provisions of law to enter into this Loan Agreement and to observe or perform the covenants and obligations required to be observed or performed by the Borrower hereunder;

C. this Loan Agreement has been duly authorized, executed, and delivered by the Borrower and, assuming due authorization, execution, and delivery hereof by the Issuer, constitutes a legal, valid, and binding agreement of the Borrower enforceable against the Borrower in accordance with its terms, except as may be limited by general principles of equity and bankruptcy, insolvency, reorganization, moratorium, or other similar laws or equitable principles of general application from time to time affecting the rights of creditors, landlords, and secured parties generally;

D. the observance and performance by the Borrower of its obligations hereunder will not violate or conflict with the Articles of Incorporation or Bylaws of the Borrower or any material provision of any material mortgage, deed of trust, indenture, or other agreement or judgment to which the Borrower

88503053.6

14

DOCUMENTS"), (iii) ANY ACT OF NEGLIGENCE OF THE BORROWER OR OF ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, OR LICENSEES, (iv) ANY ACT OF NEGLIGENCE OF ANY LESSEE OF THE BORROWER OR OF ANY AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, OR LICENSEES OF ANY LESSEE OF THE BORROWER, OR (v) ANY ACT IN CONNECTION WITH THE OFFERING FOR SALE, ISSUANCE, DELIVERY, DISCLOSURE RELATING TO, OR PAYMENT OF THE BONDS, INCLUDING CLAIMS OF ORDINARY NEGLIGENCE; HOWEVER, THIS INDEMNITY SHALL NOT APPLY TO ANY BAD FAITH, WILLFUL MISCONDUCT OR FRAUD OF THE ISSUER OR THE COUNTY OR ANY WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR FRAUD OF THE BOND TRUSTEE. THE BORROWER SHALL INDEMNIFY AND SAVE THE ISSUER AND THE COUNTY AND THE BOND TRUSTEE HARMLESS FROM AND AGAINST ALL COSTS AND EXPENSES INCURRED IN OR IN CONNECTION WITH ANY SUCH CLAIM ARISING AS AFORESAID FROM (i), (ii), (iii), (iv), or (v), SUPRA, OR IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT THEREON, INCLUDING REASONABLE ATTORNEYS' FEES, AND, UPON NOTICE FROM THE ISSUER OR THE BOND TRUSTEE, THE BORROWER SHALL DEFEND THEM OR ANY OF THEM IN ANY SUCH ACTION OR PROCEEDING.

B. THE BORROWER AGREES THAT IT WILL INDEMNIFY AND HOLD THE BOND TRUSTEE HARMLESS FROM ANY AND ALL LIABILITY, COST, OR EXPENSE INCURRED WITHOUT GROSS NEGLIGENCE OR BAD FAITH IN THE COURSE OF ITS DUTIES UNDER THE BOND INDENTURE OR ANY BOND DOCUMENT, INCLUDING ANY ACT, OMISSION, DELAY, OR REFUSAL TO ACT OF THE BOND TRUSTEE IN RELIANCE UPON ANY SIGNATURE, CERTIFICATE, ORDER, DEMAND, INSTRUCTION, REQUEST, NOTICE, OR OTHER INSTRUMENT OR DOCUMENT BELIEVED BY IT TO BE VALID, GENUINE, AND SUFFICIENT.

C. NOTWITHSTANDING THE FACT THAT IT IS THE INTENTION OF THE PARTIES THAT THE ISSUER, THE COUNTY, THE BOND TRUSTEE, AND THEIR DIRECTORS, OFFICERS, COMMISSIONERS, MEMBERS, AND EMPLOYEES SHALL NOT INCUR PECUNIARY LIABILITY BY REASON OF THE TERMS OF THE BOND DOCUMENTS OR THE UNDERTAKINGS REQUIRED OF THE ISSUER OR THE BOND TRUSTEE HEREUNDER OR THE BOND TRUSTEE UNDER THE BOND INDENTURE, BY REASON OF (i) THE ISSUANCE OF THE BONDS, (ii) THE EXECUTION OF THE BOND DOCUMENTS, (iii) THE PERFORMANCE OF ANY ACT REQUIRED BY THE BOND DOCUMENTS, (iv) THE PERFORMANCE OF ANY ACT REQUESTED BY THE BORROWER, OR (v) ANY OTHER COSTS, FEES, OR EXPENSES INCURRED BY THE ISSUER, THE COUNTY, OR THE BOND TRUSTEE WITH RESPECT TO THE PROJECT OR FINANCING OR THE REFINANCING THEREOF, INCLUDING ALL CLAIMS, LIABILITIES, OR LOSSES ARISING IN CONNECTION WITH THE VIOLATION OF ANY STATUTES OR REGULATIONS PERTAINING TO THE FOREGOING, NEVERTHELESS, IF THE ISSUER, THE COUNTY, OR THE BOND TRUSTEE SHOULD INCUR ANY SUCH PECUNIARY LIABILITY, THEN IN SUCH EVENT THE BORROWER SHALL INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE COUNTY, AND THE BOND TRUSTEE AGAINST ALL CLAIMS BY OR ON BEHALF OF ANY PERSON ARISING OUT OF THE SAME AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT THEREON, INCLUDING REASONABLE ATTORNEYS' FEES, AND, UPON NOTICE FROM THE ISSUER, THE COUNTY, OR THE BOND TRUSTEE, THE BORROWER SHALL DEFEND THE ISSUER, THE COUNTY, AND THE BOND TRUSTEE IN ANY SUCH ACTION OR PROCEEDING. THE INDEMNITY CONTAINED IN THIS SUBSECTION SHALL NOT APPLY TO ANY ACTS OF GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR FRAUD OF THE BOND TRUSTEE OR TO ANY ACTS OF BAD FAITH, WILLFUL MISCONDUCT, OR FRAUD OF THE ISSUER OR THE COUNTY.

D. THE BORROWER FURTHER AGREES TO INDEMNIFY THE BOND TRUSTEE FOR, AND TO HOLD THE BOND TRUSTEE HARMLESS AGAINST, ANY LOSS, LIABILITY, OR EXPENSE INCURRED WITHOUT NEGLIGENCE OR FRAUD BY THE BOND TRUSTEE, ARISING OUT OF OR IN CONNECTION WITH THE ACCEPTANCE OR ADMINISTRATION OF THE TRUST UNDER THE BOND INDENTURE, INCLUDING THE COSTS AND EXPENSES OF DEFENDING ITSELF AGAINST ANY CLAIM OR LIABILITY IN

88503053.6

16

is a party or by which the Borrower or its properties are bound, a default under or a breach of which would have a material adverse effect on the Borrower, its business operations, or financial condition, or would materially adversely affect the transactions described in the Bond Indenture and this Loan Agreement;

E. the Project is and will be situated in its entirety within the territorial boundaries of Bexar County, Texas (the "County"); and

F. the Borrower is an organization described in section 501(c)(3) of the Code, exempt from tax under section 501(a) of such Code, and is not a "private foundation" as defined by section 509(a) of such Code.

Section 5.03 Limitation on Obligations of Issuer; Reimbursement of Expenses, Charges, and Taxes.

The Issuer shall be obligated hereunder and under the Bond Indenture solely to the extent of available proceeds of the sale of the Bonds, payments by the Borrower pursuant to Sections 3.04 and 3.05, or other funds advanced to the Issuer by the Borrower for the purpose of paying for the costs of performance by the Issuer hereunder, and the Issuer shall not otherwise be required to expend any funds in the observance or performance of its obligations hereunder or under the Bond Indenture. If, however, the Issuer otherwise pays or incurs any expense or charge, or is subject to any tax, as a result of the observance or performance of its obligations hereunder, or in connection with the enforcement of the obligations of the Borrower hereunder, the Borrower shall upon demand by the Issuer promptly reimburse to the Issuer all such fees, charges, and taxes in full. Without limiting the generality of the foregoing, the Borrower shall pay to or for the account of the Issuer an amount of money equal to all of the out-of-pocket expenses and costs of the Issuer in connection with the issuance, sale, and delivery of the Bonds including without limitation all financing, legal, financial advisory, printing, and other expenses, fees, and costs in issuing the Bonds, plus an amount of money equal to any compensation paid to any employees of the Issuer for the time such employees have spent on activities relating to the issuance, sale, and delivery of Bonds.

Section 5.04 Directors, Officers, Employees, and Agents Exempt from Personal Liability.

This Loan Agreement is solely a corporate obligation of the Issuer and of the Borrower, respectively, and no recourse under or upon any obligation, covenant, or agreement of this Loan Agreement, or for any claim based hereon or otherwise in respect hereof, shall be had against any past, present, or future director, officer, employee, or agent, as such, of the Issuer or the Borrower or any successor, either directly or through the Issuer or the Borrower, whether by virtue of any constitution, statute, or rule of law, by the enforcement of any assignment or penalty, or otherwise. All such liability and claims against such persons are expressly waived by the parties hereto as a condition of, and in consideration for, the execution and delivery of this Loan Agreement.

Section 5.05 Indemnification.

A. THE BORROWER SHALL AND AGREES TO INDEMNIFY AND SAVE THE ISSUER, THE COUNTY, THE BOND TRUSTEE, AND THEIR DIRECTORS, COMMISSIONERS, OFFICERS, MEMBERS, AND EMPLOYEES HARMLESS AGAINST AND FROM ALL CLAIMS BY OR ON BEHALF OF ANY PERSON ARISING FROM THE CONDUCT OR MANAGEMENT OF OR FROM ANY WORK OR THING DONE ON THE PROJECT AND AGAINST AND FROM ALL CLAIMS ARISING FROM (i) ANY CONDITION OF OR OPERATION OF THE PROJECT, (ii) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THE BOND INDENTURE AND THE LOAN AGREEMENT (THE "BOND

88503053.6

15

CONNECTION WITH THE EXERCISE OR PERFORMANCE OR OMISSION OF ANY OF ITS POWERS OR DUTIES THEREUNDER.

E. THE BORROWER SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS THE ISSUER, THE COUNTY, AND THE BOND TRUSTEE AND THEIR DIRECTORS, COMMISSIONERS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY LOSS, LIABILITY, DEMAND, DAMAGE, COST, EXPENSE, CLAIM, CAUSE OR CAUSE OF ACTION (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES) ARISING OUT OF OR IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BONDS, INCLUDING, WITHOUT LIMITATION, ANY LOSS, LIABILITY, DAMAGE, COST, EXPENSE, OR CLAIM ARISING OUT OF OR RELATED TO AN ACTUAL OR ALLEGED UNTRUE STATEMENT OF A MATERIAL FACT CONTAINED IN ANY OFFERING DOCUMENT OR MATERIALS USED IN THE SALE OF THE BONDS, OR OTHERWISE MADE IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BONDS, OR AN ACTUAL OR ALLEGED OMISSION OF MATERIAL FACT NECESSARY IN ORDER TO MAKE ANY STATEMENTS CONTAINED IN THE OFFICIAL STATEMENT RELATING TO THE BONDS OR OTHERWISE MADE IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BONDS, IN LIGHT OF THE CIRCUMSTANCES IN WHICH SUCH STATEMENTS WERE MADE, NOT MISLEADING PROVIDING THAT SUCH INDEMNITY SHALL RELATE SOLELY TO MISREPRESENTATIONS AND OMISSIONS RELATING TO THE BORROWER AND THE PROJECT THAT ARE MADE WITH THE PRIOR KNOWLEDGE OF THE BORROWER.

F. Nothing contained in this Section shall require the Borrower to indemnify the Issuer or their officers, directors, members, or employees for any claim or liability which the Borrower was not given any opportunity to contest or for any settlement of any such action effected without the Borrower's consent. The indemnity of the Issuer and the Bond Trustee and their officers, directors, members, and employees contained in this Section shall survive the termination of this Loan Agreement and the resignation or removal of the Bond Trustee, the Paying Agent and the Bond Registrar.

Section 5.06 Modification of Bonds and Bond Indenture.

The Issuer shall not modify or supplement, or agree to the modification or supplementation of, the terms of the Bonds or the Bond Indenture except upon Borrower Consent.

Section 5.07 Maintenance of Tax-Exempt Status of Bonds.

The Borrower may, without being in default hereunder or under the Bond Indenture, fail to comply with any of the conditions or covenants of this Section but only to the extent disclosed in writing to the Bond Trustee and only to the extent such failure will not, in accordance with an Opinion of Counsel, adversely affect the exclusion of interest on any Bond from the gross income of the owner thereof for federal income tax purposes.

A. *General.* The Borrower shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. The Borrower and the Issuer shall execute such amendments herof and supplements hereto (and shall comply with the provisions thereof) as may, in the Opinion of Counsel, be necessary to preserve or perfect such exclusion. The Borrower shall comply with each specific covenant in this Section at all times prior to the last Maturity of the Bonds and, in the case of Section 5.07D, until compliance therewith in full, unless and until there shall have been delivered to the Bond Trustee and the Issuer an Opinion of Counsel to the effect that failure to comply with such covenant, either generally or to the extent stated therein, shall not adversely affect the excludability of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes, and thereafter

88503053.6

17

such covenant shall no longer be binding upon the Borrower, generally or to such extent as the case may be, anything in any other Subsection of this Section to the contrary notwithstanding.

B. *Warranty of Representations.* All representations, warranties, and certifications made by the Borrower in connection with the delivery of the Bonds on the Issue Date, including, but not limited to, those representations, warranties, and certifications contained in any Certificate Concerning Tax-Exempt Status executed by the Borrower, or any requisition delivered to the Bond Trustee directing or requesting the disbursement of money from the Proceeds Fund, are and shall be true, correct, and complete in all material respects.

C. *Exempt Organization.* The Borrower represents and warrants as follows:

1. its purposes, character, activities, and methods of operation have not changed materially since its organization and are not materially different from the purposes, character, activities, and methods of operation at the time of its determination by the Internal Revenue Service to be an organization described in section 501(c)(3) of the Code;
2. it has not diverted, and will not divert, a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated;
3. it has not operated, and will not operate, in a manner that would result in it being classified as an “action” organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;
4. none of its directors, officers, or incorporators, or any Person controlled by it, or any other Person having a personal or private interest in its activities has acquired or received, nor will such Persons be allowed to acquire or receive, directly or indirectly, without due compensation, goods, or services therefor, any of its income or assets, in any form, for its five most recent fiscal years or its current fiscal year, as of the effective date hereof, other than as reported to the Internal Revenue Service;
5. it is not a “private foundation” within the meaning of section 509(a) of the Code;
6. it has not received any indication or notice whatsoever to the effect that its exemption from federal income taxation under section 501(a) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;
7. it has timely filed and will timely file with the Internal Revenue Service all requests for determination, reports, and returns required to be filed by it, and such requests for determination, reports, and returns have not omitted or misstated any material fact;
8. it has not devoted and will not devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of section 501(c)(3) of the Code;
9. it has not taken any action, nor knows of any action that any other Person has taken, nor knows of the existence of any condition which would cause it to lose its exemption

88503053.6

18

research is owned by such Person, or if any license or other use of resulting technology is required to be made available to such Person or is made available to such Person on terms different from those on which the Borrower would permit such use by a non-sponsoring Person or for a non-competitive price or for a price determined before such technology becomes available for use, except that multiple, unrelated industry sponsors of such research may receive non-exclusive, royalty-free licenses to use any products of such research if the Borrower determines the research to be performed and the manner in which such research is to be performed and owns title to any patent or other product resulting incidentally therefrom and except as permitted by Revenue Procedure 2007-47; or

6. substantial benefits and burdens of ownership of such property are otherwise effectively transferred to such Person;

but the temporary investment of amounts held for the credit of any fund or account established under the Bond Indenture in accordance with the applicable provisions thereof pending use of such amounts for their intended purpose shall not constitute “use” of property or a “loan” of proceeds. For purposes of this Subsection, proceeds are considered to be “loaned” to a Person if

- (a) property financed with proceeds of the Bonds or any income from the investment thereof with proceeds of the Bonds is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes;
- (b) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement; or
- (c) indirect benefits, or burdens and benefits of ownership, of such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan,

and the amount of any such “loan” is the cost of such property refinanced with proceeds or investment income of the Bonds.

H. *Residential Rental Housing.* The first use of any residential rental property for family units (as such term is used under section 145(d) of the Code) refinanced with proceeds of the Bonds was pursuant to such issue (within the meaning of section 145(d) of the Code).

I. *Prohibition on Certain Uses.* The Borrower shall not use or permit the use of any proceeds of the Bonds or any income from the investment thereof

1. *Prohibited Facilities:* to refinance any airplane, skybox, or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises, or
2. *Costs of Issuance:* to pay or otherwise finance costs of issuance of the Bonds (e.g., underwriting compensation, trustee and rating agency fees, printing costs, Issuer fees, and fees and expenses of counsel) in an amount which exceeds 2% of the proceeds (exclusive of accrued interest) of the Bonds.

J. *Not to Cause Classification as Arbitrage Bonds or Hedge Bonds.* The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Bonds or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted,

88503053.6

20

from federal income taxation under section 501(a) of the Code or cause interest on the Bonds to be includable in the income of the recipients thereof for federal income tax purposes; and

10. neither it nor a related person within the meaning of section 147(a) of the Code will, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of the loan entered into pursuant to this Loan Agreement.

D. *Weighted Average Maturity of the Bonds.* The weighted average maturity, calculated in accordance with section 147(b) of the Code, of the Bonds does not exceed 120 percent of the average reasonably expected remaining economic life of the Project, calculated in accordance with section 147(b) of the Code, and proceeds of the Bonds.

E. *Maintenance of Tax-Exempt Status of the Borrower.* The Borrower shall be organized and shall conduct its operations in such a manner so as to qualify as an organization described in section 501(c)(3) of the Code.

F. *Ownership by Exempt Person.* The Borrower shall (or shall cause one or more other Exempt Persons to) own all portions of the Project at all times prior to the final Maturity of the Bonds.

G. *Limited Non-Exempt Use or Loan of Bond Proceeds.* The Borrower shall not use or permit the use of any proceeds of the Bonds, or any income from the investment thereof or any property refinanced with such proceeds or income, in any trade or business carried on by any Person which is not an Exempt Person or, if by an Exempt Person, in any unrelated trade or business, as defined in section 513(a) of the Code, if the amount of such proceeds, income, or property so used or portions thereof so used in the aggregate, when added to the cost of issuance financed directly or indirectly with such Bond proceeds, exceeds 5% of the Net Proceeds of such Bonds. The Borrower shall not permit the direct or indirect loan of any proceeds, income, or property to any Person other than an Exempt Person or to any Person which is an Exempt Person for use in an unrelated trade or business, as defined in section 513(a) of the Code if the amount of such proceeds, income, or property so used or loaned in the aggregate exceeds the lesser of \$5,000,000 or 5% of the Net Proceeds of the Bonds. For purposes of this Subsection, proceeds of the Bonds are considered to be “used” by a Person if

1. property refinanced with proceeds of the Bonds is sold, or otherwise disposed of, or leased to such Person;
2. such property is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the guidelines set forth in Revenue Procedure 97-13, as modified by Revenue Procedure 2001-39, or Revenue Procedure 2017-13, as applicable, including any amendments or revisions thereto;
3. capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement; or
4. such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally; or
5. such property is used to perform research pursuant to an agreement with a Person other than a governmental unit, if any portion of any patent that may result incidentally from such

88503053.6

19

respectively, would cause any Bond to be classified as an “arbitrage bond” within the meaning of section 148 of the Code or a “hedge bond” within the meaning of section 149 of the Code.

K. *Not to Create Gross Proceeds.* Except as provided in the Bond Indenture or Section 3.02 thereof, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of the Loan Payments, the Note, or the Bonds, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any Loan Payment or the Note in advance of the Redemption Date of an equal principal amount of Bonds, unless in each case in the Opinion of Counsel such action will not adversely affect the excludability of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes.

L. *Not to Invest at Higher Yield.* Except as permitted by the Regulations or as provided in the Issuer’s Certificate as to Tax Exemption, neither the Issuer nor the Borrower shall (and neither shall direct, and the Borrower shall not permit, the Bond Trustee to) invest Gross Proceeds of the Bonds in any Taxable Investment (or use Gross Proceeds of the Bonds to replace money so invested or deposit Taxable Investments to the Bond Fund or the Proceeds Fund), at any time prior to the final maturity of the Bonds, if as a result of such investment the Yield of all Taxable Investments acquired with (or representing an investment of) Gross Proceeds of the Bonds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Bonds.

M. *No Federal Guarantees.* Except to the extent permitted by section 149(b) of the Code and the regulations and rulings thereunder, neither the Issuer nor the Borrower shall direct or itself take any action or omit to take any action within its control which, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” in the meaning of section 149(b) of the Code and the regulations and rulings thereunder.

N. *No Instruction to Divert Arbitrage Profits.* The Borrower shall not direct or instruct the Bond Trustee to invest Gross Proceeds of the Bonds in any manner which is inconsistent with the Bond Indenture.

O. *Rebate of Arbitrage Profits.*

1. *Deliver Documents and Money on Computation Dates.* As additional consideration for the purchase of the Bonds by the purchaser thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to insure the excludability from gross income of the interest thereof for federal income tax purposes, the Borrower shall deliver to the Bond Trustee, within 55 days after each Computation Date,

(a) a statement, signed by the chief financial officer of the Borrower, a certified public accountant, a nationally recognized financial advisory firm, or financial institution satisfactory to the Bond Trustee, stating the applicable portion of the Rebate Amount as of such Computation Date which must be paid over to the United States of America under section 148(f) of the Code and Section 148-3(f) of the Regulations,

(b) either (i) an amount which, together with the amount then held for the credit of the Rebate Fund, is equal to the amount then elected by the Borrower to be paid by the Issuer in respect of such Computation Date pursuant to the Indenture, which aggregate amount shall not be less than, when added to the future value of previous rebate payments made for the Bonds, the sum of 90% of the Rebate Amount as of such Computation Date and, if such Computation Date is the last Computation Date, 100% of

88503053.6

21

the Rebate Amount or (ii) a Borrower Request to transfer from the Proceeds Fund to the Rebate Fund an amount which does not exceed the balance of the Proceeds Fund and which, together with the amount then held for the credit of the Rebate Fund, is equal to the aggregate amount specified in the immediately preceding Clause (i), and

(c) an Internal Revenue Service Form 8038-T completed as of such Computation Date and such other forms or statements required by the Code, Regulations, or other administrative guidelines.

2. If the Borrower shall discover or be notified as of any date that any payment made to the United States Treasury pursuant to the Indenture shall have failed to satisfy any requirement of section 148 of the Code or Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Borrower, the Issuer, or the Bond Trustee), the Borrower shall (i) deliver to the Bond Trustee a brief written explanation of such failure and any basis for concluding that such failure was innocent and was not caused by willful neglect and (ii) pay to the Bond Trustee (for deposit to the Rebate Fund) and cause the Bond Trustee to pay to the United States Treasury from the Rebate Fund, within 60 days after such discovery or notice, any additional amount due, including any additional Rebate Amount, interest thereon and any penalty imposed under Regulation Section 1.148-3(h), together with the explanation described in the immediately preceding Clause (i) and the other documents required by the Bond Indenture to accompany such payment from the Rebate Fund.

3. *Preservation of Accounting Records.* The Borrower shall retain as part of the official transcript all of its accounting records relating to the Bond Fund, the Proceeds Fund, and the Rebate Fund and all calculations made in preparing the statements described in Subsection (1) of this Section for at least six (6) years after the final Maturity of the Bonds.

4. *The Borrower Authorized to Act on Behalf of Issuer.* The Issuer hereby authorizes the Borrower to exercise, on behalf of the Issuer, any election pursuant to section 148 of the Code and the regulations thereunder and the Issuer will cooperate with the Borrower and execute any form or statement required by such Regulations to perfect any such election. The Issuer shall maintain any such election which is provided to it as well as this Loan Agreement as part of the official transcript of proceedings relating to the issuance of the Bonds until six (6) years after the final Computation Date.

5. *No Liability of Bond Trustee.* The Bond Trustee shall not be liable for any calculations or representations made by the Borrower pursuant to this Section 5.07O.

P. *No Instruction to Invest at Guaranteed Yield.* The Borrower shall not direct or instruct the Trustee to invest money held under the Bond Indenture, or for the credit of any escrow for Bonds described in the Indenture, in any Taxable Investments:

Off-Market: for which there is not an established market (except obligations purchased from the United States Treasury) or otherwise enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 5.07O because such transaction results in a smaller profit or a larger loss than would have resulted had the Yield on the Bonds or the Taxable Investments not been relevant to either party, or

Hedge: in an amount which exceeds 50% of such Gross Proceeds if such Taxable Investments assure a substantially guaranteed yield for four (4) years or more.

88503053.6

22

Section 5.10 Duties and Obligations Under Bond Indenture.

The Borrower hereby consents to the Issuer's and the Bond Trustee's execution and delivery of the Bond Indenture, and the Borrower agrees to carry out any and all duties and obligations of the Borrower set forth under the Bond Indenture. The Borrower hereby agrees that The Bank of New York Mellon Trust Company, National Association shall serve as the Bond Trustee and as a Paying Agent for the Bonds.

* * *

88503053.6

24

Q. *To Provide Information for Form 8038.* The Borrower shall timely and accurately provide to the Issuer all information required by section 149 of the Code to be filed with respect to the Bonds.

R. *Contributions.* The Borrower shall neither solicit nor accept contributions to the Borrower restricted to (or expressly made for the purpose of) payment of Costs of the Project to the extent, but only to the extent, the cumulative amount of such contributions received subsequent to the date of authentication and delivery of the Bonds to the date of such receipt exceeds the difference between (1) the Costs of the Project incurred to the date of such receipt or expected or budgeted by the Borrower to be incurred thereafter, and (2) the amount of proceeds of sale of the Bonds, including income from the investment thereof, previously expended or then expended or budgeted by the Borrower to be thereafter available for and expended for such purpose.

S. *IRS Examination.* The Borrower acknowledges that, in the event of an examination by the Internal Revenue Service of the exclusion of interest on the Bonds from the gross income of the owners thereof for federal tax purposes, the Issuer will likely be treated as the "taxpayer", and the Borrower agrees to respond in a commercially reasonable manner on behalf of, and at the direction of, the Issuer to such examination and to pay the costs of the counsel selected by the Issuer to provide a defense regarding the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. **PURSUANT TO SECTION 5.05 OF THIS LOAN AGREEMENT, THE BORROWER SHALL INDEMNIFY AND HOLD HARMLESS THE ISSUER AND THE BOND TRUSTEE AGAINST ANY AND ALL COSTS, LOSSES, CLAIMS, DAMAGES, OR LIABILITY OF, OR RESULTING FROM, SUCH AN EXAMINATION, INCLUDING THE COST OF THE ISSUER'S AND THE BOND TRUSTEE'S LEGAL COUNSEL AND THE SETTLEMENT THEREOF BY THE ISSUER AND THE BOND TRUSTEE.**

Section 5.08 Authorization to Act for Issuer.

The Issuer hereby authorizes the Borrower to take on behalf of the Issuer all actions required or permitted to be taken by it hereunder or under the Bond Indenture and to make on behalf of the Issuer all elections and determinations (except with respect to the Issuer's rights under Sections 5.05 and 5.07 of this Loan Agreement and Articles V, VI, and IX of the Bond Indenture) required or permitted to be made by the Issuer hereunder or under the Bond Indenture.

Section 5.09 Statement as to Compliance.

The Borrower will deliver to the Bond Trustee, within 150 days after the end of each fiscal year of the Borrower, an Officer's Certificate stating that

A. a review of the activities of such Borrower during such year and of performance under this Loan Agreement has been made, and

B. to the best of the signer's knowledge, based on such review, such Borrower has fulfilled all its obligations hereunder throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known and the nature and status thereof.

Promptly after any officer of the Borrower becomes aware of a default hereunder, such member will deliver to the Bond Trustee a written notice specifying the nature and period of existence thereof and the action such Person is taking and proposes to take with respect thereto.

88503053.6

23

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS WRITTEN AGREEMENT, TOGETHER WITH ALL DOCUMENTS, CERTIFICATES, AND OTHER INSTRUMENTS DESCRIBED OR CONTEMPLATED HEREIN (TO THE EXTENT APPLICABLE TO THE SUBJECT MATTER HEREOF), REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN OR AMONG THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed as of the day and year first above written.

**BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION**

By: _____
Assistant Secretary

**ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION**

By: _____
Title: _____

88503053.6

S-1

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project is located at 7400 Crestway Drive, San Antonio, Texas 78239 and on a 75-acre tract north of Colonial Chapelhill Funeral Home, south of Miller Road, and with a western boundary formed by a utility easement running generally along Glenn Mount Road, San Antonio, Texas 78239.

2007 Project

Expand, renovate, and equip the Army Residence Community, including (i) construct a geriatric-focused gym; (ii) expand administrative offices; (iii) remove and relocate existing tennis courts; (iv) construct a "Bistro" style dining facility; (v) reimburse the Foundation for previous expenditures relating to a purchase of land and improvements to boiler room and energy efficiency of the Community; and (vi) construct projects on undeveloped land, including walk and bike paths.

2012-1 and 2012-2 Project

Expand, renovate and equip the Army Residence Community including: (i) construction of 28 independent living units and (ii) furniture, fixtures, and equipment for retirement facilities.

[THIS PAGE INTENTIONALLY LEFT BLANK]

88503053.6

A-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROPOSED FORM

ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION

and

THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO,
as, together, the Co-Obligor

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Master Trustee

MASTER INDENTURE SUPPLEMENT NO. 4

Dated as of February 1, 2018

relating to

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS
(ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT)
SERIES 2018

88543806.9

WHEREAS, pursuant to a Loan Agreement dated as of February 1, 2018 (the "Loan Agreement"), between the Supporting Foundation and the Issuer, the Supporting Foundation has agreed to issue the additional Secured Debt (the "Secured Debt") created by this Supplemental Indenture (this Supplemental Indenture together with Original Master Indenture, the "Master Indenture") to evidence the obligation of the Supporting Foundation to make the payments required under the Loan Agreement; and

WHEREAS, in connection with the delivery of the Secured Debt hereunder, the Co-Obligors have deemed it necessary and advisable to enter into certain covenants contained herein; and

WHEREAS, the Co-Obligors are authorized by law and by the Original Master Indenture (pursuant to Sections 6.01B, 6.01C, 6.01G, and 6.02 thereof), and deem it necessary and desirable, to issue and deliver the Secured Debt pursuant to the Original Master Indenture; and

WHEREAS, the Holder of the Series 2018 Note is deemed to have consented to the terms hereof, including but not limited to the amendments set forth in Article III, on behalf of the owners of the Series 2018 Bonds by its execution of this Supplemental Indenture and acceptance of the Series 2018 Note; and

WHEREAS, pursuant to the terms of the Master Indenture, both of the Co-Obligors and any additional Co-Obligor will be jointly and severally liable for payment of the Secured Debt; and

WHEREAS, all acts and things necessary to make the Secured Debt authorized by this Supplemental Indenture, when executed by the Co-Obligors and authenticated and delivered by the Master Trustee as provided in the Master Indenture, the valid, binding and legal obligation of the Co-Obligors, and to constitute these presents, together with the Original Master Indenture, a valid indenture and agreement according to its terms and the terms of the Master Indenture, have been done and performed and the execution of this Supplemental Indenture and the issue hereunder and under the Original Master Indenture of the Secured Debt created by this Supplemental Indenture have in all respects been duly authorized, and the Co-Obligors, in the exercise of the legal right and power vested in them, execute this Supplemental Indenture and propose to make, execute, issue and deliver the Secured Debt created hereby; and

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That, in order to declare the terms and conditions upon which the Secured Debt authorized hereby is authenticated, issued, and delivered, and in consideration of the premises and the purchase and acceptance of the Secured Debt created hereby by the holder thereof and, in order to add security under the Original Master Indenture, the Co-Obligors covenant and agree with the Master Trustee as follows:

88543806.9

-2-

MASTER INDENTURE SUPPLEMENT NO. 4

THIS MASTER INDENTURE SUPPLEMENT NO. 4 dated as of February 1, 2018 (this "Supplemental Indenture") is between **ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION** (the "Supporting Foundation") and **THE ARMY RETIREMENT RESIDENCE FOUNDATION-SAN ANTONIO** (together with the Supporting Foundation, the "Co-Obligors") and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (formerly known as The Bank of New York Trust Company, N.A.), a national banking association, as trustee (the "Master Trustee"),

WITNESSETH:

WHEREAS, the Co-Obligors and the Master Trustee have entered into a Master Indenture of Trust and Security Agreement dated as of January 1, 2007 (the "Original Master Indenture"), relating to the real property described on Exhibit A; and

WHEREAS, the Bexar County Health Facilities Development Corporation (the "Issuer") has previously issued its Refunding Revenue Bonds (Army Retirement Residence Foundation Project) Series 2007 in the initial aggregate principal amount of \$27,010,000 (the "Series 2007 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of January 1, 2007 between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee, to finance and refinance the cost of certain health facilities for the Co-Obligors; and

WHEREAS, in connection with the Series 2007 Bonds, the Co-Obligors entered into related Secured Debt under the Original Master Indenture; and

WHEREAS, in 2008, the Co-Obligors entered into additional Secured Debt under the Original Master Indenture in connection with an interest rate swap transaction which has been terminated; and

WHEREAS, pursuant to Section 8.07C of the Original Master Indenture, the Issuer has previously issued its Revenue Bonds (Army Retirement Residence Foundation Project) Series 2012 in the initial aggregate principal amount of \$15,680,000 (the "Series 2012 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of November 1, 2012 between the Issuer and Wells Fargo Bank, National Association, as trustee, to finance the cost of certain health facilities located in Bexar County, Texas (the "Series 2012 Project"), to pay capitalized interest on the Series 2012 Bonds, to fund a debt service reserve fund for the Series 2012 Bonds, and to pay a portion of the cost of issuance of the Series 2012 Bonds; and

WHEREAS, pursuant to Section 8.07C of the Original Master Indenture, the Issuer is issuing its Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 in the initial aggregate principal amount of \$28,540,000 (the "Series 2018 Bonds") under a Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 (the "Bond Indenture") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Bond Trustee"), to currently refund the Series 2007 Bonds and the Series 2012 Bonds (the "Series 2018 Project") and to pay all or a portion of the cost of issuance of the Series 2018 Bonds; and

88543806.9

ARTICLE I

DEFINITION OF TERMS

Section 1.01 The terms used in this Supplemental Indenture shall, except otherwise stated herein, have the meanings assigned to them in the Original Master Indenture.

ARTICLE II

SERIES 2018 NOTE AND RELATED MATTERS

Section 2.01 There is hereby created as Secured Debt under the Original Master Indenture a promissory note to be known and entitled Army Retirement Residence Foundation Project Series 2018 Note (the "Series 2018 Note"). The Series 2018 Note, in the initial principal amount of \$28,540,000, may be executed, authenticated, and delivered in accordance with Article II of the Original Master Indenture.

Section 2.02 The Series 2018 Note created hereby shall be in the form of a fully registered Secured Debt without coupons, shall be dated as of February 1, 2018, shall bear interest from the date of its delivery on the principal balance thereof in the amount set forth in the Series 2018 Note, payable on or before January 15 and July 15 of each year, commencing July 15, 2018, and shall be substantially in the form attached hereto as Exhibit B.

Section 2.03 The Series 2018 Note created hereby and its principal installments shall be subject to prepayment, in whole at any time, or in part from time to time at the option of the Co-Obligors upon payment of a sum, in cash and/or obligations, sufficient, together with any other cash and/or obligations held by the Bond Trustee and available for such purpose, to cause an equal aggregate principal amount of Outstanding Series 2018 Bonds to be deemed to have been paid within the meaning of Section 5.02 of the Bond Indenture, and to pay all fees, costs and expenses of the Issuer, the Master Trustee, and the Bond Trustee, accrued and to be accrued to the date of discharge of the Bond Indenture with respect to such Series 2018 Bonds. Any prepayment of the principal of the Series 2018 Note shall be credited against the scheduled principal payment corresponding to the maturity or sinking fund redemption date for the Series 2018 Bonds redeemed with the proceeds of such prepayment.

Section 2.04 The Series 2018 Note created hereby and its principal installments shall also be subject to prepayment as set forth in Section 3.04A3 of the Loan Agreement.

Section 2.05 If the Co-Obligors (i) shall have elected to apply the Series 2018 Bonds that have been redeemed or otherwise acquired by the Co-Obligors or the Issuer and delivered to the Bond Trustee for cancellation by the Bond Trustee, in payment of all or a part of a sinking fund requirement under the Bond Indenture, (ii) shall have delivered written notice to the Issuer and a copy thereof to the Bond Trustee in accordance with the provisions of Section 5.02 of the Bond Indenture, and (iii) the Issuer shall have received a credit against such sinking fund requirement in the amount of 100% of the principal amount of the Series 2018 Bonds thus applied, then the Bond Trustee shall promptly notify the Master Trustee, whereupon the Co-Obligors shall receive a credit, equal to the credit received by the Issuer, in respect of the

88543806.9

-3-

payment of principal due on the Series 2018 Note on the same date as the sinking fund payment date under the Bond Indenture for the sinking fund requirement in payment of which the Series 2018 Bonds have been applied, and the principal amount of the Series 2018 Note created hereby due on such date will be reduced accordingly.

Section 2.06 If the Co-Obligor shall have complied with the notice requirements of the Loan Agreement, the Series 2018 Note or portion thereof specified in such notice shall become due and payable on the date and at the place stated in such notice at the principal amount thereof, together with interest thereon accrued and unpaid to the date fixed for prepayment or redemption, and on and after such date fixed for prepayment or redemption (unless the Co-Obligor shall default in the payment of the Series 2018 Note at the prepayment or redemption price, together with interest accrued and unpaid to the date fixed for prepayment or redemption), interest on the Series 2018 Note or portion thereof so called for prepayment or redemption shall cease to accrue.

Section 2.07 In the event of a partial prepayment of the Series 2018 Note, the amount of installments of such Series 2018 Note coming due after such prepayment shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted and set forth in a new schedule of payments prepared by certified public accountants so that, upon the due payment of all installments thereafter, the entire unpaid principal amount of and interest on such Series 2018 Note shall have been paid in full.

Section 2.08 To the extent provided in the Bond Indenture, the Co-Obligors shall receive a cash credit against the interest obligations on the Series 2018 Note, on a proportionate basis, on any interest payment date equal to the difference between amounts required to be paid on any interest payment date and amounts on deposit in the Bond Fund pursuant to the Bond Indenture that is not to be released to the Supporting Foundation.

Section 2.09 The place of payment for the Series 2018 Note shall be the Dallas, Texas corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Bond Trustee with respect to the Series 2018 Bonds.

[The remainder of this page intentionally left blank.]

88543806.9

-4-

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

**ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION,**
as Co-Obligor

By: _____
Title: _____

**THE ARMY RETIREMENT RESIDENCE
FOUNDATION-SAN ANTONIO,**
as Co-Obligor

By: _____
Title: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,** as Master Trustee

By: _____
Authorized Signatory

88543806.9

S-1

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the ____ day of February, 2018, by _____, the _____ of Army Retirement Residence Supporting Foundation, a Texas non-profit corporation on behalf of such corporation.

(SEAL)

Notary Public in and for the State of Texas

(Printed Name of Notary)

My commission expires: _____

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the ____ day of February, 2018, by _____, the _____ of The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation on behalf of such corporation.

(SEAL)

Notary Public in and for the State of Texas

(Printed Name of Notary)

My commission expires: _____

88543806.9

S-2

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the ____ day of February, 2018, by Rebecca A. Newman, a Vice President of The Bank of New York Mellon Trust Company, N.A., a national banking association, on behalf of such association.

(SEAL)

Notary Public in and for the State of Texas

(Printed Name of Notary)

My commission expires: _____

88543806.9

S-3

EXHIBIT A

REAL PROPERTY

Tract I:

Being a 44.74 acre tract (1,948,710 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract No. 34, County Block 5073, Bexar County, Texas, being comprised of a 6.0300 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Real Property Records of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from the County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas, a part of a 75.00 acre tract conveyed from RDJ Wag, LLC et al to the Army Retirement Residence Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas, and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas, said 44.74 acre tract being more particularly described in Exhibit "A-1", attached hereto and made a part hereof;

SAVE AND EXCEPT:

Parcel A, being a 2.259 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 2.259 acre tract being more particularly described in Exhibit "A-2", attached hereto and made a part hereof;

AND SAVE AND EXCEPT:

Parcel B, being a 6.073 acre tract out of the William Winford Survey No. 326, Abstract No. 798, Bexar County, Texas, said 6.073 acre tract being more particularly described in Exhibit "A-3", attached hereto and made a part hereof.

Tract II: Being a 44.70 acre tract (1,947,290 square feet) of land out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract No. 367, County Block 5072 and 5073, Bexar County, Texas, comprised of part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al, to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Real Property Records of Bexar County, Texas and corrected in Volume 12737, Page 892, Real Property Records of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Real Property Records of Bexar County, Texas; said 44.70 acre tract being more particularly described in Exhibit A-4, attached hereto and made a part hereof;

SAVE AND EXCEPT:

Parcel C, being a 0.1611 acre tract of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas, said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract III: Lot 2, Block 1, Army Retirement Community Unit-2 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9515, Page 96-97, Deed and Plat Records of Bexar County, Texas.

Tract IV: Lot 3, Block 1, Army Retirement Community Unit 3 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9524, Page 130, Deed and Plat Records of Bexar County, Texas.

Tract V: Lot 4, Block 1, Army Retirement Community Unit 4 Subdivision, Bexar County, Texas, according to plat thereof recorded in Volume 9538, Page 58, Deed and Plat Records of Bexar County, Texas.

Tract VI: A tract of land containing 2.259 acres, more or less, out of a 3.5402 acre tract, being out of the William Winford Survey No. 326, Abstract No. 793, Bexar County, Texas; said 2.259 acre tract being more particularly described in Exhibit A-2, attached hereto and made a part hereof.

Tract VII: A tract of land containing 0.1611 acres, more or less, being out of the Charles Irwin Survey No. 43, Abstract No. 367, Bexar County, Texas; said 0.1611 acre tract being more particularly described in Exhibit A-5, attached hereto and made a part hereof.

Tract VIII: A 6.073 acre (264,544 square feet) tract, more or less, out of the William Winford Survey No. 326, Abstract No. 798, County Block 5051, Bexar County, Texas comprised of a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, and a 0.644 acre tract known as P-7H in County Block 5073, conveyed from Bexar County to The Army Retirement Residence Foundation-SA by deed recorded in Volume 8698, Page 733, Real Property Records of Bexar County, Texas; said 6.073 acre tract being more particularly described in Exhibit A-3, attached hereto and made a part hereof.

[The remainder of the page intentionally blank]

88543806.9

A-1

88543806.9

A-2

EXHIBIT A-1

TRACT I

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description

Tract 1, 44.74 acres out of the William Winford Survey No. 326, Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract 34, County Block 5073, Bexar County, Texas

Being a 44.74 acre tract (1,948,710 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 798, County Block 5051, and out of the Thomas Hall Survey No. 42, Abstract 34, County Block 5073, Bexar County, Texas being comprised of a 6.0300 acre tract conveyed from Max Martinez Funeral Home to Army Retirement Residence Foundation, San Antonio, Inc. by General Warranty Deed recorded in Volume 8278, Page 1241, Official Public Records of Real Property of Bexar County, Texas, a 2.224 acre tract known as Tract 32 in County Block 5051A, Tract 10B and 11C in County Block 5051B, a 0.644 acre tract known as P-7H in County Block 5073, all conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 8698, Page 733, Official Public Records of Real Property of Bexar County, Texas, part of a 75.00 acre tract conveyed from RDJ Wag, LLC, et al to the Army Retirement Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 529, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a 2.259 acre tract, known as Tract 1, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14216, Page 1178, Official Public Records of Real Property of Bexar County, Texas, said 44.74 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at said 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the south right-of-way line (ROW) of Miller Road (80' ROW), said point also being the northeast corner of Lot 15, Block 15, NCB 19956, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 8698, Page 733, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 103 for the Northwest corner of the herein described tract;

THENCE, South 73° 28' 43" East, along the common line of said Miller Road and said Tract 108 and Tract 110, a distance of 315.00 feet to a found 1/2" iron rod with cap stamped "RPLS 4302" at the Northeast corner of said Tract 110, same point also being at the northwest corner of said 6.0300 acre tract, for a corner of the herein described tract;

THENCE, South 74° 27' 38" East, along the common line of said Miller Road and said 6.0300 acre tract, at a distance of 862.20 feet, passing a found 1/2" iron rod with cap stamped "Projean" at the northeast corner of said 6.0300 acre tract, same point also being the northwest corner of said 75.00 acre tract, continuing along the common line of said Miller Road and 75.00 acre tract, a total distance of 578.02 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the northernmost northeast corner of the herein described tract, said corner being the northwest corner of Tract 2 a 44.70 acre tract surveyed the same date;

EXHIBIT A-1
Page 1 of 3

EWPS11281011.001M8B ARC 44-74 acre

12940 Country Parkway • San Antonio, Texas 78216 • 210-340-9271 • FAX 210-349-2511

88543806.9

A-1-1

THENCE, leaving said Miller Rd ROW, across said 75.00 acre tract and partially along a common line with said Tract 2 the following three (3) calls:

South 15° 32' 22" West, a distance, 315.00 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2;

South 74° 27' 14" East, a distance of 858.40 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." for a corner of the herein described tract, a common corner with Tract 2; and

South 15° 32' 45" West, at 862.28 feet passing the common northern corner of a 2.259 acre tract, recorded in Volume 14216, Page 1178, Official Public Records of Real Property, Bexar County, Texas, a remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 892, Official Public Records of Real Property of Bexar County, Texas, and a section corner of Tract 2; continuing for a total distance of 867.05 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the southwest corner of said 2.259 acre tract, same point also being the southwest corner of said remaining portion of a 3.5402 acre tract and also being on the north line of Lot 24, Block 13, East Village Subdivision, Unit 41 as shown on plat recorded in Volume 8698, Page 733, Deed and Plat Records of Bexar County, Texas, for the most southeast corner of the herein described tract;

THENCE, North 75° 11' 08" West, along the common line of said 2.259 acre tract and Lots 19 thru 24, in said East Village Subdivision, Unit 41, at a distance of 268.03 feet passing the southwest corner of said 2.259 acre tract, same point also being a south corner of said 75.00 acre tract, continuing along the common line of said 75.00 acre tract and Lots 11-19, in said East Village Subdivision, Unit 41 and Lots 1-10, Block 13, in East Village Subdivision, Unit 40, as shown on plat recorded in Volume 8698, Page 733, Deed and Plat Records of Bexar County, Texas, a total distance of 1413.00 feet to a set map nail at the northwest corner of said Lot 1, same point also being the northeast corner for said Lot P-7H, for a corner of the herein described tract;

THENCE, South 02° 19' 16" West, departing the south line of said 75.00 acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.67 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of Glenn Heights Drive (80' ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for a corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) calls:

North 75° 11' 08" West, a distance of 257.50 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

EXHIBIT A-1
Page 2 of 3

EWPS11281011.001M8B ARC 44-74 acre

Page 2 of 3

88543806.9

A-1-2

TRACT I SAVE AND EXCEPT PARCEL & TRACT VI

METES AND BOUNDS DESCRIPTION
2,259-ACRE TRACT OUT OF THE WILLIAM WINFORD SURVEY NO. 325,
ABSTRACT NO. 793, COUNTY BLOCK 6061, BEXAR COUNTY, TEXAS

Being a 2,259-acre (88,400 square feet) tract out of a 3,5402-acre tract of land out of the William Winford Survey No. 325, Abstract 793, County Block 6061, Bexar County, Texas, said 3,5402-acre tract being that same tract described in Corrective Special Warranty 1965 recorded in Volume 12737, Page 673, Official Public Records of Real Property of Bexar County, Texas. Said 2,259-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.26-acre tract described in Volume 12737, Page 673, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 652, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.26-acre tract and 75.00-acre tract, N74°27'14"W, 425.30', S15°32'48"W, 182.57', N74°27'14"W, 73.40', S15°32'48"W, 163.55' to a point on the north line of a 55.2518-acre tract recorded in Volume 12737, Page 673, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00-acre tract and said 55.2518-acre tract, N73°15'55"W, 417.58', N15°32'48"E, 214.97', N75°18'36"W, 495.03', S15°32'48"W, 161.85', N75°18'36"W, 531.24', S15°32'48"W, 93.00', N74°27'14"W, at 257.48 feet paing the northeast corner of said 3,5402-acre tract, continuing along the common line of said 3,5402-acre tract and 75.00-acre tract, a true distance of 865.00' to a found 1/2" iron rod with cap stamped "VICKREY PROP. COR." for the POINT OF BEGINNING and northwest corner of said 3,5402-acre tract and the herein described tract;

Thence, S74°27'14"E, returning along said common line, a distance of 285.51 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." for the northeast corner of the herein described tract;

Thence, S15°32'48"W, departing said common line, into and across said 3,5402-acre tract, a distance of 394.77 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." at the common line of said 3,5402-acre tract and Lot 24, Block 13, East Village Subdivision, Unit 41, as shown on plat recorded in Volume 6932, Page 257, Deed and Plat Records of Bexar County, Texas, for the southeast corner of the herein described tract;

Thence, N75°18'36"W, along the common line of said 3,5402-acre tract and Lots 19-24, in said Block 13, a distance of 206.09 feet to a set 1/2" iron rod with cap stamped "VICKREY PROP. COR." on the north line of said Lot 19, same point being a corner of said 75.00-acre tract, for the southwest corner of said 3,5402-acre tract and the herein described tract;

Thence, N15°32'48"E, along the common line of said 3,5402-acre tract and said 75.00-acre tract, a distance of 365.20 feet to the POINT OF BEGINNING, containing 2,259 acres (88,400 square feet) of land, more or less.

along said curve to the right a distance of 6.78 feet, with a radius of 6.00 feet, a central angle of 77°39'44", and a chord bearing a distance of North 35°21'17" West, 8.27 feet to a set 3/4" iron rod with cap stamped "Vickrey Prop. Cor." at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50' ROW), for the most southwesterly corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 255.89 feet to a found 5/8" iron rod at the southwest corner of Lot 1, Block 16, NCB 15958, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 87°31'25" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set 3/4" iron rod with cap stamped "Vickrey Prop. Cor." at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of Lots 1 thru 18, Block 15, NCB 15958, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 105, a distance of 1168.61 feet to the POINT OF BEGINNING containing 44.74 acres (1,648,719 square feet) of land, more or less.

V&A Job No. 1281
JD m&b 1,648,710 sq. ft.
February 1, 2010

Certified this 1st day of February, 2010

John F. Dehen, R.P.L.S.
John F. Dehen, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 3042
Vickrey & Associates, Inc.



EXHIBIT A1
Page 3 of 3

HWPS11281011.001W&B ARC 44.74 acres

Page 3 of 3

88543806.9

A-1-3

88543806.9

A-2-1

EXHIBIT A-3

TRACT I SAVE AND EXCEPT PARCEL & TRACT VIII

VICKREY & ASSOCIATES, Inc.
CONSULTING ENGINEERS

Metes and Bounds Description
for
6.073 acres out of the William Winford Survey No. 328,
Abstract 791, County Block 6051, Bexar County, Texas

Being a 6.073-acre (264,544 sq. ft.) tract of land out of the William Winford Survey No. 328, Abstract 791, County Block 6051, Bexar County, Texas, being comprised of a 2,259-acre tract known as Tract 32 in County Block 6051A, Tract 105 and 110 in County Block 6051B, and a 0.644-acre tract known as P-7H in County Block 6073, conveyed from County of Bexar to the Army Retirement Residence Foundation by deed recorded in Volume 6932, Page 257, Official Public Records of Real Property of Bexar County, Texas. Said 6.073-acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the south right-of-way (ROW) line of Miller Road (60' ROW), said point also being the northeast corner of Lot 16, Block 13, NCB 15953, East Village Subdivision, Unit 42, as shown on plat recorded in Volume 6932, Page 257, Deed and Plat Records of Bexar County, Texas, same point also being the northwest corner of said Tract 105 for the northeast corner of the herein described tract;

THENCE, South 73°09'43" East, along the common line of said Miller Road and said Tract 105 and Tract 110, a distance of 318.05 feet to a found 1/2" iron rod with cap stamped "NPLS 4550", at the northeast corner of said Tract 110, same point also being at the northwest corner of a 6.000-acre tract recorded in Volume 6932, Page 257, Deed and Plat Records of Real Property of Bexar County, Texas, for the northeast corner of the herein described tract;

THENCE, South 15°32'19" W, departing said common line and along the common line of said Tract 110, Tract 32, and 6.000-acre tract, at a distance of 882.20 feet, passing the southwest corner of said 6.000-acre tract, same point also being a corner for a 75.00-acre tract recorded in Volume 12737, Page 652, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said Tract 32 and 75.00-acre tract, a total distance of 1301.62 feet to a found 1/2" iron rod on the north line of Lot P-7H, same point also being the southwest corner of said 75.00-acre tract and a re-entrant corner of said Tract 32, for a re-entrant corner of the herein described tract;

THENCE, South 75°11'09" East, along the common line of said 75.00-acre tract and Tract P-7H, a distance of 128.52 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at the northeast corner of said Tract P-7H, same point also being the northeast corner of Lot 1, Block 13, East Village Subdivision, Unit 40, as shown on plat recorded in Volume 6932, Page 184, Deed and Plat Records of Bexar County, Texas, for a corner of the herein described tract;

THENCE, South 02°19'15" West, departing the south line of said 75.00-acre tract, along the common line of said Lot 1 and Lot P-7H, a distance of 112.87 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." on the north line of said

Heights Drive (50 foot ROW), same point also being the southwest corner of said Lot 1 and the southeast corner of said Lot P-7H, for the south corner of the herein described tract;

THENCE, along the common line of said Lot P-7H and Glenn Heights Drive, the following two (2) courses:

North 75°11'09" West, a distance of 257.30 feet to a set 1/2" iron rod with cap stamped "Vickrey Prop. Cor." at a tangent point of curvature at a curve to the right for a corner of the herein described tract;

along said curve to the right a distance of 6.78 feet, with a radius of 6.00 feet, a central angle of 77°39'44", and a chord bearing a distance of North 35°21'17" West, 8.27 feet to a set 3/4" iron rod with cap stamped "Vickrey Prop. Cor." at the northwest corner of said Glenn Heights Drive, said point also being on the east line of Glenmont Drive (50' ROW), for the west corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of said Glenmont Drive and Lot P-7H and Tract 32, a distance of 255.89 feet to a found 5/8" iron rod at the southwest corner of Lot 1, Block 16, NCB 15958, in said East Village subdivision, Unit 42, same point also being a corner for said Tract 32, for a corner of the herein described tract;

THENCE, South 87°31'25" East, departing said common line, along the common line of said Lot 1 and Tract 32, a distance of 120.00 feet to a set 3/4" iron rod with cap stamped "Vickrey Prop. Cor." at the southeast corner of said Lot 1, same point also being a re-entrant corner for said Tract 32, for a corner of the herein described tract;

THENCE, North 02°28'35" East, along the common line of Lots 1 thru 18, Block 15, NCB 15958, in said East Village Subdivision, Unit 42 and said Tract 32 and Tract 105, a distance of 1168.61 feet to the POINT OF BEGINNING containing 6.073 acres (264,544 square feet) of land, more or less.

V&A Job No. 1281
SH m&b 264,544 sq. ft.
December 17, 2009

Certified this 17th day of December, 2009

Stephen Horvath, R.P.L.S.
Stephen Horvath, R.P.L.S.
Registered Professional Land Surveyor
Texas Registration No. 2611
Vickrey & Associates, Inc.



EXHIBIT A3
Page 2 of 2

HWPS11281011.001W&B ARC 12.17-09 RA.doc

Page 2 of 2

88543806.9

A-3-1

88543806.9

A-3-2

EXHIBIT A-4

TRACT II

**METES AND BOUNDS DESCRIPTION
FOR**

Tract 2, 44.70 acres out of the William Winford Survey No. 326,
Abstract 788, County Block 5051, and out of the Charles Irwin Survey No. 43,
Abstract 387, County Block 5072, Bexar County, Texas

Being a 44.70 acre tract (1,947,290 sq. ft.) of land out of the William Winford Survey No. 326, Abstract 788, County Block 5051, and out of the Charles Irwin Survey No. 43, Abstract 387, County Block 5072 and 5073, Bexar County, Texas being comprised of part of a 75.00 acre tract conveyed from RDU Wag, LLC, et al to the Army Residence Supporting Foundation by Special Warranty Deed recorded in Volume 12187, Page 525, Official Public Records of Real Property of Bexar County, Texas and corrected in Volume 12737, Page 882, Official Public Records of Real Property of Bexar County, Texas, and a 0.1611 acre tract known as Tract 2, conveyed from Chapel Hill Funeral Home LP to the Army Retirement Residence Supporting Foundation by Warranty Deed recorded in Volume 14219, Page 1178, Official Public Records of Real Property of Bexar County, Texas. Said 44.70 acre tract being more particularly described as follows with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

BEGINNING at east $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," on the south right-of-way line (ROW) of Miller Road (60' ROW), the north line of said 75.00 acre tract, said point also being the northernmost northeaviest corner of Tract 1, a 44.74 acre tract surveyed this same date for the northwest corner of the herein described tract;

THENCE, along the common line of said Miller Road and 75.00 acre tract the following three (3) calls:

South $74^{\circ} 27' 38"$ East, a distance of 2919.32 feet along the common line of said Miller Road and 75.00 acre tract to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at a tangent point of curvature of a curve to the right for a corner of the herein described tract;

along said curve to the right, a distance of 431.85 feet, with a radius of 274.80 feet, a central angle of $80^{\circ} 02' 24"$ and a chord bearing a distance of South $29^{\circ} 26' 25"$ East, 388.76 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South $15^{\circ} 34' 46"$ West, a distance of 214.56 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of a 4.25 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property, Bexar County, Texas, same point also being the southeast corner of said 75.00 acre tract, for the southeast corner of the herein described tract.

THENCE, departing said common line and along the common line of said 4.25 acre tract and 75.00 acre tract the following four (4) calls:

and remaining portion of a 3.5402 acre tract, a total distance of 972.48 feet, to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the common north corner of said 3.5402 acre tract and a 2.258 acre tract, recorded in Volume 14219, Page 1178, Official Public Records of Real Property, Bexar County, Texas, being on an easterly line of said Tract 1, 44.74 acres, for a southerly corner of the herein described tract;

THENCE, across said 75.00 acre tract and along said common line with Tract 1 the following three (3) calls:

North $15^{\circ} 32' 46"$ East, a distance of 602.28 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1,

North $74^{\circ} 27' 14"$ West, a distance of 968.40 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, a common corner with Tract 1, and

North $15^{\circ} 32' 22"$ East, a distance of 315.00 feet to the **POINT OF BEGINNING** containing 44.70 acres (1,947,290 square feet) of land, more or less.

North $74^{\circ} 27' 14"$ West, a distance of 420.00 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

South $15^{\circ} 32' 46"$ West, a distance of 182.97 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract,

North $74^{\circ} 27' 14"$ West, a distance of 73.40 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," for a corner of the herein described tract, and

South $15^{\circ} 32' 46"$ West, a distance of 193.55 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at a corner on the north line of the remaining portion of a 55.2818 acre tract recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, for a corner of the herein described tract.

THENCE, departing said common line and along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, the following four (4) calls:

North $75^{\circ} 18' 35"$ West, a distance of 417.99 feet to a found $\frac{1}{2}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North $15^{\circ} 32' 46"$ East, a distance of 214.97 feet to a found $\frac{1}{2}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract,

North $75^{\circ} 18' 36"$ West, a distance of 495.63 feet to a found $\frac{1}{2}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract, and

South $15^{\circ} 32' 46"$ West, a distance of 151.95 feet to a found $\frac{1}{2}$ " iron rod with cap stamped "South Texas" for a corner of the herein described tract.

THENCE, North $76^{\circ} 18' 36"$ West, continuing along said common line, a distance of 456.24 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the northeast corner of said 0.1611 acre tract, for a corner of the herein described tract;

THENCE, South $15^{\circ} 32' 46"$ West, departing said common line and along the common line of said 0.1611 acre tract and said remaining portion of 55.2818 acre tract, a distance of 94.12 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "Vickrey Prop. Cor.," at the southeast corner of said 0.1611 acre tract, same point also being a corner of said remaining portion of 55.2818 acre tract, for a corner of the herein described tract;

THENCE, North $74^{\circ} 27' 14"$ West, along the common line of said remaining portion of said 55.2818 acre tract and 0.1611 acre tract, at a distance of 74.89 feet passing a found $\frac{1}{2}$ " iron rod with cap stamped "South Texas," at the southwest corner of said 0.1611 acre tract, continuing along the common line of said 75.00 acre tract and said remaining portion of 55.2818 acre tract, at a distance of 224.25 feet, passing the northeast corner of the remaining portion of a 3.5402 acre tract, recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, continuing along the common line of said 75.00 acre tract

88543806.9

A-4-1

88543806.9

A-4-2

EXHIBIT A-5

TRACT II SAVE AND EXCEPT PARCEL & TRACT VII

**METES AND BOUNDS DESCRIPTION
FOR A**

0.1611-ACRE TRACT OUT OF
THE CHARLES IRWIN SURVEY NO. 43, ABSTRACT 387, COUNTY BLOCK 5072
BEXAR COUNTY, TEXAS

Being a 0.1611-acre (7,020 square feet) tract out of a 55.2818-acre tract out of the Charles Irwin Survey No. 43, Abstract 387, County Block 5072, Bexar County, Texas, said 55.2818-acre tract being that same tract described in Corrective Special Warranty Deed recorded in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas. Said 0.1611-acre tract being more particularly described as follows, with all bearings being referenced to North American Datum of 1983, Texas State Plane Coordinate System, South Central Zone:

COMMENCING at a point on the west right-of-way line of Miller Road, at the northeast corner of a 4.25-acre tract described in Volume 12737, Page 873, Official Public Records of Real Property of Bexar County, Texas, same point also being a southeast corner of a 75.00-acre tract described in Volume 12737, Page 882, Official Public Records of Real Property of Bexar County, Texas, departing said right-of-way line and along the common line of said 4.25-acre tract and 75.00-acre tract: N74°27'14"W, 420.00', S15°32'46"W, 182.97', N74°27'14"W, 73.40', S15°32'46"W, 193.55' to a point on the north line of said 55.2818-acre tract, continuing along the common line of said 75.00-acre tract and said 55.2818-acre tract: N75°15'36"W, 417.99', N15°32'46"E, 214.97', N75°15'36"W, 495.63', S15°32'46"W, 151.95', and N75°15'36"W, 581.24', to a found $\frac{1}{2}$ " iron rod with cap stamped "SOUTH TEXAS," for the **POINT OF BEGINNING** and northwest corner of the herein described tract;

Thence: S75°18'36"E, returning along said common line, a distance of 75.00 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "VICKREY PROP. COR.," for the northeast corner of the herein described tract;

Thence: departing said common line, into and across said 55.2818-acre tract, the following two (2) courses:

S15°32'46"W, a distance of 94.12 feet to a set $\frac{1}{2}$ " iron rod with cap stamped "VICKREY PROP. COR.," for the southeast corner of the herein described tract;

N74°27'14"W, a distance of 74.99 feet to a found $\frac{1}{2}$ " iron rod with cap stamped "SOUTH TEXAS," on said common line, for the southwest corner of the herein described tract;

Thence: N15°32'46"E, along said common line, a distance of 83.00 feet to the **POINT OF BEGINNING**, containing 0.1611 acres (7,020 square feet), more or less.

88543806.9

A-4-3

88543806.9

A-5-1

EXHIBIT B
FORM OF NOTE
SERIES 2018 NOTE

\$28,540,000

February 1, 2018

FOR VALUE RECEIVED, ARMY RETIREMENT RESIDENCE SUPPORTING FOUNDATION, a Texas non-profit corporation, its successors and assigns (for purposes of this Series 2018 Note, the “*Borrower*”), promises to pay to the BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION, a Texas non-profit health facilities development corporation established by the Commissioners Court of Bexar County, Texas, pursuant to Chapter 221, Texas Health and Safety Code, as amended (the “*Issuer*”), its successors or assigns, (1) the principal sum of \$28,540,000 payable on or before July 15, 2042, and interest on the unpaid portion thereof from the date of the initial delivery of the hereinafter defined Bonds at the rate for each day of accrual equal to the arithmetic mean, weighted in proportion to the principal amounts thereof, of the rates of interest borne by the bonds of the Issuer initially designated its “REVENUE REFUNDING BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2018” (the “*Bonds*”) at the time Outstanding (as defined in the Bond Indenture hereinafter referred to) on such day, computed on the same basis and payable on the same dates as such interest on the Bonds, and (2) the amounts specified in Section 3.04 of the Loan Agreement hereinafter referred to at the times described in such Section; provided, however, that in no event shall the aggregate of the interest hereon, plus any other amounts charged or collected in connection herewith which are deemed “*interest*” under the laws of the State of Texas and the United States of America in effect on the date hereof permitting the charging and collecting of the highest nonusurious interest rate hereon (hereinafter referred to as “*Applicable Law*”) ever exceed the maximum amount of interest which could be lawfully charged hereon under Applicable Law, anything herein or in the Bond Indenture to the contrary notwithstanding, and if any amount of interest taken or received by the holder of this Note shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected hereon, then the excess shall be deemed to have been the result of a mathematical error by the Borrower, the Bond Trustee hereinafter referred to, and such holder and shall be refunded promptly to the Borrower.

All amounts paid or agreed to be paid in connection with the indebtedness evidenced hereby which under Applicable Law would be deemed “*interest*” shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term hereof.

The principal hereof (and premium, if any) and the interest hereon shall be payable at the designated corporate trust office of the corporation then acting as trustee (herein referred to as the “*Bond Trustee*”) under the Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 (the “*Bond Indenture*”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee, authorizing issuance of the Bonds. All such payments shall be in immediately available funds or in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

88543806.9

B-1

This Note is a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION

By: _____
Title: _____

Pay to the order of The Bank of New York Mellon Trust Company, N.A., as trustee for the owners of the Bonds hereinabove mentioned, without recourse against the undersigned.

BEXAR COUNTY HEALTH FACILITIES
DEVELOPMENT CORPORATION

By: _____
President

If the specified date for any such payment shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally at a Place of Payment (as defined in the Bond Indenture) or in the city in which is located the principal designated trust office of the Bond Trustee shall otherwise be a day other than a Business Day (as defined in the Bond Indenture), then such payment may be made on the next succeeding day which is not such a day without additional interest and with the same force and effect as if made on the specified date for such payment.

All sums due hereon shall be payable at the opening of business of the designated corporate trust office of the Bond Trustee on the date such payments become due. All sums paid hereon shall be applied to the satisfaction of, first, the sums specified in Clause (2) of the first paragraph hereof, second, accrued interest hereon, and, third, the unpaid principal (and premium, if any) hereof.

This Note is the “*Note*” referred to in Section 3.04B of that certain Loan Agreement dated as of even date with the Bond Indenture (the “*Loan Agreement*”) between the Issuer and the Borrower, relating to the Bonds, and is issued under the Master Trust Indenture dated as of January 1, 2007, as supplemented by Master Indenture Supplement No.4 dated as of February 1, 2018 (together, the “*Master Indenture*”) between the Borrower, The Army Retirement Residence Foundation-San Antonio and The Bank of New York Mellon Trust Company, N.A., as Master Trustee, to evidence a loan by the Issuer to the Borrower thereunder from proceeds of the Bonds. This Note arises out of the Loan Agreement and the Bond Indenture.

The Borrower shall prepay the outstanding principal sum hereof, in whole or in part, in the same amount and on the same dates, and with the same premiums, if any, as Bonds called for redemption prior to their maturity in accordance with the provisions of the Bond Indenture.

If an Event of Default, as defined in the Bond Indenture, shall occur, the principal hereof and accrued interest hereon may be declared due and payable in the manner and with the effect provided in the Bond Indenture.

The Borrower hereby expressly waives all notices (including notice of redemption or acceleration), demands for payment, presentments for payment, and notations of payment.

(The rest of this page intentionally left blank)

88543806.9

B-2

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This instrument is Secured Debt as defined in the Master Indenture of Trust and Security Agreement dated as of January 1, 2007, as supplemented by Master Indenture Supplement No. 4 dated as of February 1, 2018, between Army Retirement Residence Supporting Foundation and The Army Retirement Residence Foundation—San Antonio, as Co-Obligors, and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee, and is registered on the books for registration thereof as No. R-____.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Master Trustee

By: _____
Authorized Signature

88543806.9

B-3

88543806.9

B-4

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

WE HAVE ACTED AS BOND COUNSEL for the Bexar County Health Facilities Development Corporation (the “Issuer”) for the purpose of rendering our opinion as to the authorization, execution, delivery, validity, and enforceability of the bonds described below (the “Bonds”) under Texas law and the status of interest on the Bonds under federal income tax law. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. The Bonds are described as follows:

BEXAR COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION REVENUE REFUNDING BONDS (ARMY RETIREMENT RESIDENCE FOUNDATION PROJECT) SERIES 2018, being issued in fully registered form, dated as of February 1, 2018, and aggregating \$28,540,000 in principal amount. The Bonds shall bear or accrue interest from the date hereof at the per annum rates of interest set forth therein. The Bonds are limited obligations of the Issuer payable solely from the sources described therein.

WE HAVE EXAMINED the initial Bonds executed or certified to our satisfaction. We have also examined and relied upon the representations, warranties, and covenants of the parties thereto contained in a Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 (the “Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the “Trustee”), and a Loan Agreement dated as of February 1, 2018 (the “Loan Agreement”) between the Issuer and Army Retirement Residence Supporting Foundation, a Texas non-profit corporation (the “Borrower”); original or certified copies of the proceedings of the Board of Directors of the Issuer authorizing issuance of the Bonds; certificates of the Issuer relating to the expected use, expenditure, and investment of proceeds of the Bonds and certain other funds of the Issuer and to other material facts within the sole knowledge of the Issuer which we have not independently verified; certificates, resolutions, and representations of the Borrower and The Army Retirement Residence Foundation-San Antonio, a District of Columbia non-profit corporation (the “Corporation”) with respect to certain material facts within the sole knowledge of the Borrower and the Corporation which we have not independently verified; certain certificates and resolutions of the Trustee; certificates of the Borrower and the Corporation and an opinion of Foley & Lardner LLP of even date herewith as to the status of each of the Borrower and the Corporation as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”); and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

WE ARE OF THE OPINION, based upon the foregoing, that, under Texas law in force and effect on the date hereof, the Bonds have been duly authorized, executed, and delivered and are valid and legally binding limited obligations of the Issuer payable from the sources, and

enforceable in accordance with the terms and conditions, described herein and therein except to the extent the enforcement thereof may be affected by bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity which other laws will not, in our opinion, substantially interfere with the realization of the practical benefits under the Bonds except for the economic consequences of any procedural delay that may result therefrom.

IT IS FURTHER OUR OPINION, based upon the foregoing and assuming continuous compliance by the Issuer and the Borrower with certain provisions of the Indenture and the Loan Agreement and in reliance upon representations and certifications of the Borrower and the Corporation made in its respective Tax Representation Letter and of the Issuer in its No-Arbitrage Certificate, that interest on the Bonds under existing statutes, regulations, published notices and rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The opinions set forth above assume compliance with all matters required by applicable provisions of the Code subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from the gross income of the owners thereof. Failure to comply with certain of such requirements will cause the interest on the Bonds to be so included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with subchapter C earnings and profits, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue

Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

Norton Rose Fulbright US LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FORM OF
CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Disclosure Agreement”) dated as of February 1, 2018 is executed and delivered by Army Retirement Residence Supporting Foundation (the “Borrower”), The Army Retirement Residence Foundation – San Antonio (the “Corporation” and together with the Borrower, the “Co-Obligors” and each, a “Co-Obligor”), Digital Assurance Certification, L.L.C. as dissemination agent (the “Dissemination Agent”) and The Bank of New York Mellon Trust Company, National Association, as trustee for the Holders of the Bonds herein defined (in such capacity, the “Trustee”) in connection with the issuance by the Bexar County Health Facilities Development Corporation (the “Issuer”) of its Revenue Refunding Bonds (Army Retirement Residence Foundation Project) Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture of Trust and Security Agreement dated as of February 1, 2018 (the “Indenture”) between the Issuer and the Trustee. The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to the Loan Agreement dated as of February 1, 2018 (the “Loan Agreement”) between the Issuer and the Borrower, the repayment of which is secured under (i) the Master Indenture of Trust and Security Agreement dated as of January 1, 2007 between the Co-Obligors and The Bank of New York Mellon Trust Company, N.A., as master trustee (the “Master Trustee”), as amended and supplemented (the “Master Indenture”), and (ii) the Deed of Trust, Assignment of Rents and Leases, and Security Agreement dated as of January 1, 2007 from the Borrower and the Corporation for the benefit of the Issuer, as amended and supplemented (the “Deed of Trust”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower, the Corporation, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Underwriter (as defined below) in complying with the Rule (as defined below). The Borrower, the Corporation, the Trustee and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided for or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, the Loan Agreement and the Master Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, and containing the information specified in Sections 3(a) and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons

holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Digital Assurance Certification, L.L.C., acting in its capacity as Dissemination Agent hereunder, or any successor dissemination agent designated in writing by the Borrower and that has filed with the Trustee a written acceptance of such designation.

“Fiscal Year” means the period of 12 consecutive months beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year or such other fiscal year as the Borrower, upon at least 30 days’ prior notice of the Trustee, shall establish as its fiscal year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

National Repository” shall mean the Electronic Municipal Market Access System (“EMMA”) maintained by the MSRB. For more information on EMMA, see www.emma.msrb.org.

“Official Statement” shall mean the Official Statement dated February 13, 2018 relating to the Bonds.

“Quarterly Report” shall mean any quarterly information provided by the Borrower pursuant to, and as described in, and containing the information specified in Section 3(e) of this Disclosure Agreement.

“Repository” shall mean the National Repository and the appropriate State Repository, if any is hereafter created.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“State” shall mean the State of Texas.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the SEC.

“Underwriter” shall mean Raymond James & Associates, Inc.

SECTION 3. Provision of Annual and Quarterly Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 120 days after the end of the Fiscal Year (presently June 30), commencing with the report for the 2018 Fiscal Year, provide to each Repository and the Underwriter an Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information included within the Annual Report; provided that the audited financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes, the Borrower shall give notice of such change in the same manner as for a Listed Event under Section 5(a) of this Disclosure Agreement. The Borrower shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) not later than fifteen (15) Business Days prior to the date that is 120 days following the end of the Fiscal Year. Promptly upon receipt of such Annual Report the Dissemination Agent shall provide a copy thereof to each Repository and shall send to the Trustee (if the Trustee is not the Dissemination Agent) a copy of its transmittal letter to each Repository.

(b) If by the date that is ten (10) Business Days prior to the date that is 120 days following the end of the Fiscal Year, the Trustee has received the Annual Report but has not received evidence that the Dissemination Agent has sent the Annual Report to each Repository, the Trustee shall so advise the Borrower in writing and the Borrower shall make such filings. The Borrower shall provide evidence of such filings to the Trustee.

(c) If by the date that is 120 days following the end of the Fiscal Year the Trustee has not received a copy of the Annual Report, the Trustee shall, or shall cause the Dissemination Agent to, send a notice to each Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the appropriate State Repository, if any is hereafter created, and if so requested in writing by the Borrower, confirm to the Borrower that the Annual Report has been provided pursuant to this Disclosure Agreement, the date on which it was provided and each Repository to which it was provided.

(e) In addition, the Borrower shall, or shall cause to Dissemination Agent to, provide (i) to each Repository (A) the unaudited quarterly financial statements of the Borrower, (B) occupancy data of the type included in Appendix A to the Official Statement in the table under the caption "SELECTED OPERATING RESULTS -- Occupancy" (collectively, the "Occupancy Data") and (C) a calculation of the Coverage Ratio and the number of days of Operating Requirements on hand calculated in accordance with the Master Indenture as of the end of such quarter, each within 45 days after the end of the first three fiscal quarters and not later than 90 days after the end of the fourth fiscal quarter commencing with the fiscal quarter ending March 31, 2018, (ii) to the Trustee and the Dissemination Agent the Quarterly Report at the time such items are filed with each Repository and (iii) to any Holder or Beneficial Owner of Bonds who

shall have filed a written request therefor with the Borrower, the Annual Report and the Occupancy Data at the time such items are filed with each Repository.

(f) If by a date specified in Section 3(e) the Trustee has not received a copy of the related Quarterly Report, the Trustee shall, or shall cause the Dissemination Agent to, send a notice to each Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports.

(a) The Borrower's Annual Report shall contain or include by reference:

(1) the audited financial statements, if any, of the Borrower for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Borrower's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) An update of the type of financial and operating data included in Appendix A to the Official Statement in the tables under the captions "FEES AND MONTHLY CHARGES -- Entrance Fee" and "Monthly Maintenance Fee," "SELECTED OPERATING RESULTS -- Occupancy" and "Sources of Revenue", and the percentage of Resident Contracts entered under Plan 0, Plan 50 and Plan 90 Refund Programs as described in Appendix A to the Official Statement, as applicable, as of the end of each Fiscal Year.

(3) Changes during the prior Fiscal Year in accounting policies.

(4) A statement of the actuarial balance for such Fiscal Year.

(5) A calculation of the Coverage Ratio for such Fiscal Year.

(6) A calculation of the number of days of Operating Requirements on hand.

(b) Any or all of the items listed in subsection (a) may be included by specific reference to other documents, including offering documents of debt issues with respect to which the Borrower is an "obligated person" (as defined by the Rule), which have been filed with each Repository or with the SEC. If the document included by reference is a final offering documents, it must be available from the MSRB. The Borrower shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Listed 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 or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Holders, if material;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
- (13) tender offers;
- (14) bankruptcy, insolvency, receivership or similar event of a Co-Obligor;
- (15) the consummation of a merger, consolidation, or acquisition, involving a Co-Obligor or the sale of all or substantially all of the assets of a Co-Obligor, other than in the ordinary course of business, or the entry into or

termination of a definitive agreement relating to the foregoing, if material;
and

- (16) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Borrower shall or shall cause the Dissemination Agent to file written notice describing the occurrence of a Listed Event with (i) the Repository within ten (10) Business Days of the occurrence of such Listed Event, and (ii) the Underwriter and shall send a copy of the notice to the Issuer. The foregoing notwithstanding, notice of a Listed Event described in subsections (a)(8) and (a)(9) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The obligations of the Co-Obligors under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as the Borrower, and the original Borrower shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(b) of this Disclosure Agreement. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under this Disclosure Agreement, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided. The Borrower shall deliver to the Trustee an opinion of a nationally recognized bond counsel to the effect that the information that will no longer be provided is no longer required under the Rule as then in effect.

SECTION 7. Dissemination Agent. The Borrower may from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent and the Trustee shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement. The Dissemination Agent may be removed by the Borrower at any time upon at least 30 days' written notice to the Issuer, the Dissemination Agent and the Trustee, or may resign at any time upon at least 30 days' written notice to the Issuer, the Borrower and the Trustee. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent unless the Borrower has advised the Trustee in writing that the Borrower will act as the Dissemination Agent on its own behalf.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower, the Trustee and the Dissemination Agent may amend this

Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Agreement, as amended, or the provisions hereof, as waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of a nationally recognized bond counsel addressed to the Issuer, the Borrower, the Trustee and the Dissemination Agent, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent a Co-Obligor from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If a Co-Obligor chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, such Co-Obligor shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Co-Obligors or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of the Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Co-Obligors or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Master Indenture, the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Co-Obligors or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance; provided that nothing in this Disclosure Agreement

shall limit in any way the rights of a Holder of Bonds that it otherwise would have under applicable securities laws.

SECTION 11. Duties; Immunities and Liabilities of the Trustee and the Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and to hold the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Trustee in its capacity as Dissemination Agent shall be afforded the same rights, protections and immunities afforded to it as Trustee under the Indenture. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and the payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or between the parties to this Disclosure Agreement may be given as follows:

To the Borrower or Corporation:	Army Retirement Residence Supporting Foundation 7400 Crestway San Antonio, Texas 78239 Attention: Executive Director
To the Dissemination Agent:	Digital Assurance Certification, L.L.C. 315 East Robinson Street Suite 300 Orlando, Florida 32801 Attention: Senior Vice President
To the Trustee:	The Bank of New York Mellon Trust Company, National Association 2001 Bryan Street, 10th Floor Dallas, Texas 75201 Attention: Corporate Trust Department
To the Issuer:	Bexar County Health Facilities Development Corporation Paul Elizondo Tower 101 West Neuva, Suite 900 San Antonio, Texas 78205 Attention: President

To the Underwriter: Raymond James & Associates, Inc.
550 W. Washington Blvd.
Suite 1650
Chicago, Illinois 60661
Attention: Natalie Wabich

Any person may, by written notice to the other persons listed above, designate a different address to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Corporation, the Trustee, the Dissemination Agent, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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.

SECTION 15. Applicable Law. This Disclosure Agreement shall be construed under the laws of the State of Texas.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Borrower, the Corporation, the Dissemination Agent and the Trustee have executed this Agreement on the date and year first written above.

ARMY RETIREMENT RESIDENCE
SUPPORTING FOUNDATION

By: _____
Name:
Title:

THE ARMY RETIREMENT RESIDENCE
FOUNDATION – SAN ANTONIO

By: _____
Name:
Title:

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
as Trustee

By: _____
Name:
Title:

[Signature page to Continuing Disclosure Agreement]

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Bexar County Health Facilities Development Corporation

Name of Bond Issue: Bexar County Health Facilities Development Corporation
Revenue Refunding Bonds (Army Retirement Residence
Foundation Project) Series 2018

Name of Borrower: Army Retirement Residence Supporting Foundation

Date of Issuance: February __, 2018

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Borrower's Continuing Disclosure Agreement. The Borrower anticipates that the Annual Report will be filed by _____.

Dated: _____

_____,
on behalf of Army Retirement Residence
Supporting Foundation

cc: Army Retirement Residence Supporting Foundation

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE QUARTERLY REPORT

Name of Issuer: Bexar County Health Facilities Development Corporation

Name of Bond Issue: Bexar County Health Facilities Development Corporation
Revenue Refunding Bonds (Army Retirement Residence
Foundation Project) Series 2018

Name of Borrower: Army Retirement Residence Supporting Foundation

Date of Issuance: February __, 2018

NOTICE IS HEREBY GIVEN that the Borrower has not provided the Quarterly Report for the [__] quarter of fiscal year 20[__] with respect to the above-named Bonds as required by Section 3(e) of the Borrower's Continuing Disclosure Agreement. The Borrower anticipates that the Quarterly Report will be filed by _____.

Dated: _____

_____,
on behalf of Army Retirement Residence
Supporting Foundation

cc: Army Retirement Residence Supporting Foundation

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com