NEW ISSUE/BOOK-ENTRY **RATING: S&P Global Ratings: BBB-**
See "Rating" herein

*In the opinion of Ice Miller LLP, Bond Counsel, under existing federal statutes, decisions, regulations and rulings, interest on the Series 2016C Bonds (as defined herein) is excludible for federal income tax purposes from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2016C Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. Such exclusion is conditioned on continuing compliance by the Issuer, the Corporation and the Obligated Group Members with the Tax Covenants, all as defined herein. In the opinion of Bond Counsel, under existing statutes, decisions, regulations and rulings the interest on the Series 2016C Bonds, and any profit made on their sale, exchange or other disposition, are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers intangible tax, the tax levied on the basis of the total equity capital of financial institutions and the net worth base of the corporate franchise tax. See "**TAX MATTERS**" herein.*

$21,955,000
COUNTY OF FRANKLIN, OHIO
HEALTH CARE FACILITIES REFUNDING REVENUE BONDS, SERIES 2016C (OPRS COMMUNITIES)

Maturities, Amounts, Interest Rates, Prices, Yields and CUSIPs are Shown on the Inside of the Front Cover

The County of Franklin, Ohio, acting by and through the County Hospital Commission of Franklin County (the "Issuer"), is issuing its $21,955,000 Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities). The Series 2016C Bonds will be issued and secured under a Trust Indenture (the "Bond Indenture"), dated as of October 1, 2016, between the Issuer and The Huntington National Bank, as bond trustee (the "Bond Trustee"). The proceeds of the Series 2016C Bonds will be made available to OPRS Communities, an Ohio nonprofit corporation (the "Corporation"), pursuant to a Lease dated as of October 1, 2016 (as described herein) and will be used , together with other legally available funds, to: (i) refund the Prior Bonds, as defined herein, (ii) fund the debt service reserve fund for the Series 2016C Bonds and (iii) pay certain costs relating to the issuance of the Series 2016C Bonds, all as permitted by the Act, as defined herein. A more detailed description of the use of the proceeds from the sale of the Series 2016C Bonds is included under the captions "**ESTIMATED SOURCES AND USES OF FUNDS**" and "**PLAN OF FINANCE**." Except as described in this Official Statement, the Series 2016C Bonds will be payable solely from and secured by a pledge of payments to be made under the Lease and the Series 2016C Note issued by the Corporation under a Master Trust Indenture (the "Master Indenture") between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee (the "Master Trustee"). The sources of payment of, and security for, the Series 2016C Bonds are more fully described in this Official Statement.

The Series 2016C Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of $5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016C Bonds. So long as Cede & Co. is the registered owner of the Series 2016C Bonds, payments of principal or redemption price of and interest on the Series 2016C Bonds are required to be made to Beneficial Owners by DTC through its participants. See "**BOOK-ENTRY ONLY SYSTEM**" herein.

An investment in the Series 2016C Bonds involves a certain degree of risk related to the nature of the business of the Corporation, the regulatory environment, and the provisions of the principal documents. A prospective Series 2016C Bondholder is advised to read "**SECURITY FOR THE SERIES 2016C BONDS**" and "**RISK FACTORS**" herein for a description of the security for the Series 2016C Bonds and for a discussion of certain risk factors which should be considered in connection with an investment in the Series 2016C Bonds.

The Series 2016C Bonds will be subject to optional, mandatory and extraordinary redemption, as more fully described herein.

NEITHER THE PRINCIPAL OF THE SERIES 2016C BONDS NOR THE INTEREST ACCRUING THEREON, SHALL EVER CONSTITUTE A GENERAL INDEBTEDNESS OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER OR SHALL EVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL THE SERIES 2016C BONDS BE, OR BE DEEMED TO BE, AN OBLIGATION OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF.

The Series 2016C Bonds are offered, subject to prior sale, when, as and if issued, subject to the approval of their legality by Ice Miller LLP, Columbus, Ohio, Bond Counsel. Certain legal matters will be passed upon for the Obligated Group by its special counsel, Jones Day, Columbus, Ohio; and for the Underwriter by its counsel, Peck, Shaffer & Williams, a Division of Dinsmore & Shohl LLP, Columbus, Ohio. It is expected that the Series 2016C Bonds in definitive form will be available for delivery through the services of DTC on or about October 27, 2016.

This cover page contains certain information for ease of reference only. It does not constitute a summary of the Series 2016C Bonds or the security therefor. Potential investors must read this entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

PNC Capital Markets LLC

Official Statement dated October 12, 2016

$21,955,000
COUNTY OF FRANKLIN, OHIO
HEALTH CARE FACILITIES
REFUNDING REVENUE BONDS,
SERIES 2016C
(OPRS COMMUNITIES)

Dated: Date of Delivery **Due: July 1, as shown below**

The Series 2016C Bonds will be issuable in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2016C Bonds will be payable on each January 1 and July 1, commencing on January 1, 2017.

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP No.†
2021	$200,000	2.25%	100.000%	2.250%	353180JR4
2022	875,000	2.35	99.471	2.450	353180JS2
2023	445,000	2.50	99.085	2.650	353180JT0
2038	1,225,000	4.00	100.000	4.000	353180JV5

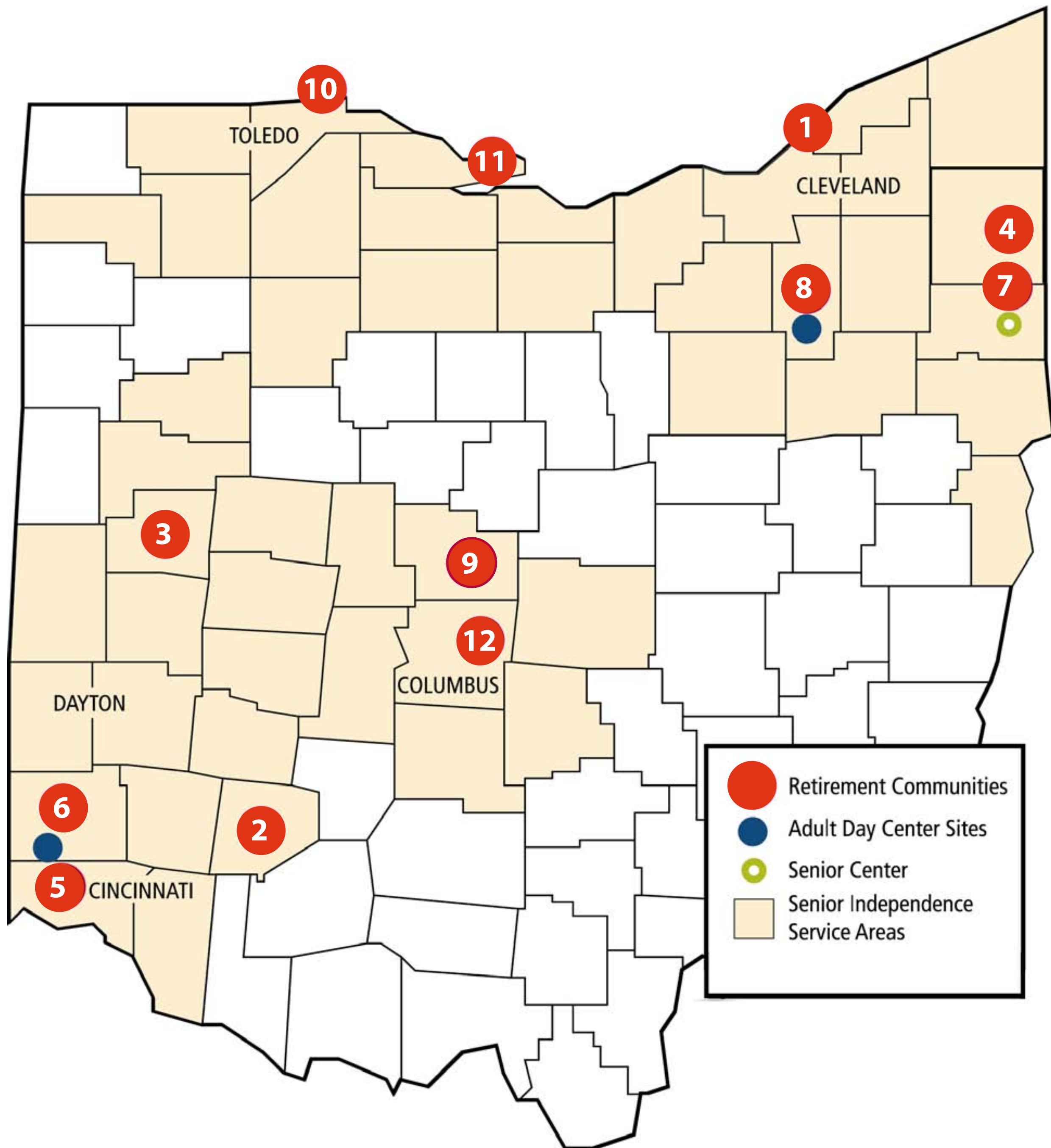
$4,235,000, 5.00% Term Bonds due July 1, 2029, Price: 113.714[c] to yield 3.330%; CUSIP†: 353180JU7

$14,975,000, 5.00% Term Bonds due July 1, 2038, Price: 109.806[c] to yield 3.780%; CUSIP†: 353180JW3

[C] = Priced to call date of July 1, 2026

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the Series 2016C Bondholders only at the time of issuance of the Series 2016C Bonds and neither the Issuer nor the Corporation makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016C Bonds.

OPRS Areas of Operation



OPRS Communities

Breckenridge Village

Cape May Retirement Village

Dorothy Love Retirement Community

Lake Vista of Cortland

Llanfair Retirement Community

Mount Pleasant Retirement Village

OPRS Communities

Park Vista Retirement Community

Rockynol

Sarah Moore Community

Swan Creek Retirement Village

The Vineyard on Catawba

Westminster-Thurber Community

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REGARDING USE OF THIS OFFICIAL STATEMENT

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016C BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016C BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Issuer, the Corporation or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2016C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

The information set forth herein relating to the Issuer under the headings **"THE ISSUER"** and **"LITIGATION – The Issuer"** has been obtained from the Issuer. All other information herein has been obtained by the Underwriter from the Corporation and other sources deemed by the Underwriter to be reliable, and is not to be construed as a representation by, the Issuer or the Underwriter. The Issuer has not reviewed or approved any information in this Official Statement except information relating to the Issuer under the headings **"THE ISSUER"** and **"LITIGATION – The Issuer."** The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Corporation since the date hereof.

THE SERIES 2016C BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2016C BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2016C BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2016C BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "anticipate" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the caption **"RISK FACTORS"** and in **APPENDIX A – "THE OBLIGATED GROUP"** herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CORPORATION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

SUMMARY STATEMENT

The information set forth in this Summary Statement is subject in all respects to more complete information set forth elsewhere in this Official Statement, which should be read in its entirety. The offering of the Series 2016C Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise to use it without this entire Official Statement.

For the definitions of certain words and terms used herein, see **"SUMMARY OF CERTAIN DOCUMENTS"** in **APPENDIX C**.

The Corporation and the Obligated Group

The Obligated Group pursuant to the Master Indenture (as defined herein) consists of OPRS Communities (the "Corporation"), its parent company Ohio Presbyterian Retirement Services (the "Parent"), Senior Independence ("Senior Independence") and Ohio Presbyterian Retirement Services Foundation (the "Foundation").

Founded in 1922, the Corporation is a nonprofit corporation duly organized and existing under the laws of the State of Ohio. The Corporation presently owns and operates twelve retirement communities in Ohio, ten of which are full service retirement communities, serving more than 2,700 residents. The Corporation also delivers various community based service programs, including but not limited to, hospice, home health care services, adult day care, home meals, and transportation to over 75,000 older adults at various locations in Ohio.

In 1991, the Foundation, an Ohio nonprofit corporation that manages certain investments and raises funds in support of the Obligated Group, became a member of the Obligated Group. In 1992, the Parent, an Ohio nonprofit corporation and the sole member of the Corporation and the Foundation, also became a member of the Obligated Group. In 2010, the Parent formed a third subsidiary, Senior Independence, an Ohio nonprofit corporation, to deliver home health, hospice and other community-based services throughout Ohio, and Senior Independence became a member of the Obligated Group.

Effective November 1, 2016, the Obligated Group entities referred to above will change their legal names as part of a rebranding initiative. See **"INTRODUCTION – The Corporation and the Obligated Group"** herein and **APPENDIX A: "Management's Discussion Regarding Future Plans – Branding."**

On the date of issuance of the Series 2016C Bonds, the Corporation, the Parent, the Foundation and Senior Independence will be the only members of the Obligated Group. For further information concerning the Corporation and the Obligated Group, their history, organization and financial performance and a summary of certain financial statements of the Obligated Group, see **APPENDIX A: "THE OBLIGATED GROUP"** and **APPENDIX B: "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016, 2015 and 2014."**

THE PRESBYTERIAN CHURCH (USA) IS NOT LIABLE FOR PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2016C BONDS.

Plan of Finance

Series 2016C Bonds. The County of Franklin, Ohio, a county and political subdivision of the State of Ohio, acting by and through the County Hospital Commission of Franklin County (the "Issuer"), proposes to issue its $21,955,000 Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities) (the "Series 2016C Bonds"). The Series 2016C Bonds will be subject to optional, mandatory and extraordinary redemption, as described in this Official Statement. A description of the Series 2016C Bonds is contained in this Official Statement under the caption **"THE SERIES 2016C BONDS."**

The Series 2016C Bonds will be issued pursuant to the Constitution and laws of the State of Ohio, including Chapter 140 of the Ohio Revised Code, as amended (the "Act") and a Trust Indenture, dated as of October 1, 2016 (the "Bond Indenture"), by and between the Issuer and The Huntington National Bank, as bond trustee (the "Bond Trustee"). The proceeds of the Series 2016C Bonds will be made available to the Corporation pursuant to a Lease dated as of October 1, 2016 (the "Lease") by and between the Corporation and the Issuer.

The Corporation will use the proceeds from the sale of the Series 2016C Bonds together with other legally available funds to (i) refund the Prior Bonds, as defined herein, (ii) fund the debt service reserve fund for the Series 2016C Bonds and (iii) pay certain costs relating to the issuance of the Series 2016C Bonds, all as permitted by the Act.

Series 2016D Bonds. It is anticipated that contemporaneously with the issuance of the Series 2016C Bonds and pursuant to a Bond Purchase Agreement dated as of October 1, 2016 (the "2016D BPA"), by and among the Issuer, the Corporation and Huntington Public Capital Corporation (the "2016D Purchaser"), the Issuer will also issue its Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities) (the "Series 2016D Bonds") in an aggregate principal amount of $10,175,000*. The proceeds of the Series 2016D Bonds will be used to (i) refund the outstanding $19,790,000 County of Franklin, Ohio Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002B (Ohio Presbyterian Retirement Services) (the "Series 2002B Bonds"); and (ii) pay costs of issuance of the Series 2016D Bonds. The Series 2016D Bonds will be secured by an Obligation (as defined herein) (the "Series 2016D Note") issued pursuant to the Master Indenture (as defined herein). The Series 2016D Bonds are expected to mature in approximately 18 years and will be directly purchased by the 2016D Purchaser for an initial holding period of ten (10) years. It is anticipated that the Series 2016D Bonds will initially bear interest at a variable rate with an option to convert to a fixed rate. While there is no assurance of the closing and issuance of the Series 2016D Bonds, it is anticipated that the Series 2016D Bonds will be issued on the same date as the Series 2016C Bonds and will constitute the same "issue" for federal income tax purposes as the Series 2016C Bonds. For risks associated with direct placement bonds such as the Series 2016D Bonds, see **"RISK FACTORS – Risks Inherent in Bank-Credit"** herein.

The Series 2016D Bonds are not offered by this Official Statement and will not be publicly offered.

A more detailed description of the use of the proceeds from the sale of the Series 2016C Bonds and the Series 2016D Bonds is included under the captions **"ESTIMATED SOURCES AND USES OF FUNDS"** and **"PLAN OF FINANCE."**

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* Preliminary; subject to change.

Capital Structure Initiatives. In the most recent Fiscal Year, management of the Obligated Group has been focused on refining its capital structure, which includes strategies (generally referred to herein as the "Capital Structure Initiatives") to reposition current financial covenants, including the elimination of more restrictive financial covenants originating with prior bond insurance provider, minimize variable rate risk in an anticipated long-term rising rate environment, mitigate renewal risk on bank credit, align debt service coverage ratio calculations and accomplish the leveling of annual debt service cash flow requirements between various outstanding credit agreements over the aggregate debt service life. The issuance of the Series 2016C Bonds and the Series 2016D Bonds and the refunding of the Prior Bonds and the Series 2002B Bonds thereby, are integral parts of the implementation of the Obligated Group's long range financial plan. For a more detailed description of the Obligated Group's capital structure initiatives, s**ee "PLAN OF FINANCE – Capital Structure Initiatives"** herein and see **APPENDIX A: "Management's Discussion Regarding Future Plans –Capital Debt Structure."**

Security for the Series 2016C Bonds

Security Interest in Gross Receipts. Pursuant to the Master Indenture, each Member of the Obligated Group has granted a security interest (subject to Permitted Encumbrances) in all present and future Gross Receipts as security for the payment of the Series 2016C Note and all other Obligations issued under the Master Indenture. See **"SECURITY FOR THE SERIES 2016C BONDS – The Master Indenture – Security Interest in Gross Receipts"** and **"RISK FACTORS – Certain Matters Relating to Enforceability of the Master Indenture and – Limitations on Security Interest in Gross Receipts"** herein.

The Mortgage. Pursuant to a supplement to the Master Indenture relating to the Series 2016C Bonds (the "Series 2016C Supplemental Master Indenture"), the Corporation will grant to the Master Trustee a mortgage lien on certain of its nursing, assisted living and congregate living facilities and all but two of its independent living facilities (one of which is encumbered by mortgages to the United States Department of Housing and Urban Development), including the Leased Premises (as hereinafter defined) (collectively, the "Mortgaged Property"), but excluding certain unimproved land located at several of the Corporation's communities. There are also in place certain existing mortgages on the Mortgaged Property which were granted as security for the Outstanding Related Bonds (as defined herein), related credit enhancement, the Term Loan, the 2014 Bank Note, the PNC Swap and the Morgan Swap, and will secure the Series 2016C Bonds and the Series 2016D Bonds on a parity basis, so long as the debt incurred in connection with the execution of such mortgages is outstanding. See **"SECURITY FOR THE SERIES 2016C BONDS – The Master Indenture"** for additional discussion of the Series 2016C Supplemental Master Indenture. See **APPENDIX A: "THE OBLIGATED GROUP – The Corporation's Facilities,"** for a description of the properties comprising the Mortgaged Property.

The Corporation has previously procured title insurance for the benefit of the Master Trustee in connection with the issuance of certain series of Outstanding Related Bonds which policies are currently outstanding in an approximate amount of $48.5 million. While the Corporation is not adding or deleting property from the Mortgaged Property in connection with the issuance of the Series 2016C Bonds, the Corporation will be procuring additional title insurance, to maintain the aggregate amount of title insurance of approximately $48.5 million, which amount will be significantly less than the principal amount of all Obligations outstanding under the Master Indenture. See **"RISK FACTORS – Amount of Title Policies Less Than Outstanding Obligations."**

The Debt Service Reserve Fund. Payment of the principal of, premium, if any, and interest on the Series 2016C Bonds will be additionally secured by moneys deposited to the credit of the Debt Service Reserve Fund established under the Bond Indenture. The Debt Service Revenue Fund is required to be maintained in an amount equal to the Debt Service Reserve Requirement with respect to the Series 2016C Bonds. The sum of $1,911,128.13 will be deposited in the Debt Service Reserve Fund on the date

of delivery of the Series 2016C Bonds. The Debt Service Reserve Fund will not secure the Series 2016D Bonds or any of the Outstanding Related Bonds. See **"SECURITY FOR THE SERIES 2016C BONDS."**

Special and Limited Obligations of the Issuer. NEITHER THE PRINCIPAL OF THE SERIES 2016C BONDS NOR THE INTEREST ACCRUING THEREON SHALL EVER CONSTITUTE A GENERAL INDEBTEDNESS OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER OR SHALL EVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL THE SERIES 2016C BONDS BE, OR BE DEEMED TO BE, AN OBLIGATION OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF.

The Base Lease and Lease. The Corporation will lease certain of its facilities (the "Leased Premises") to the Issuer pursuant to a Base Lease dated as of October 1, 2016 (the "Base Lease"). The Issuer and the Corporation will also enter into a Lease dated as of October 1, 2016 (the "Lease") pursuant to which the Issuer will sublease the Leased Premises back to the Corporation for rentals sufficient to pay in full when due all principal of, and redemption premium, if any, and interest on the Series 2016C Bonds. See "**SECURITY FOR THE SERIES 2016C BONDS – General**." The Issuer will pledge and assign certain of its rights under the Lease to the Bond Trustee as security for the Series 2016C Bonds.

The Bond Indenture. Under the Bond Indenture, the Issuer will pledge and assign to the Bond Trustee as security for the payment of principal of, premium, if any, and interest on the Series 2016C Bonds, all of its right, title and interest in and to (other than the Unassigned Rights) (i) the Revenues, including, without limitation, all Rental Payments and other amounts receivable by or on behalf of the Issuer under the Lease and all money and investments in the Bond Fund, the Debt Service Reserve Fund and the Project Fund; and (ii) the Series 2016C Note. See **"SECURITY FOR THE SERIES 2016C BONDS"** herein.

The Master Indenture and the Series 2016C Note. The Corporation has entered into a Master Trust Indenture dated as of December 1, 1991 (as supplemented and amended, the "Master Indenture") with The Bank of New York Mellon Trust Company, N.A., as successor master trustee (the "Master Trustee"). Pursuant to Supplemental Indenture Number One and Mortgage dated as of December 1, 1991 ("Supplemental Indenture Number One"), supplementing and amending the Master Indenture, the Foundation became a member of the Obligated Group. Pursuant to Supplemental Indenture Number Eight dated as of September 10, 1992 ("Supplemental Indenture Number Eight"), the Parent became a member of the Obligated Group. Pursuant to Supplemental Indenture Number Twenty-Eight ("Supplemental Indenture Number Twenty-Eight"), dated as of June 14, 2010, Senior Independence became a member of the Obligated Group. On the date of issuance of the Series 2016C Bonds, the Corporation, the Parent, the Foundation and Senior Independence will be the only members of the Obligated Group.

Pursuant to the Master Indenture, the members of the Obligated Group may issue obligations (the "Obligations") payable on a joint and several basis in order to finance their respective activities. Pursuant to the Series 2016C Supplemental Master Indenture, the Corporation shall issue the OPRS Communities Series 2016C Note (the "2016C Note") to the Bond Trustee to secure its obligations under the Lease with respect to the Series 2016C Bonds. Following the issuance of the Series 2016C Bonds and expected issuance and direct purchase of the Series 2016D Bonds by a bank, there will be outstanding approximately $253,030,500 aggregate principal amount of Obligations issued under the Master Indenture, including Obligations issued to secure the Issuer's $14,385,000 Variable Rate Demand Health

Care Facilities Refunding and Improvement Revenue Bonds, Series 2005B (Ohio Presbyterian Retirement Services) (the "2005B Bonds"), the Issuer's $25,000,000 Health Care Facilities Improvement Revenue Bonds, Series 2010A (Ohio Presbyterian Retirement Services Project) (the "2010A Bonds"), the Issuer's $36,000,000 Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2011 (OPRS Communities) (the "2011 Bonds"), the Issuer's $21,485,000 Health Care Facilities Refunding Revenue Bonds, Series 2012A (OPRS Communities) (the "2012A Bonds"), the Issuer's $8,515,000 Health Care Facilities Refunding Revenue Bonds, Series 2012B (OPRS Communities) (the "2012B Bonds"), the Issuer's $50,550,000 Health Care Facilities Improvement Revenue Bonds, Series 2013A (OPRS Communities) (the "2013A Bonds"), the Issuer's $25,000,000 Health Care Facilities Improvement Revenue Bonds, Series 2013B (OPRS Communities) (the "2013B Bonds"), the Issuer's $30,000,000 Health Care Facilities Refunding Revenue Bonds, Series 2016A (OPRS Communities) (the "2016A Bonds"), the Issuer's $30,000,000 Health Care Facilities Refunding Revenue Bonds, Series 2016B (OPRS Communities) (the "2016B Bonds"), the Series 2016C Bonds and the Series 2016D Bonds.

In addition, certain Obligations have been issued under the Master Indenture to secure other indebtedness and obligations of the Corporation, including an Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Thirty-Five dated as of September 29, 2014 ("Supplemental Indenture Number Thirty-Five") which secures the Corporation's payment obligations under a credit agreement relating to a term loan facility (the "2014 Bank Note") which is currently outstanding in the principal amount of $1,455,000. An Obligation (the "Series 2005B LOC Note") issued pursuant to Open-End Mortgage and Supplemental Indenture Number Thirty-Eight dated as of June 15, 2016 ("Supplemental Indenture Number Thirty-Eight") secures the Corporation's reimbursement obligations to Comerica Bank under a letter of credit relating to the 2005B Bonds. Another Obligation (the "Series 2016 Term Loan Note") issued pursuant to Supplemental Indenture Number Thirty-Eight secures a term loan (the "Term Loan") dated June 15, 2016 from Comerica Bank to the Corporation currently outstanding in the principal amount of $1,443,750.

An Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Twenty-Six dated as of April 20, 2010 ("Supplemental Indenture Number Twenty-Six") secures the Corporation's payment obligations under an interest rate swap transaction with PNC Bank, National Association relating to the 2016A Bonds and the 2016B Bonds (the "PNC Swap"). The PNC Swap has a total notional amount of $60,000,000 (the same as the aggregate principal amount of the 2006A Bonds which were refinanced by the 2016A Bonds and the 2016B Bonds) and has a termination date of July 1, 2036. An Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Twenty-Seven dated as of June 9, 2010 ("Supplemental Indenture Number Twenty-Seven") secures the Corporation's payment obligations under an interest rate swap transaction with Morgan Stanley Capital Services, Inc. that hedges the Corporation's interest rate risk on the 2005B Bonds (the "Morgan Swap"). The Morgan Swap has a total notional amount of $14,385,000 (the same as the aggregate principal amount of the 2005B Bonds) and has a termination date of July 1, 2035. See "**RISK FACTORS – Basis Risk and Counterparty Risk Related to Interest Rate Swap Agreements**" for additional discussion of the PNC Swap and the Morgan Swap.

The Series 2016C Bonds and the Series 2016D Bonds will each be secured by an Obligation issued under the Master Indenture, which Obligations will be secured on a parity with other Obligations issued under the Master Indenture, including those issued to secure other series of bonds previously issued for the benefit of the Corporation, namely the 2005B Bonds, the 2010A Bonds, the 2011 Bonds, the 2012A Bonds, the 2012B Bonds, the 2013A Bonds, the 2013B Bonds, the 2016A Bonds and the 2016B Bonds. Such bonds are collectively referred to herein as the "Outstanding Related Bonds." The Outstanding Related Bonds (excluding the 2002A Bonds, the 2002B Bonds and the 2005A Bonds to be refunded) are currently outstanding in the aggregate principal amount of $217,951,750.

It is also anticipated that the Obligated Group will issue another Obligation under the Master Indenture in November, 2016 to guaranty bonds to be issued as direct placement bonds to refinance approximately $7.35 million in bonds (the "Sarah Moore Bonds") previously issued for the benefit of Sarah Moore Health Care Center, Inc. (not a Member of the Obligated Group). See **"PLAN OF FINANCE – Capital Structure Initiatives"** herein for more information.

The Series 2016C Note will entitle the Bond Trustee, as the holder thereof, to the protection of the covenants, restrictions and other obligations imposed upon the Corporation by the Master Indenture. The Members of the Obligated Group will be jointly and severally liable on all Obligations, including the Series 2016C Note, which is issued pursuant to the Master Indenture. All Obligations issued by the Corporation and other Members of the Obligated Group will be equally and ratably secured by (i) a mortgage on the Mortgaged Property and (ii) a security interest in the Gross Receipts of the Obligated Group, subject in each case only to Permitted Encumbrances. See **"SECURITY FOR THE SERIES 2016C BONDS."**

Certain Covenants of the Corporation and the Obligated Group

Rate Covenant. The members of the Obligated Group covenant that they shall fix, charge and collect rates, fees and charges for their facilities and shall operate and maintain their facilities so as to cause the Debt Service Coverage Ratio to be at least 1.20. If the Debt Service Coverage Ratio as calculated at the end of any Fiscal Year is below 1.20, the Obligated Group covenants to retain an Independent Consultant to make recommendations (which may include, without limitation, increasing rates and charges, reducing operating costs, altering the intensity or scope of services or any combination of the foregoing) to increase the Debt Service Coverage Ratio to at least 1.20 or if, in the opinion of the Independent Consultant, achieving such coverage is impracticable due to law or regulation then in effect, to the highest practicable level. So long as the Obligated Group shall retain an Independent Consultant and each member of the Obligated Group shall follow such Independent Consultant's recommendations with respect to such member to the extent feasible, this requirement shall be deemed to have been complied with even if the Debt Service Coverage Ratio for any subsequent Fiscal Year is below 1.20, which event will not constitute an event of default under the Master Indenture unless and until such Debt Service Coverage Ratio falls below 1.00.

The definition of "Adjusted Annual Revenue" as related to the above-described rate covenant has been modified in the Lease for so long as any Series 2016C Bonds are outstanding and has been similarly modified in the leases delivered in connection with the issuance of the 2010A Bonds and the Series 2013A Bonds. See "**SECURITY FOR THE SERIES 2010 BONDS – Covenants for the Obligated Group – Rate Covenant"** for a description of the modification. **See also APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of Lease – Covenants of the Corporation Concerning its Operations."**

Liquidity Covenant. Pursuant to the Lease, the Corporation has covenanted to cause the Obligated Group to maintain on each June 30 and December 31, commencing December 31, 2016 (each a "Calculation Date"), Days Cash on Hand in an amount equal to or greater than 110 days, and shall provide a copy of such calculation of Days Cash on Hand to the Bond Trustee and the Master Trustee no later than 45 days following each Calculation Date. For purposes of this paragraph, "Days Cash on Hand" means the amount determined by (i) dividing (A) the aggregate unrestricted cash, investments, board-designated funds of the Obligated Group and the restricted investments of the Foundation by (B) the aggregate operating expenses of the Obligated Group less depreciation and amortization, and (ii) multiplying the quotient so obtained by 365.

The Obligated Group shall be deemed to be in default under the above covenant only if (i) the Obligated Group shall have, as of any Calculation Date, less than 110 Days Cash on Hand but greater

than or equal to 90 Days Cash On Hand but shall have a Debt Service Coverage Ratio (calculated in accordance with the Lease) of not less than 1.20:1.0 as of such Calculation Date, and shall have less than 110 Days Cash on Hand as of the immediately following Calculation Date; (ii) the Obligated Group shall have less than 110 Days Cash on Hand as of any Calculation Date and shall have a Debt Service Coverage Ratio (calculated in accordance with the Lease) of less than 1.20:1.0 as of such Calculation Date; or (iii) the Obligated Group shall have less than 90 Days Cash on Hand as of any Calculation Date. For more information on the calculation of the Debt Service Coverage Ratio pursuant to the Lease, see **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Lease – Covenants of the Corporation Concerning its Operations."**

Incurrence of Additional Indebtedness. The Obligated Group agrees in the Master Indenture to restrictions on the incurrence of additional indebtedness, as more fully described in **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS"** under the caption **"– Summary of Certain Provisions of the Master Indenture – Restrictions as to Incurrence of Indebtedness."** To the extent that the conditions provided in the Master Indenture are met, such indebtedness may be secured on a parity basis with the Series 2016C Note.

Other Financial Covenants. For information regarding the Obligated Group and its covenants with respect to continuing obligations, the incurrence of additional indebtedness, maintenance of properties, sale, transfer or disposition of property, mergers and consolidations and other covenants, see generally **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Master Indenture."**

Financial Reporting and Continuing Disclosure

Financial Reporting. The Master Indenture requires that as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group shall file, or cause to be filed, with the Master Trustee and with each Obligation holder who may have so requested or on whose behalf the Master Trustee may have so requested, (i) a combined or consolidated revenue and expense statement of the Obligated Group eliminating material balances and transactions between or among members of the Obligated Group for such Fiscal Year, (ii) a combined or consolidated balance sheet presented on the basis described in (i) above as of the end of such Fiscal Year, each accompanied by the certificate or opinion of an Independent Certified Public Accountant, in each case in comparative form showing the corresponding figures for the preceding Fiscal Year, (iii) an Officer's Certificate setting forth the calculation of the Debt Service Coverage Ratio for the Fiscal Year then ended, and (iv) an Officer's Certificate of each Obligated Issuer stating whether or not, to the best knowledge of the signer, such Obligated Issuer is in default in the performance of any covenant contained in the Master Indenture or Related Supplemental Indenture, and, if so, specifying each such default of which the signer may have knowledge and stating what action the Obligated Group proposes to take with respect thereto. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Master Indenture – Filing of Financial Statements; Certificate of No Default."**

Continuing Disclosure. The Corporation has agreed pursuant to a Master Continuing Disclosure Agreement dated as of October 1, 2016 (the "Continuing Disclosure Agreement") to make public or cause to be made public certain financial information and operating data with respect to it available through EMMA (http://emma.msrb.org), the information repository of the Municipal Securities Rulemaking Board. Such financial data and operating data to be made available will include audited financial statements and the annual budget on an annual basis, unaudited financial statements including a comparison of year to date actual results to budget and payor mix and occupancy statistics on a quarterly basis and the occurrence of certain events on an ongoing basis. The Corporation is solely responsible for providing such continuing disclosure and the Issuer will not provide any such information. See **"FINANCIAL REPORTING AND CONTINUING DISCLOSURE"** herein.

Debt Service Coverage Ratios and Other Financial Ratios

The following table reflects debt service coverage ratios and other financial ratios for the Corporation for the periods indicated. The table has been prepared by management of the Corporation and such ratios have been calculated as described in the footnotes below. This summary should be read in conjunction with the audited financial statements and related notes included in this Official Statement as **APPENDIX B.**

Debt Service Coverage Ratio and Pro-Forma Maximum Annual Debt Service Coverage Ratio (in thousands)

	Fiscal Year Ended June 30		
	2016	2015	2014
Revenues Available for Debt Service			
Performance Income (Loss)	($13,700)	($6,362)	($2,024)
Change in Fair Value of Interest Rate Swaps	8,101	3,086	320
Net Change in Unrealized (Gains) and Losses	1,995	1,159	1,142
Plus: Temporary Restricted Change in Realized Gains and (Losses)	372	4,222	1,796
Less: Non-Recourse HUD Operations	(404)	(303)	(415)
Less: Sarah Moore adjusted change in net assets	(129)	(499)	-
Plus: Depreciation	22,245	20,091	19,173
Plus: Interest Expense	11,839	10,799	9,666
Plus: Bad debt expense	3,966	4,553	2,057
Less: Amortization of Entrance Fees	(5,699)	(4,955)	(5,927)
Plus: Net Entrance Fees Received	17,645	6,070	10,099
Less: Unrestricted Contributions, net of Fund-Raising	592	99	12
Plus: Unrestricted Contributions, net of Fund-Raising [1]	(592)	(99)	(12)
Total Revenues Available for Debt Service per MTI	$46,231	$37,861	$35,887
Historic Annual Debt Service Requirement - MTI[2] [3]	$19,550	$19,340	$17,576
Historic Debt Service Coverage Ratio - MTI	2.36x	1.96x	2.04x
Maximum Annual Debt Service – [4]	$19,799	$19,799	$19,799
Pro-forma Debt Service Coverage Ratio-MTI	2.34x	1.91x	1.81x

(1) For Debt Service Coverage calculations, the Master Indenture provisions use the lower of the actual current fiscal year or an average of the preceding two fiscal years.

(2) Per Master Indenture provisions for calculating Debt Service Coverage Ratio, the greater of (i) Average Annual Debt Service or (ii) actual debt service is used. For each year, the actual debt service was used.

(3) The Master Indenture requires variable rate debt to be calculated using the previous 12 months' actual average plus 0.50% plus letter of credit fees (if applicable). This provision applies to the Series 2011 and 2013B Bonds. The Master Indenture also includes a requirement that interest on variable rate debt with swap agreements is calculated using the swap rates plus letter of credit fees (if applicable), and has been applied to the Series 2005B Bonds, the Series 2016A Bonds and the Series 2016B Bonds.

(4) Per covenants included in the 2002A and 2005A bond documents, Maximum Annual Debt Service (MADS) was used to calculate the Debt Service Coverage Covenant. Historically, MADS has been higher than the greater of (i) Average Annual Debt Service or (ii) actual debt service. The MADS coverage calculation includes the variable rate debt calculation specifics included in footnote (3) above. MADS will no longer be used to calculate the Debt Service Coverage covenant with the issuance of the Series 2016C and the Series 2016D bonds.

Days Cash on Hand – Obligated Group
(in thousands)

	Fiscal Year ended June 30		
	2016	2015	2014
Adjusted Operating Expenses	$209,074	$198,945	$196,133
Less: Depreciation & Amortization	(22,245)	(20,091)	(19,173)
Total Cash Operating Expenses	$186,829	$178,854	$176,960
Daily Cash Operating Expenses	$510	$490	$485
Cash and Investments – Unrestricted Only[1]	$80,578	$88,245	$83,819
Cash and Investments – Total[2] [3]	$117,324	$128,026	$128,022
Days Cash on Hand – Unrestricted	158	180	173
Days Cash on Hand – Total[3]	230	261	264

Cash and Investments to Long-Term Debt Ratio
(in thousands)

	Fiscal Year ended June 30		
	2016	2015	2014
Cash and Investments – Unrestricted Plus Debt Service Reserve Funds[2]	$ 91,422	$ 99,204	$ 94,698
Cash and Investments – Total Plus Debt Service Reserve Funds [4]	$128,168	$138,985	$138,900
Long-Term Debt[5]	$253,160	$259,930	$265,987
Cash and Investments – Unrestricted to Long-Term Debt	36%	38%	36%
Cash and Investments – Total to Long-Term Debt	51%	53%	52%

(1) Includes unrestricted cash and investments that are held by Ohio Presbyterian Retirement Services, OPRS Communities, Senior Independence and the Ohio Presbyterian Retirement Services Foundation. Excludes cash and investments held by Sarah Moore Health Care Center, Inc. and BV Apartments, LLC. Excludes cash and investments that are reported as Assets Whose Use is Limited on the Statements of Financial Position which consist of bond debt service reserves, bond debt sinking/reimbursement funds, bond project funds HUD required escrows and reserves, and patient personal use accounts required by Ohio Medicaid state licensure.

(2) Includes all unrestricted, temporarily restricted and permanently restricted cash and investments that are held by Ohio Presbyterian Retirement Services, OPRS Communities, Senior Independence and the Ohio Presbyterian Retirement Services Foundation. Excludes cash and investments held by Sarah Moore Health Care Center, Inc. and BV Apartments, LLC. Excludes cash and investments that are reported as Assets Whose Use is Limited on the Statements of Financial Position which consist of bond debt service reserves, bond debt sinking/reimbursement funds, bond project funds HUD required escrows and reserves, and patient personal use accounts required by Ohio Medicaid state licensure.

(3) Cash and Investments – Total to be utilized for Days Cash on Hand covenant testing for all current Corporation agreements containing a liquidity covenant.

(4) Includes debt service reserve funds from the Series 2002A Bonds, the Series 2005A Bonds, the Series 2010A Bonds and the Series 2013A Bonds.

(5) Excludes Loan from the United States Department of Housing and Urban Development and current maturities of long-term debt.

Risk Factors

AN INVESTMENT IN THE SERIES 2016C BONDS INVOLVES A CERTAIN DEGREE OF RISK INCLUDING THOSE SET FORTH UNDER THE HEADING **"RISK FACTORS"** HEREIN. A PROSPECTIVE SERIES 2016C BONDHOLDER IS ADVISED TO READ **"SECURITY FOR THE SERIES 2016C BONDS – General"** AND **"RISK FACTORS"** FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016C BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, careful evaluation should be made of certain factors that may adversely affect the ability of the Corporation or the current or any future Members of the Obligated Group to generate sufficient revenues to pay expenses of operation, including the principal of, premium, if any, and interest on the Series 2016C Bonds.

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OFFICIAL STATEMENT

$21,955,000
COUNTY OF FRANKLIN, OHIO
HEALTH CARE FACILITIES
REFUNDING REVENUE BONDS,
SERIES 2016C
(OPRS COMMUNITIES)

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover and inside pages, the summary statement and the appendices, is to set forth certain information in connection with the offering County of Franklin, Ohio, acting by and through the County Hospital Commission of Franklin County (the "Issuer") of its $21,955,000 Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities) (the "Series 2016C Bonds"). Certain capitalized terms used in this Official Statement and not otherwise defined herein are defined in **APPENDIX C.** This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer

The County of Franklin, Ohio (the "Issuer"), is a county and political subdivision of the State of Ohio, acting by and through the County Hospital Commission of Franklin County (the "Hospital Commission"), with full lawful power and authority to issue revenue obligations to pay costs of "hospital facilities" under and pursuant to the Constitution and laws of the State of Ohio, including Chapter 140, Ohio Revised Code, as amended (the "Act"). For further information concerning the Issuer, see **"THE ISSUER"** herein.

THE ISSUER HAS NOT SUPPLIED OR APPROVED, AND HAS NOT ASSUMED ANY RESPONSIBILITY FOR, AND MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, OTHER THAN THE INFORMATION CONCERNING THE ISSUER UNDER THE CAPTIONS **"INTRODUCTION – The Issuer," "THE ISSUER"** AND THE INFORMATION UNDER THE CAPTION **"LITIGATION – The Issuer."** Neither the principal of the Series 2016C Bonds nor the interest accruing thereon, shall ever constitute a general indebtedness of the Issuer, the State of Ohio or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever or shall ever constitute or give rise to a pecuniary liability of the Issuer, the State of Ohio or any political subdivision thereof, nor will the Series 2016C Bonds be, or be deemed to be, an obligation of the Issuer, the State of Ohio or any political subdivision thereof.

The Corporation and the Obligated Group

OPRS Communities (the "Corporation") is a nonprofit corporation duly organized and existing under the laws of the State of Ohio. The Obligated Group (as defined herein) consists of the Corporation, its parent company Ohio Presbyterian Retirement Services (the "Parent"), Senior Independence ("Senior Independence") and Ohio Presbyterian Retirement Services Foundation (the "Foundation").

Founded in 1922, the Corporation presently owns and operates twelve retirement communities in Ohio, ten of which are full service retirement communities, serving more than 2,700 residents. The Corporation also delivers various community-based service programs, including but not limited to, hospice, home health care services, adult day care, home meals, and transportation to over 75,000 older adults at various locations in Ohio.

In 1991, the Foundation, an Ohio nonprofit corporation that manages certain investments and raises funds in support of the Obligated Group, became a member of the Obligated Group. In 1992, the Parent, an Ohio nonprofit corporation and the sole member of the Corporation and the Foundation, also became a member of the Obligated Group. In 2010, the Parent formed a third subsidiary, Senior Independence, an Ohio nonprofit corporation, to deliver home health, hospice and other community-based services throughout Ohio, and Senior Independence also became a member of the Obligated Group.

Each member of the Obligated Group has received a determination letter from the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), is exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation under Section 509(a) of the Code.

Effective November 1, 2016, the Obligated Group entities will change their legal names as part of a rebranding initiative. See **APPENDIX A: "Management's Discussion Regarding Future Plans – Branding."**

On the date of issuance of the Series 2016C Bonds, the Corporation, the Parent, the Foundation and Senior Independence will be the only members of the Obligated Group. For further information concerning the Corporation and the Obligated Group, their history, facilities, organization, financial performance and a summary of certain financial statements of the Obligated Group, see **APPENDIX A: "THE OBLIGATED GROUP"** and **APPENDIX B: "AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016, 2015 and 2014**."

THE PRESBYTERIAN CHURCH (USA) IS NOT LIABLE FOR PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2016C BONDS.

The Series 2016C Bonds

The Series 2016C Bonds will be issued pursuant to the Act, resolutions of the Issuer (the "Resolution") and a Trust Indenture dated as of October 1, 2016 (the "Bond Indenture"), by and between the Issuer and The Huntington National Bank, as bond trustee (the "Bond Trustee"). The proceeds of the Series 2016C Bonds will be made available to the Corporation pursuant to the Base Lease and the Lease as described below.

Purpose of the Series 2016C Bonds

The Corporation will use the proceeds from the sale of the Series 2016C Bonds, together with other available funds, to (i) currently refund and retire the outstanding principal amount of the Issuer's $26,600,000 Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002A (Ohio Presbyterian Retirement Services) (the "Series 2002A Bonds") and the Issuer's $10,945,000 Health Care Facilities Improvement Revenue Bonds, Series 2005A (Ohio Presbyterian Retirement Services) (the "Series 2005A Bonds" and together with the Series 2002A Bonds, the "Prior Bonds"), (ii) fund the debt service reserve fund for the Series 2016C Bonds and (iii) pay certain costs relating to the issuance of the Series 2016C Bonds, all as permitted by the Act.

The Series 2016D Bonds

It is anticipated that contemporaneously with the issuance of the Series 2016C Bonds and pursuant to a Bond Purchase Agreement dated October 1, 2016 (the "2016D BPA") by and among the Issuer, the Corporation and Huntington Public Capital Corporation (the "2016D Purchaser"), the Issuer will also issue its Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities) (the "Series 2016D Bonds") in an aggregate principal amount of $10,175,000*. The proceeds of the Series 2016D Bonds will be used to (i) refund and retire the Series 2002B Bonds and (ii) pay costs of issuance of the Series 2016D Bonds. The Series 2016D Bonds will be secured by an Obligation (the "Series 2016D Note") issued pursuant to the Master Indenture. The Series 2016D Bonds are expected to mature in approximately 18 years and will be directly purchased by the 2016D Purchaser for an initial holding period of ten (10) years. It is anticipated that the Series 2016D Bonds will initially bear interest at a variable rate with an option to convert to fixed rate. While there is no assurance of the closing and issuance of the Series 2016D Bonds, it is anticipated that the Series 2016D Bonds will be issued on the same date as the Series 2016C Bonds and will constitute the same "issue" for federal income tax purposes as the Series 2016C Bonds. For risks associated with direct placement bonds such as the Series 2016D Bonds, see **"RISK FACTORS – Risks Inherent in Bank-Credit"** herein.

The Series 2016D Bonds are not offered by this Official Statement and will not be publicly offered.

A more detailed description of the use of the proceeds from the sale of the Series 2016C Bonds and the Series 2016D Bonds is included under the captions **"ESTIMATED SOURCES AND USES OF FUNDS"** and **"PLAN OF FINANCE."**

Security for the Series 2016C Bonds

Security Interest in Gross Receipts. Pursuant to the Master Indenture, each Member of the Obligated Group has granted a security interest (subject to Permitted Encumbrances) in all present and future Gross Receipts as security for the payment of the Series 2016C Note and all other Obligations issued under the Master Indenture. See **"SECURITY FOR THE SERIES 2016C BONDS – The Master Indenture – Security Interest in Gross Receipts"** and **"RISK FACTORS – Certain Matters Relating to Enforceability of the Master Indenture and – Limitations on Security Interest in Gross Receipts"** herein.

The Mortgage. Pursuant to the Series 2016C Supplemental Master Indenture, the Corporation will grant to the Master Trustee a mortgage lien on certain of its nursing, assisted living and congregate living facilities and all but two of its independent living facilities (one of which is encumbered by mortgages to the United States Department of Housing and Urban Development), including the Leased Premises (as hereinafter defined), but excluding certain unimproved land located at several of the Corporation's communities (collectively, the "Mortgaged Property"). There are also in place certain existing mortgages on the Mortgaged Property which were granted as security for the Outstanding Related Bonds, related credit enhancement, the Term Loan, the 2014 Bank Note, the PNC Swap and the Morgan Swap, and will secure the Series 2016C Bonds and the Series 2016D Bonds on a parity basis, so long as the debt incurred in connection with the execution of such mortgages is outstanding. See **"SECURITY FOR THE SERIES 2016C BONDS – The Master Indenture"** for additional discussion of the Series 2016C Supplemental Master Indenture. See **APPENDIX A: "THE OBLIGATED GROUP – The Corporation Facilities"** for a description of the properties comprising the Mortgaged Property.

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* Preliminary; subject to change.

The Corporation has previously procured title insurance policies in connection with the issuance of certain series of the Outstanding Related Bonds which policies are currently outstanding in an approximate amount of $48.5 million. While the Corporation is not adding or deleting property from the Mortgaged Property in connection with the issuance of the Series 2016C Bonds, the Corporation will be procuring additional title insurance with respect to the Mortgaged Property in connection with the delivery of Series 2016C Supplemental Master Indenture to maintain the aggregate amount of approximately $48.5 million, which amount will be less than the principal amount of all Obligations outstanding under the Master Indenture. See **"RISK FACTORS – Amount of Title Policies Less Than Outstanding Obligations."**

The Debt Service Reserve Fund. Payment of the principal of, premium, if any, and interest on the Series 2016C Bonds will be additionally secured by moneys deposited to the credit of the Debt Service Reserve Fund established under the Bond Indenture. The Debt Service Revenue Fund is required to be maintained in an amount equal to the Debt Service Reserve Requirement with respect to the Series 2016C Bonds. The sum of $1,911,128.13 will be deposited in the Debt Service Reserve Fund on the date of delivery of the Series 2016C Bonds. The Debt Service Reserve Fund does not secure the Series 2016D Bonds or any of the Outstanding Related Bonds. See **"SECURITY FOR THE SERIES 2016C BONDS."**

Special and Limited Obligations of the Issuer. NEITHER THE PRINCIPAL OF THE SERIES 2016C BONDS NOR THE INTEREST ACCRUING THEREON SHALL EVER CONSTITUTE A GENERAL INDEBTEDNESS OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER OR SHALL EVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL THE SERIES 2016C BONDS BE, OR BE DEEMED TO BE, AN OBLIGATION OF THE ISSUER, THE COUNTY OF FRANKLIN, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION THEREOF.

The Base Lease and Lease. The Corporation will lease certain of its facilities (the "Leased Premises") to the Issuer pursuant to a Base Lease dated as of October 1, 2016 (the "Base Lease"). The Issuer and the Corporation will also enter into a Lease dated as of October 1, 2016 (the "Lease") pursuant to which the Issuer will sublease the Leased Premises back to the Corporation for rentals sufficient to pay in full when due all principal of, and redemption premium, if any, and interest on the Series 2016C Bonds. See "**SECURITY FOR THE SERIES 2016C BONDS – General**." The Issuer will pledge and assign certain of its rights under the Lease to the Bond Trustee as security for the Series 2016C Bonds.

The Bond Indenture. Under the Bond Indenture, the Issuer will pledge and assign to the Bond Trustee as security for the payment of principal of, premium, if any, and interest on the Series 2016C Bonds, all of its right, title and interest in and to (other than the Unassigned Rights) (i) the Revenues, including, without limitation, all Rental Payments and other amounts receivable by or on behalf of the Issuer under the Lease and all money and investments in the Bond Fund, the Debt Service Reserve Fund and the Project Fund; and (ii) the Series 2016C Note. See **"SECURITY FOR THE SERIES 2016C BONDS"** herein.

The Master Indenture and the Series 2016C Note. The Corporation has entered into a Master Trust Indenture dated as of December 1, 1991 (as supplemented and amended, the "Master Indenture") with The Bank of New York Mellon Trust Company, N.A., as successor master trustee (the "Master Trustee"). Pursuant to Supplemental Indenture Number One and Mortgage dated as of December 1, 1991 ("Supplemental Indenture Number One"), supplementing and amending the Master Indenture, the

Foundation became a member of the Obligated Group. Pursuant to Supplemental Indenture Number Eight dated as of September 10, 1992 ("Supplemental Indenture Number Eight"), the Parent became a member of the Obligated Group. Pursuant to Supplemental Indenture Number Twenty-Eight ("Supplemental Indenture Number Twenty-Eight"), dated as of June 14, 2010, Senior Independence became a member of the Obligated Group. On the date of issuance of the Series 2016C Bonds, the Corporation, the Parent, the Foundation and Senior Independence will be the only members of the Obligated Group.

Pursuant to the Master Indenture, the members of the Obligated Group may issue obligations (the "Obligations") payable on a joint and several basis in order to finance their respective activities. Pursuant to a supplement to the Master Indenture relating to the Series 2016C Bonds (the "Series 2016C Supplemental Master Indenture"), the Corporation shall issue the OPRS Communities Series 2016C Note (the "2016C Note") to the Bond Trustee to secure its obligations under the Lease with respect to the Series 2016C Bonds. Following the issuance of the Series 2016C Bonds and the Series 2016D Bonds, there will be outstanding approximately $253,030,500 aggregate principal amount of Obligations issued under the Master Indenture. These outstanding Obligations have been issued to secure the Issuer's $14,385,000 Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2005B (Ohio Presbyterian Retirement Services) (the "2005B Bonds"), the Issuer's $36,000,000 Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2011 (OPRS Communities) (the "2011 Bonds"), the Issuer's $21,485,000 Health Care Facilities Refunding Revenue Bonds, Series 2012A (OPRS Communities) (the "2012A Bonds"), the Issuer's $8,515,000 Health Care Facilities Refunding Revenue Bonds, Series 2012B (OPRS Communities) (the "2012B Bonds"), the Issuer's $50,550,000 Health Care Facilities Improvement Revenue Bonds, Series 2013A (OPRS Communities) (the "2013A Bonds"), the Issuer's $25,000,000 Health Care Facilities Improvement Revenue Bonds, Series 2013B (OPRS Communities) (the "2013B Bonds"), the Issuer's $30,000,000 Health Care Facilities Refunding Revenue Bonds, Series 2016A (OPRS Communities) (the "2016A Bonds"), the Issuer's $30,000,000 Health Care Facilities Refunding Revenue Bonds, Series 2016B (OPRS Communities) (the "2016B Bonds"), the Term Loan (defined below), the 2014 Bank Note (defined below), the Series 2016C Bonds and the Series 2016D Bonds.

In addition, certain Obligations have been issued under the Master Indenture to secure other indebtedness and obligations of the Corporation, including an Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Thirty-Five dated as of September 29, 2014 ("Supplemental Indenture Number Thirty-Five") which secures the Corporation's payment obligations under a credit agreement relating to a term loan facility (the "2014 Bank Note") which is currently outstanding in the principal amount of $1,455,000. An Obligation (the "Series 2005B LOC Note") issued pursuant to Open-End Mortgage and Supplemental Indenture Number Thirty-Eight dated as of June 15, 2016 ("Supplemental Indenture Number Thirty-Eight") secures the Corporation's reimbursement obligations to Comerica Bank under a letter of credit relating to the 2005B Bonds. Another Obligation (the "Series 2016 Term Loan Note") issued pursuant to Supplemental Indenture Number Thirty-Eight secures a term loan (the "Term Loan") dated January 1, 2016 from Comerica Bank to the Corporation, currently outstanding in the principal amount of $1,443,750.

An Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Twenty-Six dated as of April 20, 2010 ("Supplemental Indenture Number Twenty-Six") secures the Corporation's payment obligations under an interest rate swap transaction with PNC Bank, National Association relating to the 2006A Bonds which were refinanced by the 2016A Bonds and the 2016B Bonds (the "PNC Swap"). The PNC Swap has a total notional amount of $60,000,000 (the same as the aggregate principal amount of the 2006A Bonds which have been refunded by the Series 2016A Bonds and the Series 2016B Bonds) and has a termination date of July 1, 2036. An Obligation issued pursuant to Open-End Mortgage and Supplemental Indenture Number Twenty-Seven dated as of June 9, 2010 ("Supplemental Indenture Number Twenty-Seven") secures the Corporation's payment obligations under an interest rate swap transaction with Morgan Stanley Capital Services, Inc. that hedges the Corporation's interest rate risk on the 2005B Bonds (the "Morgan Swap"). The Morgan Swap has a total notional amount of $14,385,000 (the same as the aggregate principal amount of the 2005B Bonds) and has a termination date of July 1, 2035. See "**RISK FACTORS – Basis Risk and Counterparty Risk Related to Interest Rate Swap Agreements**" for additional discussion of the PNC Swap and the Morgan Swap.

The Series 2016C Bonds and the Series 2016D Bonds will each be secured by an Obligation issued under the Master Indenture which Obligations will be secured on a parity with other Obligations issued under the Master Indenture to secure other series of bonds previously issued for the benefit of the Corporation, namely the 2005B Bonds, the 2010A Bonds, the 2011 Bonds, the 2012A Bonds, the 2012B Bonds, the 2013A Bonds, the 2013B Bonds, the 2016A Bonds and the 2016B Bonds. Such bonds are collectively referred to herein as the "Outstanding Related Bonds." The Outstanding Related Bonds (excluding the 2002A Bonds, the 2002B Bonds and the 2005A Bonds to be refunded) are currently outstanding in the aggregate principal amount of $217,951,750.

It is also anticipated that the Obligated Group will issue another Obligation under the Master Indenture to guaranty bonds to be issued as direct placement bonds to refinance approximately $7.35 million in bonds (the "Sarah Moore Bonds") issued for the benefit of Sarah Moore Health Care Center, Inc. (not a Member of the Obligated Group). See **"PLAN OF FINANCE – Capital Structure Initiatives"** herein for more information.

See **"ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS"** herein for principal and interest requirements for the Series 2016C Bonds, the Series 2016D Bonds, the Outstanding Related Bonds and other long-term indebtedness of the Obligated Group.

Additional Obligations and Additional Indebtedness. The Master Indenture permits the Obligated Group to issue additional debt which may, but need not, be evidenced or secured by additional Obligations issued under the Master Indenture. In certain circumstances, the Obligated Group may issue additional Obligations under the Master Indenture that will not be pledged under the Bond Indenture but will be equally and ratably secured with the Series 2016C Note. See **"SECURITY FOR THE SERIES 2016C BONDS – Covenants of the Obligated Group – Permitted Indebtedness."** The Series 2016C Note and any additional Obligations to be issued by the Obligated Group under the Master Indenture are collectively referred to herein as the "Obligations."

PLAN OF FINANCE

Use of Series 2016C Bonds Proceeds

The Corporation will use the proceeds from the sale of the Series 2016C Bonds, together with other legally available funds, to (i) refund and retire the Series 2002A Bonds and the Series 2005A Bonds (together, the "Prior Bonds"); (ii) fund a debt service reserve fund for the benefit of the Series 2016C Bonds (the "Debt Service Reserve Fund"); and (iii) pay certain expenses incurred in connection with the issuance of the Series 2016C Bonds, all as permitted by the Act. A more detailed description of the use of the proceeds from the sale of the Series 2016C Bonds and the Series 2016D Bonds* is included under the caption **"ESTIMATED SOURCES AND USES OF FUNDS."**

The Prior Bonds will be redeemed in full and retired on the date of issuance of the Series 2016C Bonds. The proceeds of the Prior Bonds were used by the Corporation to finance or refinance the acquisition, construction, installation and improving of "hospital facilities" as defined in the Act, including routine capital expenditures at the Corporation's facilities throughout Ohio.

Series 2016D Bonds

It is anticipated that contemporaneously with the issuance of the Series 2016C Bonds and pursuant to a Bond Purchase Agreement dated as of October 1, 2016 (the "2016D BPA"), by and among the Issuer, the Corporation and Huntington Public Capital Corporation (the "2016D Purchaser"), the Issuer will also issue its Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities) (the "Series 2016D Bonds") in an aggregate principal amount of $10,175,000*. The proceeds of the Series 2016D Bonds will be used to (i) refund the outstanding $19,790,000 County of Franklin, Ohio Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002B (Ohio Presbyterian Retirement Services) (the "Series 2002B Bonds"); and (ii) pay costs of issuance of the Series 2016D Bonds. The Series 2016D Bonds will be secured by an Obligation (as defined herein) (the "Series 2016D Note") issued pursuant to the Master Indenture (as defined herein). The Series 2016D Bonds are expected to mature in approximately 18 years and will be directly purchased by the 2016D Purchaser for an initial holding period of ten (10) years. It is anticipated that the Series 2016D Bonds will initially bear interest at a variable rate with an option to convert to a fixed rate. While there is no assurance of the closing and issuance of the Series 2016D Bonds, it is anticipated that the Series 2016D Bonds will be issued on the same date as the Series 2016C Bonds and will constitute the same "issue" for federal income tax purposes as the Series 2016C Bonds. For risks associated with direct placement bonds such as the Series 2016D Bonds, see **"RISK FACTORS – Risks Inherent in Bank-Credit"** herein.

Capital Structure Initiatives

In the most recent Fiscal Year, management of the Obligated Group has been focused on refining its capital structure, which includes strategies (generally referred to herein as the "Capital Structure Initiatives") to reposition current financial covenants, including the elimination of more restrictive financial covenants originating with prior bond insurance provider, minimize variable rate risk in an anticipated long-term rising rate environment, mitigate renewal risk on bank credit, align debt service coverage ratio calculations and accomplish the leveling of annual debt service cash flow requirements between various outstanding credit agreements over the aggregate debt service life. The issuance of the Series 2016C Bonds and the Series 2016D Bonds and the refunding of the Prior Bonds and the Series

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* Preliminary; subject to change. The Series 2016D Bonds are <u>not</u> being offered by this Official Statement.

2002B Bonds thereby, are integral parts of the implementation of the Obligated Group's long range financial plan.

The following table sets forth certain recent actions or planned actions relating to the Obligated Group's Capital Structure Initiative.

OPRS CAPITAL STRUCTURE INITIATIVES (taken in 2016)	
Indebtedness	**Strategy or Recent Action**
2006A Bonds/ 2016A Bonds & 2016B Bonds	In June 2016, the Series 2006A Bonds were refunded and refinanced with $30M Series 2016A Bonds and $30M Series 2016B Bonds, both bank direct placements.
2010A Bonds **2013A Bonds**	Series 2010A Lease and Series 2013A Lease were each recently amended after successful bondholder consent solicitation processes to delete bond insurer calculation of Debt Service Coverage Ratio to align with Master Indenture calculation and to amend the definition of "Adjusted Annual Revenue." These changes will become effective on issuance date of Series 2016C Bonds.
2005A Bonds	The Series 2005A Bonds ($10.95M currently outstanding) will be refunded by the Series 2016C Bonds.
2005B Bonds Letter of Credit	Replacement Letter of Credit issued June 2016 by Comerica Bank with expiration date of June 15, 2019 secures the 2005B Bonds.
2002A Bonds	The Series 2002A Bonds ($13.5M currently outstanding) will be refunded by the Series 2016C Bonds.
2002B Bonds	The Series 2002B Bonds ($10M currently outstanding) will be refunded by the Series 2016D Bonds (direct placement with 2016D Purchaser) on the same date as Series 2016C Bonds issuance date.
2014 Bank Note	$1.45M term loan facility dated September 29, 2014 in connection with a draw under a letter of credit relating to retirement of 2000 Taxable Bonds. Principal balance of the term loan facility was reduced from $2,955,000 to $1,500,000 with the issuance of the 2016 Term Loan.
2016 Term Loan	$1.45M term loan dated June 15, 2016 from Comerica Bank refinanced a portion of the 2014 Bank Note.
Sarah Moore Bonds/ Sarah Moore Guaranty	Corporation became sole member of Sarah Moore Health Care Center, Inc. in August, 2014. Sarah Moore is not a member of the Obligated Group, but has $7.35M in outstanding bonds that are expected to be refinanced in November, 2016 with a bank direct purchase. The Corporation is expected to issue an Obligation to guaranty (the "Sarah Moore Guaranty") the payment obligations of Sarah Moore relating to the refinanced bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2016C Bonds, together with funds released from Trustee-held funds relating to the Prior Bonds and the proceeds of the Series 2016D Bonds are expected to be applied, net of investment earnings, as follows:

	Series 2016C Bonds	Series 2016D Bonds*	Total
SOURCES OF FUNDS			
Series 2016C Bonds	$21,955,000	-	$21,955,000
Net Premium	2,040,536	-	2,040,536
Trustee-held Funds	3,282,696	-	3,282,696
Series 2016D Bonds	-	$10,175,000	10,175,000
Total Sources of Funds	$27,278,232	$10,175,000	$37,453,232
USES OF FUNDS			
Refund Series 2002A Bonds and Series 2005A Bonds	$24,882,869	-	$24,882,869
Refund Series 2002B Bonds	-	$10,037,311	10,037,311
Debt Service Reserve Fund (Series 2016C Bonds)	1,911,128	-	1,911,128
Costs of Issuance[1]	479,910	137,689	617,599
Deposit to Bond Fund (Series 2016C Bonds)	4,325	-	4,325
Total Uses of Funds	$27,278,232	$10,175,000	$37,453,232

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*Preliminary; subject to change. The Series 2016D Bonds are not being offered by this Official Statement. Sources and Uses of Funds relating to the Series 2016D Bonds are shown for illustrative purposes as a component of the Obligated Group's Capital Structure Initiatives discussed herein.

[1] Includes legal, accounting, administrative and miscellaneous fees and expenses and compensation to the Underwriter.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each bond year ending July 1, the amounts required for the payment of principal of the Series 2016C Bonds at maturity or by mandatory sinking fund redemption, and for the Series 2016D Bonds and certain other long-term indebtedness of the Obligated Group.

Year Ending July 1	Series 2016C Bonds		Series 2016D Bonds[(1)]		Debt Service Other Indebtedness[(2)]	Aggregate Debt Service	Aggregate Net Debt Service[(3)]
	Principal	Interest	Principal	Interest			
2017	-	$ 708,744	-	$136,301	$17,417,877	$18,262,922	$18,262,922
2018	-	1,045,688	-	201,416	17,537,384	18,784,488	18,784,488
2019	-	1,045,688	-	201,416	17,678,167	18,925,271	18,925,271
2020	-	1,045,688	-	201,968	17,831,353	19,079,009	19,079,009
2021	$ 200,000	1,045,688	-	201,416	17,069,374	18,516,478	18,516,478
2022	875,000	1,041,188	$ 54,000	201,416	16,344,383	18,515,987	18,515,987
2023	445,000	1,020,625	466,000	200,347	16,384,711	18,516,683	18,516,683
2024	-	1,009,500	467,000	191,646	16,873,794	18,541,940	18,541,940
2025	-	1,009,500	149,000	181,878	17,263,283	18,603,661	18,603,661
2026	1,185,000	1,009,500	454,000	178,929	18,222,339	21,049,768	18,512,268
2027	1,250,000	950,250	443,000	169,942	15,701,670	18,514,862	18,514,862
2028	1,305,000	887,750	435,000	161,614	15,727,081	18,516,445	18,516,445
2029	495,000	822,500	1,318,000	152,561	15,725,193	18,513,254	18,513,254
2030	-	797,750	1,958,000	126,471	15,721,894	18,604,115	18,604,115
2031	-	797,750	2,061,000	87,712	15,705,144	18,651,606	18,651,606
2032	-	797,750	2,172,000	47,043	15,685,543	18,702,336	18,702,336
2033	-	797,750	90,000	3,919	17,860,255	18,751,924	18,751,924
2034	-	797,750	108,000	2,138	17,858,654	18,766,542	18,766,542
2035	-	797,750	-	-	18,497,434	19,295,184	19,295,184
2036	-	797,750	-	-	19,001,617	19,799,367	19,799,367
2037	6,835,000	797,750	-	-	10,880,463	18,513,213	18,513,213
2038	9,365,000	456,000	-	-	10,603,053	20,424,053	18,512,925
2039	-	-	-	-	10,543,538	10,543,538	10,543,538
2040	-	-	-	-	9,837,788	9,837,788	4,782,788
Totals:	$21,955,000	$19,480,309	$10,175,000	$2,648,133	$381,971,992	$436,230,434	$426,726,806

(1) **The Series 2016D Bonds are <u>not</u> offered by this Official Statement.** Assumes that the Series 2016D Bonds will be issued in a principal amount of $10,175,000 and will bear interest at an average annual rate of 1.9524%.

(2) These assumed interest rates take into account estimated letter of credit fees, bank credit fees, and swap rates, as applicable, for variable rate indebtedness.

(3) Represents aggregate debt service assuming the debt service reserve fund relating to the Series 2010A Bonds of $2,537,500, the debt service reserve fund relating to the Series 2013A Bonds of $5,055,000, and the Debt Service Reserve Fund relating to the Series 2016C Bonds of $1,911,128 are released in the respective years of final maturity for each series and applied to the payment of debt service.

THE SERIES 2016C BONDS

General Description

The Series 2016C Bonds will be issued only in fully registered form in Authorized Denominations of $5,000 or any integral multiple thereof. The Series 2016C Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the respective rates per annum and will mature, subject to earlier redemption, in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Series 2016C Bonds will bear interest from their dated date, payable on January 1 and July 1 (the "Interest Payment Dates") of each year, commencing January 1, 2017. The Series 2016C Bonds, as initially issued, will be dated the date of issuance of the Series 2016C Bonds (the "Closing Date"). Except as described in the next sentence, subsequently issued Series 2016C Bonds will be dated as of the later of the Closing Date or the most recent preceding Interest Payment Date to which interest has been paid thereon. Series 2016C Bonds issued on an Interest Payment Date to which interest has been paid will be dated as of such date. So long as Cede & Co. is the registered owner, the Bond Trustee will pay such principal of, premium, if any, and redemption price, if any, and interest on the Series 2016C Bonds to DTC, which will remit such principal, redemption price, if any, and interest to the Beneficial Owners (as hereinafter defined) on the Series 2016C Bonds, as described under the caption "**BOOK-ENTRY ONLY SYSTEM**" below.

Redemption of the Series 2016C Bonds

Optional Redemption. The Series 2016C Bonds maturing on or after July 1, 2029, are subject to redemption at the option of the Issuer, as directed by the Corporation, on or after July 1, 2026, as selected by the Corporation, in whole or in part on any date at a redemption price equal to 100% of the principal amount being redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2016C Bonds maturing on July 1, 2029 are subject to mandatory redemption in part, by lot, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, in the amounts and on the dates indicated in the table below:

July 1	Principal Amount
2026	$1,185,000
2027	1,250,000
2028	1,305,000
2029*	495,000

*Maturity

The Series 2016C Bonds maturing on July 1, 2038 (5.000% Interest Rate) are subject to mandatory redemption in part, by lot, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, in the amounts and on the dates indicated in the table below:

July 1	Principal Amount
2037	$6,835,000
2038*	8,140,000

*Maturity

The principal amount of Series 2016C Bonds which are redeemed pursuant to the Optional Redemption provisions described above shall be credited against the principal amount of the Series 2016C Bonds required to be redeemed pursuant to the Mandatory Sinking Fund Redemption provisions in such order of payment of principal as directed by the Corporation, or if the Corporation does not so direct, by inverse order of maturity.

The Issuer, or the Corporation on behalf of the Issuer, shall have the option to deliver to the Bond Trustee for cancellation Series 2016C Bonds in any aggregate principal amount and to receive a credit against the then current mandatory sinking fund requirement (and corresponding mandatory redemption obligation) of the Issuer for any Series 2016C Bonds. That option shall be exercised by the Issuer, or the Corporation on behalf of the Issuer, on or before the 45th day preceding the applicable mandatory sinking fund redemption date, by furnishing the Bond Trustee a certificate, executed by an authorized officer of the Issuer, or by the Authorized Corporation Representative, as the case may be, setting forth the extent of the credit to be applied with respect to the then current mandatory sinking fund requirements, and the Series 2016C Bonds to be so credited. If the certificate and the Series 2016C Bonds to be credited are not timely furnished to the Bond Trustee, the mandatory sinking fund requirement (and corresponding mandatory redemption obligation) shall not be reduced. A credit against the then current mandatory sinking fund requirement (and corresponding mandatory redemption obligation) also shall be received by the Issuer for any Series 2016C Bonds that prior thereto have been redeemed (other than through the operation of the mandatory sinking fund requirements) or purchased for cancellation and canceled by the Bond Trustee, to the extent not applied theretofore as a credit against any redemption obligation.

Extraordinary Optional Redemption Resulting from Damage or Condemnation. The Series 2016C Bonds are also subject to redemption by the Issuer at the option of the Corporation, in the event of the occurrence of certain events including damage to or destruction of the Corporation's facilities or any part thereof or condemnation or sale consummated under threat of condemnation of the Corporation's facilities or any part thereof to such extent that (i) the Corporation's facilities cannot be expected reasonably to be repaired, rebuilt, restored or replaced within a period of nine months to the condition it was in immediately preceding such damage, destruction or taking, or (ii) the Corporation is thereby prevented from carrying on its normal operation of the Corporation's facilities for a period of nine consecutive months, or (iii) the cost of repair, rebuilding or restoration thereof would exceed 50% of the value of the Corporation's facilities immediately prior to the damage, destruction or taking as determined by an appraiser, reasonably satisfactory to the Bond Trustee. See **APPENDIX C – "SUMMARY OF CERTAIN DOCUMENTS – Summary of Certain Provisions of the Master Indenture – Damage or Destruction"** and **"– Condemnation."** In such cases, the Series 2016C Bonds shall be subject to redemption by the Issuer at any time, in whole or in part as permitted by the Lease or at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

Partial Redemption. If fewer than all of the Series 2016C Bonds that are stated to mature on different dates are called for redemption at one time, those Series 2016C Bonds that are called shall be called in inverse order of the maturities of the Series 2016C Bonds to be redeemed. If fewer than all of the Series 2016C Bonds of a single maturity are to be redeemed, the selection of Series 2016C Bonds to be redeemed, or portions thereof shall be made by lot by the Bond Trustee in any manner that the Bond Trustee may determine; provided that the Bond Trustee shall not redeem, whether by optional, mandatory or sinking fund redemption, any portion of a Series 2016C Bond that would result in a Series 2016C Bond that is less than an Authorized Denomination ($5,000 or any integral multiple thereof) and notice of any such redemption shall be null and void. If less than all of an outstanding Series 2016C Bond of one maturity in a book entry system is to be called for redemption, the Bond Trustee shall give notice to the Depository or the nominee of the Depository that is the Holder of such Series 2016C Bond, and the selection of the beneficial interests in that Series 2016C Bond to be redeemed shall be at the sole discretion of the Depository and its participants.

Purchase in Lieu of Redemption. Whenever moneys sufficient to redeem the Series 2016C Bonds are held by the Bond Trustee for redemption of the Series 2016C Bonds under any provision of the Bond Indenture, the Bond Trustee at the written direction of the Issuer, or the Corporation on behalf of the Issuer, shall endeavor to purchase such Series 2016C Bonds then Outstanding, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal amount thereof which would be payable on the next redemption date to the Holders of such Series 2016C Bonds if such Series 2016C Bonds should be called for redemption on such date from moneys set aside under the Bond Indenture to be applied for such redemption, but no such purchase shall be made by the Bond Trustee within the period of fifteen (15) days immediately preceding any date on which such Series 2016C Bonds are subject to call for redemption except from moneys in excess of the amounts set aside or deposited for the redemption of Series 2016C Bonds. The Bond Trustee shall pay the principal of and interest on the Series 2016C Bonds to be purchased from the funds or accounts in which such moneys are so held for the redemption of such Series 2016C Bonds.

Notice of Redemption; Effect. Notice of the redemption of Series 2016C Bonds pursuant to the provisions summarized above will be given by mailing a copy of such notice of redemption by first-class mail, at least 20 days and not more than 30 days prior to the redemption date to the registered owners of the Series 2016C Bonds to be redeemed at the address shown on the Register; provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of any proceedings for the redemption of Series 2016C Bonds as to which notice has been properly given. If the redemption is subject to one or more conditions, the notice of redemption shall state a summary of such conditions. If notice of redemption has been given and if funds have been placed with the Bond Trustee to pay such Series 2016C Bonds and accrued interest thereon to the redemption date and the premium, if any, then the Series 2016C Bonds, or portions thereof, thus called for redemption will not bear interest after such redemption date, will no longer be protected by the Bond Indenture, and will not be deemed to be outstanding under the Bond Indenture.

Exchange and Transfer

Upon surrender for transfer or exchange of any Series 2016C Bond at the Designated Office of the Bond Trustee, accompanied by a written instrument or instruments of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Bond Trustee and duly executed by the registered owner or such owner's duly authorized attorney, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Series 2016C Bond in any Authorized Denomination of the maturity for the aggregate principal amount that the registered owner is entitled to receive. Any Series 2016C Bonds may be exchanged at said office of the Bond Trustee for a like aggregate principal amount of Series 2016C Bonds of other Authorized Denominations of the same maturity.

No service charge shall be imposed upon the owner of any Series 2016C Bond requesting an exchange or transfer of any Series 2016C Bond, but the Issuer and the Bond Trustee may require the payment by the Series 2016C Bondholder requesting an exchange or transfer of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Series 2016C Bond or Series 2016C Bonds for the unredeemed portion of a Series 2016C Bond surrendered for redemption in part.

The Issuer and the Bond Trustee shall not be required to register the transfer of or exchange of any Series 2016C Bond after notice calling such Series 2016C Bond or portion thereof for redemption has been mailed or during the period of 15 days next preceding mailing of a notice of redemption of any Series 2016C Bonds of the same maturity.

As to any Series 2016C Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and/or interest on any such Series 2016C Bond, shall be made only to or upon the written order of the registered owner thereof or such owner's legal representative, but such registration may be changed only as described in the Bond Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2016C Bond to the extent of the sum or sums so paid.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as the depository for the Series 2016C Bonds. The Series 2016C Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The ownership of one fully-registered Series 2016C Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Borrower ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Borrower and Fixed Income Clearing Borrower, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2016C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016C Bond ("Beneficial Owner" and collectively, the "Beneficial Owners") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016C Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016C Bonds, except in the event that use of the book-entry system for the Series 2016C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may

be requested by an authorized representative of DTC. The deposit of Series 2016C 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 2016C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016C 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 and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a Direct Participant or Indirect Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners will be forwarded in writing by such Direct Participant or Indirect Participant. If less than all of the Series 2016C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016C Bonds unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments ("MMI") Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Issuer as soon as possible after the Record Date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016C Bonds are credited on the Record Date (identified in a listing attached to the "Omnibus Proxy").

Principal and interest payments on the Series 2016C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee or the Issuer, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee or the Issuer. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016C Bonds at any time by giving reasonable notice to the Issuer and the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016C Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository with respect to the Series 2016C Bonds). In that event, Series 2016C Bond certificates will be printed and delivered as described.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER, THE CORPORATION OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Series 2016C Bonds are registered in the name of DTC or its nominee, Cede & Co., the Issuer and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2016C Bonds for all purposes, including payments, notices and voting.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Bond Indenture and the Corporation's obligations under the Lease, to the extent of the payments so made.

None of the Issuer, the Underwriter, the Corporation nor the Bond Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2016C Bond, (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Series 2016C Bonds including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Series 2016C Bond, (iii) the payment of any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Series 2016C Bonds or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Issuer and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2016C Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2016C Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2016C Bonds, (iii) registering transfers with respect to the Series 2016C Bonds and (iv) the selection of Series 2016C Bonds for redemption.

SECURITY FOR THE SERIES 2016C BONDS

General

The Series 2016C Bonds will be special and limited obligations of the Issuer. The security for the Series 2016C Bonds includes (i) an assignment to the Bond Trustee of the Issuer's rights under the Lease to receive rental payments due from the Corporation; (ii) an assignment to the Master Trustee of certain of the Issuer's other rights under the Lease; (iii) the Series 2016C Note; (iv) a security interest in the Gross Receipts of the Obligated Group and (v) a mortgage lien on the Mortgaged Property pursuant to the Series 2016C Supplemental Master Indenture. The Series 2016C Bonds will be additionally secured by the Debt Service Reserve Fund to be maintained as described below.

Security Interest in Gross Receipts

Pursuant to the Master Indenture, each member of the Obligated Group grants to the Master Trustee a security interest in all of its "Gross Receipts." As described in the Master Indenture, Gross Receipts means all cash and other receipts, present and future accounts, receivables, contracts and contract rights (including particularly, contracts, agreements, contract rights and agreements rights, particularly those between any member of the Obligated Group and the State of Ohio with respect to Medicaid, any member of the Obligated Group and third-party insurers of patients of any members of the Obligated Group and any member of the Obligated Group and the United States of America with respect to Medicare, and all other equivalent insurance programs, or any state or federal program substituted in lieu thereof), general intangibles, chattel paper or instruments, documents and instruments, which are now owned or hereafter acquired by the Obligated Group and all proceeds therefrom, whether cash or noncash,

derived by the Obligated Group from the conduct of all or any part of its operations, and all revenue and income of the Obligated Group and all rights to receive the same from whatever source derived, including not only that derived by the Obligated Group from the Leased Premises but also from any and all facilities hereafter acquired, leased or used by the Obligated Group, income from and the principal of investments, leases and income received from leases, and grants received by the Obligated Group from any source and excluding only (i) grants, gifts, bequests, contributions, and other donations, to the extent specifically restricted by the donor or grantor to a special object or purpose so as to preclude use thereof for payment of principal or interest on the Obligations, (ii) the proceeds of any borrowing or any funds held in trust by a trustee as security for each borrowing, (iii) revenues, income, receipts and money received by a member of the Obligated Group as agent for and on behalf of a Person other than a member of the Obligated Group, (iv) any Property that is the subject of a lien or encumbrance permitted by the Master Indenture or that has been conveyed or otherwise disposed of as permitted by the Master Indenture, and (v) the portion of any gifts, grants, contributions and donations restricted to provide for the payment to the donor or grantor thereof or to a third party designated by such donor or grantor of annuities or other funds under gift or annuity contracts or pooled income funds or unit trust arrangements. The effectiveness or priority of such security interest may be limited under certain circumstances. See **"RISK FACTORS - Limitations on Security Interest in Gross Receipts."**

The Master Indenture Mortgage

Pursuant to the Series 2016C Supplemental Master Indenture, the Corporation will grant to the Master Trustee a mortgage lien (subject to Permitted Encumbrances) and security interest in the Mortgaged Property and all fixtures now or hereafter located or installed therein and the proceeds of any insurance thereon or condemnation awards therefrom. The Mortgaged Property generally consists of the Corporation's existing skilled nursing, assisted living and certain independent living facilities. The Mortgaged Property does not include Sarah Moore Community, which is not included in the Obligated Group and certain unimproved land located at several of the Corporation's communities. See **APPENDIX A: "THE OBLIGATED GROUP – The Corporation's Facilities"** for a description of the Mortgaged Property and the property of the Corporation not included in Mortgaged Property. The Mortgaged Property is subject to certain existing mortgages which were granted as security for certain of the Outstanding Related Bonds, related credit enhancement, the Term Loan, the 2014 Bank Note, the PNC Swap and the Morgan Swap, and will secure the Series 2016C Bonds and the Series 2016D Bonds on a parity basis, so long as the debt incurred in connection with the execution of such mortgages is outstanding.

The Corporation has previously procured title insurance relating to the Mortgaged Property in connection with the issuance of certain series of the Outstanding Related Bonds which policies are currently outstanding in an approximate amount of $48.5 million. While the Corporation is not adding or deleting any property from the Mortgaged Property in connection with the issuance of the Series 2016C Bonds, the Corporation will procure additional title insurance with respect to the Mortgaged Property to maintain the aggregate amount of title insurance of approximately $48.5 million. See **"RISK FACTORS"** herein for discussions of risks relating to the liquidation of the Mortgaged Property upon default or claims upon title insurance policies with respect to the Mortgaged Property.

Debt Service Reserve Fund

Pursuant to the Bond Indenture, the Debt Service Reserve Fund shall be established with the Bond Trustee to secure the Series 2016C Bonds. The Debt Service Reserve Fund will be funded on the date of issuance of the Series 2016C Bonds in the amount of $1,911,128.13 (the "Debt Service Reserve Requirement"), which is equal to the least of (i) an amount equal to 10% of the original aggregate principal amount of the Series 2016C Bonds, (ii) the maximum annual debt service requirement during

any fiscal year on the Series 2016C Bonds then outstanding, but prior to the final maturity, or (iii) an amount equal to 125% of the average annual debt service during any fiscal year on the Series 2016C Bonds, but prior to final maturity. The Bond Trustee shall withdraw funds from the Debt Service Reserve Fund to pay Bond Service Charges on the Series 2016C Bonds to the extent that there are insufficient funds in the Bond Fund therefor on the date such Bond Service Charges are due. The amount of any withdrawal from the Debt Service Reserve Fund shall be restored by the Corporation in no more than twelve equal, consecutive, monthly installments, each payable on the Rental Payment Date each month, commencing with the seventh month following the month in which the withdrawal is made; provided, however, that if any withdrawal is made and if, prior to the restoration of the amount withdrawn an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

The Bond Trustee shall make a determination as to the value of the moneys and investments on deposit in the Debt Service Reserve Fund on each July 1, commencing July 1, 2017, and the date of any withdrawal from the Debt Service Reserve Fund (the "Valuation Date"). If, as a result of the valuation of the investments held in the Debt Service Reserve Fund on each Valuation Date the balance of the Debt Service Reserve Fund is greater than the Debt Service Reserve Requirement for the Series 2016C Bonds, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Interest Payment Account within the Bond Fund. If, as a result of the valuation of the investments held in the Debt Service Reserve Fund on each Valuation Date, the balance of the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Requirement for the Series 2016C Bonds, (i) the Bond Trustee shall notify the Corporation within five Business Days of such determination and (ii) the Corporation shall restore the difference between the Debt Service Reserve Requirement and the value of the funds on deposit in the Debt Service Reserve Fund in six (6) equal monthly installments, each payable on the Rental Payment Date each month, commencing with the month in which the valuation revealing the deficiency was made.

The Bond Indenture

The Series 2016C Bonds are to be issued pursuant to the Bond Indenture. The Bond Indenture provides that the Series 2016C Bonds shall be special obligations of the Issuer, payable solely from and secured solely by the payments made by the Corporation pursuant to the Lease and the funds established under the Bond Indenture. As security for its obligations under the Bond Indenture, the Issuer will pledge to the Bond Trustee the payments received or receivable by the Issuer pursuant to the Lease, all funds held by the Bond Trustee under the Bond Indenture and all income derived from the investment of such funds. A Debt Service Reserve Fund has been established pursuant to the Bond Indenture. The sum of $1,911,128.13, which represents the Debt Service Reserve Requirement with respect to the Series 2016C Bonds as of the date of issuance of the Series 2016C Bonds, will be deposited into the Debt Service Reserve Fund at the time of the issuance of the Series 2016C Bonds. The Debt Service Reserve Fund will not secure the Series 2016D Bonds or any of the Outstanding Related Bonds.

The Base Lease

Pursuant to the Base Lease, the Corporation will lease the Leased Premises to the Issuer for a term ending the final maturity date of the Series 2016C Bonds or at such earlier or later time as the Corporation has paid all amounts required to satisfy the Issuer's obligations under the Bond Indenture. Under the terms of the Base Lease, the Issuer shall pay to the Corporation an additional lump sum rental for the Leased Premises in an amount of $100 from the net proceeds of the Series 2016C Bonds as rent for the Issuer's leasehold interest in the Project, as defined in the Lease, throughout the term of the Base Lease. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS - Summary of the Base Lease."**

The Lease

Pursuant to the Lease, the Issuer will lease the Leased Premises back to the Corporation for operation for a term ending the final maturity date of the Series 2016C Bonds, or at such earlier or later time as the Corporation has paid all amounts required to satisfy the Issuer's obligations under the Bond Indenture. During the term of the Lease, the Corporation will be obligated: (i) to pay or cause to be paid rentals in equal monthly installments in amounts sufficient, together with investment earnings on the funds held under the Bond Indenture, to provide for the timely payment of the debt service requirements on the Series 2016C Bonds; and (ii) to perform certain other obligations set forth therein. The Issuer has assigned its right to receive rentals under the Lease to the Bond Trustee for the benefit of the Bondholders, and most other rights thereunder to the Master Trustee for the benefit of the holders of Obligations under the Master Indenture. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS - Summary of the Lease."**

The Series 2016C Note

To secure its obligations under the Lease, the Corporation will issue the Series 2016C Note to the Bond Trustee pursuant to the Master Indenture in an aggregate principal amount equal to the aggregate principal amount of the Series 2016C Bonds. The Series 2016C Note will be payable as to principal and interest in such amounts and at such times as shall be necessary to pay the principal of and premium, if any, and interest on the Series 2016C Bonds. The Series 2016C Note will at all times be in fully registered form and will be nontransferable except as required to effect any assignment to any successor bond trustee. The Series 2016C Note will be equally and ratably secured by the Master Indenture, with any other Obligations issued under the Master Indenture, including the Series 2016D Note and Obligations securing the Outstanding Related Bonds, credit enhancers, the Term Loan, the 2014 Bank Note, the PNC Swap and the Morgan Swap, whether issued to the Bond Trustee or other creditors. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS - Summary of the Master Indenture."**

The Master Indenture

The Master Indenture creates the Obligated Group and permits the members of the Obligated Group to issue the Series 2016C Note and additional Obligations and to secure all Obligations on a parity basis. Additional Obligations may be issued to secure or to evidence debt owed to other parties or other creditors, including, without limitation, other creditors and swap counterparties. Although each member of the Obligated Group is the principal obligor on Obligations issued on its behalf under the Master Indenture, the Corporation and the other members of the Obligated Group are jointly and severally liable for all Obligations issued under the Master Indenture. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS - Summary of the Master Indenture**."

Covenants of the Obligated Group

Rate Covenant. Pursuant to the Master Indenture, the members of the Obligated Group covenant that they shall fix, charge and collect rates, fees and charges for their facilities and shall operate and maintain their facilities so as to cause the Debt Service Coverage Ratio to be at least 1.20. If the Debt Service Coverage Ratio as calculated at the end of any Fiscal Year is below 1.20, the Obligated Group covenants to retain an Independent Consultant to make recommendations (which may include, without limitation, increasing rates and charges, reducing operating costs, altering the intensity or scope of services or any combination of the foregoing) to increase the Debt Service Coverage Ratio to at least 1.20 or if, in the opinion of the Independent Consultant, achieving such coverage is impracticable due to law or regulation then in effect, to the highest practicable level. So long as the Obligated Group shall retain an Independent Consultant and each member of the Obligated Group shall follow such Independent

Consultant's recommendations with respect to such member to the extent feasible, this requirement shall be deemed to have been complied with even if the Debt Service Coverage Ratio for any subsequent Fiscal Year is below 1.20, which event will not constitute an event of default under the Master Indenture unless and until such Debt Service Coverage Ratio falls below 1.00.

The above-described rate covenant has been modified by the Lease for so long as any Series 2016C Bonds are outstanding, and, as part of the Obligated Group's Capital Structure Initiatives described herein, has also been modified by the leases delivered in connection with the issuance of the 2010A Bonds and the Series 2013A Bonds. These modifications to the rate covenant in the Lease (and in the leases relating to the Series 2010A Bonds and the Series 2013A Bonds) require that "Debt Service Coverage Ratio" be calculated using modifications of the following defined term in lieu of the defined term set forth under **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – DEFINITIONS OF CERTAIN TERMS," "Adjusted Annual Revenue":**

> "*Adjusted Annual Revenue*" shall mean, as of any date of determination thereof, the total operating and non-operating revenues and income (exclusive of (i) gains or losses upon defeasance of Indebtedness and (ii) unrealized gains or losses on investments, including derivatives (including but not limited to Interest Rate Hedges) of the members of the Obligated Group for the Fiscal Year in question, including proceeds from residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, less net revenues derived from Property financed with the proceeds of Project Indebtedness, amortization of deferred revenues on residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contractual adjustments with third party payors and adjustments for free services relating to such Fiscal Year and, to the extent otherwise included therein, gifts, grants or bequests of a non-recurring nature, other than contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, to the extent such gifts, grants and bequests exceed the arithmetic mean of the gifts, grants and bequests of a non-recurring nature received by members of the Obligated Group during the two immediately preceding Fiscal Years.

See also **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Lease – Covenants of the Corporation Concerning its Operations."**

Liquidity Covenant. Pursuant to the Lease, the Corporation has covenanted to maintain on each June 30 and December 31, commencing December 31, 2016 (each a "Calculation Date"), Days Cash on Hand in an amount equal to or greater than 110 days, and shall provide a copy of such calculation of Days Cash on Hand to the Bond Trustee and the Master Trustee no later than 45 days following each Calculation Date. For purposes of this paragraph, "Days Cash on Hand" means the amount determined by (i) dividing (A) the aggregate unrestricted cash, investments, board-designated funds of the Obligated Group and the restricted investments of the Foundation by (B) the aggregate operating expenses of the Obligated Group less depreciation and amortization, and (ii) multiplying the quotient so obtained by 365.

The Obligated Group shall be deemed to be in default under the above covenant only if (i) the Obligated Group shall have, as of any Calculation Date, less than 110 Days Cash on Hand but greater than or equal to 90 Days Cash On Hand but shall have a Debt Service Coverage Ratio (calculated in accordance with the Lease) of not less than 1.20:1.0 as of such Calculation Date, and shall have less than 110 Days Cash on Hand as of the immediately following Calculation Date; (ii) the Obligated Group shall

have less than 110 Days Cash on Hand as of any Calculation Date and shall have a Debt Service Coverage Ratio (calculated in accordance with the Lease) of less than 1.20:1.0 as of such Calculation Date; or (iii) the Obligated Group shall have less than 90 Days Cash on Hand as of any Calculation Date. For more information on the calculation of the Debt Service Coverage Ratio pursuant to the Lease, see **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Lease – Covenants of the Corporation Concerning its Operations."**

Permitted Indebtedness. Under specified conditions, the members of the Obligated Group may incur additional Indebtedness. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS - Summary of the Master Indenture – Covenants of the Obligated Group – Restrictions as to Incurrence of Indebtedness."**

Cross Default

THE FAILURE BY THE OBLIGATED GROUP TO OBSERVE OR PERFORM THE ABOVE COVENANTS OR ANY OTHER COVENANTS CONTAINED IN THE BANK COVENANTS AGREEMENTS AFTER ANY APPLICABLE CURE PERIOD SHALL CONSTITUTE AN EVENT OF DEFAULT PURSUANT TO SUCH AGREEMENTS. AN EVENT OF DEFAULT PURSUANT TO SUCH BANK COVENANTS AGREEMENTS MAY, IN SOME CIRCUMSTANCES; TRIGGER AN EVENT OF DEFAULT UNDER THE OBLIGATIONS SECURING SUCH AGREEMENTS AND THE MASTER INDENTURE. See **APPENDIX C – "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Master Indenture"** for a discussion of remedies in the event of an Event of Default under the Master Indenture.

THE ISSUER

The Series 2016C Bonds are authorized and issued by Franklin County, Ohio (the "Issuer") under the provisions of the Constitution and statutes of the State of Ohio, particularly the Act, and pursuant to a resolution expected to be adopted by the County Hospital Commission of Franklin County (the "Hospital Commission") on September 28, 2016.

The Hospital Commission was created in 1955, pursuant to Section 339.14 of the Ohio Revised Code, for the purpose, among other things, of assisting in the construction of hospital facilities within the Issuer. By virtue of the authority of the Constitution and the laws of the State of Ohio, and particularly the Act, the Issuer is authorized to issue bonds, to use the proceeds of such bonds to finance and refinance the acquisition, construction and installation of hospital facilities, which hospital facilities will be available for the service of the general public without discrimination by reason of race, creed, color or national origin, and to refund bonds issued for such purpose.

The Series 2016C Bonds are special obligations of the Issuer that are not general obligations, debt or bonded indebtedness of the Issuer or the State of Ohio or any political subdivision thereof, and no Bondholder has the right to have excises or taxes levied by the Issuer or by the State of Ohio or any political subdivision thereof for the payment of the principal, interest and premium, if any, on the Series 2016C Bonds. The right of the Bondholders to receive payment of principal, interest and premium, if any, on the Series 2016C Bonds is limited to the amounts paid by the Corporation and any future members of the Obligated Group and the funds pledged therefor under the Bond Indenture.

RISK FACTORS

Investment in the Series 2016C Bonds involves various risks as described in this Official Statement. Each prospective investor should carefully examine this Official Statement and his or her own

financial condition in order to make a judgment as to whether the Series 2016C Bonds are an appropriate investment. A BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION **"SECURITY FOR THE SERIES 2016C BONDS"** AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016C BONDS.

The Series 2016C Bonds are special, limited revenue obligations of the Issuer payable solely from amounts received by the Issuer from the Corporation under the Lease and from the Obligated Group under the Series 2016C Note. Payment of the Series 2016C Bonds depends on the Obligated Group's ability to pay its debts, including the Series 2016C Note, when due.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the Obligated Group and future members of the Obligated Group, if any) sufficient to ensure the payment of the principal and interest on the Series 2016C Note in the amounts and at the times required to pay debt service on the Series 2016C Bonds when due. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all, of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the Series 2016C Bonds. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. This discussion of risk factors is not, and is not intended to be, exhaustive. The factors listed below, among others, could adversely affect the Obligated Group's operation and revenues and expenses of the Mortgaged Property to an extent which cannot be determined at this time.

Limited Obligations

Neither the principal of the Series 2016C Bonds nor the interest accruing thereon shall ever constitute a general indebtedness of the Issuer, the State of Ohio or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever or shall ever constitute or give rise to a pecuniary liability of the Issuer, the State of Ohio or any political subdivision thereof, nor will the Series 2016C Bonds be, or be deemed to be, an obligation of the Issuer, the State of Ohio or any political subdivision thereof.

The Series 2016C Bonds are special limited obligations of the Issuer and have three sources of payment, as follows:

(1) ***Payments received by the Bond Trustee from the Corporation pursuant to the terms of the Lease and from the Obligated Group pursuant to the Series 2016C Note***. The Issuer has no obligation to pay the Series 2016C Bonds except from payments derived from the Lease and from payments made by the Obligated Group pursuant to the Series 2016C Note. Under the Lease, pursuant to which the Issuer has assigned to the Bond Trustee the right to receive certain payments, the Corporation will be required to make payments to the Bond Trustee in amounts sufficient to enable the Bond Trustee to pay the principal of, premium, if any, and interest on the Series 2016C Bonds. Such payments are, however, anticipated to be derived solely from operation of the facilities of the Obligated Group (collectively, referred to herein as the "Communities") and investment earnings. Profitable operation of the facilities of the Obligated Group depends in large part on achieving and maintaining certain occupancy levels throughout the term of the Series 2016C Bonds. However, no assurance can be made that the revenues derived from the operation of the Communities will be realized by the Obligated Group in the

amounts necessary, after payment of operating expenses of the facilities of the Obligated Group, to pay maturing principal of, premium, if any, and interest on the Series 2016C Bonds.

(2) ***Revenues received from operation of the facilities of the Obligated Group by a receiver upon a default under the Master Indenture or the Bond Indenture***. Attempts to have a receiver appointed to take charge of properties pledged to secure loans are frequently met with defensive measures such as the initiation of protracted litigation and/or the initiation of bankruptcy proceedings, and such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. In light of that fact, prospects for uninterrupted payment of principal and interest on the Series 2016C Bonds in accordance with their terms are largely dependent upon the source described in (1) above, which is wholly dependent upon the success of the Obligated Group in operating the Communities in a profitable manner.

(3) ***Proceeds realized from the sale or lease of the facilities of the Obligated Group to a third party by the Bond Trustee or Master Trustee***. Attempts to sell or foreclose on commercial property or otherwise realize upon security for obligations may be met with defensive measures such as protracted litigation and/or bankruptcy proceedings, and such defensive measures can greatly increase the expense and time involved in achieving such foreclosure or other realization. In addition the Bond Trustee or Master Trustee could experience difficulty in selling or leasing any of the facilities of the Obligated Group upon foreclosure due to the special-purpose nature of a continuing care retirement facility and the proceeds of such sale may not be sufficient to fully pay the owners of the Series 2016C Bonds.

The best prospects for uninterrupted payment of principal and interest on the Series 2016C Bonds in accordance with their terms is the source described in (1) above, which is wholly dependent upon the success of the Obligated Group in operating its facilities in a profitable manner. Even if its facilities are operating profitably, other factors could affect the Corporation's ability to make payments under the Lease and the Series 2016C Note.

General Risks of Long Term Care Facilities

There are many diverse factors not within the Obligated Group's control that have a substantial bearing on the risks generally incident to the operation of its Communities. These factors include generally imposed fiscal policies; adverse use of adjacent or neighboring real estate; the ability to maintain the Communities; community acceptance of the Communities; changes in demand for the Communities; changes in the number of competing facilities, increases in the availability or improvements in the level of in-home care available, and the advancement of emerging technologies; changes in the costs of operation of the Communities; changes in the laws of Ohio affecting long term care programs; the limited income of the elderly; changes in the long term care and health care industries; difficulties in or restrictions on the Obligated Group's ability to raise rates charged; general economic conditions; and the availability of working capital. In recent years, a number of long term care facilities throughout the United States have defaulted on various financing obligations or otherwise have failed to perform as originally expected. There can be no assurance the Obligated Group will not experience one or more of the adverse factors that caused other facilities to struggle or fail. Many other factors may adversely affect the operation of facilities like the Obligated Group's Communities and cannot be determined at this time.

Changing Capabilities of In-Home Care Technology; Impact on Demand for Facilities

New and changing methods of care delivery, such as web-based home monitoring, telemedicine, mobile health, and smartphone technology will likely change the way in which providers of health services to the elderly deliver home health, home care, hospice and other community-based services. These developments will further the ability of the home health and hospice industry to care for patients in their homes. Proliferation and availability of technological changes are expected to increase the ability of the elderly to remain in their homes longer into their lives than has historically been feasible, which could result in significantly reduced demand for facilities such as the Obligated Group's Communities. Efforts to reduce hospital readmissions and costs in the overall care continuum will further the use of these new and changing technologies. These changes may allow other companies, including hospitals and other healthcare organizations that are not currently providing home health and hospice care, to expand their services to include home health services, hospice care or similar services. The Obligated Group may encounter increased competition in the future that could negatively impact patient referrals to it, limit its ability to maintain or increase its market position and adversely affect the Obligated Group's profitability. The inability of members of the Obligated Group to adapt to this changing information technology environment or invest in the technological and clinical infrastructure necessary to adopt these changes, could adversely affect the operations of the Obligated Group as a whole.

Nature of Income and Assets of the Elderly

A large percentage of the monthly income of the residents of the Communities is expected to be fixed in amount, consisting of income derived from savings, pensions, investments and Social Security payments. If, due to inflation or otherwise, substantial increases in monthly fees are required to cover increases in operating costs and other expenses, residents may have difficulty paying or may be unable to pay increased fees. The Obligated Group's inability to collect from residents the full amount of their payment obligations, either when due or at all, may jeopardize the Obligated Group's ability to make payments required by the Series 2016C Note.

Sale of Personal Residences

The number of persons who can afford payment of the fees at the Communities may be affected by general economic conditions. It is anticipated that a substantial number of existing and potential applicants for residency in the Communities expect or will expect to pay the fees from the proceeds of the sale of a residence. Nationwide, there previously had been a substantial reduction in residential sales volume, a reduction in residential sales prices and residential mortgage loans generally had become less available. While housing prices and sales volume in Ohio have stabilized and shown recent improvement, if there is a another reduction or stagnation in residential sales volume or if mortgage loans remain difficult to secure or if such loans are only available only at interest rates that prospective home purchasers are unwilling to pay, or should there be any other material adverse conditions in the residential housing market, such prospective residents may not have sufficient funds to meet financial obligations under their residency agreements, thereby causing a delay in the occupancy or remarketing of vacated units, and such prospective residents may choose not to establish residence at the Communities, which would have an adverse impact on the revenues of the Obligated Group.

In order to assist prospective residents who may be unable to dispose of his or her home, the Corporation has implemented a home purchasing program. For more information concerning this home purchasing program, see **APPENDIX A: "THE OBLIGATED GROUP – Occupancy."**

Competition

In addition to the threat of increased competition from in-home care providers as described above in the section **"Changing Capabilities of In-Home Care Technology; Impact on Demand for Facilities,"** the Corporation provides services in areas where other competitive facilities exist and may face additional competition in the future as a result of the construction or renovation of competitive facilities in the primary or secondary market area of the Obligated Group. Competition from lifecare communities, continuing care retirement communities, congregate housing, assisted living centers, home healthcare agencies, personal care homes, memory support services, hospice providers, and other long-term care communities which offer sheltered, assisted living or nursing care now or hereafter located in the Obligated Group's service areas could adversely affect its revenues. The Obligated Group may face additional competition in the future from other providers of new, expanded, or renovated retirement living and nursing facilities servicing the housing and health care needs of seniors. The Corporation will also face competition from other forms of retirement living that have proliferated the market in recent years, including condominiums, apartment buildings and facilities not specifically designed for the elderly, some of which may be designed to offer similar facilities but not necessarily similar services, at lower prices. Such competitors may include for-profit entities. Many for-profit entities operate on a larger scale than the Obligated Group and may have better access to capital than the Obligated Group. Competitors may additionally be better positioned to utilize federal programs resulting from Health Care Reform, such as ACOs, that would allow the competition to align with other health care providers to invest in infrastructure and redesign integrated delivery processes. The potential impacts such initiatives and alignments will have on the Corporation or its competition is unknown. Such entities may also have the ability to attract staff and other human resources in the Obligated Group's market area that would create shortages in the availability of the qualified individuals the Obligated Group would need to hire or retain in order to achieve its revenue projections. Such shortages could have an adverse impact on the revenues of the Obligated Group.

Each of the Senior Independence offices operates in a competitive market, with many other home health and hospice agencies. Continuing changes in health care often incent larger, acute hospitals to further integrate and purchase or development home and community based services in order to build market share or control quality.

Failure to Achieve or Maintain Occupancy

The profitability of the Obligated Group depends in large part upon the ability of the Obligated Group to attract and retain sufficient numbers of residents to the Communities and to achieve and maintain optimal occupancy or payor mixes throughout the term of the Series 2016C Bonds.

Demand for services of the Communities could also be affected by many factors, including (1) advances in scientific and medical technology, including smartphone and mobile device technologies that allow for increased personalization, coordination, and deliverability of care; (2) increased or more effective competition from nursing home and long-term care facilities, assisted living facilities, and apartment complexes which target elderly residents now or hereafter located in the service area of the Communities; (3) the effects of managed care; (4) in-home services provided by existing and emerging future healthcare providers; and (5) new and developing technologies that enable residents to remain in their homes longer or permanently.

Uncertainty of Occupancy and Entrance and Service Fee Collection

As noted elsewhere herein, except to the extent that the Series 2016C Bonds will be payable from the proceeds of insurance, sale or condemnation awards, the Series 2016C Bonds will be payable solely

from payments or prepayments to be made by the Corporation under the Lease and by the Obligated Group under the Series 2016C Note. The ability of the Corporation to make payments under the Lease and the ability of the Obligated Group and any other future members of the Obligated Group to make payments on the Series 2016C Note is dependent upon the generation by the Obligated Group of revenues in the amounts necessary for the Obligated Group to pay the principal, premium, if any, and interest on the Series 2016C Bonds, as well as other operating and capital expenses.

The financial feasibility of certain facilities of the Communities and payment, when due, of the Series 2016C Bonds is dependent on the ability of the Obligated Group to achieve and maintain high levels of occupancy of the Communities and to (i) fill those facilities that accept residents who purchase the right to live there by paying "entrance fees" ("Entrance Fees"), (ii) collect new Entrance Fees from residents occupying apartment units vacated by deceased residents, residents permanently transferred to assisted living or nursing care facilities operated by the Obligated Group or residents leaving such facilities for other reasons, and (iii) keep such facilities substantially occupied by residents who can pay the full amount of the Entrance Fees and/or monthly service fees. This depends to some extent on factors outside the Obligated Group's control, such as the residents' right to terminate their residency agreements in accordance with the terms of the residency agreements and by general economic conditions. In particular, a depressed housing market may prevent prospective residents from selling their homes and generating cash to pay Entrance Fees. If the Communities fail to achieve and maintain a high level of occupancy, there may be insufficient funds to pay debt service on the Series 2016C Bonds and any other outstanding bonds and obligations. In addition, the economic feasibility of the Communities also depends on the Obligated Group's ability to remarket units becoming available when residents die, withdraw, or are permanently transferred to a healthcare facility or any other facility.

Moreover, if a substantial number of independent living unit residents live beyond their anticipated life expectancies or if admissions or transfers to the health care components of the Communities are substantially less than anticipated by the Obligated Group, or if market conditions or market changes prevent an increase in the amount of the resident entry fees payable by new residents of the Communities or the monthly fees payable by all residents, the receipt of additional resident entry fees and/or monthly fees would be curtailed or limited, with a consequent impairment of the Obligated Group's revenues. Such impairment would also result if the Obligated Group is unable to remarket independent living units becoming available when residents die, withdraw, or are permanently transferred to the health care components of the Communities. See **"Resident Agreements" in APPENDIX A** hereto for a discussion of the Corporation's Charity Care Policies.

It is assumed that regular increases in both Entrance Fees and monthly service fees will be necessary to offset increasing operating costs due primarily to inflation. There can be no assurance that such increases can or will be made or that increases in expenses will not be greater than assumed. Also, since many of the residents may be living on fixed incomes or incomes that do not readily change in response to changes in economic conditions, there can be no assurance that any such fee increases can be paid by residents or that such increases will not adversely affect the occupancy of the Communities. While the Communities may accept new residents unable to pay in full the Entrance Fees and monthly service fees, they intend to do so only to the extent of available Foundation or other benevolent funds to pay their expenses. It is possible that residents who unexpectedly become unable to make such payments would be allowed to remain residents, even though the costs of caring for them could have an adverse effect on the financial condition of the Obligated Group. As a charitable tax-exempt organization, the Corporation may be unable or unwilling to require residents who lack adequate financial resources to leave the Communities. In the future, the Obligated Group could possibly be required to accept residents unable to pay all fees or be required to provide services to a certain number of indigent persons unable to pay any fees, in order to maintain its tax-exempt status. For more information regarding the Corporation's financial qualification process, see **"Resident Agreements"** in **APPENDIX A** hereto.

Entrance Fees are considered Gross Receipts of the Obligated Group and the Entrance Fees will be available, along with other Gross Receipts of the Obligated Group, to pay principal of and interest on the Series 2016C Bonds. The Entrance Fees and monthly fees for the Communities are described in **APPENDIX A** hereto. As set forth therein, the Obligated Group has set such fees based on, among other things, anticipated revenue needs and analysis of the market areas. If actual operating experience is substantially different from that anticipated, the revenues of the Obligated Group could be less than needed. Should methods of payment other than Entrance Fees, including straight rental, become prevalent as the form of payment for elderly housing, the ability to charge resident entry fees to potential future residents may decrease. If this should happen, the Obligated Group may be forced to alter its method of charging for elderly housing services and could encounter a significant cash flow problem.

The successful operation of the Obligated Group's Communities and achievement of forecasted revenues and payor mixes is heavily dependent upon the efforts of its management team responsible for day-to-day operations and that team's ability to adapt to the logistical and operational changes that will come with operating a new community. If there were unforeseen turnover in management, there can be no assurance that the Obligated Group would be able to replace qualified individuals in a timely manner. If there were changes in management personnel or insurmountable challenges involved with the operation and management of two separate campuses, the Obligated Group may not be able to deliver services at the pricing it intends or at the same level of quality it has historically provided, which could impact occupancy and ultimately the Obligated Group's ability to pay debt service on the Series 2016 Bonds

The Obligated Group is subject to changes in the reputation of it and its Communities. Any adverse change in the public's perception of the Corporation's brand may affect the Corporation's ability to attract and retain residents. In addition, litigation brought against a member of the Obligated Group may have a materially adverse impact on the reputation of the Obligated Group. There can be no assurance that these or other factors will not adversely affect the Obligated Group's ability to generate adequate funds to pay all amounts due on the Series 2016C Bonds.

Mortgage Security

The Corporation has granted the Master Trustee a mortgage lien on and security interest in the Mortgaged Property, subject to Permitted Encumbrances, as security for the Series 2016C Note and all other Obligations issued under the Master Indenture. The Mortgaged Property is also subject to mortgage liens granted the Master Trustee in the past for the Outstanding Related Bonds, related credit enhancement, the Term Loan, the 2014 Bank Note, the PNC Swap and the Morgan Swap, which mortgage liens will also secure the Series 2016C Bonds and the Series 2016D Bonds for so long as the indebtedness incurred in connection with the execution of such mortgages is outstanding. The Mortgaged Property generally consists of the Corporation's existing skilled nursing, assisted living and certain independent living facilities. See **APPENDIX A – THE CORPORATION'S FACILITIES.** Upon an event of default, no assurance can be given that the Master Trustee will be able to lease or sell the Mortgaged Property to third parties, or that the amount the Master Trustee would be able to receive upon foreclosure would be sufficient to pay all principal of, premium, if any, and interest on the Series 2016C Bonds, the Series 2016D Bonds and the Outstanding Related Bonds and any other Obligations issued under the Master Indenture and secured by the Mortgaged Property. While, generally, under current law the Master Trustee would not be required to obtain a certificate of need and other regulatory approvals prior to a disposition of the Mortgaged Property to another party, a certificate of need would need to be obtained prior to the relocation of any long-term care beds to another facility. No assurance can be given that such approval would be obtained.

Uncertainty of Investment Income

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

Utilization Demand

Several factors could, if such factors occurred, affect demand for services provided at the Communities including: (i) advances in scientific and medical technology; (ii) a decline in the population, a change in the age composition of the population or a decline in the economic conditions of the service areas for the Communities; (iii) increased or more effective competition from retirement communities and long-term care facilities now or hereafter located in the service areas of the facilities; and (iv) efforts by insurers and governmental agencies to reduce utilization of skilled nursing home and long-term care facilities by such means as preventive medicine and home health care programs.

Potential Refund of Entrance Fees

Under certain circumstances, the Obligated Group is obligated to refund all or a portion of a resident's Entrance Fee upon the resident's departure from one of the Communities. The payment of such refunds could adversely affect the Obligated Group's ability to make payments required by the Lease, the Series 2016C Bonds and the Series 2016C Note.

Impact of Market Turmoil

The economic turmoil of the late 2000's and early 2010's has had and will continue to have negative repercussions upon the United States and global economies. To date, this turmoil has particularly impacted the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge and, in some cases, to cease operations. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies. Current market conditions have adversely affected investment earnings and values and could adversely affect the value of the Obligated Group's investments and those of prospective residents, as well as future investment earnings. Further, sales of residential real estate have been negatively impacted. As a result, prospective residents of the Communities may encounter difficulty in liquidating investments and selling homes in order to raise necessary cash to pay their Entrance Fees and the monthly service fees. As investor confidence has waned, 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. This could affect the market and demand for the Series 2016C Bonds.

Rights of Residents

The Obligated Group enters into residency agreements with its residents. See **"THE OBLIGATED GROUP – Resident Agreements"** in **APPENDIX A** hereto. Although the residency agreements give to each resident a contractual right to use space and not any ownership rights in one of the Communities, in the event that the Bond Trustee or the holders of the Series 2016C Bonds seek to enforce any of the remedies provided by the Bond Indenture upon the occurrence of a default or the Master Trustee seeks to enforce remedies under the Master Indenture, it is impossible to predict the resolution that a court might make of competing claims among the Master Trustee, the Bond Trustee, the

Issuer or the holders of the Series 2016C Bonds and a resident of the Communities who has fully complied with all the terms and conditions of his or her residency agreement.

Organized Resident Activity

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

Staffing

In recent years, the health care industry has suffered from a shortage of skilled and unskilled nursing personnel that has forced nursing wage scales to increase. The Obligated Group's management believes that it will be able to retain current personnel and hire any additional required staff, but the presence of other health care providers may make it difficult over time to attract and retain skilled personnel. If the Obligated Group is forced to employ temporary staff through employment agencies, its employment costs will be substantially increased.

Increases of Medical Costs

The cost of providing healthcare services may increase due to many reasons, including increases in salaries paid to nurses and other healthcare personnel and due to shortages in such personnel that many require the use of employment agencies.

Labor Relations

Nonprofit nursing homes and their employees came under the jurisdiction of the National Labor Relations Board in 1974. At the present time, certain employees at the Corporation's Rockynol Retirement Community and Park Vista Retirement Community are represented by labor organizations. Although the Corporation considers its relations with its employees to be satisfactory, further unionization of employees at other facilities or a shortage of qualified professional personnel could significantly increase labor costs to the Corporation and have an adverse effect on the financial condition of the Obligated Group.

Factors Affecting Real Estate Taxes

In recent years various State and local legislative, regulatory and judicial bodies have reviewed the exemption of non-profit corporations from real estate taxes. Various State and local government bodies have challenged with increasing frequency and success the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various non-profit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the Obligated Group. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

The Communities are currently partially exempt from the payment of property taxes and the Communities are assumed by management of the Obligated Group to remain partially exempt. There can be no assurance that future changes in the laws and regulations of State or local governments will not

materially and adversely affect the operation and revenues of the Obligated Group by requiring the Obligated Group to pay additional real estate taxes for the Communities.

Environmental Matters

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

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

Malpractice Claims and Losses

The Corporation maintains professional and general liability insurance and excess liability coverage through National Fire & Marine Insurance Co. The operations of the Corporation may be affected by increases in the incidence of malpractice lawsuits against elder care facilities and care providers in general and by increases in the dollar amount of client damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Corporation or the premiums at which such coverage can be obtained. For more information regarding the Corporation's current insurance coverage, see **"Insurance"** in **APPENDIX A.**

Risks Inherent in Bank-Credit

Subsequent to the expected issuance of the Series 2016C Bonds and the Series 2016D Bonds, the long-term indebtedness of the Corporation will include approximately $162,491,000* in outstanding principal amount of bank-held debt (collectively, the "Bank-Credit"), representing approximately 63% of the outstanding principal amount of such long-term indebtedness. See **"ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS"** herein for more information about the Corporation's outstanding long-term indebtedness.

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* Preliminary; subject to change. Includes 2012A Bonds and 2012B Bonds which will be held by the bank purchaser until final maturity.

Bank-Credit exposes the Corporation to certain risks, including:

- To the extent the Bank-Credit bears interest at variable rates, or bears interest at rates that are redetermined periodically, such bonds present "interest rate risk" – the risk that the interest rates on the Bank-Credit and/or annual bank fees will increase.

- To the extent the Bank-Credit is subject by its terms to optional or mandatory tender by the holder, such bonds present "remarketing risk" – the risk that the Corporation will not be able to remarket or resell the bonds on the tender dates, which could occur as a result of general market conditions or disruptions, a material adverse change in the Corporation's financial condition (e.g., evidenced by a reduction in its long-term debt ratings).

- "Liquidity risk" – the risk that the Corporation will be required to purchase the Bank-Credit in the event the bonds cannot be resold or remarketed after being tendered.

- "Renewal risk" – Certain of the Bank-Credit is comprised of bonds privately placed with banks for specified holding periods, and either bear interest at a variable rate plus a fixed spread or a fixed rate (subject to any required interest rate hedge agreements). Certain of these bonds are subject to mandatory tender at the end of the specified holding periods. However, the 2012A Bonds and the 2012B Bonds will be held by their bank purchaser until final maturity.

  Because certain of the Bank-Credit are subject to tender at the ends of the specified holding periods, the Corporation must periodically extend the existing bank's holding period or find a replacement bank. To manage bank renewal risk, the Corporation will seek to renew or replace bank purchases as far in advance as reasonable of stated holding periods. No assurance can be given that the Corporation will be able to renew or replace bank purchases on reasonable terms. The Bank-Credit are also subject to optional tender by the holders or acceleration upon the occurrence of an "event of default" under the applicable bank agreement.

  If the Bank-Credit are tendered and cannot be remarketed and the Corporation has insufficient resources to purchase the Bank-Credit, they will bear interest at higher rates and will be subject to repayment on an accelerated basis until they can be purchased or remarketed. There is no assurance that any Bank-Credit will be able to be remarketed or resold after they are tendered by the holders of such Bank-Credit.

- "Cross-default risk" – like other obligations secured by Master Indenture Obligations, there is a risk that an event of default under the applicable bank agreements governing the Bank-Credit during the period such bonds are held by banks as the purchasers thereof could cause an Event of Default under the Master Indenture.

Creditworthiness of Banks; Renewal Risk

From time to time, the payment of principal of, interest on and the purchase price of certain series of Outstanding Related Bonds may be secured by letters of credit. In some instances, the payment of these amounts will depend on the creditworthiness of the banks providing those letters of credit. There can be no assurance that such banks will maintain their present financial condition or that an adverse change in such condition will not adversely affect their ability to honor draws under the letters of credit. Moreover, if the credit ratings for such banks are lowered, those downgrades could result in a higher

interest rate on the applicable Outstanding Related Bonds. In addition, unless extended, such letters of credit will expire pursuant to their terms and if extended, such extensions could be subject to higher letter of credit fees. In the event that the banks providing those letters of credit decline to extend the terms of the letters of credit and alternate credit facilities cannot be obtained, the applicable Outstanding Related Bonds will be subject to mandatory purchase or redemption, and the Obligated Group could be adversely affected.

The letter of credit relating to the 2005B Bonds is issued by Comerica Bank and currently has an expiration date of June 15, 2019. In the event that Comerica Bank is either unable or unwilling to continue to provide letter of credit support for the 2005B Bonds, the Obligated Group would be exposed to certain risks described above in the section entitled **"Risks Inherent in Bank-Credit."**

Basis Risk and Counterparty Risk Related to Interest Rate Swap Agreements

The Corporation has entered into two interest rate swap agreements, one with Morgan Stanley Capital Services Inc. ("Morgan Stanley") related to the 2005B Bonds (the "Morgan Swap") and one with PNC Bank, National Association ("PNC") related to the 2016A Bonds and the 2016B Bonds (the "PNC Swap" and, together with the Morgan Swap, the "Swaps"). The aggregate notional amount of the Morgan Swap is $14,385,000 (the same as the aggregate principal amount of the 2005B Bonds), and the termination date of the Morgan Swap is July 1, 2035, which is the final maturity date of the 2005B Bonds. The aggregate notional amount of the PNC Swap is $60,000,000 (the same as the aggregate principal amount of the 2006A Bonds which were refunded by the 2016A Bonds and the 2016B Bonds), and the termination date of the PNC Swap is July 1, 2036 which is the final maturity date of the 2016A Bonds and the 2016B Bonds. Under the Swaps, the Corporation pays a fixed amount and receives from Morgan Stanley and PNC a variable amount based upon a variable index or interest rate, not the actual variable rate payable on the 2005B Bonds or the 2016A Bonds and the 2016B Bonds, respectively. Depending upon future performance of this variable index or rate, it is possible that the combined actual variable rate payable on the 2005B Bonds and the 2016A Bonds and 2016B Bonds, respectively, could exceed the variable index or interest rate received pursuant to the Morgan Swap and the PNC Swap. The Corporation's payment obligations under the PNC Swap and the Morgan Swap are secured by separate Obligations issued pursuant to Supplemental Indenture Number Twenty-Six and Supplemental Indenture Number Twenty-Seven, respectively. The Swaps had an aggregate negative termination value of approximately $26,300,000 as of June 30, 2016.

In addition, Morgan Stanley, PNC, or any future swap counterparty could become insolvent or otherwise unable to perform its obligations under a swap. Under certain circumstances, the relevant swap could be terminated prior to its stated termination date. For example, under the terms of the PNC Swap, PNC has the right to put such swap to the Corporation on April 20, 2017 and each second anniversary thereafter. The Corporation has the right to eliminate the put by posting collateral to the extent the value, if any, exceeds $3 million. However, there is currently no collateral posted as security under either of the Swaps. Management of the Obligated Group estimates that the posting of collateral would result in an approximately $23,300,000 decrease in the Obligated Group's unrestricted cash and investments to approximately $57,278,000 at June 30, 2016 and would result in a decrease of 46 Days Cash on Hand to 112 Days Cash on Hand. Management of the Obligated Group estimates that the posting of collateral would result in an approximately $23,300,000 decrease in the Obligated Group's total cash and investments to approximately $94,024,000 at June 30, 2016 and would result in a decrease of 46 Days Cash on Hand to 184 Days Cash on Hand. See **APPENDIX A: "THE OBLIGATED GROUP"** and Note 11 in **APPENDIX B: "Audited Financial Statements for the Years Ended June 30, 2016, 2015 and 2014."** No assurance can be given that a swap agreement will continue to be in existence, and the Obligated Group could be adversely affected. Even if a swap agreement is not terminated, if the swap

counterparty is unable to perform its obligations under its swap agreement, the Obligated Group could be negatively impacted.

Additions to the Obligated Group

Currently, the Corporation, the Parent, the Foundation and Senior Independence are the only members of the Obligated Group. Upon satisfaction of certain conditions in the leases relating to the Outstanding Related Bonds and the Master Indenture, other entities can become members of the Obligated Group. Management of the Obligated Group currently has no plans to add additional members to the Obligated Group. However, if and when new members are added, the Obligated Group's financial situation and operations will likely be altered from that of the current composition of the Obligated Group.

Third-Party Payments and Managed Care

In the environment of increasing managed care, the Obligated Group can expect additional challenges in maintaining its resident population and attendant revenues. Third-party payors, such as health maintenance organizations, direct their subscribers to providers who have agreed to accept discounted rates or reduced per diem charges. Continuing care retirement communities are less sensitive to this directed utilization than standalone skilled nursing facilities; however, the risk may increase and the Obligated Group may be required to accept residents under such conditions should managed care cost reduction measures now pervasive in the health care industry continue to grow.

Senior Independence is often in a position to accept managed care payors, despite the reimbursement being less than traditional Medicare reimbursement. Since 2011, the prevalence of these payors has increased, and the traditional Medicare reimbursement has declined.

Federal and State Health Care Laws and Regulations; Medicare and Medicaid

The Corporation's independent living units are not currently subject to significant federal governmental regulation other than laws and regulations applicable generally to developers and operators of residential real estate. For example, the Corporation must comply with the federal Fair Housing Act and Fair Housing Amendments Act of 1988, 42 U.S.C.A. §3601 et seq., as amended, (which among other things, prohibits discrimination in housing) and the Americans with Disabilities Act of 1990, 42 U.S.C.A. §12101 et seq., as amended (which mandates the elimination of discrimination against individuals with disabilities and imposes certain standards relating to the construction and/or renovation of certain buildings and structures). Compliance with such regulatory requirements can increase operating costs and thereby adversely affect the Obligated Group's financial results. Failure to comply with such requirements could also result in the imposition of various fines and other remedies.

Skilled nursing facilities ("SNFs") 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. In addition, state laws establish the rights and responsibilities of residents of nursing homes and assisted living facilities. 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 operation of the Communities or the financial condition of the Obligated Group.

The health care industry in general is subject to regulation by a number of federal, state and local governmental agencies, including the Centers for Medicare and Medicaid Services ("CMS"). As a result, the industry is sensitive to legislative changes in such programs and is affected by reductions in

governmental spending for such programs. Congress has in the past enacted a number of provisions that affect health care providers and additional legislative changes can be expected. Previous legislative actions have included limitation of payments to nursing homes under the Medicare program. Additional legislation dealing with nursing home revenues could be introduced that, if enacted, might have an adverse impact upon the revenues of the Corporation's facilities.

At this time, all the Skilled Nursing Beds of the Communities are certified for Medicare and Medicaid.

General. As to the Communities, Medicare is a federal insurance program that, among other things, provides reimbursement for nursing facility care in Medicare-certified facilities. Generally, a resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified resident. Medicare currently reimburses providers of nursing care through a Prospective Payment System that pays a per diem rate based on resident acuity. Actual payment rates are subject to change.

As to Senior Independence, under Home Health regulations, there is no hospital requirement for a Part A, Home Health episode. Medicare currently reimburses for Home Health services under an episodic payment system. Many of the managed care payors in the Senior Independence markets reimburse on a per visit payment system.

Other future legislation, regulation or actions by the federal government are expected to continue the trend toward more limitations on reimbursement for long term care services. At present, no determination can be made concerning whether or in what form such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's financial performance cannot be determined at this time. The current congressional discussions regarding decreasing the federal budget in connection with raising the federal debt decision may result in lowering Medicare payments to providers such as the Obligated Group.

Medicare Reporting Requirements. Medicare regulations provide that all entities furnishing services for which payment may be made under Medicare are required to submit certain information to CMS. Persons who fail to submit the required information or who fail to report the information accurately and completely are subject to civil or criminal money penalties. As these requirements are numerous, technical and complex, there can be no assurance that the Obligated Group may not incur such penalties in the future. These penalties could have a material adverse effect on revenues of the Obligated Group and/or their ability to operate.

Government Health Program Regulations Governing Fraud and Abuse and Certain Referrals. Federal and state health care fraud and abuse laws generally regulate services furnished to beneficiaries of federal and state (including Medicare) and private health insurance plans, and they impose penalties for improper billing and other abuses. Under these laws, health care providers may be punished for billing for services that were not provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to use or not use another service or product, or billed in a manner that does not comply with applicable government requirements. Violations of these laws are punishable by a range of criminal, civil and administrative sanctions. If the Obligated Group violates one of the fraud and abuse laws, among other possible sanctions, federal or state authorities could recover amounts paid, exclude the Obligated Group from participation in the Medicare program, impose civil monetary penalties, and suspend Medicare payments. The federal government and individuals acting on its behalf have brought many investigations, prosecutions and civil enforcement actions under the fraud and abuse laws in recent

years. In some cases, the scope of the fraud and abuse laws are so broad that they may result in liability for business transactions that are traditional or commonplace in the health care industry.

There is an increasingly expanding and complex body of state and federal law, regulation and policy relating to relationships between providers of health care services to patients and potential referral sources such as, but not limited to, physicians. The federal and state illegal remuneration statutes and anti-kick-back statutes applicable to Medicare, Medicaid, and all federal and state health care programs ("Government Programs") prohibits the offer, payment, solicitation, or receipt of any remuneration, directly or indirectly, covertly or overtly, in cash or in kind, for (1) the referral of patients, or arranging for the referral of patients, for the provision of items or services for which payment may be made under the Government Programs; or (2) the purchase, lease or order, or arranging for the purchase, lease or order, of any good, facility, service or item for which payment may be made under the Government Programs. A violation of the illegal remuneration statute constitutes a felony criminal offense, and applicable sanctions include imprisonment of up to five years, fines up to $25,000 and exclusion from the Medicare program.

The federal Civil False Claims Act ("Civil FCA") prohibits anyone from knowingly submitting a false, fictitious or fraudulent claim to the federal government. Violation of the Civil FCA can result in civil money penalties and fines, including treble damages. Private individuals may initiate actions on behalf of the federal government in lawsuits called qui tam actions. The plaintiffs, or "whistleblowers," can recover significant amounts from the damages awarded to the government. In several cases, Civil FCA violations have been alleged solely on the existence of alleged kickback arrangements or violations of Section 1877 of the Social Security Act (commonly known as the "Stark Law"), even in the absence of evidence that false claims had been submitted as a result of those arrangements. The Health Reform Act (defined below) creates Civil FCA liability for knowingly failing to report and return an overpayment within a specified time. The federal criminal False Claims Act ("Criminal FCA") prohibits the knowing and willful making of a false statement or misrepresentation of a material fact in submitting a claim to the government. Sanctions for violation of the Criminal FCA include imprisonment, fines, and exclusions.

The Civil Monetary Penalties Law in part authorizes the government to impose money penalties against individuals and entities committing a variety of acts. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment, (ii) for services that are known to be medically unnecessary, (iii) for services furnished by an excluded party, or (iv) otherwise false. An entity that offers remuneration to an individual that the entity knows is likely to induce the individual to receive care from a particular provider may also be fined. Moreover, the Corporation may not knowingly make a payment, directly or indirectly, to a physician as an inducement to reduce or limit services to Medicare or Medicaid patients under the physician's direct care. The Health Reform Act amended the Civil Monetary Penalties Law to authorize civil monetary penalties for a number of additional activities, including (i) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (ii) failing to grant the Office of Inspector General timely access for audits, investigations or evaluations; and (iii) failing to report and return a known overpayment within statutory time limits. Violations of the Civil Monetary Penalties Law can result in substantial civil money penalties plus three times the amount claimed.

In addition to the anti-kickback and illegal remuneration statutes, the Stark Law imposes certain restrictions upon referring physicians and providers of certain designated health services, including long term care services, under the Medicare and Medicaid programs. Subject to certain exceptions, the Stark Law provides that if a physician (or a family member of a physician) has a financial relationship with an entity (i) the physician may not make a referral to the entity for the furnishing of designated health services reimbursable under the Medicare and Medicaid programs, and (ii) the entity may not bill for designated health services furnished pursuant to a prohibited referral. Entities and physicians committing

an act in violation of the Stark Law are subject to civil money penalties and exclusion from the Medicare and Medicaid programs. Mandated by the Health Reform Act, the recently published Medicare self-referral disclosure protocol ("SRDP") is intended to allow providers to self-disclose actual or potential violations of the Stark Law. The Health Reform Act provides for discretion to reduce penalties for providers submitting an SRDP. As a result of the scarcity of case law interpreting the Stark Law, there can be no assurance that the Corporation will not be found in violation of the Stark Law or that self-disclosure of a potential violation would result in reduced penalties for the Corporation. The precise impact on the Corporation of any of the foregoing violations and corresponding sanctions cannot be predicted at this time, but would be negative if any such sanction is imposed.

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

Management of the Corporation does not believe that it is involved in activities that pose a significant risk of sanctions under these referral laws. However, there can be no assurance that such challenge or investigation will not occur in the future.

Audits. Most health care providers are audited for compliance with the requirements for participation in the Medicare program. If audits discover alleged overpayments, the Corporation could be required to pay a substantial rebate of prior payments. The federal government contracts with Recovery Audit Contractors ("RACs") on a contingent fee basis to audit the propriety of payments to Medicare providers. The Corporation has not received claims or been a party to settlement negotiations outside of the routine audit processes. Nevertheless, ultimate liability could exceed reserves, and any excess could be substantial. Medicare regulations also provide for withholding payment in certain circumstances, which could adversely affect the Corporation's cash flow.

Medicaid. In Ohio, nursing facility services are reimbursed using a prospective payment rate that has been calculated for each nursing facility. The method for establishing the total prospective rate for nursing facilities is based on allowable per diems established for direct care costs, other protected costs, indirect care costs, and reasonable capital costs. The amount of reimbursable costs in each category is limited, however. The limitations are based on complex calculations taking into account factors such as the acuity of services provided to patients, facility operating costs, costs of providing ancillary services, and depreciation of capital assets. The reimbursement calculations do not ensure that a facility will receive Medicaid reimbursement that is equal to or greater than the facility's actual costs of caring for patients.

State alternatives to Medicaid are often designed to move patients out of traditional Medicaid and into alternative health plans or into private health plans. In an effort to enhance the level of access, quality, and continuity of care as well as to increase the predictability of Medicaid costs, the Ohio Office of Unemployment Compensation has contracted with managed care plans since 1978 for the provision of health services to a portion of the Medicaid population. At present, however, Ohio's Medicaid managed care program does not generally involve long-term care facilities or home and communities-based services. It is unknown whether this will change in the future.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for

calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and are expected to occur in the future, particularly in response to federal and state budgetary constraints. It is unknown if and how such changes might impact the Corporation in the future.

Ohio imposes a franchise permit fee ("Bed Tax") on nursing home beds and hospital long-term care beds. The revenue generated from the Bed Tax is utilized to draw down Medicaid federal matching funds for nursing home services. Accordingly, the Bed Tax results in a shift of funds from nursing homes with a relatively lower amount of Medicaid reimbursement to others with a higher amount. The current Bed Tax standard rate for fiscal year 2017 is $12.44 per licensed bed per calendar day. The Bed Tax is paid for all licensed beds regardless of whether they are occupied.

Senior Independence has very limited risk and exposure to Medicaid with Medicaid payments comprising approximately 7% of cash receipts.

For information about the current payor mix of the Communities, see **"THE OBLIGATED GROUP – Third Party Payments"** in **APPENDIX A** hereto. The Corporation's future payor mix is unknown. Further, it is unknown whether the Ohio General Assembly will modify the calculation of or the amount of the Bed Tax. Changes to payor mix and the Ohio Bed Tax formula and rates have occurred in the past and are expected to occur in the future, particularly in response to federal and state budgetary constraints. It is unknown if and how such changes might impact the Corporation in the future.

Health Care Reform

Recently passed health care reform law at the federal level would impose certain expanded contracting requirements on long-term care facilities regarding coordination of care with hospitals and hospital systems going forward. In addition, legislation is periodically introduced in Congress and in the Ohio legislature that could result in limitations on revenues, reimbursements, or charges for health care facilities. At this time, no determination can be made as to whether such additional federal or state legislation will be enacted or, if enacted, its impact on the Obligated Group.

The "Patient Protection and Affordable Care Act of 2010" and "The Health Care and Education Affordability Reconciliation Act of 2010" (together referred to herein as the "Health Reform Act") were enacted in 2010, but soon after became the subject of court challenges and efforts to repeal or modify their substantive provisions. On June 28, 2012, the U.S. Supreme Court upheld most of the provisions of the Health Reform Act, but rejected a requirement that states significantly expand Medicaid eligibility. Instead, each state must determine whether federal financial incentives included in the Health Reform Act merit expanding its Medicaid program. On June 25, 2015, the Supreme Court affirmed the Federal District Court's findings in King v. Burwell, a challenge to a component of the Health Reform Act that provides tax credits to individuals who purchase health insurance on the exchanges. Since the Supreme Court's decisions were handed down, certain political leaders have announced their intention to proceed with legislation to repeal or amend provisions of the Health Reform Act. Attempts to repeal provisions of the Health Reform Act are pending in Congress while the constitutionality of the Health Reform Act continues to be challenged in the courts. The ultimate outcome of legislative attempts to repeal or amend the Health Care Reform Act and of legal challenges to the Health Reform Act and the financial implications for the Obligated Group cannot be predicted.

Some of the provisions of the Health Reform Act took effect immediately while others will take effect over a ten-year period. Because of the complexity of the Health Reform Act generally, additional legislation modifying or repealing portions of the Act is likely to be considered and enacted over time. New guidelines and regulations related to the Health Reform Act will also likely be enacted. It is

impossible to predict what, if any, such new guidelines and regulations will entail or how they may affect the Obligated Group, its operations or its financial condition.

The Health Reform Act provides changes with respect to how consumers will pay for their own and their families' health care and how employers will procure health insurance for their employees. In addition, the Health Reform Act requires insurers to change certain underwriting practices and benefit structures in order to cover individuals who previously would have been ineligible for health insurance coverage. As a result, there is expected to be a significant increase in the number of individuals eligible for health insurance coverage.

The overall stated goal of the Health Reform Act is to provide access to health insurance coverage to an additional 32 million people. The legislation intends to accomplish this objective through various provisions, including: (i) creating active markets (referred to as exchanges) in which individuals and small employers can purchase health insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to the federal poverty levels, (iii) mandating that individuals obtain, and certain employers provide, a minimum level of health insurance, and providing penalties or taxes on individuals and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through reforms such as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expanding existing public programs, including Medicaid, for individuals and families. To the extent the provisions of the Health Reform Act substantially increase the number of insured consumers, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

Some of the specific provisions of the Health Reform Act that may affect the Obligated Group's operations, financial performance or financial condition include the following (this listing is not, is not intended to be, nor should be considered to be, comprehensive):

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

- The Health Reform Act included the Communities Living Assistance Services and Supports (CLASS) Act, which attempted to create a national, voluntary, long-term care insurance program to supplement Medicaid and provide long-term care insurance. The CLASS Act was repealed as part of the American Taxpayer Relief Act of 2012, signed by the President on January 2, 2013.

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

- A 15-member Independent Payment Advisory Board is to be established to develop proposals to improve the quality of care and limitations on Medicare cost increases. Those proposals would be automatically implemented if Congress does not act to invalidate them.

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

In addition, many states have enacted or are considering enacting, measures that are designed to reduce their Medicaid expenditures and change private health care insurance. States have adopted or are considering adopting legislation designed to reduce coverage and program eligibility, enroll Medicaid recipients in managed care programs and/or impose additional taxes on hospitals to help finance or expand states' Medicaid systems.

The Health Reform Act also includes The Elder Justice Act which provides funding for adult protective services aimed at elder abuse prevention and enhanced investigation of elder abuse and neglect. It became effective on March 23, 2010. The Elder Justice Act requires prompt reporting to the Department of Health and Human Services ("DHHS") by long term care facilities who receive at least $10,000 per year in federal funds of any reasonable suspicion of a crime, as defined by local law, occurring at the long term care facility. This includes Medicare/Medicaid fraud and abuse. Reports are required to be made not later than two hours after forming the suspicion when serious physical injury occurs, and not later than 24 hours after forming suspicion where serious bodily injury was not involved. "Serious bodily injury" is not defined by the Elder Justice Act. Failure to report is subject to penalties up to $200,000 plus potential exclusion from federal programs. Stricter penalties apply if delay led to further injury. To date, Congress has appropriated no money for the implementation of The Elder Justice Act.

The Health Reform Act also includes the Patient Safety and Abuse Prevention Act which authorizes DHHS to create a national program to identify best practices for background checks on long term care facility employees who have direct access to patients. The Patient Safety and Abuse Prevention Act creates grants for states who wish to participate in the creation of a nationwide program.

This focus on health care reform may increase the likelihood of significant changes affecting the health care industry. Possible future changes in the Medicare, Medicaid and other state programs, including Medicaid supplemental payments pursuant to upper payment limit programs, may reduce reimbursements to the members of the Obligated Group and may also increase their operating expenses.

In addition, other legislative proposals which could have an adverse effect on the Obligated Group include: (a) any changes in the taxation of non-profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations recognized under Section 501(c)(3) of the Code; (c) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services; and (d) a requirement that non-profit health care institutions pay real estate property tax and sales tax on the same basis as for-profit entities.

The discussion above (or as otherwise discussed herein) is not an exhaustive study of the laws and regulations which may apply to the Obligated Group and its operations. Other laws and regulations not set forth herein (or elsewhere herein) may also apply to the Obligated Group and its operations and may have an adverse impact thereon.

Accountable Care Organizations and Bundled Payment Programs

The Health Reform Act establishes a Medicare Shared Savings Program that seeks to promote accountability and coordination of care through the creation of ACOs. The program allows hospitals, physicians, senior living providers, and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes which are intended to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards and financial goals are eligible to share in a portion of the amounts saved by the Medicare program. ACOs that do not achieve these standards and goals may share in losses to the Medicare program. The increase of the number of ACOs operating in the United States is growing rapidly and today stands at more than 500 ACOs serving over 5 million Medicare beneficiaries. ACOs generally have to marshal large upfront financial investments to form unique ACO structures and it is not clear that the potential savings will be adequate to recoup the initial investment. In addition, although the ACO regulations provides for waivers of certain federal laws, there may remain regulatory risks for participating entities, as well as financial and operational risks. In particular, since the federal ACO regulation would not preempt state law, providers in any state participating as a federal ACO must be organized and operated in compliance with such state's existing statutes and regulations. In January of 2015, HHS announced it goal to move half of Medicare payments to alternative payment models (including ACO-based arrangements), indicating HHS's strong backing of the ACO and alternative payment models. The ACO model is also being considered by commercial payors, with some commercial payors, such as UnitedHealthCare, joining with large health care organizations to form commercial versions of the ACO model.

Another CMS alternative payment initiative that may have an impact on long-term care facilities is the Bundled Payment Care Improvement ("BPCI") initiative. The BPCI is comprised of four broadly defined models of care, which link payments for the multiple services beneficiaries receive during an episode of care. Under the initiative, organizations enter into payment arrangements that include financial and performance accountability for episodes of care. Two of the four BPCI models involve a retrospective bundled payment arrangement where actual expenditures are reconciled against a target price for an episode of care. In BPCI Model 2, the episode includes the inpatient stay in an acute care hospital plus the post-acute care and all related services up to 90 days after hospital discharge. In Model 3, the episode of care is triggered by an acute care hospital stay but begins at initiation of post-acute care services with a skilled nursing facility, inpatient rehabilitation facility, long-term care hospital or home health agency. Under these retrospective payment models, Medicare continues to make fee-for-service payments; the total expenditures for the episode is later reconciled against a bundled payment amount (the target price) determined by CMS. A payment or recoupment amount is then made by Medicare reflecting the aggregate expenditures compared to the target price. Under all of the models, unlike the Medical Shared Savings Program, participants in the BPCI may retain all of the savings they achieve in excess of the discounted rates.

For a discussion of certain of the programs and initiatives of the Obligated Group relating to health care reform including Senior Independence as a preferred provider and its accountable care organization, see "Northwest Ohio Accountable Care Organization Agreement" in APPENDIX A.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") expanded protection of the privacy and security of personal medical data and required the adoption of standards for the exchange of electronic health information. Pursuant to HIPAA, DHHS has adopted standards for electronic transactions and code sets, unique identifiers for providers, employers, health plans and individuals, security and electronic signatures, privacy and enforcement. Although HIPAA was intended to ultimately reduce administrative expenses and burdens faced within the healthcare industry, implementation of this law has resulted in additional costs.

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act"), enacted as part of the American Recovery and Reinvestment Act of 2009, effective February 22, 2010, sets forth health information security breach notification requirements and increased penalties for violation of HIPAA. The HITECH Act requires patient notification for all breaches, media notification of breaches of over 500 patients and at least annual reporting of all breaches to the Secretary of DHHS. Penalties under the HITECH Act range from $100 per violation and an annual maximum of $25,000 for the first tier of sanctions to a fourth-tier sanction minimum of $50,000 per violation and an annual maximum of $1.5 million for the identical violation. Failure to comply with HIPAA could result in fines and penalties that could have a material adverse effect on the Obligated Group.

State Regulatory Issues

Regulation of Continuing Care Facilities. At the present time, laws in the State regulating the operation of continuing care facilities are limited to: (i) licensing and registration requirements, (ii) standards of disclosure to residents and potential residents, and (iii) the rights of residents. However, it is possible that additional legislation regulating the construction and operation of continuing care facilities may be enacted in the future. Newly constructed continuing care facilities in a number of states have encountered financial difficulties for various reasons, such as inadequate initial occupancy rates and inability to achieve forecasted levels of revenues and expenses. This has led to the adoption by several states of legislation regulating continuing care facilities. Such regulation generally includes requirements for: issuance of a certificate of authority prior to construction of a continuing care facility; standards of disclosure to prospective residents; minimum requirements for residence care agreements to protect the interest of residents; and maintenance of minimum reserves for payment of debt service or, in some cases, operating expenses. In some states, if a continuing care provider experiences financial difficulties, the rights of creditors (including Bondholders) may be limited or stayed if the state is empowered to initiate receivership or similar proceedings against the provider to protect the rights and interests of residents. Although designed to protect the interests of residents, such state regulation may increase the cost of development or operation of continuing care facilities and make profitable operation more difficult. The possible adoption of any additional legislation in the State regulating continuing care facilities and its effect on the operations of the Obligated Group cannot be predicted at this time.

Certificate of Need Program. The State has undertaken health planning through its certificate of need program, which requires Ohio Department of Health approval for the addition of long-term care beds at a facility in the State. The Ohio Certificate of Need law was recently changed, continuing the moratorium on new long-term care beds. However, the Ohio Certificate of Need law indefinitely extends authority of the Director of Health (the "Director") to grant Certificates of Need for replacement or relocation of long-term care beds within a county, and in specific instances, a relocation of nursing home beds from a contiguous county. The law also creates a mechanism for the Director to grant Certificates of Need for relocation of long-term care beds between any two counties. The process includes a comparative review of need for each county. Additional beds will be taken out of service from counties from which long-term care beds are transferred, and redistributed at the Director's discretion, after a new bed-need

determination is made. Thus, depending on the projects to be undertaken by the Obligated Group in Ohio in the future, certificate of need approval may be necessary. This can be a time consuming and expensive process with no guarantee of success. The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive, both as to rates and changes as well as quality and scope of care, could adversely affect the operations of the Obligated Group at its facilities.

Regulation of Home and Community-Based Services. Under Ohio law, there is neither state licensure nor registration for Home Health Agencies ("HHAs"). All HHAs certified to participate in the Medicare program must provide skilled nursing care and at least one of five other specified therapeutic services. HHAs may be proprietary, government operated, health facility based or HMO operated. They may operate branches and/or sub-units in addition to the parent agency and under federal guidelines may operate across state lines from the Ohio-based units as long as their personnel are qualified in the state in which the service is being provided and the parent agency is certified in the state in which it is located. However, there must be a reciprocal agreement in place between Ohio and the second state before an HHA is allowed to provide cross state line services in this manner. Ohio currently has no reciprocal agreement with any neighboring state. Since October 1996, HHAs have been subject to a standard survey at least every 36 months. Since November 1997, regardless of past compliance history or survey frequency category, any HHA that is part of a state, regional or national fraud and abuse initiative must be surveyed no less frequently than every 12 months. Additionally, each year a five percent (5%) targeted sample of HHAs is surveyed. HHAs are targeted by CMS based on an analytical program that identifies agencies with indicated higher-than-average risk of quality problems and the intervals between the HHA's last standard survey and the targeted survey may vary from six (6) to thirty-six (36) months. HHAs may achieve and maintain Medicare certification through accreditation by a nationally-recognized accreditation organization whose standards for home health services are approved by CMS as meeting or exceeding the Medicare Conditions of Participation. Ohio licenses all hospice care programs operating in the state. To obtain and maintain a license, the hospice care program must: (i) ensure care is available 24 hours a day seven days a week, (ii) have an interdisciplinary team implement a plan of care, (iii) provide bereavement services to the patient's family, and (iv) not discontinue care because of a hospice patient's inability to pay for the care. State hospice licenses must be renewed every three years. Although regulation of home and community-based services is designed to protect the interests of recipients of such services, additional state regulation may increase the cost of expansion or operation of the services and make profitable operation more difficult. The Obligated Group currently owns or operates a HHA, therefore, the possible adoption of any additional Ohio legislation regulating home and community-based services and its effect on the operations of the Obligated Group cannot be predicted at this time.

Future Healthcare and Regulatory Risks

The Obligated Group is and will continue to be subject to certain governmental regulations. Participants in the healthcare industry are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third party reimbursement programs. In addition, the operations of the healthcare industry have been subject to increasing scrutiny by federal, state and local governmental agencies. In response to perceived abuses and actual violations of the terms of existing federal, state and local healthcare payment programs, such agencies have increased their audit and enforcement activities, and federal and state legislation has been considered or enacted, providing for civil and criminal penalties against certain activities.

Bills proposing to regulate or control, in some manner, health care costs and revenues and a number of proposals for a national health insurance program are regularly submitted to Congress. There are wide variations among these proposals and the effect on the health care industry and the Obligated Group cannot be determined. There can be no assurance that the implementation of any such bill or

proposal or any future bill or proposal, or the implementation by the federal or state administrative bodies of cost containment or revenue control programs, would not adversely affect the revenues of the Communities, and thus the revenues of the Obligated Group.

Licensing, Surveys, Accreditation and Audits

On a regular basis, health care facilities and home health and hospice agencies, including those of the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, and other federal, state and local government agencies. Obtaining, renewing and continuing certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Obligated Group. These activities are generally conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation or reduce payments received. The Obligated Group currently expects to renew or maintain all currently held licenses and certifications. For more information, see **"Licensure and Memberships"** in **APPENDIX A**.

The Obligated Group is subject to regulation, certification and licensure by various federal, state and local government agencies. No assurance can be given as to the effect on future Obligated Group operations of existing laws, regulations and standards for certification, licensure or of any future changes in such laws, regulations and standards.

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

The Bond Trustee and the Issuer must look solely to the Gross Receipts, the Mortgaged Property and any funds held under the Bond Indenture and the Master Indenture to pay and satisfy the Series 2016C Bonds in accordance with their terms. The Bondholders are dependent upon the success of the Obligated Group's facilities and the value of the assets of the Obligated Group for the payment of the principal of, redemption price, if any and interest on, the Series 2016C Bonds. In the event of a default, the value of the Mortgaged Property may be less than the amount of the outstanding Series 2016C Bonds, since the Obligated Group's facilities exist for the narrow use as continuing care retirement communities. The special design features of continuing care facilities and the continuing rights of residents under continuing care and lease agreements may make it difficult to convert the Communities to other uses, which may have the effect of reducing their attractiveness to potential purchasers and, in the event of bankruptcy proceedings, the estate in bankruptcy may not realize the full highest use value or the amount of all Outstanding Obligations from the disposition of the Mortgaged Property.

Change in Accounting Principles

Financial and other covenants in the Master Indenture are based on generally accepted accounting principles ("GAAP") in the United States of America in effect from time to time. GAAP standards are established and administered by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. Many countries use or are converging on the International Financial Reporting Standards ("IFRS") that was established and is maintained by the International Accounting Standards Board. In the United States, the Securities and Exchange Commission has stated that it eventually intends to move from GAAP to IFRS.

If GAAP were to change, either as part of a transition to IFRS or otherwise, such changes could have adverse consequences to the Obligated Group under the Master Indenture. For example, in February

2016, the Financial Accounting Standards Board ("FASB") completed a revision of the lease accounting standard referred to as Accounting Standards Codification 842. These revisions will result in significant changes to the treatment of operating leases under GAAP. For not-for-profit entities that are also conduit bond obligors, such as the Corporation, these revisions will be effective for fiscal years beginning after December 15, 2018. Such a change may result in certain operating leases being treated as "Indebtedness" under the Master Indenture, which would increase the Obligated Group's total Indebtedness and lower its debt service coverage ratios. The Master Indenture does not "grandfather" current GAAP, nor does it provide for revised accounting terms or financial covenants in the event of a change in GAAP. In the event of a change in GAAP that would have significant adverse consequences to the Obligated Group, the Obligated Group may need to amend the Master Indenture, the provisions for which are described in **APPENDIX C – "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Master Indenture – Supplements and Amendments to the Master Indenture."**

Amount of Title Policies Less Than Outstanding Obligations

In connection with previous financings, the Corporation has previously delivered to the Master Trustee mortgagee title insurance policies for the Mortgaged Property, and while the aggregate amounts of past policies had, from time to time, been at higher levels, such title insurance policies are currently outstanding in an aggregate amount of approximately $48.5 million. In connection with the issuance of the Series 2016C Bonds, the Corporation will be procuring additional title insurance to maintain the aggregate amount of approximately $48.5 million in coverage at the time the Series 2016C Bonds are issued. There is no requirement that the amount of title insurance be increased upon the issuance of additional Obligations pursuant to the Master Indenture or that the amount of title insurance be increased to offset policies that expire as the related bonds are retired. The Corporation is not adding or deleting property from the Mortgaged Property in connection with the issuance of the Series 2016C Bonds. Although the amount of title insurance is significantly less than the amount of outstanding Obligations, Management of the Obligated Group believes such amount is a reasonable amount of coverage at this time given that the majority of the properties constituting the Mortgaged Properties have been owned and operated by the Obligated Group for several years. **See APPENDIX A – "THE CORPORATION'S FACILITIES"** for a more detailed description of the Corporation's major operating facilities and history of operations.

In the event of any defect in title, the ownership by the Corporation of all or a portion of the Mortgaged Property may be at issue, which could lead to litigation regarding the ownership or other legal rights with respect to such property. Loss of such litigation by the Corporation could reduce the market value of the Mortgaged Property, including, in the event of ejectment from such property, elimination of such value. Although any such potential losses are intended to be covered by the existing title policies, these title policies insure amounts which will be less than the aggregate principal amount of the Obligations outstanding under the Master Indenture. Any proceeds from a claim under the title policies would be disbursed to the Master Trustee for the benefit of all outstanding Obligations and applied on a ratable basis pursuant to the terms of the Master Indenture.

Availability of Remedies

The remedies available to the Bond Trustee, the Master Trustee and the Bondholders upon an event of default under the Bond Indenture and the Master Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Bond Indenture and the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016C Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general

principals of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

Bankruptcy

If any member of the Obligated Group were to file a petition for relief under the Federal Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such member and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, such member's property, including its accounts receivable and proceeds thereof, could be used for the benefit of the Corporation despite the security interest of the Master Trustee therein, provided that "adequate protection" is given to the lienholder.

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

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

In the event of bankruptcy of a member of the Obligated Group, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Lease, the Master Indenture and certain other documents would survive. Accordingly, the member of the Obligated Group, as debtor in possession, or a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Series 2016C Bonds from gross income of the Bondholders for federal income tax purposes.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligated Group and any future member of the Obligated Group under the Series 2016C Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligated Group and any future member of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional

Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including the Series 2016C Note pledged as security for the Series 2016C Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the member of the Obligated Group from which such payment is requested or issued for the benefit of a member of the Obligated Group which is not a Tax-Exempt Organization; (ii) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Obligations cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such member of the Obligated Group to the extent that such payment would render such member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a member of the Obligated Group in order to pay debt service on the Series 2016C Note may be voided by a trustee in bankruptcy in the event of bankruptcy of a member of the Obligated Group, or by third-party creditors in an action brought pursuant to Ohio fraudulent transfer statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Ohio fraudulent transfer statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Ohio fraudulent transfer statutes, or the guarantor is undercapitalized.

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

Limitations on Security Interest in Gross Receipts

The effectiveness of the security interest in the Obligated Group's Gross Receipts granted in the Master Indenture may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid, general assistance

and other governmental programs; (iii) commingling of the proceeds of Gross Receipts with other moneys of a member of the Obligated Group not subject to the security interest in Gross Receipts; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the enforceability of the mortgage or the security interest in the Gross Receipts of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a member of the Obligated Group; (viii) rights of third parties in Gross Receipts converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Ohio Uniform Commercial Code as from time to time in effect.

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

Additional Indebtedness

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2016C Note. Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2016C Note in any moneys realized from the exercise of remedies in the event of a default under the Master Indenture. The issuance of additional parity indebtedness could reduce the Debt Service Coverage Ratio and could impair the ability of the Obligated Group to maintain its compliance with certain covenants in the Master Indenture. See **"SUMMARY OF CERTAIN DOCUMENTS – SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group – Restrictions Incurred of Indebtedness"** in **APPENDIX C** hereto. There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2016C Note may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Amendments to Documents

Certain amendments to the Master Indenture, the Bond Indenture, the Lease and the Mortgage may be made without notice to or the consent of the Bondholders. Such amendments could affect the security for the Series 2016C Bonds. See **APPENDIX C – "SUMMARY OF CERTAIN DOCUMENTS - Supplements and Amendments to Master Indenture."**

Federal Tax Matters

Possible Changes in Corporation's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Corporation of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Corporation and thereby the revenues of the Corporation. As an exempt organization, the Corporation is subject to a number of requirements affecting its operation. The failure of the Corporation to remain qualified as an exempt organization would affect the funds available to the Corporation for payments to be made under the Lease. Failure of the Corporation or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Bond proceeds, could cause interest on the Series 2016C

Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of charitable organizations. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Corporation by requiring it to pay income taxes.

Intermediate Sanctions. Section 4958 of the Code, provides the Internal Revenue Service with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the "intermediate sanctions law," the Internal Revenue Service could punish such violations only through revocation of an entity's tax-exempt status. Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (i.e., a director, officer or other related party) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving excessive compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription. A disqualified person who benefits from an excess benefit transaction will be subject to a "first tier" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of $20,000. A "second tier" penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Bond Audit. Internal Revenue Service officials have stated that more resources will be allocated to audits of tax-exempt bonds in the charitable organization sector. The Series 2016C Bonds may be subject to audit, from time to time, by the Internal Revenue Service. The Obligated Group believes that the Series 2016C Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2016C Bonds, as described under the heading **"TAX MATTERS."** No ruling with respect to the tax-exempt status of the Series 2016C Bonds has been or will be sought from the Internal Revenue Service, however, and opinions of counsel are not binding on the Internal Revenue Service or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the Series 2016C Bonds will not adversely affect the Series 2016C Bonds.

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

Other Legislation. Section 7872 of the Code (Treatment of Loans with Below Market Interest Rates), provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or,

even if the below market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below market rate loan is the avoidance of federal income taxation.

A refundable entrance fee payment made by a resident to certain 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 Agreements come within the scope of the continuing care facility safe harbor or within the statute itself.

Provided the Residency Agreement falls within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loan was made pursuant to a continuing care contract, (ii) if the resident (or the resident's spouse) has attained age 62 before the close of the year and (iii) irrespective of the amount of the "loan" by the resident (or the resident's spouse) to the continuing care facility. Section 425 of the Tax Relief and Health Care Act of 2006 amended Section 7872(h) to make the exemption for loans to qualifying care facilities permanent.

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

In recent years the Internal Revenue Service and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Corporation has covenanted in the Lease to take all appropriate measures to maintain its tax-exempt status, compliance with current and future regulations and rulings of the Internal Revenue Service could adversely affect the ability of the Corporation to charge and collect revenues at the level required by the Lease, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2016C Bonds.

Market for Bonds; Rating Changes

While the Series 2016C Bonds have received a rating by a recognized ratings agency, such rating is not a recommendation to buy, hold or sell the Series 2016C Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such rating agency. Any such downward revision or withdrawal of the rating can be expected to have an adverse effect on the market price for the Series 2016C Bonds. See **"RATING"** herein.

Although the Underwriter intends to maintain a secondary market for the Series 2016C Bonds, it is under no obligation to do so.

Other Possible Risk Factors

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

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

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

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

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

(5) The cost and availability of energy;

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

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

(8) Inflation or other adverse economic conditions;

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

(10) Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments;

(11) The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, or failures of storm water detention devices during such naturally occurring events, which may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; or

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

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting

The Master Indenture requires that as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group shall file, or cause to be filed, with the Master Trustee and with each Obligation holder who may have so requested or on whose behalf the Master Trustee may have so requested, (i) a combined or consolidated revenue and expense statement of the Obligated Group eliminating material balances and transactions between or among members of the Obligated Group for such Fiscal Year, (ii) a combined or consolidated balance sheet presented on the basis described in (i) above as of the end of such Fiscal Year, each accompanied by the certificate or opinion of an Independent Certified Public Accountant, in each case in comparative form showing the corresponding figures for the preceding Fiscal Year, (iii) an Officer's Certificate setting forth the calculation of the Debt Service Coverage Ratio for the Fiscal Year then ended, and (iv) an Officer's Certificate of each Obligated Issuer stating whether or not, to the best knowledge of the signer, such Obligated Issuer is in default in the performance of any covenant contained in the Master Indenture or Related Supplemental Indenture, and, if so, specifying each such default of which the signer may have knowledge and stating what action the Obligated Group proposes to take with respect thereto. See **APPENDIX C: "SUMMARY OF CERTAIN DOCUMENTS – Summary of the Master Indenture –Filing of Financial Statements; Certificate of No Default."**

Continuing Disclosure

Offerings of municipal securities must comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission (as amended from time to time, the "Rule"). Given that the Series 2016C Bonds are special and limited obligations of the Issuer, the Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Series 2016C Bonds, and the Issuer will not provide any such information. The Corporation (on behalf of itself and any other member of the Obligated Group) has undertaken all responsibilities for any continuing disclosure to holders of the Series 2016C Bonds as described below, and the Issuer shall have no liability to the holders or any other person with respect to such disclosures.

The Corporation has covenanted for the benefit of the Series 2016C Bondowners, and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Master Continuing Disclosure Agreement (the "Disclosure Agreement"), to provide or cause to be provided (i) on a quarterly basis, certain financial information for the Obligated Group (the "Quarterly Report") by each May 15, August 15, November 15 and February 15 following the end of each fiscal quarter of the Obligated Group, commencing with the Quarterly Report for the quarter ended December 31, 2016; (ii) each year, certain financial information for the Obligated Group and operating data relating to the Obligated Group (the "Annual Report") by each December 1 following the last day of the fiscal year of the Obligated Group, commencing with the Annual Report for the fiscal year ended June 30, 2017; provided, however, that if the audited financial statements of the Obligated Group are not available by such date, unaudited financial statements for such party will be included in the Quarterly Report or the Annual Report, as appropriate, and audited financial statements will be provided when and if available; and (iii) timely notices of the occurrence of certain enumerated events. Currently the fiscal year of the Obligated Group commences on July 1. "Beneficial Owners" means, under this caption only, any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2016C 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.

The information will be made available to holders of the Series 2016C Bonds through Electronic Municipal Markets Access (http://emma.msrb.org) ("EMMA"), the information repository of the Municipal Securities Rulemaking Board, to comply with the Rule. The quarterly and annual reports described herein will be filed by or on behalf of the Obligated Group with EMMA, or such other information repository designated from time to time by the SEC, for so long as such quarterly and annual reports are required to be delivered under the Disclosure Agreement. In addition, any notice of the following events with respect to the Series 2016C Bonds will be filed with EMMA:

1. Any delinquency in payment when due of any principal or interest;
2. Non-payment related defaults, if material, or, other events which with the passage of time or the giving of notice, or both would constitute an event of default with respect to any indebtedness of the Corporation;
3. Any unscheduled draw on debt service reserves reflecting financial difficulties;
4. Any unscheduled draw on credit enhancements reflecting financing difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue or other material notices or determinations with respect to the tax status of the Series 2016C Bonds or other material events affecting the tax status of the Series 2016C Bonds;

7. Modifications to rights of the security holders, if material;

8. Bond calls, if material and tender offers;

9. Defeasance of the Series 2016C Bonds or any portion thereof;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Any change in ratings;

12. Bankruptcy, insolvency, receivership, or similar proceedings of the Corporation;

13. The consummation of a merger, consolidation or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional bond or master trustee, or the change of name of a trustee, if material;

15. Any failure by the Corporation to make any filing required under the Disclosure Agreement in a timely manner; and

16. Any other listed events that are added to the Rule after the date of the Disclosure Agreement.

If an event listed above (each a "Listed Event") occurs and the Corporation determines that such Listed Event is material, or if there is no materiality requirement for such Listed Event, the Corporation shall file a notice of such occurrence with EMMA within 10 business days. Notice of Listed Events described in (8) and (9) above need not be given any earlier than the notice (if any) of the underlying event is given to affected Bondholders if it is required pursuant to the Bond Indenture. If the Corporation determines that it failed to give notice as required under the Disclosure Agreement, it is required to promptly file a notice of such determination in the same manner.

Annual Report. The Annual Report will contain or incorporate by reference at least the following items:

(a) the annual audited financial information prepared for the Obligated Group which shall include a consolidated statement of financial position, a consolidated statement of activities and changes in net assets, a consolidated statement of cash flows as a part of the basic financial statements and as part of the supplementary information section consolidating statements of financial position and consolidating statements of activities and changes in net assets that reflect combined activity of the Obligated Group, non-obligated entities and in total. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Obligated Group may change the accounting principles used for preparation of such financial information so long as the Obligated Group includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

(b) an update of the financial information and operating data of the same general nature as that contained in **APPENDIX A** hereto under the headings or subsections "Employees;" the tables appearing in "The Corporation's Facilities;" "Occupancy;" "Skilled Nursing Care Payor Mix;" the tables appearing in "Senior Independence Overview And Services;" "Financial Information;" "Management's Discussion of Consolidated Statements of Activities;" "Financial

Ratio Calculations" and supplemental financial information that includes consolidating schedules of activities – unrestricted – by site reflecting revenue and expenses considered as operations related. The Annual Operating Data shall also include: (i) the annual budget; (ii) an update of the capital expenditures for the Obligated Group including routine and total capital expenditures for the previous three years; (iii) a report of the rating awarded to each skilled nursing facility of the Obligated Group, as applicable, pursuant to the Centers for Medicare and Medicaid Services Five Star Quality Rating System; and (iv) any necessary updates to the annual debt service requirements table for the Obligated Group (including a column displaying debt service for any guaranteed non-Obligated Group Communities).

Quarterly Reports. Quarterly Reports will be provided each May 15, August 15, November 15 and February 15 after the end of each quarterly fiscal period of each Fiscal Year, which Quarterly Reports will include a consolidated statement of financial position, a consolidated statement of activities and change in net assets, a consolidated statement of cash flows, comparison of year to date results to budget, occupancy statistics by type of payor in aggregate for skilled nursing beds of the Obligated Group and occupancy statistics for each facility by each level of service for the Obligated Group. The Quarterly Reports will also include a calculation of the Debt Service Coverage Ratio and Days Cash on Hand.

Any or all of the items listed above may be included by specific reference to other documents which previously have been provided to EMMA or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Corporation shall clearly identify each such other document as included by reference.

Investor Calls. The Corporation will arrange for semi-annual conference calls regarding the performance of the Obligated Group, commencing with calendar year beginning January 1, 2017. Advance notice of such calls will be provided through EMMA.

Failure to Comply. In the event of a failure of the Corporation to comply with any provision of the Disclosure Agreement, any Series 2016C Bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with the obligations under the Disclosure Agreement. A failure to comply with the Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture, the Master Indenture or the Lease. The sole remedy under the Disclosure Agreement in the event of any failure of the Corporation to comply with the Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

Amendment of the Disclosure Agreement. The Corporation may amend the Disclosure Agreement if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule or adjudication of the Rule by a final decision of a court of competent jurisdiction. The Corporation may modify from time to time the specific types of information provided pursuant to the Disclosure Agreement to the extent necessary as a result of the addition of additional series of bonds subject to the Disclosure Agreement, a change in legal requirements, change in law or change in the nature of the Obligated Group or its businesses, provided that any such modification will be done in a manner consistent with the Rule and will not materially impair the interests of the Series 2016C Bondholders.

Past Compliance With Continuing Disclosure

The Corporation has entered into continuing disclosure undertakings in connection with the issuance of the Issuer's Series 2002A Bonds (the "2002 Undertaking"), Series 2005A Bonds (the "2005 Undertaking"), 2010A Bonds (the "2010 Undertaking") and 2013A Bonds (the "2013 Undertaking" and together with the 2002 Undertaking, the 2005 Undertaking and the 2010 Undertaking, the "Prior Undertakings"). In the past five years, the Corporation did not comply in all material respects with its Prior Undertakings

The Corporation reports that it failed to comply with its Prior Undertakings by not filing, or not filing in a timely manner, on EMMA certain of the reports required by the Prior Undertakings as set forth in the table below (which information below is provided irrespective of materiality).

ANNUAL OPERATING DATA			QUARTERLY REPORTS		
Fiscal Year Ended	Due Date	Posted Date	Quarter Ended	Due Date	Posted Date
06/30/2012	11/30/2012	12/03/2012	03/31/2011	05/15/2011	06/07/2011[B]
06/30/2014	11/30/2014	12/12/2014	06/30/2011	08/14/2011	10/04/2013[C]
06/30/2015	11/27/2015[A]	12/01/2015	09/30/2011	11/14/2011	10/04/2013[C,D]
			06/30/2012	08/14/2012	08/15/2012[D]
			09/30/2012	11/14/2012	11/19/2012
			12/31/2012	02/14/2012	10/04/2013[C]
			06/30/2013	08/14/2013	10/04/2013[C]
			06/30/2014	08/14/2014	09/15/2014
			06/30/2015	08/14/2015	08/27/2015
			09/30/2015	11/14/2015	11/17/2015
			06/30/2016	08/14/2016	09/08/2016

A – The audited financial information was also posted on 12/01/2015, which was late pursuant to the 2013 Undertaking.
B – Statement of cash flows posted on 10/05/2011.
C – Part of the Corporation's 2013 EMMA filing made prior to the issuance of the 2013A Bonds.
D – Late filing only pertains to statement of cash flows.

The Corporation failed to report certain other information (the "Missing Information") as required by the Prior Undertakings (which information is provided irrespective of materiality) as follows:

The quarterly filings had the following deficiencies:

- The quarterly filing filed for the fiscal quarter ended 06/30/2014 was not linked to the CUSIPs for the 2002A Bonds.
- The comparison of year to date results to budget was missing from the quarterly filings filed for the fiscal quarters ended 03/31/2011 – 06/30/2013.
- The quarterly filing filed for the fiscal quarter ended 06/30/2011 did not include a balance sheet, statement of operations and changes in net assets.
- The quarterly filing filed for the fiscal quarter ended 03/31/2012 did not contain a statement of cash flows.
- The information pertaining to payor mix in aggregate for nursing facilities beds and quarterly construction updates of the project was missing from the quarterly filings filed for the fiscal quarters ended 12/31/2013 – 06/30/2016.

The annual filings had the following deficiencies:

- The annual filing filed for fiscal year 2013 was not linked to the CUSIPs for the 2002A Bonds.
- The fiscal year 2013, 2014 and 2015 annual reports did not include the annual budget. However, this information is included in the majority of the quarterly filings.
- The annual filings did not include the operating data pertaining to licensure and memberships or management's discussion of consolidated condensed statements of operations.
- The 2002 Undertaking required that the Corporation file operating data pertaining to the "Affiliates" section of Appendix A to the 2002 official statement. However, Appendix A of the 2002 official statement did not contain an "Affiliates" section. Thus, it was impossible for the Corporation to file such information.
- The fiscal year 2014 and 2015 annual filings did not include a consolidating statement by facility in the audited financial information. However, the unaudited consolidated financial statements for each quarter ended include separate statements of activities (revenue and expense compared to budget for each site).

A failure to file notice was filed on EMMA for all noncompliant required filings on September 29, 2016. Certain of the Missing Information was also posted to EMMA on September 29, 2016. The Corporation has decided to file future quarterly reports and annual reports on its own behalf. Furthermore, the Corporation has implemented procedures to ensure that all required information is filed with EMMA on a timely and complete basis.

LITIGATION

The Issuer

There is not now pending (as to which the Issuer has received service of process) or, to the actual knowledge of the Issuer, threatened, any litigation against the Issuer restraining or enjoining the issuance or delivery of the Series 2016C Bonds or questioning or affecting the validity of the Series 2016C Bonds or the proceedings or authority under which the Series 2016C Bonds are to be issued. Neither the creation, organization or existence of the Issuer nor the title of any of the present members or other officers of the Issuer to their respective offices is being contested. There is no litigation against the Issuer pending (as to which the Issuer has received service of process) or, to the actual knowledge of the Issuer, threatened against the Issuer which in any manner questions the right of the Issuer to enter into the Bond Indenture, the Base Lease, the Lease or the Bond Purchase Agreement or to secure the Series 2016C Bonds in the manner provided in the Bond Indenture and the Act.

The Obligated Group

There are currently six lawsuits being defended by members of the Obligated Group relating to patient care. Independent litigation counsel estimates that any potential liability from these lawsuits would be well within the Obligated Group's applicable self-insurance and insurance policy limits. Except as provided in the preceding sentence and with the exception of pre-litigation letters and/or notices that are received in the normal course of business regarding alleged complaints about resident care or from employees or former employees alleging claims, the Corporation has received no reports of incidents or notices of claims for which lawsuits may be filed. SEE APPENDIX A: "THE OBLIGATED GROUP –

Litigation and Investigations" for a discussion of an investigation of the U.S. Department of Health and Human Services, Office of Inspector General with respect to SI's hospice operations and a discussion of an Investigative Demand from the Ohio Attorney General received by the Parent.

No litigation, proceedings or investigations are pending or, to the knowledge of the Corporation's management, threatened against the Obligated Group or its officers or property except litigation, proceedings or investigations being defended by or on behalf of the Obligated Group in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of the Corporation after consultation with legal counsel, will be entirely within the Obligated Group's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insurance retentions), or will not have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group. No litigation, proceedings or investigations are now pending or, to the knowledge of the Corporation's management, threatened against the Obligated Group that would in any manner challenge or adversely affect the corporate existence or powers of the Obligated Group to enter into and carry out the financing transactions described herein or contemplated hereby, or the status of any member of the Obligated Group as an organization described in Section 501(c)(3) of the Code.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2016C Bonds by the Issuer are subject to the approval of Ice Miller LLP, Columbus, Ohio, Bond Counsel. Certain legal matters with respect to the Series 2016C Bonds will be passed upon for the Underwriter by its counsel, Peck, Shaffer & Williams, a Division of Dinsmore & Shohl LLP, Columbus, Ohio, and for the Obligated Group by its special counsel, Jones Day, Columbus, Ohio.

The various legal opinions to be delivered concurrently with the delivery of the Series 2016C Bonds will speak only as of their dates of delivery and will be qualified in certain customary respects, including as to the enforceability of the various legal instruments by limitations imposed by state and federal law affecting remedies and by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, the application of equitable principles and the exercise of judicial discretion in appropriate cases. The legal opinions express the professional judgment of counsel rendering them, but are not binding on any court or other governmental agency and are not guarantees of a particular result.

CERTAIN RELATIONSHIPS

In connection with the issuance of the Series 2016C Bonds, the Obligated Group and the Underwriter are being represented by the attorneys or law firms identified above under the heading "LEGAL MATTERS." In other transactions not related to the Series 2016C Bonds, each of these attorneys or law firms may have acted as Bond Counsel or represented the Issuer, one or more members of the Obligated Group, the Bond Trustee, the Master Trustee or the Underwriter or their affiliates, in capacities different from those described under "LEGAL MATTERS", and there will be no limitations imposed as a result of the issuance of the Series 2016C Bonds on the ability of any of these firms or attorneys to act as Bond Counsel or represent any of these parties in any future transactions. Potential purchasers of the Series 2016C Bonds should not assume that the Issuer, the Obligated Group, the Bond Trustee, the Master Trustee, the Underwriter, their respective counsel or Bond Counsel has not previously engaged in, is not currently engaged in or will not, after the issuance of the Series 2016C Bonds, engage in other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

TAX MATTERS

General

In the opinion of Ice Miller LLP ("Bond Counsel"), under existing federal statutes, decisions, regulations and rulings, interest on the Series 2016C Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion relates only to the exclusion from gross income of interest on the Series 2016C Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer, the Corporation and current and future members of the Obligated Group with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series 2016C Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

In the opinion of Bond Counsel, under existing laws, the interest on the Series 2016C Bonds, and any profit made on their sale, exchange or other disposition, are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers intangible tax, the tax levied on the basis of the total equity capital of financial institutions and the net worth base of the corporate franchise tax. This opinion relates only to the exemption of interest on the Series 2016 Bonds for State of Ohio income tax purposes.

See **APPENDIX D** hereto for the form of the approving opinion of Bond Counsel. Contemporaneously with the issuance of the Series 2016C Bonds, the Issuer is also expected to issue the Series 2016D Bonds. The Series 2016C Bonds and the Series 2016D Bonds (collectively, the "Series 2016 Bonds") will be treated as a single issue for federal income tax purposes, and a single, combined approving opinion of Bond Counsel will be rendered with respect to the Series 2016 Bonds.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2016 Bonds as a condition to the exclusion from gross income of interest on the Series 2016 Bonds for federal income tax purposes. The Issuer, the Corporation and the members of the Obligated Group will covenant not to take any action, nor fail to take any action within their respective power and control, with respect to the Series 2016 Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Bond Indenture, the 2016D BPA, the Tax Regulatory Agreement, the Lease, the Lease dated as of October 1, 2016 between the Issuer and the Corporation relating to the Series 2016D Bonds and certain certificates and agreements to be delivered on the date of delivery of the Series 2016 Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Bond Indenture if interest on the Series 2016C Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series 2016C Bonds. If, subsequent to the date of issuance of the Series 2016D Bonds, the interest rate mode or formula applicable to the Series 2016D Bonds is changed, Bond Counsel expresses no opinion on the effect such change will have on the exclusion from gross income for federal tax purposes of interest on the Series 2016 Bonds.

Although Bond Counsel will render an opinion on the federal tax matters described above, the accrual or receipt of interest on the Series 2016C Bonds may otherwise affect a Series 2016C Bondholder's federal or state income tax liability. The nature and extent of these other tax consequences

will depend upon the Series 2016C Bondholder's particular tax status and the Series 2016C Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, 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 the Series 2016C Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2016C Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series 2016C Bonds.

Original Issue Discount

The initial offering price of certain maturities of the Series 2016C Bonds are less than the principal amounts payable at maturity or call date (the "Discount Bonds"). As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of each maturity of the Discount Bonds (or portions thereof) as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity, or a portion thereof, is sold) (the "Issue Price for such maturity"), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity, or a portion thereof, and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bonds on the basis of a constant interest rate compounded on an accrual basis at the end of each accrual period (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of the Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors as to the amount of original discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

As described above, the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisers with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial public offering should consult their own tax advisers with regard to the other tax consequences of owning the Discount Bonds.

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

Amortizable Bond Premium

The initial offering price of certain maturities of the Series 2016C Bonds is greater than the principal amount payable at maturity or call date (the "Premium Bonds"). As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning treatment of Bond Premium.

RATING

S&P Global Ratings ("S&P") has assigned the Series 2016C Bonds a rating of BBB-. Such rating reflects only the view of S&P at the time such rating was issued, and neither the Issuer nor the Corporation makes any representation as to the appropriateness of the rating. Any explanation of the significance of such rating may be obtained from S&P. The Corporation furnished to S&P information and materials relating to the Series 2016C Bonds and to itself, certain of which information and materials have not been included herein. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. The rating is not a recommendation to buy, hold or sell the Series 2016C Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating can be expected to have an adverse effect on the market price of the Series 2016C Bonds. The Corporation has undertaken to file notice of any formal change in any rating that relates to the Series 2016C Bonds that could affect the value of the Series 2016C Bonds. See **"FINANCIAL REPORTING AND CONTINUING DISCLOSURE – Continuing Disclosure."**

UNDERWRITING

Pursuant to a bond purchase agreement (the "Bond Purchase Agreement") by and among the Issuer, the Corporation, and B.C. Ziegler and Company, as representative of KeyBanc Capital Markets Inc. and PNC Capital Markets LLC (collectively, the "Underwriter"), the Underwriter will purchase the Series 2016C Bonds at a purchase price of $23,721,095.90, which purchase price reflects $274,440.00 of Underwriter's discount and $2,040,535.90 of net original premium. The Bond Purchase Agreement will provide that the Underwriter will purchase all of the Series 2016C Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2016C Bonds to the public. The Bond Purchase Agreement will provide for the Corporation to indemnify the Underwriter and the Issuer against certain liabilities. The obligation of the Underwriter to accept delivery of the Series 2016C Bonds will be subject to various conditions of the Bond Purchase Agreement.

The Underwriter and their respective 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 activities. The Underwriter or their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Obligated Group, for which they may have received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) 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 Obligated Group.

The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of long and/or short positions in such assets, securities and instruments.

MISCELLANEOUS

The references herein to the Act, the Master Indenture, Series 2016C Supplemental Master Indenture, the Series 2016C Bonds, the Series 2016C Note, the Bond Indenture, the Base Lease, the Lease and the Disclosure Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to the Act, the Master Indenture, Series 2016C Supplemental Master Indenture, the Series 2016C Bonds, the Series 2016C Note, the Bond Indenture, the Base Lease, the Lease and the Disclosure Agreement. Copies of such documents are on file at the designated corporate trust office of the Bond Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Series 2016C Bonds, but neither the failure to print such numbers on any Series 2016C Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2016C Bonds.

All statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation or the Issuer and the purchaser or owners

of any of the Series 2016C Bonds. The execution and delivery of this Official Statement have been duly authorized by the Issuer. The Issuer has not, however, prepared nor made any independent investigation of the information contained in this Official Statement except the information under the captions **"THE ISSUER"** and **"LITIGATION – The Issuer."**

The attached **APPENDICES** are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Corporation has reviewed the information contained herein which relates to the Obligated Group, and has approved all such information for use within this Official Statement.

The Issuer has duly authorized the execution and delivery of, and the Corporation has approved this Official Statement.

COUNTY OF FRANKLIN, OHIO,
acting by and through the County Hospital Commission of Franklin County

By: *\/s/ Thomas S. Stewart*
Chairman

Approved:

OPRS COMMUNITIES

By: */s/ Robert Stillman*
Treasurer

APPENDIX A

THE OBLIGATED GROUP

The information provided in this Appendix has been provided by Ohio Presbyterian Retirement Services, OPRS Communities, Senior Independence and Ohio Presbyterian Retirement Services Foundation, collectively referred to herein as the "Obligated Group" or the "Organization."

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THE OBLIGATED GROUP

The Obligated Group consists of the parent company, Ohio Presbyterian Retirement Services (the "Parent"), OPRS Communities (the "Corporation"), Senior Independence ("SI") and Ohio Presbyterian Retirement Services Foundation (the "Foundation"), collectively referred to as the "Obligated Group" or "Organization". The Parent is the sole member of the Corporation, SI and the Foundation, and has the power to appoint and remove members of the Boards of Directors for each of those entities. Effective November 1, 2016, the entities referred to above will change their legal names as part of a rebranding initiative that is described further herein. The following is a chart showing the members of the Obligated Group.

History and Organization

The Organization was founded in 1922 and was incorporated as an Ohio nonprofit corporation in 1959 for the purpose of providing older adults with health care, housing and related services. The principal corporate offices of the Obligated Group are located at 1001 Kingsmill Parkway, Columbus, Ohio 43229. The Corporation owns and operates twelve life plan communities (the "Communities"), formerly known as continuing care retirement communities, located throughout the State of Ohio, ten of which are full service retirement communities offering skilled nursing care beds, assisted living units and independent living units. Those twelve life plan communities are collectively referred to as the "Communities." Senior Independence owns and operates home health, hospice and other community-based services in a number of major markets throughout Ohio. For additional information about the Organization, its website can be found at www.oprs.org.

Since its inception, the Organization has been affiliated with the Presbyterian Church (USA) and its predecessors (the "Church"). HOWEVER, THE CHURCH HAS NO LIABILITY FOR THE PAYMENT OF DEBT SERVICE ON THE 2016C BONDS OR ANY OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE.

The Parent, the Corporation, SI and the Foundation are each an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and each are exempt from federal income taxation under Section 501(a) of the Code.

Other Controlled Entities

In addition to the entities described above, there are other legal entities for which some level of control by the Parent or its subsidiaries is present, as follows:

The Vineyard Condominium Association, Inc. In May 2008, a nonprofit condominium association was established to facilitate common condominium association responsibilities. OPRS Communities owns a majority of the condominium units available at The Vineyard of Catawba, further described herein. There is a management contract for which OPRS Communities provides management of the association, and under limited circumstances could be removed as the management agent. Accordingly, The Vineyard Condominium Association, Inc. is a consolidated entity, but has immaterial assets and liabilities.

BV Apartments, LLC. In January 2013, operations of the Shafer-Schweitzer House, which is a 150 unit affordable housing apartment building located on the Breckenridge Village campus, were transferred to BV Apartments, LLC, a wholly-owned subsidiary of OPRS Communities. This entity is a non-profit limited liability company. The project is encumbered by a mortgage held by the U.S. Department of Housing and Urban Development ("HUD Mortgage"); accordingly, this entity and its operations are excluded from the Obligated Group.

Sarah Moore Health Care Center, Inc. As of August 1, 2014, OPRS Communities became the sole member of a nonprofit senior living facility located in Delaware, Ohio, which operates skilled nursing care beds and assisted living units. This entity and its operations are excluded from the Obligated Group.

Shared Services Home Health Care Corp. As of October 2015, Senior Independence owns 49% of Class B stock in a joint venture that includes Evangelical Homes of Michigan. This joint venture provides for home health services to be provided by Shared Services Home Health Care Corporation in a limited zip code area in Michigan, for which Senior Independence has developed significant business. The joint venture is accounted for as an investment on the Corporation's financial statements. Operational results and investment return are not material.

Kendal of Northern Ohio. As of January 2016, Senior Independence revised its code of regulations to provide for two membership classes: the first consisting solely of Ohio Presbyterian Retirement Services holding a controlling membership interest in SI, and the second consisting solely of Kendal of Northern Ohio holding a special membership interest. A special membership interest agreement was consummated creating a joint venture for the purpose of providing home health and home care services on the Kendal of Oberlin campus and in a limited zip code area. Kendal of Oberlin is a life plan community on the West side of Cleveland, Ohio. Kendal of Northern Ohio, a nonprofit entity, is an affiliate of The Kendal Corporation, the parent of multi-site life plan communities, and of Kendal of Oberlin. Senior Independence is the management agent, performs all operations for the joint venture and reports upon the financial performance. The joint venture provides for SI and Kendal of Northern Ohio to share equally in the net operating income or loss generated from the operations of the limited geographical area. Operational results are not material to date.

Boards of Directors

The Code of Regulations for the Parent, the Corporation, SI, and the Foundation were amended on November 12, 2015 by the Parent Board. The following discussion incorporates those approved changes.

The Parent Board of Directors ("Parent Board") has the power to elect the Boards of Directors of the Corporation ("Corporation Board"), SI and the Foundation. The Code of Regulations of the Parent currently provides for a minimum of fifteen (15) voting members, consisting of one resident from a

community owned and operated by the Corporation; the Chair of the Foundation Board; one person chosen by the Parent Board to represent the Synod of the Covenant (the "Synod Representative"); the Chair, Vice Chair, Assistant Treasurer, and Assistant Secretary of the Corporation Board; the Chair, Vice Chair, Assistant Treasurer, and Assistant Secretary of the SI Board; the President/Chief Executive Officer of the Parent as a voting, ex officio member; and at least three at-large members.

The Parent's Code of Regulations further states that the Parent Board shall appoint/elect the person serving as President/Chief Executive Officer of the Parent. The President/Chief Executive shall become an ex officio voting member of the Boards of Directors of the Parent, the Corporation, SI and the Foundation. The Vice President of Finance/Chief Financial Officer serves as the Treasurer of the Parent and all subsidiary boards, but is not a voting member.

The affairs of the Obligated Group are governed by the Parent Board, with representation from the Subsidiary Boards (Corporation, Foundation and SI). Directors of the Parent and Subsidiary Boards are elected for three-year terms, are generally limited to two consecutive three-year terms and must not serve for a minimum of one-year before being eligible to serve again.

The current members of the Parent Board, their principal occupation, residence, and their terms of service are set forth below.

Name and Office (if any)	Occupation/Residence	Board of Directors Member	Year Term Expires
Ms. Sandra Byers	Retired, Parish Nurse Worthington, Ohio	Parent	2017
Dr. William Cleary	Retired, Physician Youngstown, Ohio	Parent	2019
Mr. Donald Chenoweth	Retired, Executive Director, Andrews House Former Organization Development Consultant, The Ohio State University Sunbury, Ohio	Parent Communities	2017
Mr. Richard Lowery, *Assistant Secretary*	Administrative Director, Cleveland Clinic - Euclid Hospital Kirtland, Ohio	Parent Communities	2018
Mr. R. Steven Johnston	Consultant, Advertising, Consumer Marketing, Communications, & Eldercare Worthington, Ohio	Parent	2017
Mr. Edward Snelz, *Board Vice Chair & Assistant Treasurer*	Consumer Banking-Marketing, Chase Westerville, Ohio	Parent SI	2017
Mr. John A. Peterson	Retired, Research Director Armco, Inc. Middletown, Ohio	Parent SI	2017
Mr. Ted W. Karchner, Jr., *Resident Representative*	Retired, President Columbia Industrial Sales Monroe, Ohio	Parent	2019
Mr. Mark Matson	VP Human Resources, EWI Columbus, Ohio	Parent	2018
Mr. William DiGrezio	Retired, Retail Executive Hebron, Kentucky	Parent	2017

Name and Office (if any)	Occupation/Residence	Board of Directors Member	Year Term Expires
Mr. Laurence C. Gumina	President/CEO OPRS Westerville, Ohio	Parent Communities Foundation SI	Ex Officio
Mr. Richard Mack	Trust Officer – PNC Bank Avon Lake, Ohio	Parent Foundation	2018
Mr. Richard A. Krieger	Retired, Maumee City Administrator Retired, Educator & Coach Maumee, Ohio	Parent SI	2018
Ms. Barbara Riley, *Board Chair*	Public Policy Consultant Former Director, The Ohio Dept. of Aging Columbus, Ohio	Parent SI	2019
Mr. Dennis Sherry	Regional Vice President, Strategic Planning Mercy Health Partners Ottawa Hills, Ohio	Parent	2018
Mr. Frederick C. Smith, III	Owner/Farmer, Fulton River Bend Farms Sidney, Ohio	Parent Communities	2019
Ms. Kathleen Tuttle	Registered Nurse Solon, Ohio	Parent Communities	2018
Mr. Brett Wingart	Corporate Accounting Manager, Bob Evans Powell, Ohio	Parent	2019

The Parent Board has overall governance responsibilities for the Parent and its subsidiary entities. The Parent Board shall control and manage all the affairs, funds, and property of the Parent, the Corporation, SI, the Foundation and any other corporation which the Parent controls. For the Parent, the Corporation, SI, the Foundation and any other entity which the Parent controls, the Parent Board shall: plan and facilitate financial resources, including strategic and long range financial planning; have oversight of all project development, quality improvement, governance/nominating, and human resources (including executive compensation) activities; uphold the organizational Mission and Beliefs; oversee the corporate policies, communications and ethics; provide for educational programs, government liaison, and legal and management information services; hire and receive the reports of the system-wide independent auditors; plan and oversee financial and treasury matters, including initiation and approval of major financings; plan and implement subsequent constitutional changes or re-organization as it deems necessary; and shall further have authority to implement a general ministry to the aging. The Parent Board is required to meet at least three times during each fiscal year.

The Parent Board has seven standing committees:

Executive Committee. The Executive Committee includes the Chair and Vice Chair of the Parent Board of Directors, the Chair of the Finance, Audit, Ethics and Compliance Committee, the Chair of the Corporation Board, Chair of the SI Board, and Chair of the Foundation Board. The Executive Committee is responsible for working with and advising the Chief Executive Officer on important matters between Board meetings.

Finance, Audit, Ethics and Compliance Committee. The Finance, Audit, Ethics and Compliance Committee (FAEC Committee) shall advise the Chief Executive Officer and the Parent Board on budgetary goals, strategic and long-range financial plans, social accountability planning and policies, and all financial

and treasury matters, including capital debt financing and insurance matters, for the entire organization. The FAEC Committee has the responsibility to routinely review of financial statements and other financial information and then engage in discussion with appropriate management personnel, officers of management, members of the Parent and subsidiary boards, their independent public accountants and other financial advisors. The FAEC Committee shall report and make recommendations to the Parent Board regarding financial statements, financial information and other matters as referred to above. The FAEC makes the annual selection of independent public accountants for performance of audits of the consolidated financial statements, the 403(b) retirement plan and any other required financial statement audits. The FAEC Committee has responsibility for the Ethics and Compliance Program (and related risk management and non-financial audit programs) of the Parent and its subsidiaries in accordance with the FAEC Committee's charter.

Strategic Planning Committee. The Strategic Planning Committee (SPC) is responsible for (a) developing, for review and approval by the Parent Board, the strategic vision and plan for the entire Parent-affiliated system to assure that the overall mission of the system is carried forward, (b) monitoring such strategic vision and plan as approved by the Parent Board, and (c) additional responsibilities as listed in accordance with this committee's charter. In July, 2016, the Project Development Committee responsibilities were transferred to the SPC. Certain members of the Project Development Committee were added to the SPC. With this change, the SPC is responsible for providing oversight and direction for the repositioning, expansion and/or renovation of all structural assets belonging to the Parent, the Corporation, SI, the Foundation or Other Controlled Entities. This responsibility includes the planning and implementation of all project development initiatives on behalf of the Parent Board and for the development, evaluation, review, and oversight of the financial costs and contractor progress related to all projects. The SPC will ensure that all recommended projects and programs meet the strategic objectives and financial expectations of the Parent Board. Prior to any implementation, each new project shall be approved by (i) the FAEC Committee; and (ii) the Parent Board of Directors. The SPC will assure appropriate reporting to related committees of the Parent Board on its activities and results, as well as any additional responsibilities listed in accordance with this committee's charter.

Governance/Nominating Committee. The Governance/Nominating Committee consist of at least three Board members, one of which must be from the Foundation Board and the Chief Executive Officer of the Parent. The Governance/Nominating Committee is responsible for: (a) making director nominations to the Board of Directors of the Parent, the Corporation, SI, the Foundation and Other Controlled Entities, as provided for in their respective Codes of Regulations or governing documents; (b) interpreting and making recommendations to the Parent Board for changes to the Parent Code of Regulations and the Codes of Regulations or governing documents of the Corporation, SI, the Foundation and Other Controlled Entities; (c) developing, maintaining and overseeing Board membership as representative of the community demographics, subject to the direction and approval of the Parent Board; (d) coordinating education and development for the Board of Directors of the Parent, the Corporation, SI, the Foundation, and Other Controlled Entities; and (e) additional responsibilities as listed in accordance with this committee's charter.

Human Resources Committee. The Human Resources Committee is responsible for reviewing all human resources policies of the Parent and its affiliates with the specific responsibility of recommending to the Board of Directors human resource goals and strategic directions and written Human Resources Policies governing all employees of the Parent, the Corporation, SI, the Foundation, and Other Controlled Entities. This committee has oversight responsibilities for the development and implementation of all corporate policies and practices relating to or affecting personnel. In addition, this committee oversees benefits and programs and make recommendations to the Parent Board as to compensation ranges for all staff. Furthermore, this committee is responsible for assuring that appropriate programs are in place for the training of all employees of the Parent, the Corporation, SI, the Foundation, and Other Controlled Entities, as well as any additional responsibilities listed in accordance with this committee's charter.

Executive Compensation Committee. The Executive Compensation Committee is comprised of Directors and other members who are not employed by the Parent, the Corporation, SI, the Foundation or by Other Controlled Entities. Committee members include, but are not limited to, the Chair of the Human Resources Committee, the Chair of the Parent Board, Chair of the SI Board, Chair of the Corporation Board, Chair of the Foundation Board, and Chair of the FAEC Committee. The Chair of the Human Resources Committee shall also serve as Chair of the Executive Compensation Committee. This committee is responsible for ensuring that executive compensation decisions and practices are conducted within the framework of appropriate national market standards and regulatory requirements. In order to do so, the committee will work with the Chief Human Resources Officer of the Parent in retaining and consulting with qualified external compensation experts. As compensation decisions are made relative to performance achievements, this committee shall also be responsible for conducting an annual performance review of the Chief Executive Officer of the Parent and ensuring associated compensations are congruent with it. Additionally, the committee is responsible for reviewing and approving the recommendations from the Chief Executive Officer of the Parent regarding compensation decisions for officers and other members of the Executive Team, including the Chief Operating Officer and Vice Presidents.

Quality Improvement Committee. The Quality Improvement Committee is responsible for developing, implementing and overseeing quality improvement programs and customer satisfaction processes for the Parent, the Corporation, SI, and Other Controlled Entities. This committee's key area of responsibility includes the monitoring of all clinical and service performance metrics as listed in accordance with this committee's charter.

Management of the Parent and Subsidiaries

Executive Directors, who report to the Chief Operating Officer, are responsible for the day-to-day management of each of the Communities and SI regions. Within the responsibilities of the Executive Directors are services provided to residents, clients and patients; procuring needed staffing, supplies and services for the delivery of services; expense management; business development/sales; etc. A licensed nursing home administrator is employed at each of the locations that have licensed nursing facility beds. Each of the Communities and SI regions are treated as revenue and expense centers of the Organization.

In addition to the local leadership, certain management services and overall organizational responsibilities are maintained at the Corporate Office based in Columbus, Ohio ("Corporate Services"). Such Corporate Services are led by Executive Management and include, but not limited to, the following:

- Establishing the vision, mission and values of the Organization
- Strategic planning (including financial, human resource and information systems planning)
- Capital planning, facility development and construction management
- Operations management
- Information systems and technologies
- Financial services, including treasury, debt management, payroll processing, revenue cycle operations, etc.
- Marketing and public relations
- Insurance and self-insurance programs
- Human resources policies and employee benefit programs
- Clinical services oversight
- Ethics and compliance programs
- Quality Improvement programs

Executive Management

The Parent Code of Regulations provides that the President/Chief Executive Officer is to be the managing officer of the Parent, responsible only to the Parent Board of Directors. The Chief Executive Officer and other members of the administrative staff of the Parent, the Corporation, SI, and the Foundation are as follows:

Laurence C. Gumina, Chief Executive Officer – Mr. Gumina joined the Organization in December 2011 having most recently served as Senior Vice President at Springpoint Senior Living in Princeton, New Jersey. Larry has expertise in the fields of retirement communities, hospitals, community based services and affordable housing. Prior to 2005, he served as Executive Vice President/Chief Operating Officer of Bayshore Community Health Services Inc. in Holmdel, NJ. Mr. Gumina is a licensed nursing home administrator who graduated from Bryant University with a Bachelor of Science degree in Business Administration and a Master's of Healthcare Administration from Fairleigh Dickinson University. He is a past member of the Board of Trustees for the Visiting Nurse Association Health Group, Inc. and past member of the Board of Trustees of Parker Family Health Center, Inc.

Daniel J. O'Connor, Chief Operating Officer – Mr. O'Connor joined the Organization in 1990 and served as Executive Director of Dorothy Love Retirement Community for 15 years before being promoted to Executive Vice President/Chief Operating Officer (CCRC division) in 2006. In 2010 he was appointed President of the Corporation. In 2015, Mr. O'Connor was appointed to Chief Operating Officer of the Parent. While at Dorothy Love, he oversaw the expansion of independent living, the growth of home and community-based services, and the establishment of adult day services on campus. Mr. O'Connor is a graduate of the University of Dayton with a Bachelor's Degree in Sociology. He holds a Master's Degree from Miami University (Scripps Foundation) in Gerontology with a concentration in Long-term Care Administration. Upon receiving his nursing home administration license he served as an administrator and later the regional director of operations for a proprietary nursing home chain in Ohio.

Thomas G. Hofmann, Chief Foundation Officer – Mr. Hofmann was appointed President of the Foundation (now referred to as the Chief Foundation Officer) at the time of its incorporation on July 1986. Prior to his appointment, Mr. Hofmann served in various capacities for the Organization, including Vice President for Development (July 1983-June 1986), southern regional manager (April 1983-June 1983) and Development Officer, Westminster Thurber Community and Dorothy Love Retirement Community (December 1981 - March 1983). Prior to joining the Organization, Mr. Hofmann served in various capacities with the Greater Cleveland Council, Boy Scouts of America, from December 1973 through September 1981. Mr. Hofmann received a Bachelor of Science in Business Administration with a Finance major from the University of Akron, Ohio, in 1971.

Robert B. Stillman, Chief Financial Officer – Mr. Stillman was appointed Chief Financial Officer in April 2013 and also serves as Board Treasurer for the Parent and all subsidiaries. Mr. Stillman has over 23 years of public accounting experience, with particular concentration in serving the senior living and long-term care sectors, as well as significant experience in serving and advising not-for-profit organizations and foundations. Since 1999, Mr. Stillman served as Partner, and formerly Senior Manager, of Assurance and Advisory Services for GBQ Partners LLC. Prior to joining GBQ, Mr. Stillman served as the Manager of Assurance and Advisory Services for the public accounting firm, Cummins Krasik & Hohl (later merged with Howard Wershbale & Company) where he exclusively served long term care providers. Mr. Stillman started his public accounting career with KPMG. Mr. Stillman is a Certified Public Accountant licensed in the State of Ohio (inactive) and received a Bachelor of Science degree in Business Administration with a major in Accounting from Miami University, Oxford, Ohio.

Joyce Miller, Chief Information Officer – Ms. Miller began serving the Organization in August 2004. In this position, she manages the enterprise computer activity at the Corporate Offices, the Communities, SI and the Foundation. She received a Bachelor of Science in Nursing from The Ohio State University and an MBA from the University of Dayton. Ms. Miller previously worked at The Ohio State University Health System and University Hospitals Health System of Cleveland. Prior to coming to the Organization, she was the Vice President, Chief Information Officer for University Hospitals Health System/ Sisters of Charity Health System – Cuyahoga, Inc.

Dana Ullom-Vucelich, Chief Human Resources Officer – Ms. Ullom-Vucelich was appointed Chief Human Resources Officer in 2010. Ms. Ullom-Vucelich joined the Corporation in 2000 as Associate Vice President of Human Resources. Ms. Ullom-Vucelich holds a Master's Degree in Human Resources Development and is a Certified Eden Associate. Other education includes Deming Quality Management (Center for Continuous Improvement) and Crucial Conversations and Crucial Confrontations Certifications (Vital Smarts). Ms. Ullom-Vucelich served Knox Community Hospital as Vice President of Human Relations from 1990-2000.

Connie Tostevin, Chief Nursing Officer – Ms. Tostevin joined the Corporation in 1992 and has held several positions including Director of Nursing at Mount Pleasant Retirement Village and most recently Vice President of Nursing Services and Clinical Operations for OPRS Communities. Ms. Tostevin was promoted to Chief Nursing Officer in 2014. Ms. Tostevin is a Certified Geriatric Nurse Executive, a Certified Legal Nurse Consultant, and earned a Bachelor's Degree in Nursing from Indiana Wesleyan University and a Master's Degree in Nursing Administration from Xavier University.

Employees

The Organization employed approximately 3,024 employees at June 30, 2016 (approximately 2,275 full-time equivalent employees). Management believes its salary and benefit packages are competitive with other comparable organizations in the service areas in which it operates.

The employees of the Rockynol facility, excluding office clerical employees, professional employees, guards and supervisors, work under a collective bargaining agreement. They are represented by Teamsters, Local 348. The one-year contract expires on October 31, 2016. Management of the Corporation expects the contract to be renewed with similar terms. To date, there has been no work stoppage at Rockynol.

All hourly nursing (excluding registered nurses), dietary, activities staff and housekeeping employees of Park Vista work under a collective bargaining agreement with the Service Employees International Union (SEIU), Local 1199. The current three-year agreement expires August 5, 2017.

The operations of the Organization have never been interrupted due to a work stoppage. Management believes its employee relations to be satisfactory, enhanced by emphasis on communications at all levels. The Organization's Human Resource department conducts regular employee surveys and conducts training programs for managers and staff.

Medical Staff

Each of the Communities has a part time Medical Director that is responsible for routine visits to residents, for prescribing medications, for on call visits to patients and for employee health examinations. The Medical Director at each Community is paid on a fair market value hourly basis for services rendered. The Corporation has contracted with podiatrists, ophthalmologists and other specialists to provide routine

services to Communities' residents on a regular basis. Senior Independence has a Corporate Medical Director for its hospice program, and in addition, each SI location has a contracted Medical Director.

THE CORPORATION OVERVIEW AND SERVICES

According to the 2015 LeadingAge Ziegler 150 publication, the Corporation is the largest nonprofit senior living provider in Ohio and the 14th largest nonprofit senior living provider in the nation, based on the number of market rate units. The Corporation offers several different residential and healthcare services for the elderly:

Independent Living - Residents under these programs do not require regular nursing or assisted living care. With respect to approximately 60% of the independent living residents, an entrance fee has been charged and monthly service fees are charged thereafter. Approximately 40% of the independent units have monthly rental arrangements without an entrance fee. Independent living units may be marketed with an entrance fee option or a monthly rental option. This marketing ability allows the Corporation to make units available in a way that is most suitable to resident preferences and resources. Some independent unit buildings offer only entrance fees with monthly service fees and some are all contracted on a rental basis. Most campuses offer both options for a portion of their independent units. The Corporation's ability to match entrance fee options with resident preferences has contributed to its continued success in maintaining an advantageous census. As part of the Corporation's strategy of providing its residents with a spectrum of residence options dependent on health care needs, residents of independent units have access to certain health care services, including the community services described below under SI, and are provided the ability to transfer into assisted living and, in some circumstances, skilled and special nursing care facilities of the Communities as their medical condition warrants. See "Resident Agreements" for additional information on independent living. Independent living units include cottages, villas, ranches, apartments, studio apartments, Brownstones and condominiums owned by the Corporation and rented to residents.

Assisted Living - At this level of care, residents are ambulatory and receive assistance with dressing and other activities of daily living and meals. Residents in assisted living units should need only occasional nursing care by a professional nurse. Assisted living units are not eligible for Medicaid or Medicare reimbursement, although some are eligible for the Medicaid Waiver reimbursement available in the State of Ohio.

Skilled and Special Nursing Care - Patients under this program require the daily attention of a professional nurse (RN or LPN) on duty 24 hours a day. Rehabilitation services are available for patients as needed. Skilled nursing beds are licensed by the State of Ohio and are eligible for Medicaid and/or Medicare reimbursement. Special care is available for those individuals who have Alzheimer's disease or other dementia disorders.

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THE CORPORATION'S FACILITIES

The table below shows a summary description of the Corporation's major operating facilities existing as of June 30, 2016, followed by information indicating which of these properties comprise part of the Mortgaged Property.

Campus Name	Location	Acreage Total	Acreage Mortgaged	Skilled Nursing Care Beds	Assisted Living Units	Independent Living Units
Breckenridge Village Original Main	Willoughby	30.5	26.3	108	42	72 Ranches 150 Apartments 154 Apartments 27 Brownstone
Grace Woods	Willoughby	16.0	16.0	0	0	123 Brownstones
Cape May Retirement Village	Wilmington	27.0	27.0	30	31	47 Villas 37 Apartments
Dorothy Love Retirement Community	Sidney	280.0	32.0	109	24	56 Cottages 68 Apartments
Lake Vista of Cortland	Cortland	25.0	22.0	57	10	46 Villas 37 Apartments
Llanfair Retirement Community	Cincinnati	11.5	11.5	95	41	105 Apartments 2 Cottages
Mount Pleasant Retirement Village	Monroe	48.0	38.0	117	53	138 Cottages 70 Apartments 20 Brownstone
Park Vista Retirement Community	Youngstown	6.0	6.0	129	86	4 Villas 83 Apartments
Rockynol Retirement Community	Akron	7.0	7.0	81	102	78 Apartments
Sarah Moore Community	Delaware	3.0	0.0	32	53	None
Swan Creek Retirement Community	Toledo	35.0	35.0	32	45	34 Villas 123 Apartments
The Vineyard on Catawba	Port Clinton	54.0	4.5	0	11	31 Villas 40 Apartments
Westminster-Thurber Community	Columbus	9.0	9.0	128	70	137 Apartments Thurber Tower 68 Apartments Goodale Landing
Total		552.0	234.3	918	568	1,750

The Mortgaged Property includes portions of all of the major operating facilities presently owned by the Corporation but excludes the following:

- The Shafer-Schweitzer House which is a 150 unit apartment building located on approximately 4.2 acres in Breckenridge Village, which is encumbered by a mortgage held by the U.S. Department of Housing and Urban Development ("HUD Mortgage"), which was transferred to BV Apartments, LLC effective January 16, 2013;
- Approximately 248 acres of undeveloped land adjacent to the Dorothy Love Retirement Community;
- Approximately 10 acres of undeveloped land adjacent to the Mount Pleasant Retirement Village;
- Approximately 3 acres of undeveloped land adjacent to Lake Vista at Cortland;
- The Vineyard on Catawba property including:
    - Approximately 27 acres of land and structures sited thereon known as the Villas at the Vineyard on Catawba which are condominiums, 31 of which are owned by the Corporation,
    - Approximately 10 acres of land and a 40 unit apartment building that was developed and financed with tax credits,
    - Approximately 22 acres of undeveloped land
- Approximately 3 acres on which the corporate headquarters is situated; and
- All facility structures and real property acreage owned by Sarah Moore Health Care Center, Inc. dba as Sarah Moore Community.

Following is a more detailed description of the Communities.

Breckenridge Village – Located in Willoughby, Ohio, Breckenridge Village is the largest and most diversified campus owned by the Corporation. The Fairmont Health Center is a two-story building constructed in 1981, and has 100 skilled nursing beds. Additions to the Fairmount Health Center and Nason Center with related renovations at Breckenridge added 8 skilled nursing beds to Fairmount and 6 assisted living units to Nason in 2012. The Nason Center, which is connected to the Fairmount Health Center was opened in September, 1994 with 36 assisted living units, expanded to 42 units with the 2012 addition, of which 16 units are specifically designed for residents in early stages of Alzheimer's disease. On approximately ten acres of the site there are 72 cluster ranch-style housing units that provide independent living. The Shafer-Schweitzer House, located on approximately 4.2 acres, consists of 150 independent living units that was originally financed by a direct mortgage loan from HUD under the Section 202 program, all of which are excluded from the Mortgaged Property. In December 2010, BV Apartments LLC was established for the purpose of receiving a HUD-approved asset transfer as a part of a refinancing under the HUD Section 232 program, which refinancing occurred in January 2013. Breckenridge Village North (BV North) was developed by a for-profit developer for the Corporation and was purchased by the Corporation in 1992. BV North was opened in February, 1987 and contains 154 independent living units. In 2008, The Brownstone at Northridge opened. The Brownstone provides 27 independent living units in a two-story building complete with underground parking. Other campus additions include the Mahan Cultural Arts Center (an addition to the Osborne Community Plaza) and The Veale Wellness Center. In 2010, the Breckenridge Village Grace Woods satellite campus opened which is on property a quarter mile away from the main Breckenridge campus, offering 68 Brownstone independent living units in two buildings. In July 2013, a third building on the Grace Woods campus opened offering 23 independent

living units. In November 2015, the fourth and final building on Grace Woods campus opened offering 32 independent living units.

Cape May Retirement Village – Acquired in 1998, Cape May Retirement Village is located in Wilmington, Ohio, between Cincinnati and Columbus. The Community currently consists of 47 Independent Villa Homes, a Community Center Building that was opened in 2000, a 68-Unit (37 Independent Apartments and 31 Assisted Living Units) building that opened in August 2002, and 30-Unit Private Room Skilled Nursing Rehabilitation area, including a large therapy room, that began operations In May 2014.

Dorothy Love Retirement Community – Located on the northwest side of Sidney, Ohio, this community began operations in 1922. The main building constructed in the late 1970's has three wings, that as of June 30, 2016, were operated with 24 assisted living units, a 72 bed skilled nursing long term care area, a 24 bed skilled nursing special memory care area, and a 13 skilled nursing beds private rehabilitation suites that began operation in October 2015 in existing repurposed assisted living space. In July, 2016, operations began for seven beds of skilled nursing private rehabilitation suites in another section of the repurposed assisted living space. There are also 56 single and duplex cottage ranch style independent living units on this site. A 68-unit, two story, independent living apartment facility was developed by a for-profit developer, opened in September 1988, and subsequently purchased by the Corporation in August 1992. A new aquatics therapy pool is currently under construction and anticipated to be available by December 2016.

Lake Vista of Cortland – In 1997, 22 acres of land was acquired northwest of Youngstown, Ohio, adjacent to a state park. In June 2001, an adjacent tract of land consisting of 3 acres was purchased. The community consists of a campus center and 46 independent living villas, 37 residential apartments, 10 assisted living units and 57 skilled nursing beds (19 bed private rehabilitation suites opened in 2013, and 38 bed long term care area).

Llanfair Retirement Community – In the centrally located College Hill neighborhood area of Cincinnati, this community is comprised of three adjacent facilities. The first facility, known as Llanfair Terrace, is a two story building containing 41 assisted living units and 50 skilled nursing beds, originally built in 1956, and a two story addition built in 1981, which added 26 skilled nursing beds. In November 2014, a 19 bed skilled nursing rehabilitation private room suites area and a large therapy room opened in newly constructed space, bringing the total skilled beds to 95. The facility was expanded to include a connection to the existent Campus Center to upgrade the chapel and wellness center in 2011. The second facility, known as Larchwood, is a four-story building constructed in 1979 containing 73 apartment units with services. The third facility, Belwood, was built in 1983 and contains a four story, 32 unit independent living facility and underground parking. In addition, there are two independent living cottages on the campus.

Mount Pleasant Retirement Village – Located on the north side of Monroe, Ohio, which is in between Cincinnati and Dayton. This community includes 138 single or duplex ranch-style cottages built over the years since the campus opening in 1953. In June 1993, a 70-unit independent living apartment building known as Mount Pleasant Place that was opened in June 1993, The Robert A. Quisno Wellness Center was added in 1999. In 2006, a 53-unit assisted living facility (including a 12-unit secure special care memory unit), The Grace Center, was opened. In August 2006, a new independent living option, The Brownstone apartments, with 20 units, opened. In June 2007, 20 skilled nursing private rehabilitation suites were opened, bringing the total number of skilled nursing units to 117 (operated as 84 long term care, 13 special memory care, and 20 rehabilitation care). In September 2008, The Mary H. Kittredge Chapel was dedicated and opened to provide seating for 299 residents. In August 2016, the North wing of the Mount Pleasant Place apartment building was struck four times by lightning, igniting a fire that caused

substantial damage. Re-occupancy of the South and Central sections of the building are anticipated by October 2016. The third floor of the North Wing was completely destroyed and the core interior of the first and second floors will require rebuilding. Capacity reduction of 8 to 10 units is being contemplated. It is expected that insurance will cover replacement cost as well as provide funding for business interruption.

Park Vista Retirement Community – Located in an area near Youngstown State University and St. Elizabeth Hospital, this community is near downtown Youngstown, Ohio. Park Vista is comprised of a seven-story building that was constructed in 1970 and currently consists of 86 assisted living units, 84 long term care skilled nursing beds, 45 skilled nursing bed private rehabilitation suites (21 of which were constructed and began operation in January 2016 and all of which were in repurposed assisted living space). Immediately to the north is Park Vista North, an 11 story, 83 unit independent living facility, which was purchased in 1982. Four independent living villas are also on the site.

Rockynol Retirement Community – Located on the west side of Akron, Ohio, Rockynol opened in 1966 and originally consisted of two circular structures, a 3-story East Tower assisted living facility, that currently offers 34 special memory care units, and a 6-story West Tower assisted living building that offered 68 units. A 78-unit, four story, independent living apartment building on four acres adjacent to the Rockynol complex developed with a for-profit developer was opened in October 1988, and subsequently purchased in August 1992. In 1995, a two and one-half story health care center was constructed consisting of 72 skilled nursing beds in mostly semi-private rooms. In October 2015, a new 23 bed skilled nursing rehabilitation private room suites area began operations. This addition included new rehabilitation room space and enabled conversion of many of the semi-private long term care skilled nursing rooms to private rooms, resulting in 58 available beds. In May 2016, a new 64 unit, 3 story assisted living building began operations. Administrative office and main street connector space to the existing buildings is scheduled to be completed in early fiscal year 2017, and the old circular-shaped AL West Tower will be demolished in the fall of 2016.

Sarah Moore Community – Acquired through a sole member substitution effective August 1, 2014, Sarah Moore is located in downtown Delaware, Ohio, which is the county seat of Delaware County, Northwest of Franklin County/Columbus, Ohio. The Sarah Moore Home was founded in 1892 as a home for the aged. The original historic structure which is in operation today offers 16 assisted living units. Skilled nursing facility space for 32 beds, mostly semi-private rooms, was constructed and began operation in the 1999. In 2009, construction was completed and operations began for The Suites at Sarah Moore which consists of 36 apartments with capacity for 45 units of assisted living for which 37 are in operation. The acquisition provided a strategic entry to Delaware County, one of the fastest growing population counties in Ohio, access to licensed and dually certified skilled nursing care beds with opportunity to expand OPRS Communities rehabilitation specialty services and relationships with local hospitals including one owned by a large health system, and the opportunity for expanded business opportunities for Senior Independence Central Ohio.

Swan Creek Retirement Village – Located on the southwest side of Toledo, Ohio, Swan Creek includes an apartment building opened in 1992 that includes 123 independent living, the health center was opened in 1994 and contains 32 skilled nursing beds and 45 assisted living units, and, 34 villa style-housing independent living units.

The Vineyard on Catawba – In October 1997, the Corporation acquired The Vineyard on Catawba located on 22 acres of land on Catawba Island near Port Clinton, Ohio. This community currently consists of 45 independent condominium villa homes, for which 31 are owned by OPRS Communities and 14 are owned by individual residents. Additional independent living villas may be built in phases based on market demand and sold as condominiums. A community center constructed in 2000 and a 11-unit assisted living facility that opened in August, 2002. An additional 22 acres of undeveloped land was acquired in 2002,

which is not included in the Mortgaged Property. The campus also includes a 40-unit, tax credit financed, low-to-moderate income apartment project on 10 acres of land adjacent to the community (the Concord Apartments), which was acquired in January 2012 and is excluded from the Mortgaged Property.

Westminster Thurber Retirement Community – Located on approximately nine acres in Columbus, Ohio, between downtown and The Ohio State University campus, this community provides several offerings. Westminster Terrace is a seven-story structure constructed in 1965, that originally was assisted living and independent living units, but currently offers 57 assisted living units, 13 independent living units (that are also licensed for assisted living), and 36 beds of skilled nursing, private room suites, on two floors (the first opened in 2005 and the second in 2011) dedicated for rehabilitation post-surgery, with each floor having its own therapy room. Thurber Tower was acquired in 1979 and is a ten story, 137 unit independent living apartment building. The Health Care Center is a single story building constructed in 1995 offering 82 long term care skilled nursing beds. In August 2015, The Health Care Center completed major renovations that included the addition of a new cook to order culinary services area, and a main street themed common area. The Pathway Home, established in May 2008 within the Health Care Center building, provides 10 private accommodations for skilled nursing with a hospice focus. In January 2016, the Goodale Landing apartment residence began operations, which is a high-end offering. This project also included a connector to the Thurber Tower apartments, in which a dining and culinary services area was added, as well as an aquatics therapy pool.

Reinvestment into the Corporation's Facilities – In order to continue to provide high quality senior housing and health care services, the Corporation reinvested significant amounts into maintaining and improving its existing facilities. As described throughout this document, the Corporation completed a four year period from fiscal year 2013 through fiscal year 2016 of significant reinvestment and campus repositioning. Over that period of time, the Corporation spent approximately $96 million. This capital spend was funded by new money bond issuances in 2010 and 2013, entrance fees and corporate cash/investments.

In addition to the major repositioning projects mentioned above, the Corporation, through its capital budgeting process, provides for routine capital expenditures including ongoing smaller scale renovations and refurbishments, critical needs spending, energy efficiency improvements, and unit turnover (renovations of vacated units for incoming residents). The fiscal year 2017 budget includes $11.9 million for routine capital expenditures. This excludes information technology capital budget spending of $836,000 for fiscal year 2017, which also supports the Communities.

The following table represents the Corporation's previous three fiscal years of routine capital improvement and unit turnover refurbishment expenditures.

Fiscal Year	Amount in thousands
2014	$ 9,900
2015	$ 8,600
2016	$11,000

RESIDENT AGREEMENTS

All residents enter into a Resident Agreement. These agreements have evolved as service offerings and local market competition have changed. All Resident Agreements allow for the revision of daily/monthly rates on an annual basis without limitations. The general minimum age for admission to the facilities is 55.

Life Care Commitment and Financial Qualifications

The Resident Agreement contains a commitment by the Corporation to each resident providing that the resident will not be discharged from a facility during the resident's lifetime if the resident exhausts personal financial funds and thus is unable to make rent or other payments for services provided. Each potential resident for independent and assisted living must financially qualify for admission into the facility that they are applying to for admission. The financial qualification process is an in-depth review of all financial resources of the potential resident as well as an analysis of the resident's life expectancy. A calculation is made of the estimated future costs of care of a resident, estimating the timing and duration of stay at each level of care utilizing life expectancies statistics. The cost of future care is compared with the projected income to be spent by the resident on fees and other personal costs. From that calculation result, a recommendation is then made to the Chief Operating Officer as to whether or not to accept the resident based on the financial analysis, from which the COO provides final approval.

The Resident Agreement provides that the commitment is conditioned upon (i) the resident or the resident’s responsible party truthfully disclosing all financial resources (confirmations and reviews of assets, liabilities and evaluations of the resources claimed are part of the initial evaluation as well) during the initial financial review and any additional funds through inheritance, etc. that are received after the initial financial review, (ii) the resident or the resident’s responsible party has not inappropriately transferred the resident's resources (that led to the need to apply for charity care from the organization), and (iii) the resident has applied for, or will commit to do so in the future, financial support from the Ohio Medicaid program and any other available financial support for which the resident may be qualified.

Charity Care

A resident is classified as a charity resident by reference to certain established policies of the Communities which include any residents who exhaust personal funds. Essentially, these policies define charity services as those services provided for which no payment is anticipated or full payment is not anticipated. Accounting standards require that charity care revenue and offsetting related charity care revenue reduction not be reported or disclosed at gross amounts on the statements of activities. Management estimates that the approximate cost of providing charity care was $3,452,000, $3,484,000 and $2,876,000 for the years ended June 30, 2016, 2015 and 2014, respectively. Management calculates the estimated charity care based on normalized annual operational expenses. The Foundation has an active fundraising program with an explicit purpose to support the Communities with funding for those residents that have exhausted personal funds.

Rental and Other Charges

The Resident Agreement provides for monthly payments (expressed as Daily Rental Fees in the table below). The daily/monthly rental rates are based on the level of care needed, for which level of care may change from time to time based on requirements of the residents, and which provides for additional billing directly to residents for medications, doctor bills and other ancillary services. The daily/monthly rental rates attempt to be market-rate based on awareness of the economic conditions of the local area, which vary throughout the State of Ohio, as well as the presence of competition.

Resident agreements for independent living units provide for separate charges for any meals served in campus dining facilities and for provision of needed nursing services. In some independent living facilities, certain ancillary services including meals, laundry and housekeeping services, limited use of the nursing facilities, and activities programs are made available to residents for an additional monthly service fee. All resident agreements for assisted living units include three meals per day as part of the monthly service fee. In some cases where a traditional entrance fee was paid, contracts for independent units provide for seven days per year non-cumulative skilled nursing care or assisted living accommodations at no extra charge for basic services. These residents are also provided with access to the community-based health care services through SI as described further herein. Resident Agreements also provide that residents have certain rights to transfer, on a priority basis, to other facilities owned by the Corporation upon demonstration of medical need.

Entrance Fee Contracts

By a separate addendum to most of the Resident Agreements, provision is made for an entrance fee. Entrance fee contract options are available for most independent living sites. The actual entrance fee is based on the sites' geographic location, age and amenities of the various independent living offerings, and the type of unit selected (suite, 1 bedroom, 2 bedroom, corner unit, etc.). Management may waive all or part of any entrance fee in individual cases. When any such entrance fee is waived, the monthly fee charged for the unit is increased. Residents who select entrance fee contracts are entitled to lower independent living monthly/daily rental rates. Non-refundable entrance fee contracts entitle the resident to further lowered monthly/daily rental rates in independent, assisted living and skilled care nursing settings. Refundable entrance fee contracts have higher monthly/daily rental rates than the non-refundable, and are dependent on the amount of the entrance fee that is refundable.

The Residency Agreements generally provide for some level of refund of a portion of the entrance fee upon termination of the agreement in the event of death or move-out as further described below. The non-refundable portions of the entrance fees are recorded as deferred revenue and are recognized as income over the estimated remaining life expectancy of each resident, adjusted annually. Anticipated refundable portions of the entrance fees are recorded as a separately identified Refundable Entrance Fee liability on the Statements of Financial Position. Payments of refunds reduce the refundable entrance fees liability. Any unamortized deferred revenue liability is recognized as revenue pursuant to the terms of the applicable agreement for the non-refundable portions that is present at the time vacancy of a unit occurs.

The Residency Agreements which were offered beginning in 1988, also referred to as the "traditional" residency agreements, allow the Corporation to retain a 10% administrative fee plus 2% of the remaining 90% of the entrance fee per month of residency up to 50 months at which time no amount is refundable. If vacancy occurs prior to the 50th month, whether by voluntary or involuntary move-out including death, the remaining portion of the entrance fee is refundable within 120 days of vacancy and payment is not contingent on re-occupancy of the unit.

In the late 1990s, to remain competitive, the Corporation introduced 50%, 90% and 100% refundable entrance fees depending on market demand. This group of Resident Agreements represents a growing portion. Residents paying these refundable amounts sign a Guaranteed Refundable Entrance Fee addendum to their residency agreement. The nonrefundable portion of the entrance fee related to these agreements is recorded as deferred revenue liability and recognized as revenue on an amortization basis over the estimated remaining life expectancy of each resident. These resident agreements provide that payment of any refundable portion occurs upon re-occupancy of the vacated unit.

Traditional entrance fees provide for a maximum of seven free days per year in the assisted living and/or skilled nursing care settings. All other entrance fee contracts provide for a $10,000 upfront payment to afford the same seven free day availability.

For certain locations, an entrance fee option exists relating to resident agreements for assisted living, special nursing care and skilled nursing care units for non-Corporation independent living resident applicants needing such services on a short term or long term basis, subject to availability of accommodations. These arrangements are infrequent and nominal.

A summary of current resident agreements where entrance fees were collected is as follows:

Type	Number
Traditional	822
100% Refundable	218
90% Refundable	17
50% Refundable	17
Other (5 types)	9
	1,083

The following table presents a summary of type and number of units available and service fees of each of the Communities for fiscal year 2017:

	Number of Units	**Entrance Fees** [1]	**Daily Rental Fees** [2]
Breckenridge Village			
Independent Living:			
Apartments	154	N/A	$83
Ranches	72	$170,000	57
Apartments – BV North - HUD	150	N/A	31
Northridge – Brownstones	27	136,000	88
Grace Woods – Brownstones	123	169,000	96
Assisted Living	42	N/A	176
Skilled Nursing Care	108	N/A	304
Total	676		
Cape May Retirement Village			
Independent Living – Apartments	37	20,000 [3]	96
Independent Living – Villas	47	108,000	45
Assisted Living	31	N/A	147
Skilled Nursing Care	30	N/A	250
Total	145		
Dorothy Love Retirement Community			
Independent Living – Apartments	68	45,000	74
Independent Living – Cottages	56	67,500	45
Assisted Living	24	26,000 [3]	166
Special Nursing Care	24	40,000 [3]	348
Skilled Nursing Care	85	25,000 [3]	295
Total	257		

(1) Entrance fees are a representative average from the budgeted amount in Fiscal Year 2017.
(2) Representative average amount charged unit in Fiscal Year 2017.
(3) Entrance fees are charged under terms of certain Resident Agreements offered for specific units.
N/A Not applicable to unit.

	Number of Units	Entrance Fees (1)	Daily Rental Fees (2)
Lake Vista of Cortland			
Independent Living – Apartments	37	$59,000	77
Independent Living – Villas	46	79,700	45
Assisted Living	10	N/A	157
Skilled Nursing Care	57	N/A	301
Total	150		
Llanfair Retirement Community			
Independent Living – Cottages	2	102,000	48
Independent Living – Belwood Apartments	32	60,000	81
Independent Living – Larchwood Apartments	73	58,000	81
Assisted Living	41	32,000 (3)	121
Special Care Nursing	19	19,200 (3)	318
Skilled Nursing Care	76	19,200 (3)	315
Total	243		
Mount Pleasant Village			
Independent Living – Apartments	70	37,000	92
Independent Living – Cottages	138	53,500	36
Independent Apartments – Brownstones	20	87,000	78
Assisted Living	53	19,500 (3)	159
Special Care Nursing	13	21,000 (3)	349
Skilled Nursing Care	104	21,000 (3)	343
Total	398		
Park Vista Retirement Community			
Independent Living – Apartments	83	$34,500	$43
Independent Living – Villas	4	103,500	29
Assisted Living	86	24,000 (3)	119
Skilled Nursing Care	129	25,000 (3)	305
Total	302		
Rockynol Retirement Community			
Independent Living – Apartments	78	N/A	81
Assisted Living	102	N/A	152
Skilled Nursing Care	81	N/A	259
Total	261		
Sarah Moore Health Center			
Assisted Living	53	N/A	105
Skilled Nursing Care	32	N/A	201
Total	85		

(1) Entrance fees are a representative average from the budgeted amount in Fiscal Year 2017.
(2) Representative average amount charged unit in Fiscal Year 2017.
(3) Entrance fees are charged under terms of certain Resident Agreements offered for specific units.
N/A Not applicable to unit.

	Number of Units	Entrance Fees [1]	Daily Rental Fees [2]
Swan Creek Retirement Village			
Independent Living – Apts.	123	$58,000	115
Independent Living – Villas	34	156,000	31
Assisted Living	45	N/A	166
Skilled Nursing Care	32	N/A	317
Total	234		
The Vineyard on Catawba			
Independent Living – Villas	31	N/A	45
Independent Living – Apartments	40	N/A	19
Assisted Living	11	N/A	126
Total	82		
Westminster-Thurber Community			
Independent Living – Apartments	137	140,000	77
Goodale Landing – Apartments	137	240,000	93
Assisted Living	70	57,000 [3]	152
Special Nursing Care	10	25,000 [3]	299
Skilled Nursing Care	118	25,000 [3]	263
Total	403		

[1] Entrance fees are a representative average from the budgeted amount in Fiscal Year 2017.
[2] Representative average amount charged unit in Fiscal Year 2017.
[3] Entrance fees are charged under terms of certain Resident Agreements offered for specific units.
N/A Not applicable to unit.

OCCUPANCY

The following table summarizes the number of units and current occupancy as of the last day of the year for the fiscal year end June 30, 2016, 2015 and 2014:

	June 30					
	2016		2015		2014	
Setting	# of Units	Occup %	# of Units	Occup %	# of Units	Occup %
Independent Living:						
Apartments	932	91.4%	935	90.3%	937	93.1%
Cottages/Ranches/Villas	430	94.2%	433	92.8%	440	91.4%
Apartments HUD	150	98.7%	150	99.3%	150	98.7%
Brownstones	47	97.9%	47	95.7%	47	97.9%
Brownstones Grace Woods	123	98.4%	91	100.0%	92	91.3%
Goodale Landing	68	98.5%	-	0.0%	-	0.0%
Assisted Living	568	84.9%	577	89.8%	558	84.8%
Special Care Nursing	66	93.9%	66	97.0%	66	95.5%
Rehabilitation Nursing	204	88.7%	147	94.6%	128	92.2%
Long Term Nursing	648	91.0%	658	92.1%	632	92.9%
Total	3,236	91.3%	3,104	91.9%	3,050	91.6%

In order to maintain and improve occupancy at the Communities, the Corporation has implemented a home purchasing program at certain of its Communities. Pursuant to this program, the Corporation is permitted to purchase, on an as needed basis, the home of an incoming resident at a cost not to exceed 92% of the appraised value of that home. The purchase of the incoming resident's home provides such resident with the adequate cash to pay the required Entrance Fee. Pursuant to the restrictions placed on the home purchasing program, the Corporation may not have unsold homes in inventory with a cost of more than $2,000,000.

Since inception in fiscal year 2012, the home purchasing program has been utilized at Dorothy Love Retirement Community, Llanfair Retirement Community, Mount Pleasant Retirement Village, Park Vista Retirement Community, Rockynol Retirement Community, Breckenridge Village Retirement Community and Swan Creek Retirement Community and the Corporation has sold 35 homes at a net loss of approximately $221,000, with one home remaining in inventory. However, the program has improved occupancy and generated approximately $2,675,000 of Entrance Fees for the Corporation.

SKILLED NURSING CARE PAYOR MIX

Payments on behalf of certain residents of the Communities are made by private commercial insurance companies and by the federal and state governments under the Medicare and Medicaid, as well as through private payment.

Medicaid is a jointly sponsored federal and state program that reimburses nursing facilities for services provided to Medicaid recipients. Medicaid recipients primarily include those who cannot pay the full cost of their care. In the State of Ohio, Medicaid reimburses nursing facilities using a prospective price-based system, subject to certain peer group price ceilings, with a semi-annual acuity adjustment, and include potential quality based points that add to the Medicaid rate.

Beginning in May 2014, the State of Ohio implemented MyCare Ohio in higher population counties. MyCare Ohio provides for all dual eligible Medicare and Medicaid beneficiary recipients to select one of three authorized insurance-type carriers to be their conduit to the Medicare and Medicaid programs. Beneficiaries may opt out of the MyCare Ohio program under its current form, meaning the beneficiary would be covered and the providers would be paid directly by the State of Ohio or the Federal Intermediary for Medicaid and Medicare, respectively. Currently, the carriers pay providers at the established Medicare and Medicaid rates. The substantial change for providers is that instead of billing a Medicare fiscal intermediary or the State of Ohio directly, for Medicare and Medicaid, respectively, providers must bill the carrier. The carriers implemented additional pre-authorization, pre-certification and reauthorization requirements common to managed care programs which are additional hurdles that increase collection risk. Certain carriers had challenges processing the original wave of new enrollees which resulted in delayed payments to providers. Carriers were required to pay 100% of the Medicaid rate and Medicare rate initially, the latter being subject to sequestration adjustment. Payment at that level is subject to change, meaning that the carriers may pay at below the Medicare and Medicaid rates.

The following table shows the average payor mix (based upon net revenue) by classification of residents of the nursing facilities in aggregate for all the Corporation's facilities that have licensed skilled nursing care facility beds. The Managed Care column includes revenue from private Medicare plans (sometimes referred to as Medicare Advantage). MyCare Ohio – Medicaid is included in the Medicaid column and MyCare Ohio – Medicare is included in the Managed Care column.

Payor Mix in Aggregate for Communities – Skilled Nursing Care Beds

	Medicaid	Medicare	Private	Managed Care	Total
Fiscal Year Ended June 30, 2016	24%	31%	28%	17%	100%
Fiscal Year Ended June 30, 2015	24%	29%	30%	17%	100%
Fiscal Year Ended June 30, 2014	25%	30%	30%	15%	100%

SENIOR INDEPENDENCE OVERVIEW AND SERVICES

Senior Independence ("SI") provides community based services to residents of its retirement communities and to older adults living in the community at large in their own homes. SI serves more than 80,000 adults of all ages in Ohio. SI provides several types of services with the goals of extending and enhancing the independence of older adults as well as providing support and guidance to those caring for them. The SI program includes the following services:

Home Health Care – SI offers participants home health care services including skilled nursing, physical therapy, occupational therapy, speech therapy, home health aide, social work services, and medicine administration.

Hospice – SI delivers hospice care to patients in their homes, in the home of a family member, in a retirement or assisted living apartment, in a nursing facility, or in a hospice center. SI provides the patients and their families pain management, symptom control, counseling, education, bereavement support, and spiritual support.

Home Care – SI offers a personalized plan for daily living assistance to maintain quality of life in the comfort of a consumer's own residence. Services include: personal care assistance, transportation, companionship and escort, caregiver respite, light housekeeping, linen changes and laundry, as well as meal preparation.

Adult Day Services – Over the past three years, management has actively monitored this product line from a site daily census and funding source reimbursement level. The performance resulted in this service being de-emphasized and the closing of most of the adult day care centers, including three more in the fourth quarter of fiscal year 2016. Today, SI currently operates two adult day centers, one in Akron, Ohio, and one in Franklin, Ohio, which is between Dayton and Cincinnati. Fiscal year 2017 budgeted average daily census is 36. Services include transportation, assistance with activities of daily living including bathing, nutritious meals and snacks, arrangements for therapies, nursing observations, social art and game type activities, and individualized care plans.

Community Care – Community care programs throughout Ohio provide a variety of activities, educational opportunities and support services allowing individual to remain at home while staying connected and active. Services include the following:

Senior Centers – SI operates the Mahoning County Senior Centers including one main center in Youngstown and satellite centers in Sebring, Lake Milton, New Middletown, and Boardman. These centers offer participants a variety of activities.

Wellness Clinics – SI offers participants health screenings, health education, nursing services such as first aid, eye drops, medication set-up, minor dressing changes, injections, and coordination of care. Wellness clinics are present at 11 of the Communities and at two non-related party sites.

iVillages – SI offers a health and wellness program that embraces and supports seniors who choose to age in the place they call home that may be retirement communities, assisted living facilities, condominiums and other housing. iVillages are present at four Communities and three non-related party sites.

MyIndependence: Home health and home care is offered on a 24 hour basis through this program which is specific to independent living apartment sites. This program is intended to help people stay in their independent living apartment longer rather than moving to an assisted living setting. Services include skilled nursing care, physical therapy, care management, medication management, health and wellness clinic, travel attendant, safety and welfare checks, and a variety of other personal care support. MyIndependence programs exist at four Communities and two unrelated party sites.

Support Groups – SI provides support groups for adults dealing with Alzheimer's and grief.

Adult Education – SI provides a variety of educational offerings on topics of interest to seniors, their families and/or guardians.

Technology Support – To help seniors maintain an independent lifestyle, a technology support team offers a wide range of devices and monitoring systems to help keep seniors safe in their own homes. Services may include personal emergency alert systems, medication dispensers and home telehealth systems.

Service Locations - SI currently provides services in 48 of Ohio's 88 counties and is organized into the following operational regions:

- Miami Valley (Dayton, Ohio)
- Mahoning Valley (Youngstown, Ohio)
- Akron/Canton
- Central Ohio (Columbus, Ohio)
- Cleveland
- Toledo
- Southwest (Cincinnati, Ohio)

SI leases facilities in each of its regions. The Toledo region began leasing from a Communities-owned building on the Swan Creek campus in fiscal year 2014 and the Southwest region began leasing from a building on the Mount Pleasant campus in fiscal year 2015. Space requirements to support SI operations are not significant.

While a substantial portion of SI's business comes from people not living in a facility owned by the Corporation, SI services do support residents of the Corporation. Continued emphasis is placed on SI and

Communities service alignment. Management believes that having SI is a differentiating strategy for the Communities in the minds of potential residents and that helping people age in place decreases turnover in independent living. The Organization provides comprehensive choices to potential residents, patients or other consumers as they can find various offerings for housing, assisted living, Alzheimer's' care, skilled nursing care, and rehabilitation through the Corporation's 12 Communities, and find home care, hospice, home health, and other support services through SI.

Senior Independence History

The inclusion of home and community services in the Organization began with the founders of Breckenridge Village. These original planners and then board members believed that Breckenridge Village should serve older adults in the greater community beyond Breckenridge Village campus. Their vision was that Breckenridge Village would be a hub for senior services in addition to being a life plan community.

The provision of home and community services continued to grow and in 1999, the community services division became a separate operating division under the original Corporation entity, and in 2000, was renamed Senior Independence®.

In 2010 under a broader corporate-wide reorganization, Senior Independence became a wholly-owned subsidiary of the Parent. A separate SI Board of Directors to assist in the governance of SI was established by the Parent.

The Organization continues to anticipate future changes in health care delivery systems and practices. With the expanding elderly population and the continued emphasis by the Federal and state governments to de-emphasize funding of institutional care, home and community based care continues to be a growth industry. Currently providing home and community services in 48 Ohio counties, management believes SI is well positioned to take a leadership role in demonstrating the effectiveness of home health care.

Senior Independence Operations

Financial Performance Improvements – Over the past three years, management refocused on the certified product lines of home health and hospice services, and de-emphasized effort on the non-certified product lines within SI. Focus on these services through improved organizational alignment initiated on the Communities sites has been a successful effort contributing to increased volumes, as reflected in the summary herein.

As further described below, establishing formal and informal preferred provider relationships with various businesses is a primary focus to enhance service volumes for the certified product lines. With that focus, underperforming product lines or segments within product lines were critically evaluated and in several cases eliminated. These changes included a significant reduction in adult day care sites, reduction in senior center sites, reduction in transportation services that were supporting those sites, the elimination of HUD housing service coordinator services (by transferring to a provider who specializes in those services), and in fiscal year 2016 the start of the wind down of the iPartner program, described further herein.

Comparative volumes for the certified product lines are as follows:

	Fiscal Year Ended June 30,		
	2016	**2015**	**2014**
Home Health – Starts of Care			
Total	10,644	8,454	7,359
Budget	9,132	9,096	7,202
Favorable (Unfavorable) to Budget	1,512	(642)	157
Increase from Prior Year	2,190	1,095	
Hospice – Average Daily Census			
Actual	300	269	269
Budget	277	281	320
Favorable (Unfavorable) to Budget	23	(12)	(51)
Trended or Actual Increase from Prior Year	31	-	

Over the past three years, SI implemented several cost control initiatives including: re-engineering employee benefits, implementation of a salary plus program (pay for performance) for home health nursing staff, renegotiating pharmacy and durable medical equipment contracts, and implementation of GPS tracking for mileage reimbursement. The combination of these initiatives has generated improved gross margin performance notably in fiscal year 2016.

Healthcare Payment Reform - Health care payment reform continues to emphasize the concept of care coordination and bundled payment. The idea is that a fixed amount of dollars will be allocated for each patient hospitalization that covers hospital, physician, skilled nursing rehabilitation and home health services. The payment system includes incentives to reduce re-hospitalization and care for patients in the lowest cost environments. Thus, the acute care providers are financially incented to work with quality post-acute care providers to coordinate care and reduce cost. SI continues to emphasize to its personnel the importance of demonstrating quality care. The following reflects the most recent Home Health Compare outcome measures available as of December 31, 2015:

	SI	Ohio	National
Acute care rehospitalization	15.2%	16.0%	16.0%
Improvement in bed transferring	64.3%	62.2%	62.3%
Improvement in bathing	71.8%	69.6%	70.6%
Improvement in pain management	68.4%	67.1%	70.2%
Improvement in dyspnea/breathing	72.1%	69.5%	69.2%

Management believes these results make SI a desirable partner for hospitals, physicians and nursing facilities and is actively engaging appropriate parties to position both the Communities and SI as a preferred provider.

SI is experienced in both home health and hospice serving people with complex medical needs at home. A care management approach is embedded throughout SI's service delivery to help patients remain at home by getting them the services they need as their needs change. The SI Medical Director is a board certified geriatrician and certified in hospice and palliative care.

Preferred Provider Agreements

Management is actively interacting with various provider groups throughout Ohio to develop preferred provider type relationships. Management believes that these relationships will further expand services provided throughout Ohio, thereby fulfilling our mission, and generate continued increased volume of services in the most financially positive service lines of home health and hospice care.

Effective in July 2013, Senior Independence consummated an agreement to partner with Northwest Ohio ACO (NW Ohio ACO) to improve the health of the greater Toledo community. NW Ohio ACO is a Medicare Accountable Care Organization (ACO) and is a joint venture between the Toledo Clinic, Inc., and the University of Toledo Physicians, LLC. The NW Ohio ACO represents over 12,000 covered lives. Medicare beneficiaries are intended to receive better, more coordinated care because ACO doctors, hospitals, and other care providers work together to give the right care at the right time with the goals of improving quality, reducing duplication of medical services and preventing medical errors.

Senior Independence and NW Ohio ACO consummated an exclusive relationship whereby SI will provide the care coordination to improve beneficiaries' health with the no-cost Home to Stay care transition program provided under an ACO waiver. Home to Stay care teams teach older adults how to prevent and/or manage chronic diseases with the goals of improving quality and reducing unnecessary health care costs. The emphasis is directed toward minimizing hospital readmissions for certain high cost chronic diseases.

When a beneficiary is healthy enough to leave the hospital, a Home to Stay team is introduced to the beneficiary to assist in continuing to develop the care plan. The team first determines whether the beneficiary requires skilled home health care. If so, and if the beneficiary chooses to use SI, a Senior Independence home health care nurse visits the home within 24 hours and provides ongoing care.

If the beneficiary does not require skilled home health care, then the team explains how Home to Stay works: An RN or LPN visits the patient at his/her home within the next 72 hours and again seven to 10 days after discharge. The nurses provide thorough medication reviews, take vital signs, discuss personal emergency plans, establish personal health records, teach disease signs and symptoms, confirm follow-up appointments with primary care physicians, ensure transportation to those appointments and more. After those in-home visits, a nurse or social worker calls the beneficiary three times during the next 21 days, following up on his or her care and wellness.

If the beneficiary is not suffering from a chronic illness, Home to Stay offers one in-home visit by a nurse or social worker within 72 hours and one phone call seven to 10 days after he or she leaves the hospital. Home to Stay's personal emergency plan helps seniors determine who to call for care (Home to Stay nurse, doctor's office or 911) and what to tell the provider (signs and symptoms and medical background).

Technology and information-sharing are important parts to the Home to Stay program. Electronic medical records streamline communications, improve care, and provide data to create better outcomes and reduce costs.

The Home to Stay care teams are employed by Senior Independence of Greater Toledo, which has received four consecutively perfect (deficiency free) surveys from the Ohio Department of Health. Senior Independence is well established and well positioned to be an active participant in the rapidly changing and expanding ACO health care environment. Management is actively networking throughout Ohio with other ACO's, health systems and payor sources in an effort to identify any further opportunity for SI may be available to enhance SI's operations and financial performance.

Results of this relationship are:

- NWO-ACO hospitals readmissions rates for Medicare beneficiaries decreased from ~16% to ~4%
- Patients receiving better quality care
- SI Toledo Branch home health volume and revenue increased significantly
- ACO agreement was renewed for another three year term

A second exclusive transitional care liaison coordination relationship was consummated with Mercy Health Select ACO, effective August 2014, also in Northwest Ohio and served by the SI Toledo branch. The care coordination is provided under an ACO waiver program at no cost from SI to either the Medicare ACO or all other patients admitted to four hospitals in the area. The Mercy hospital's re-admission rate was decreased to 2.9% as a result of the Home to Stay care coordination participants. The relationship has further increased SI Toledo's volume and revenue. The SI Toledo branch total revenue was approximately $5.6 million in fiscal year 2013, and increased to $13.9 million in fiscal year 2016.

Software Implementation and Acclimation - Health care reform also stresses the need for providers to integrate medical information about patients. Beginning in January 2014, SI transitioned from an older software to Home Care Home Base ™ (HCHB) which is a fully-integrated care planning, medical records, billing and accounts receivable software that is highly regarded and used throughout the home care industry. Implementation of this new software was intended to significantly assist in providing high-quality health care services, improved efficiency and effectiveness of medical records documentation, staffing and scheduling, billing and collection. As of December 31, 2014, all seven SI sites had implemented HCHB for hospice, home care and other community based services. SI personnel continue to acclimate to the use of HCHB including the clinical tablet electronic medical record use, new workflow structured processes and a variety of different monitoring and reporting tools. This acclimation period combined with a significant increase in number of payor sources pertaining to the MyCare Ohio program, and related wide differentiation in requirements, created a challenging claims administrative period resulting in elevated uncollectible accounts receivable levels for the fiscal year ended June 2015 and 2016, though improvement has occurred.

iPartner Affiliation Agreements - In 2009, Senior Independence implemented its iPartner affiliation program to support non-profit home health and hospice service providers outside of the SI service area. As of June 30, 2015, there were six iPartner agreements with other non-profit senior living entities. During fiscal year 2016, management critically assessed the iPartner program and determined the following: (1) that the landscape of the potential market had changed to a large percentage of senior living providers now providing some form of home and community-based services compared to the mid-to-late 2000's, and (2) SI was devoting significant personnel resources externally while SI continues to experience significant growth of its own certified product lines. Action was implemented that converted one iPartner relationship to a joint-venture thereby transferring all marketing and staffing control to SI, and management is successfully working with the others to wind-down these relationships. All iPartner relationships are expected to be terminated by the end of calendar year 2016.

Senior Independence Third Party Payments and Payor Mix

Currently, SI participates in Ohio's Medicaid, MyCare and Passport programs, local community levies, Medicare home health and hospice programs, and has managed care contracts with several insurance carriers. SI's major funding source is from the federal Medicare program for both home health and hospice which are prospective price-based systems that provide for different payment levels depending on the extent of services provided.

The Affordable Care Act provided for Medicare home health rate rebasing with targeted reductions not to exceed 3.5% per year over a four year period of time beginning October 1, 2014, which will affect SI with rate reduction implementation through fiscal year 2019. Effective on January 1, 2016, the Federal government implemented a new method of Medicare hospice payments. The new method pays higher rates in days 1 through 60, but significantly lower rates beginning day 61 and subsequent. Effectively this results in an intended reduction in funding.

SI is experiencing increased shift from pure Medicare funding to commercially managed Medicare plans. The Managed Care column presented below includes revenue from these commercial Medicare plans.

The MyCare Ohio program was implemented in fiscal year 2014 for dual eligible Medicare and Medicaid beneficiaries receiving home health and hospice services. MyCare Ohio – Medicaid revenue is included in the Medicaid revenue column and MyCare Ohio – Medicare revenue is included in the Managed Care revenue column. There are five approved carriers in Ohio providing coverage for certain geographical areas, for which SI must bill the designated carrier as selected by the beneficiary. At program inception, all five carriers paid 100% of the Medicaid and Medicare rates; however, payment at this level this is subject to change, meaning decrease, in the future.

The following table shows the payor mix, based upon net revenue earned, for SI for services provided for the indicated periods.

Payor Mix in Aggregate for Senior Independence

	Medicaid	Medicare	Private	Managed Care	Other Governmental	Total
Fiscal Year Ended June 30, 2016	7%	66%	8%	15%	4%	100%
Fiscal Year Ended June 30, 2015	4%	63%	10%	14%	9%	100%
Fiscal Year Ended June 30, 2014	7%	64%	11%	10%	8%	100%

COMPETITION

The Organization faces competition from similar organizations operating in or near each of its market areas and may face additional competition in the future as a result of the construction of new competitive facilities or expansion of existing competitive facilities and/or organizations introducing and expanding their community based services. The Corporation is positively differentiated from other borrowers in that it offers a portfolio of communities throughout the heavily populated State of Ohio, instead of one or two facilities in the same, limited local area.

Management obtains competitive market analysis information from each of the Communities on an annual basis which enables management to direct activities that positions each Community in each of its market areas to respond to existing and any new competition. The service area for each campus is generally within a 25 mile radius of the campus. Each of the Communities' locations operate in unique competitive markets due to their geographic dispersion.

A summary of the specific location within Ohio and service offerings of each of the Communities' is included within the "The Corporation's Facilities" section above. The Corporation's competitor analysis is as follows:

Breckenridge Village - Breckenridge Village is located in a relatively affluent area 18 miles Northeast of Cleveland, Ohio. Breckenridge is the largest Community in terms of number of units. The

main campus offers independent living, assisted living and skilled nursing care, affordable housing, and a large separate therapy center. A satellite independent located nearby offers independent living units. Breckenridge Village has experienced consistently high occupancy of 95%.

Breckenridge Village is the only true life plan community in the immediate area. The closest life plan community competitors are Kendal of Oberlin in Oberlin, Ohio, (West side of downtown Cleveland) and Laurel Lake in Hudson, Ohio (far Southeast side of Cleveland). The newest life plan community in the area is South Franklin located in Chagrin Falls, Ohio (far East side of Cleveland). Other competition comes in the form of free-standing independent living facilities and assisted living facilities.

<u>Cape May Retirement Village</u> – Cape May is located in a rural area over 30 miles Northeast of downtown Cincinnati, Ohio. There are relatively few competitors, but also a limited population of seniors. Cape May's primary competitors are: Quaker Heights, located in Waynesville, Ohio, offers assisted living and skilled nursing; Otterbein Senior Living, a full continuum of care also located in Warren County; Continental Manor, a skilled nursing facility owned by Mercy Health; and The Laurels skilled nursing facility, located in Blanchester, Ohio, 18 miles away.

<u>Dorothy Love Retirement Community</u> – Dorothy Love is the matriarch of the Communities portfolio and is located in a very rural setting outside of Sidney, Ohio, which is in the Northwest part of the state. This location is both a selling feature and a challenge. The sprawling campus is rural picturesque, surrounded by large farming acreage, which is desirable to many seniors that have lived in the area. The seniors market that supports this campus is generally lower to moderate as it pertains to retirement savings, which affects the price points established at the campus.

Dorothy Love's competition is rather limited which has given it prominence and dominance in this rural area. There are no other full continuum, life plan communities in the area. A newer assisted living competitor, Lane Park, opened in the Fall of 2013.

<u>Lake Vista of Cortland</u> - Adjacent to Mosquito Lake State Park, Lake Vista is located in Cortland, Ohio, which is in the Northeast part of the State, 21 miles North of Youngstown. It is in a relatively remote, more rural area with relatively few competitors. The seniors market that supports this campus is generally lower to moderate as it pertains to retirement savings, which affects the price points established at the campus.

The closet competitors are Shepherd of the Valley offering assisted living, rehabilitation services and villas, and Windsor House, which has built a new assisted living building. Shepherd of the Valley has created a "Neighborhood Service Program" that allows residents to remain in their villas while services come to them for a nominal charge. This is in direct competition with Lake Vista's My Independence program.

<u>Llanfair Retirement Community</u> – This community is located on a wooded park-like setting in the College Hill area on the nearer West side of Cincinnati. Cincinnati has many senior living communities and is one of the most saturated marketplaces in the nation. Llanfair remains competitive due to the high quality of its building facilities.

Llanfair's primary competitors in the Cincinnati market place are: Twin Towers, Maple Knoll Village, Evergreen/Wellsprings, Brookdale Place, Renaissance West, West Park, Western Hills Retirement Village and Bailey Place. Some of the aforementioned communities are for-profit communities, but most are non-profits.

Mount Pleasant Retirement Village – This community is located on a large campus in Monroe, Ohio, which is between Cincinnati and Dayton. The Monroe/Middletown areas have a rural feel in certain sections, with some manufacturers in the area. Parts of the area have seen better economic days, while other parts along the interstate corridor are experiencing development. The population is growing between Cincinnati and Dayton, which creates opportunity for Mount Pleasant, though families may also look toward the Cincinnati and Dayton areas for provider options.

There are two main full continuum competitors, Otterbein Lebanon and Chesterwood, that continue to upgrade their campuses. There is also a new 100 bed skilled nursing facility in close proximity and very close to Mount Pleasant's primary referring hospital.

Park Vista of Youngstown – This community is located in an urban setting on the immediate Northside of downtown Youngstown, Ohio. Youngstown is in the heart of the rustbelt and has experienced significant population loss since the late 1960's as significant manufacturing disappeared. There is some limited resurgence of manufacturing employers in the area. The Southside of the campus boarders a rejuvenated downtown and University of Youngstown campus, while the North and West sides have low income depressed housing areas. The Southside of Youngstown has suburb communities that are mostly moderate income areas, with limited affluence. Park Vista is a community beacon that is very well known and respected.

Park Vista offers a full and diverse schedule of social events and offerings. The Mahoning Valley Lifelong Learning Institute (MVLLI) was created by Park Vista to offer collegiate-level learning opportunities to those 50 and older who are interested in continuing their educations while working or beyond retirement. Park Vista partnered with various community organizations to offer classes in four areas: arts and culture, wellness and rehabilitation, history and political science, and religion and philosophy. The MVLLI expanded its base of operations on the Park Vista campus to include an 864-square-foot addition known as The Gelhaar Center that opened in fiscal year 2016. These offerings as well as Park Vista's location in the heart of Youngstown's cultural and entertainment district enable Park Vista to position itself as the area's magnet for active older adults.

Park Vista's key competitors include not-for-profit Shepherd of the Valley, who offers a continuum of care spread out at a variety of locations throughout the area. There is also competition from Greenbriar Assisted Living and Skilled Nursing Center in Boardman, Briarfield Assisted Living and Skilled Nursing Centers in Austintown, Youngstown, North Lima and Canfield, Windsor House Assisted Living in Liberty and Youngstown, and the Countryside at the Elmwood Assisted Living in Hubbard.

Rockynol – This community campus is located in nice urban neighborhood setting in Akron, Ohio. Akron is a smaller city in Ohio, that has a range of low to affluent income residents. Significant campus construction occurred over the past two years and was completed that now provides for expanded skilled nursing care offering and newly replaced modern assisted living units. With the recent capital investments made, Rockynol is well positioned for competitive success in a very competitive market.

The Akron area offers more than 10 independent living, senior apartments and retirement communities. Concordia at Sumner is has updated its main building and is a frequent competitor. The other life plan community competitor is St. Edwards Retirement Community, a community that targets the Catholic market. Some of for-profit assisted living competitors including skilled nursing and assisted living facilities owned by Brookdale Senior Living and HCR Manor Care. The Gardens of Western Reserve assisted living has become a competitor. It is located less than 10 miles from Rockynol and offers lower pricing and very desirable amenities.

Sarah Moore Community – This small community was added to the Corporation's portfolio of Communities in August 2014. Established in 1892, the Sarah Moore Community has maintained a longstanding reputation for quality care and customer service in the Delaware, Ohio area. It is conveniently located in downtown Delaware, which is immediately North of Columbus Ohio. The surrounding area continues to expand its population which provides potential new sources of residents and patients. As described above, the development of repurposed assisted living space to skilled nursing rehabilitation space is intended to reposition Sarah Moore to financial stability, with certain key referring hospitals looking for expanded skilled nursing bed capacity options to discharge patients.

Sarah Moore's primary competition include Willow Brook Christian Communities; Country Club Rehabilitation Campus, Delaware Court and The Arbors of Delaware.

Swan Creek Retirement Village – This community is located in Toledo, Ohio, and is tucked away on property with a wooded setting surrounding the campus that makes it feel more secluded, though not far from access to major thoroughfare. Swan Creek has the unique reputation of being one of the only full continuum of care retirement communities with villa homes on the property in the market.

There has been some growth in the senior market with newer competition. A Catholic community, St. Clare's Commons, constructed an opulent, full continuum of care campus approximately 20 miles away. Genesis Village, two miles from Swan Creek is a renovated hotel that offers assisted living units and accommodates seniors with home health services.

The Vineyard on Catawba – This is one of the smaller communities in the Corporation's portfolio. Located in rural, North Ohio between Toledo and Cleveland, this community attracts residents from smaller nearby communities as well as those re-locating back to the area to be in a vacation-type setting close to Lake Erie, or to be close to family members. The Vineyard's competitive advantages include the picturesque resort-like setting.

Competitors in the area include other non-age restricted condominium communities and the Otterbein North Shore Retirement Community.

Westminster Thurber Community - Westminster Thurber is a large campus, in terms of number of units offered, located immediately North of downtown Columbus, Ohio. The campus is enjoying a revitalization of downtown Columbus' residential neighborhoods as its location is ideal, having a blend of neighborhood feel and urban living. Columbus, Ohio, is a vibrant growing city, with a consistently growing population. Columbus is the State Capitol and has major employers in the government, insurance, healthcare, retail and logistics areas. It also has one of the largest universities in the nation, The Ohio State University, that is immediately North of Westminster Thurber. The core population near downtown Columbus, increased downtown housing, and affluent areas of Bexley and Upper Arlington, create a rich market that support the prominent Westminster Thurber Community. As described herein, significant campus construction and renovations over the past several years has expanded capacity and repositioned it to offer more skilled nursing care. There are many hospitals and outpatient surgery centers in the area that serve as strong referral sources.

Westminster Thurber's primary competitors include First Community Village in Upper Arlington, Wesley Glen in Columbus, Friendship Village of Dublin, and Worthington Christian Village in Worthington, all of which are life plan communities in more affluent areas. Three newer facilities including a new HCR-Manor Care Heartland skilled nursing rehabilitation facility and a new life plan community called The Grand, both located in close proximity to each other in Dublin, Ohio, as well as a higher end IL/AL facility in the Mill Run, Hilliard, Ohio area, are notable competitors. Friendship Village of Dublin is

also significantly expanding its campus. There are other organizations developing new properties in other areas of Central Ohio.

Senior Independence Competitive Advantages and Competition

Senior Independence is one of the largest and longest established organizations in Ohio providing community based services for the seniors population including home health, home care, hospice. Senior Independence's seven regional locations throughout the state provides service coverage areas in each of the State of Ohio's major metropolitan areas. This diversification limits its business risk compared with a more limited market area. The corporate connection to OPRS Communities having over 3,000 seniors living units in Ohio provides a significant business resource that stand-alone home health and hospice providers do not have.

Competitors of Senior Independence include over 400 home health and 130 hospice organizations that operate in Ohio. Many of such competitors are in single markets and serve a lesser number of patients than SI in total and in the specific regions SI serves. Others of these organizations are components of major health care systems that operate in most of SI markets and this creates certain market advantages for them.

FINANCIAL STATEMENTS

The Obligated Group maintains its financial records on the basis of a fiscal year ending June 30. The audited consolidated financial statements of the Obligated Group as of June 30, 2016, 2015 and 2014 and for the years then ended are included in this Official Statement as **APPENDIX B**.

As of the date of this Official Statement, the Obligated Group represents that there has been no material adverse change in the financial condition of the Obligated Group and subsidiaries from the financial statements as of and for the year ended June 30, 2016.

FINANCIAL INFORMATION

The Organization, including the Obligated Group, maintains its financial records on the basis of a fiscal year ending June 30. The consolidated financial statements, which include the Obligated Group, as of June 30, 2016, 2015 and 2014 and for the years then ended are included in Supplemental Financial Information section. Each year the consolidated financial statements are subject to external audit by an independent public accounting firm.

As of the date of this statement, the Obligated Group represents that there has been no material adverse change in the financial condition of the Obligated Group and subsidiaries from its June 30, 2016 financial statements. As described herein, a fire to the Mount Pleasant Place apartment building started by lightning strikes occurring in August 2016, caused substantial damage to the building. This event will impair occupancy of a portion of the 70 unit building until Fall of 2016, and the North wing until probably early to mid-fiscal year 2017. Replacement insurance coverage proceeds and business interruption coverage funding is available.

Following is a condensed consolidated statements of activities identifying operating results for the Corporation, Senior Independence and the Foundation for the years ended June 30, 2016, 2015 and 2014:

Ohio Presbyterian Retirement Services and Subsidiaries
Condensed Consolidated Statements of Activities
(in $000's)

	Fiscal Years Ended June 30,		
	2016	**2015**	**2014**
Unrestricted Net Assets Changes:			
OPRS Communties:			
Net service revenues	$ 171,511	$ 164,322	$ 153,584
Expense	173,172	163,074	154,591
Operating (Loss) Income	**(1,661)**	**1,248**	**(1,007)**
Senior Independence:			
Net service revenues	44,085	39,685	39,675
Expenses	46,570	46,381	45,399
Operating Loss	**(2,485)**	**(6,696)**	**(5,724)**
Branding	234	-	-
Loss from Operations	**(4,380)**	**(5,448)**	**(6,731)**
Foundation Unrestricted:			
Contributions	1,737	2,284	1,842
Expenses	(2,740)	(2,646)	(2,718)
Foundation Decrease	(1,003)	(362)	(876)
Other non-operating (loss) income - net	(216)	2,534	5,903
Decrease in fair value of interest rate swaps	(8,101)	(3,086)	(320)
Performance Loss	**$ (13,700)**	**$ (6,362)**	**$ (2,024)**
Other Unrestricted Net Asset Changes			
Foundation releases for property and equipment	1,427	536	777
Decrease in Unrestricted Net Assets	**(12,273)**	**(5,826)**	**(1,247)**
Temporarily Restricted Net Asset Changes			
Contributions	2,365	2,428	1,658
Other changes/releases	(4,689)	(3,090)	2,320
Total (Decrease) Increase - Temporary	**(2,324)**	**(662)**	**3,978**
Permanently Restricted Net Asset Changes			
Contributions	2,131	1,293	4,406
Other changes/releases	(652)	(924)	808
Total Increase - Permanent	**1,479**	**369**	**5,214**
Total (Decrease) Increase in Net Assets	**$ (13,118)**	**$ (6,119)**	**$ 7,945**

Management's Discussion of Consolidated Statements of Activities

From June 30, 2013 to June 30, 2016, the Communities have added a net 91 independent living units, decreased assisted living units by a net 14, and increased skilled nursing care beds by 144, for a total net increase of 221 units/beds.

Fiscal Year 2016 Communities

The Communities' operations generated a loss from operations of $1.7 million in the year ended June 30, 2016. Net service revenues increased $7.2 million from the year ended June 30, 2015 to June 30, 2016, or 4.4%; however, net service revenue for this period of time was $7.1 million unfavorable to budget. Fiscal year 2016 was a challenging year to budget because management had to project timing for many major projects that were projected to be completed and operational at some point during fiscal year 2016, a summary of which follows:

- Westminster Thurber, Healthcare Center, expansion adding new cook-to-order culinary dining area and kitchen, connector main street themed common area and other hallway refurbishment was completed in late July 2015.

- Rockynol new 23 bed skilled nursing rehabilitation private suites opened in late October 2015. As of June 30, 2016, 16 units were occupied.

- Dorothy Love 20 bed skilled nursing rehabilitation private suites, 13 of which opened in early November 2015. As of June 30, 2016, 11 of the available 13 were occupied.

- Breckenridge at Grace Woods, The Reserve, and the fourth and final building on the satellite campus, offering 32 independent living apartments, opened in late November 2015. As of June 30, 2016, 121 of the 123 total Grace Woods units were occupied.

- Llanfair Terrace – Larchwood Apartments completed renovation of the dining, kitchen and server areas in December 2015. While no units were unavailable, the disruption from the construction did appear to impair new resident occupancy. As of June 30, 2016, 60 of the 73 units were occupied, with an average of 58 during the year.

- Park Vista 21 bed skilled nursing rehabilitation private suites opened in late January 2016. As of June 30, 2016, 36 of the now 45 bed unit rehabilitation area were occupied.

- The Westminster Thurber, Goodale Landing offering 68 independent living apartments opened in late January 2016. As of June 30, 2016, 67 units were occupied.

- Rockynol 64 unit independent living building opened in late May 2016. As of June 30, 2016, 51 units were occupied. The 2017 budget expects 60 of the units to be occupied throughout the year.

While all occupancy related projects are operational as of July 2016, timing of the actual date of occupancy was delayed to some extent for all. As such, recognized revenue was unfavorable to plan for fiscal year 2016, and therefore transition to anticipated improved margin performance was also delayed. The skilled nursing facility projects also budget for anticipated fill-up time whereby certain fixed operational expenses (e.g. new depreciation, interest, and bed taxes) and minimum staffing are required which translates into negative margin operating performance until stabilized occupancy is achieved. The delayed project openings have delayed margin performance improvement as was anticipated to occur in late

fiscal year 2016. Fiscal year 2017 will be the first full year of operations for the above projects and is expected to generate improved financial performance in comparison to fiscal year 2016.

The revenue increase for the year 2016 compared to the prior year 2015 was due to annual increases in private payor rates effective each July 1 for independent living, assisted living and nursing facility units, the start of operations and occupancy for the new or repurposed beds/units as noted in the summary above, and some increases in occupancy at certain locations within certain existing settings. Those increases were offset by certain underperforming occupancy skilled nursing facility rehabilitation units, increasing nursing facility Medicaid census that pays at lower rates at certain sites and a continuing shift from traditional Medicare payors to commercial managed Medicare plans.

Revenue and related nursing, therapy, medical supplies and other ancillary services expenses increased as a result of a full year of operations of skilled nursing occupancy generated primarily from the newer rehabilitation space that began operations at Llanfair Terrace in November 2014 and Cape May in May 2014, both of which were in fill-up phases continuing into fiscal year 2016. Depreciation, interest and bed taxes expense increased due to these projects having a full year of operations.

General wage increases of approximately 2% had traditionally occurred on employees anniversary dates and did so during fiscal years 2015 and prior. However, effective July 1, 2015, all increases were pro-rated and implemented for all employees, thus the increase occurred earlier having the effect of higher cost in the earlier months.

Contributing to the Communities fiscal year 2016 operating loss was the Sarah Moore Community which generated an operating loss of $655,000 for the year ended June 30, 2016, which was the first full 12-month period that the Communities operated the facility. Management has been staging for a skilled nursing rehabilitation project, as further described herein, that has resulted in some intentional restricted admissions to avail the space for construction.

Fiscal Year 2015 Communities

The Communities' operations generated $1.2 million income from operations in the year ended June 30, 2015. Net service revenues increased $10.7 million from the year ended June 30, 2014 to June 30, 2015, or 7.0%; however, net service revenue for this period of time was $3.5 million unfavorable to budget. The revenue increase for the year 2015 compared to the prior year 2014 for most of the Community sites was primarily the result of annual increases in private payor rates effective each July 1 for independent living, assisted living and nursing facility units.

As noted in the section above, the Communities had several major construction projects that were in process, some of which were coming to completion. Revenue and related nursing, therapy, medical supplies and other ancillary services expenses increased as a result of a partial year of skilled nursing occupancy generated from the newer rehabilitation space at Llanfair Terrace which began operations in November 2014 (which was delayed from the budgeted start of July 2014 by the Ohio Department of Health ("ODH") and Cape May began operations in May 2014 (which was delayed from budgeted start by the ODH, thus delaying fill-up). Depreciation, interest and bed taxes expense increased due the aforementioned capital projects beginning operations.

The Westminster Thurber and Rockynol major projects were having greater than anticipated negative impacts on occupancy due to the construction related disruption at those sites.

General wage increases of 2% were implemented throughout the year. A significant pension plan amendment was implemented that resulted in significant expense reduction in fiscal year 2015 for the Organization as a whole, as further described herein.

The Communities added the Sarah Moore Community on August 1, 2014, which generated $4.4 million of revenue and a $212,000 operating loss for the 11-month period of operations ended June 30, 2015.

Fiscal Year 2014 Communities

The Communities' operations generated a loss from operations of approximately $1.0 million in the year ended June 30, 2013 compared to a budgeted loss of only $166,000. Net service revenues increased $3.4 million from $150.2 million for the year ended June 30, 2013 to $153.6 million for the year ended June 30, 2014, or 2.3%. The net revenue increase was primarily the result of annual increases in private payor rates effective each July 1 for independent living, assisted living and nursing facility units, offset by occupancy decreases in certain settings within certain campuses.

Certain sites had a more challenging fiscal year 2014, most notably:

- Park Vista had a net operating loss of $1,460,000 in 2014 compared to a loss of $875,000 in 2013, due to occupancy struggles in assisted living units (that were scheduled to be repurposed as skilled care rehabilitation space), and the North apartments, primarily due to the limited population of age and income qualified residents.

- Rockynol had an operating loss of $652,000 compared to operating income of $41,000 in 2013, primarily due to rapidly declining occupancy in the old assisted living space offerings, and added expense of keeping the aged buildings functional.

- Swan Creek under-performed in fiscal year 2014 posting an operating income of $1,608,000 compared to $2,083,000 in fiscal year 2013, primarily due to new competition in the area.

- Cape May had an operating loss of $632,000 in 2014 compared to an operating loss of $94,000 in 2013, as several AL units came off line to make way for the new 30 beds of skilled nursing care, for which occupancy became available Cape May began in late May 2014 (which was delayed from budgeted start by the ODH, thus delaying fill-up). Depreciation, interest and bed taxes expense increased due to completion of this project for one month, with very little occupancy to generate revenue.

Senior Independence Fiscal Years 2014 through 2016

To understand the progress that Senior Independence has made through June 30, 2016, revisiting history that started with leadership changes beginning in 2011 is important. SI experienced significant challenges with consistency in executive management and leadership which included having three different Presidents from the beginning of 2011 through an appointment made in May of 2013. This leadership inconsistency directly caused the financial under-performance of SI during fiscal year 2012 and reached a low point in fiscal year 2013. Significant turnover beneath the President level also occurred.

While net service revenues declined, management did not appropriately adjust direct care expense and site overhead costs accordingly. SI also experienced payor type funding level shifts where certain managed care plans representing significant employer groups are paying at lower rates. To compound the

financial performance issues, SI recorded bad debt expense of approximately $1.7 million in 2013 and experienced significantly increased accounts receivable balances due to changes in certain processes and significant employee turnover.

Fiscal year 2014 included a major re-engineering and initiatives implementation for SI. Management revamped the business development sales department under new leadership, implemented a new sales approach as well as efforts to strengthen business relationships; implemented a central intake function that included expanding intake hours to 24/7 service compared to 8 to 4, 5 days per week; trained clinical staff and set productivity improvement expectations, re-engineered financial reporting and implemented the Home Care Home Base (HCHB) software. Home health care volume began showing improved growth, while hospice census actually declined. More effort was still needed to align the overall Organization to maximize opportunities to provide service and to enhance business relationships. The sites also continued to struggle with variable staffing management based on caseload volumes thus improvement in gross margin continued to not meet expectations. Bad debt expense significantly decreased from fiscal years 2013 to 2014 from $1.7 million to approximately $567,000; however, on the horizon was the HCHB software implementation (that started in January 2014) and acclimation challenges, as described previously. This was unfortunately timed with the implementation of MyCare Ohio, (State of Ohio program for dual eligible Medicare and Medicaid requirements) as well as the continued expansion of managed care contracts, the combination of which significantly impaired and impacted caseload workflow and resulted in significantly higher bad debt expense in fiscal year 2015 of $2.6 million, and $2.1 million for fiscal year 2016.

In fiscal year 2015, SI management continued to shift focus toward certified operations and began more aggressively eliminating underperforming non-certified services. In fiscal year 2015, SI closed five adult day care centers, increased employee withholding for health insurance coverage, implemented a pay per visit compensation program for home health RN's which incents them to improve productivity, renegotiated pharmacy and durable medical equipment contracts, significantly reduced geographic outlier services and improved engagement and retention of the business development team. Alignment between the Communities and SI had significantly improved. The Northwest Ohio ACO relationship and the Mercy relationship was generating significantly higher volume as demonstrated within the schedule presented in the "Senior Independence Operations" section herein.

Gross margin and site margin showed improvements in 2015, and continued to improve in 2016. SI net service revenue increased by $4.4 million (11.1%) from fiscal year 2015 to fiscal year 2016. A summary of SI margin performances is as follows:

	Fiscal Years Ended June 30,		
	2016	2015	2014
Gross Margin	32.1%	25.1%	21.4%
Net Margin	6.5%	-2.8%	-1.4%
Net Margin Excluding Bad Debt	11.3%	3.8%	-0.2%
Net Margin with Corporate Overhead	-5.7%	-17.1%	-14.6%

Foundation

A clearly positive differentiator for the Organization is the consistent promotion of the Organization's mission and services by the Foundation. The Organization continued to have solid fundraising years with total contributions, recorded in accordance with accounting standards, of approximately $6,233,000, $6,005,000 and $7,906,000 in fiscal years 2016, 2015 and 2014, respectively.

Temporarily restricted contributions were higher in fiscal years 2016 and 2015 due to capital fundraising campaigns for The Gelhaar Center at Park Vista that opened in fiscal year 2016 as specific space to support activities of the Mahoning Valley Life Long Learning Institute, and for an aquatics therapy pool and expanded rehabilitation therapy space at Dorothy Love.

Permanently restricted gifts often vary in contributions levels from year to year, as noted in the three years presented, and are generally dependent on large endowment gifts many times of which the Foundation is first notified by the executor of the estate upon expiration of the donor.

Unrestricted contributions trended lower, which is not unlike most non-profit organizations. For fiscal year 2016, the biggest underperforming segment was estate gift notes.

Organization-wide Expense Initiatives and Material Expense Events

Benefits: Benefit expenditures have been subject to concerted assessment and adjustment by management over the recent years.

Pension Plan: In fiscal year 2015, a pension plan redesign was implemented which generated immediate and material savings. The plan now more highly incents employees to contribute to the plan by a higher employer match. The redesign eliminated a tenured automatic contribution, at escalating rates, even if there was no employee contribution. Automatic enrollment was also implemented for new employees on January 1, 2015. Through the first calendar year of the plan redesign, there was explosive growth in employee contribution participation, with the opt-out from auto-enrollment being just less than 7%. While significant savings were realized in fiscal year 2015 and continued in fiscal year 2016, the pace at which the employee participation is closing in on the forecasted maximum, at 60% participation, is occurring much quicker than anticipated (52% participation as of December 31, 2015, compared to 30% participation as of December 31, 2014). Total employer pension funding expense recognized was approximately $1,432,000, $658,000 and $2,157,000 for fiscal years 2016, 2015 and 2014, respectively.

Health Care Coverage: The other major benefits area of focus is health care coverage, which is self-insured, with stop-loss coverage available, and thus subject to significant fluctuations. Additional employee withholding amounts were applied to the PPO plan in fiscal year 2016, attempting to encourage employees to move to the Consumer Directed Health Plan (CDHP) with the Health Savings Account (HSA), but participation levels between the two offerings did not change significantly. The CDHP has a higher deductible for employees but a much lower employee contribution amount than the PPO plan. Total medical and disability expenses, net of employee withholdings, were approximately $11,947,000, $11,719,000 and $14,152,000 for the fiscal years ending 2016, 2015 and 2014, respectively. The employee participant level in total has not changed substantially over the past three years with the average number of covered employees being 1,340, 1,358 and 1,383 for the fiscal years ended 2016, 2015 and 2014, respectively. The CDHP plan has been in place for four years, and may be contributing to a portion of the expense decrease as employees are becoming more engaged consumers of healthcare services and pharmacy products.

Paid Time Off: Making revisions to benefits that may be viewed as reductions is particularly challenging as it pertains to the competitive employment market. The competition for registered nurses, licensed practical nurses and nurse aides is significant. Certain locations have acute care providers actively canvassing the Organization's nursing staff with relatively lucrative offers. The fiscal year 2017 budget included some targeted higher starting rates and greater than 2% annual wage increases for certain strained areas and in an effort to retain staff. The competition for staff is beyond just health care providers, it is with employers such as Walmart and McDonalds that pay well for entry level jobs.

The Organization is highly aware of this challenge and continues to assess ways to position the Organization as an employer that is at least even with certain others. To that end, the paid time off policy is currently under assessment and likely to be changed, the financial effects of which are yet to be determined.

Legal Fees: Due to the inquiries/investigations described in the Litigation and Investigations section below, the Communities and SI have incurred significantly higher legal fees than its historic norm. A comparison of legal fees (rounded to the nearest thousand) incurred through the Corporate Office applicable specifically to the two operating divisions is as follows:

	Fiscal Years Ended June 30,			Previous 3 Year Ave
	2016	2015	2014	
Communities	$138,000	$169,000	$78,000	$23,000
Senior Independence	187,000	436,000	102,000	135,000
Total	$325,000	$605,000	$180,000	$158,000

Management's Discussion Regarding Future Plans

Major Capital Projects

The Corporation has completed the end of a four year period of major capital expenditures to improve market positioning, to expand skilled nursing rehabilitation services by converting under occupied assisted living rooms and space to skilled nursing rehabilitation units, adding independent living units at two of its higher demand Communities in Columbus and Cleveland, and replacing an outdated assisted living building in Akron. These projects were funded by a combination of the 2013 bond issuance, remaining project funds available from the 2010 Bond Issuance, entrance fees and corporate unrestricted funds.

There is only one major project currently pending start of construction. During the Corporation's due diligence phase prior to agreeing to become the Sole Member of Sarah Moore Health Care Center, Inc. management identified a potential opportunity to convert a floor of the new AL building to SNF rehabilitation. After operating the site, assessing the local AL and SNF market, and projecting continued margin, management developed a SNF rehabilitation conversion project. This project provides for converting 19 AL rooms to SNF private room rehabilitation suites. SNF beds will be provided by moving four existing Sarah Moore SNF beds and purchasing 15 additional beds. The Certificate of Need was recently approved by the Ohio Department of Health, thereby eliminating the remaining bed sale contingency. Closing of the sale of the beds is expected to occur by the end of September 2016. A high quality therapy room will be constructed. Total project cost including bed purchase is estimated at approximately $1,000,000. This project will be funded by a portion of Sarah Moore investment funds, budgeted annual capital spending (transferred to this project) and organization cash. No financing will be obtained. Depending on the timing of approval by the Ohio Department of Health, this project is anticipated to be complete and operational within the first calendar quarter of 2017.

Capital Debt Structure

The Organization has a relatively complex capital debt structure. Over the past year, Management conducted a comprehensive capital debt structure assessment. Based on the assessment, management and its advisors identified a primary strategy to eliminate the Radian bond insurance originally prescribed financial covenants in 2002, for which the Radian insurance provides no additional value, thereby repositioning to current market financial covenants and eliminating the need to contemplate future debt

restructuring around two different debt service coverage ratio calculations. Additional potential opportunities identified were: the reduction of the number of debt issuances, reduction of the maximum annual debt service amount, the leveling of the annual debt service cash flow requirements over the aggregate debt service life (while not extending the current total number of years of debt service currently committed), the reduction of shorter-term renewal risk associated with multiple letters of credit and the minimization of variable rate risk in anticipated rising rate environment.

The Long Range Financial Plan approved by the Parent Board of Directors in February 2016 had no other significant capital projects that were under development and would be implemented in the fiscal years 2017 through 2021, except for the Sarah Moore project previously described. Future major projects that would necessitate additional new money financing are planned to be tempered for a period of time until the projects completed and opened in the last four years are collectively stabilized and contributing to positive margin improvement and cash flows. Annual routine capital expenditures are planned to be funded with improved operational cash surplus and replacement turnover entrance fees, without eroding the overall cash position of the Organization.

Branding

In May 2014, the Parent Board appointed a Branding Task Force that was charged with assessing all aspects of the Organization's current brand. Working with a consulting firm who has extensive experience in advising senior living and care organizations, an in depth study occurred resulting in a variety of recommendations. A branding strategy plan was presented to the Parent Board and adopted in November 2015. This strategy is comprehensive in plan and serves to create a modern and cohesive single overarching brand to be utilized by all sites and product lines. In order to implement the rebranding strategy, a full implementation spend of approximately $4 million is expected to occur starting in the second half of fiscal year 2016 and ending in fiscal year 2019. Release to the broad public of the rebranding is scheduled for November 1, 2016. A new corporate name for the Organization will be announced at that time. The condensed statements of activities presented above reflect a new separate expense line item identified as 'Branding' for which specifically identified operational expenses were recorded as incurred in fiscal year 2016. Fiscal year 2017 will incur the rest of these expenses, as separately tracked, and will be reported in this separate line description within the internally generated financial statements reported for continuing disclosure requirements.

Growth

Management is currently exploring several relationships that would further strengthen the services currently provided throughout its operational divisions. These partnering efforts may lead to a relationship of some legal form should the mission and strategic goals be well aligned.

Because of its size, quality of care reputation, quality of facilities, and faith-based mission, the Organization is frequently contacted to consider various opportunities, but the Organization is careful in its due diligence and consideration of the potential benefits and detriments that may result. OPRS is open to opportunities that arise that would further our mission, strengthen our service offerings, and add future measurable net margin.

Management is active in communicating and promoting its quality of care outcomes performance, its low percentage readmissions back to hospitals from Corporation facilities, and its extended capabilities through its home health and hospice services to health systems, hospitals and physician-owned surgery centers. With the rapidly changing funding environment toward bundled payment and Medicare cost spending reform, the Organization has witnessed a narrowing of the provider field, and is well positioned to establish and maintain the Communities and SI as preferred post-acute care providers. The Organization has rebranding strategy will enable it to market those services more effectively to those acute care providers as well as to major commercial carriers.

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FINANCIAL RATIO CALCULATIONS

The Master Trust Indenture and other credit agreements provide for certain financial covenant calculations and related thresholds to be met in order to be in compliance with financial covenants.

The following are calculations of the Debt Service Coverage Ratio, Days Cash on Hand and the Cash and Investments to Long-term Debt Ratio for fiscal years ended June 30, 2016, 2015 and 2014.

Debt Service Coverage Ratio and Pro-Forma Maximum Annual Debt Service Coverage Ratio (in thousands)

	Fiscal Year Ended June 30		
	2016	2015	2014
Revenues Available for Debt Service			
Performance Income (Loss)	($13,700)	($6,362)	($2,024)
Change in Fair Value of Interest Rate Swaps	8,101	3,086	320
Net Change in Unrealized (Gains) and Losses	1,995	1,159	1,142
Plus: Temporary Restricted Change in Realized Gains and (Losses)	372	4,222	1,796
Less: Non-Recourse HUD Operations	(404)	(303)	(415)
Less: Sarah Moore adjusted change in net assets	(129)	(499)	-
Plus: Depreciation	22,245	20,091	19,173
Plus: Interest Expense	11,839	10,799	9,666
Plus: Bad debt expense	3,966	4,553	2,057
Less: Amortization of Entrance Fees	(5,699)	(4,955)	(5,927)
Plus: Net Entrance Fees Received	17,645	6,070	10,099
Less: Unrestricted Contributions, net of Fund-Raising	592	99	12
Plus: Unrestricted Contributions, net of Fund-Raising [1]	(592)	(99)	(12)
Total Revenues Available for Debt Service per MTI	$46,231	$37,861	$35,887
Historic Annual Debt Service Requirement - MTI[2] [3]	$19,550	$19,340	$17,576
Historic Debt Service Coverage Ratio - MTI	2.36x	1.96x	2.04x
Maximum Annual Debt Service – [4]	$19,799	$19,799	$19,799
Pro-forma Debt Service Coverage Ratio-MTI	2.34x	1.91x	1.81x

(1) For Debt Service Coverage calculations, the Master Indenture provisions use the lower of the actual current fiscal year or an average of the preceding two fiscal years.

(2) Per Master Indenture provisions for calculating Debt Service Coverage Ratio, the greater of (i) Average Annual Debt Service or (ii) actual debt service is used. For each year, the actual debt service was used.

(3) The Master Indenture requires variable rate debt to be calculated using the previous 12 months' actual average plus 0.50% plus letter of credit fees (if applicable). This provision applies to the Series 2011 and 2013B Bonds. The Master Indenture also includes a requirement that interest on variable rate debt with swap agreements is calculated using the swap rates plus letter of credit fees (if applicable), and has been applied to the Series 2005B Bonds, the Series 2016A Bonds and the Series 2016B Bonds.

(4) Per covenants included in the 2002A and 2005A bond documents, Maximum Annual Debt Service (MADS) was used to calculate the Debt Service Coverage Covenant. Historically, Maximum Annual Debt service has been higher than the greater of (i) Average Annual Debt Service or (ii) actual debt service. The MADS coverage calculation includes the variable rate debt calculation specifics included in footnote (3) above. MADS will no longer be used to calculate the Debt Service Coverage covenant with the issuance of the Series 2016C and the Series 2016D bonds.

Days Cash on Hand – Obligated Group
(in thousands)

	Fiscal Year ended June 30		
	2016	2015	2014
Adjusted Operating Expenses	$209,074	$198,945	$196,133
Less: Depreciation & Amortization	(22,245)	(20,091)	(19,173)
Total Cash Operating Expenses	$186,829	$178,854	$176,960
Daily Cash Operating Expenses	$510	$490	$485
Cash and Investments – Unrestricted Only[1]	$80,578	$88,245	$83,819
Cash and Investments – Total[2] [3]	$117,324	$128,026	$128,022
Days Cash on Hand – Unrestricted	158	180	173
Days Cash on Hand – Total[3]	230	261	264

Cash and Investments to Long-Term Debt Ratio
(in thousands)

	Fiscal Year ended June 30		
	2016	2015	2014
Cash and Investments – Unrestricted Plus Debt Service Reserve Funds[2]	$ 91,422	$ 99,204	$ 94,698
Cash and Investments – Total Plus Debt Service Reserve Funds [4]	$128,168	$138,985	$138,900
Long-Term Debt[5]	$253,160	$259,930	$265,987
Cash and Investments – Unrestricted to Long-Term Debt	36%	38%	36%
Cash and Investments – Total to Long-Term Debt	51%	53%	52%

(1) Includes unrestricted cash and investments that are held by Ohio Presbyterian Retirement Services, OPRS Communities, Senior Independence and the Ohio Presbyterian Retirement Services Foundation. Excludes cash and investments held by Sarah Moore Health Care Center, Inc. and BV Apartments, LLC. Excludes cash and investments that are reported as Assets Whose Use is Limited on the Statements of Financial Position which consist of bond debt service reserves, bond debt sinking/reimbursement funds, bond project funds HUD required escrows and reserves, and patient personal use accounts required by Ohio Medicaid state licensure.

(2) Includes all unrestricted, temporarily restricted and permanently restricted cash and investments that are held by Ohio Presbyterian Retirement Services, OPRS Communities, Senior Independence and the Ohio Presbyterian Retirement Services Foundation. Excludes cash and investments held by Sarah Moore Health Care Center, Inc. and BV Apartments, LLC. Excludes cash and investments that are reported as Assets Whose Use is Limited on the Statements of Financial Position which consist of bond debt service reserves, bond debt sinking/reimbursement funds, bond project funds HUD required escrows and reserves, and patient personal use accounts required by Ohio Medicaid state licensure.

(3) Cash and Investments – Total to be utilized for Days Cash on Hand covenant testing for all current Corporation agreements containing a liquidity covenant.

(4) Includes debt service reserve funds from the Series 2002A Bonds, the Series 2005A Bonds, the Series 2010A Bonds and the Series 2013A Bonds.

(5) Excludes Loan from the United States Department of Housing and Urban Development and current maturities of long-term debt.

MISCELLANEOUS

Budgeting and Financial Planning Process

The Parent's management facilitates all aspects of the annual budget development. The Corporate Controller and support staff provide the Executive Director of each CCRC and SI location an updated budget template and several standardized data reports. Then, each Executive Director is charged with preparing a draft budget for his or her respective facility within overall financial performance expectations provided by corporate management. In this process, the Executive Director, based on resident care needs and programs, prepares a budget of requested expenditures such as salaries and benefits, supplies, food, utilities, insurance and other items. Based on these budgets, resident rates are requested for the particular facility to adequately cover these expenses as well as recognize the competitive market and positioning that the facility or SI site want to achieve. In addition to the budget for revenues and expenses, a summary of requested capital expenditures is prepared by each Executive Director showing the needed items by priority of need and estimated amount.

These individual facility and SI site budgets are reviewed multiple times. Each site attends an all-day meeting to review and revise the draft budget for their site. That meeting generally includes the site Executive Director, Administrator and other requested personnel (e.g. site Human Resources Director); and includes Parent leadership consisting of the Corporate Executive of Operational Planning and Analysis, the Corporate Controller, the Chief Nursing Officer, the Chief Financial Officer (CFO), the Chief Operating Officer (COO) and certain other support staff as applicable to the particular expense areas that are assessed. Subsequent to that meeting, the individual site budgets are reviewed through a series of analytics and necessary revisions are made. The site budgets are assembled into a final consolidated budget package that also includes the Corporate Office budget and the Foundation budget sections. Review is then performed by the CFO, COO and the Chief Executive Officer.

The consolidated budget package is then presented to the Parent FEAC Committee for review and approval. The consolidated budget is presented for final approval to the Parent Board for approval before the start of each fiscal year.

On a monthly basis, actual expenditures and revenues are compared to budget by management. Significant variances (positive or negative) are reviewed with the appropriate facility Executive Director for action. The Executive Director, in turn, will review such variances with individual department heads within the facility to determine causes for the variances and to develop required courses of action to correct problems. In addition to budget-to-actual comparisons, weekly census and marketing reports, bi-weekly staffing statistics and quarterly operating statistics are compared for each facility, as well as on a comparative basis with other facilities and sites of the Corporation and SI, respectively.

Management also develops a five-year long-range financial plan ("LRFP") prior to the budget process each year. The plan examines known and anticipated changes to the current operating structure of the organization and forecasts the financial effect of such changes for the following five years. In addition, the LRFP includes the financial effect of new and proposed strategic initiatives, including any major capital projects, over the same five-year period. The LRFP establishes expectations for the Parent and Subsidiaries annual operating and capital budgeting plans.

Investments

The Parent and the Foundation each hold investment portfolios.

The Parent has an investment portfolio identified as "Unrestricted Assets". The fair value of this fund was approximately $30,278,000 as of June 30, 2016. The Parent uses PNC Institutional Investments as the registered financial investments advisor and broker for these funds. The Unrestricted Assets are invested in USA Treasury Notes (24%), Mutual Fund Equities (61%), Corporate Credit Bonds (14%) with ratings no lower than BBB, with a heavier weighting to AAA, and money market (1%). The Obligated Group has no investments in hedge funds.

The Foundation has investment portfolios identified as "Endowment", "Annuity" (relating to funds received through the gift annuity program) and "Capital Campaign" assets. The gift corpus is donor restricted as to use or in perpetuity depending on the type of gift. As of June 30, 2016, the fair value of those funds recorded in the Organization's financial statements were approximately $41,022,000, $8,185,000 and $599,000, respectively. The Capital Campaign fund holdings vary depending on specific projects identified, timing of fundraising and collection and incurrence of the capital expenditure and are designed to be very liquid. The Parent established an 'Unrestricted – Board Designated' assets portfolio primarily for the purpose of increasing and maintaining days cash on hand and as of June 30, 2016, the fair value of this fund was $30,952,000.

The Foundation and the Parent uses Highland Consulting Associates, Inc. ("Highland") as the registered financial investments advisor and broker for the funds referred to above. Each portfolio is designed to be in compliance with the established Investment Policy and to accomplish certain diversity, investment returns and liquidity to support each fund's underlying purpose. Highland facilitates placing investments with individual investment fund managers. A summary of investment holding targets by investment portfolio as of June 30, 2016 is as follows:

Security Description	Endowment Target	Annuity Target	Capital Campaign Target	Board Designated Target
Money Market	1.5%	3.0%	96.0%	0.0%
Fixed Income	14.5%	41.5%	4.0%	16.0%
TIPS	0.0%	0.0%	0.0%	8.0%
Bank Loans	10.0%	10.0%	0.0%	8.0%
Absolute Return	10.0%	5.5%	0.0%	0.0%
Emerging Markets – Local	5.0%	0.0%	0.0%	8.0%
Large Value	5.5%	4.0%	0.0%	6.0%
Large Growth	5.5%	4.0%	0.0%	6.0%
Small Value	1.0%	2.0%	0.0%	4.0%
Small Core	3.0%	0.0%	0.0%	0.0%
Small Growth	2.0%	2.0%	0.0%	4.0%
Global	20.0%	16.0%	0.0%	20.0%
International Value	5.5%	6.0%	0.0%	10.0%
International Core	5.5%	6.0%	0.0%	10.0%
Emerging Markets – Global	6.0%	0.0%	0.0%	0.0%
Real Estate	5.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%

The investment holding support these targets and are rebalanced frequently to stay close to target percentage holdings. Highland provides quarterly reporting that compares each fund's performance to

established benchmarks. Underperforming funds are closely monitored and if sustained underperformance occurs, recommendation to sell the fund and related action is facilitated.

The Board of Directors of both the Parent and the Foundation are actively engaged in updating investment policies for the organizations and actively monitor portfolio risks and returns. The Parent and the Foundation retain the services of a professional investment advisor to assess risks in relation to expected returns, to establish asset allocations designed to mitigate investment risks, to monitor durations of investments in relation to the long-term debt of the Corporation and to oversee fund performance and change funds as deemed appropriate.

Given the significant market volatility over the past five years, the market valuations of both fixed income and equity securities have fluctuated across a wide range which has had and could continue to have a material impact on reported Performance Income or Loss as well as on several other reported financial covenants such as Days Cash on Hand in specific reporting periods.

Fund Raising

The Foundation, in conjunction with each of the Organization's operating regions, solicits gifts and bequests for the various philanthropic needs of the Parent and its Subsidiaries.

The Foundation provides a number of giving opportunities including gifts to the Charitable Care Fund (assistance for residents unable to pay for the full costs of their monthly services), capital improvement gifts, deferred/planned gifts of several kinds, bequests, program grants, and endowment contributions.

The table below sets forth the dollar amounts of contributions received by the Organization.

Contributions Summary
$(in thousands)

Period	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal Year ended June 30				
2014	$1,842	$1,658	$4,406	$7,906
2015	2,284	2,428	1,293	6,005
2016	1,737	2,365	2,131	6,233

Insurance

The Organization ensures that it has appropriate insurance coverage available at all times. The Organization contracts with Dubraski & Associations who functions as broker of record and actively advises Management. Dubraski & Associates specializes exclusively in assessing and obtaining insurance for health care related entities. Insurance coverage includes that for tangible property, builders risk; business interruption; equipment malfunction; crime; directors, officers, employment practices and fiduciary responsibilities; privacy and security; and vehicles.

The Organization self-insures for general, professional and certain other defined loss exposures. Losses in excess of the underlying retention are covered by stop-loss insurance.

The Organization self-insures for its employee and dependent health care benefits under a plan administered by United Health Care. The plan includes stop loss provisions where United Health Care or one of its affiliates provides such coverage.

Licensure and Memberships

All skilled nursing facility beds and residential care assisted living facilities of the Corporation are licensed by the Ohio Department of Health and all such licenses are current and in good standing. In addition, all of the Corporation's skilled nursing facilities are both Medicare and Medicaid certified and portions of the assisted living facilities are certified for the Ohio Medicaid waiver program. The Vineyard at Catawba does not currently have licensed or skilled nursing facility beds, nor does it offer skilled nursing services.

Senior Independence operates seven home health agencies each of which is Medicare certified. Senior Independence operates as a single hospice across the State of Ohio, which is licensed by the State of Ohio and certified by Medicare. All licenses and certifications are current and in good standing.

The Parent, the Foundation, Senior Independence and the Corporation are also members of LeadingAge Ohio, Presbyterian Association of Homes for the Aging, National Society of Fund Raising Executives, National Association of Hospice and Palliative Care, Ohio Home Care and Hospice Association.

Corporate Compliance Program

The Organization has a Corporate Compliance Program in accordance with its high standards of business and health care ethics, as well as applicable federal guidelines. The Compliance Program is designed to (1) be an integral part of assuring regulatory compliance in a very complex and heavily regulated environment and (2) advance the prevention of fraud, abuse and waste. The program is applicable to every employee, agent, officer and all corporate entities controlled by the Parent.

Led by the Parent's Ethics and Compliance Officer, the program includes the following major elements:

- Monitoring and communicating of applicable Federal, State and Local regulatory requirements;
- Staff education and training;
- Communication vehicles that support compliance monitoring across the organizations;
- Ongoing regular informal audits;
- Planning and completion of formal annual auditing programs connected to Office of Inspector General Work Plan; and
- Board of Director oversight to policies, performance and quality of the compliance program.

The Parent and Subsidiaries are not aware of any material adverse regulatory compliance matters. Refer to the "Litigation and Investigations" section herein for additional information.

LITIGATION AND INVESTIGATIONS

Litigation

There are currently six lawsuits being defended by members of the Obligated Group relating to patient care. Counsel estimates that these lawsuits have potential liability of approximately $180,000 in aggregate which are well within the Obligated Group's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insurance retentions).

Except as provided above and with the exception of pre-litigation letters and/or notices that are received in the normal course of business regarding alleged complaints about resident care or from employees or former employees alleging claims, the Corporation has received no reports of incidents or notices of claims for which lawsuits may be filed.

Investigations

On June 9, 2014, SI received a Subpoena *Duces Tecum* (the "Subpoena") from the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"). The Subpoena seeks information and documents, including patient records, related to SI's hospice operations during the period of January 1, 2006 to June 4, 2014. Government attorneys agreed to a rolling production in response to the Subpoena and advised that the investigation is currently civil in nature. SI is cooperating in the government's investigation and has produced all requested documentation. SI is awaiting further direction from the OIG. At this time the OIG has not sought a settlement, monetary or other damages from SI.

On April 15, 2014, the Parent, like many other nursing homes in Ohio, was served with an Investigative Demand (the "Investigative Demand") from the Ohio Attorney General (the "Ohio AG") Antitrust Section, indicating that the Ohio AG is investigating whether any person or entity is engaging or has engaged in any violation of federal and/or Ohio antitrust law. The time period covered by the Investigative Demand is January 1, 2007 through December 31, 2013. The Ohio AG agreed to a rolling production in response to the Investigative Demand, and this production of documents and other discovery continues at this time. The Parent is fully cooperating in the Ohio AG's investigation, and the Ohio AG has not sought a settlement, monetary or other damages from the Parent. The Ohio AG has entered into settlements with other facilities ranging from "conduct only" to a low seven figure monetary settlement, with most in the low six figure range.

At this time, it is unknown whether ultimate liability, if any, and the estimated costs and expenses of defense of either of these investigations will be entirely within the Obligated Group's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insurance retentions), or will have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group.

No other litigation, proceedings or investigations are pending or, to the knowledge of the Corporation's management, threatened against the Obligated Group or its officers or property except litigation, proceedings or investigations being defended by or on behalf of the Obligated Group in which the probable ultimate liability and the estimated costs and expenses of defense, in the opinion of management of the Corporation after consultation with legal counsel, will be entirely within the Obligated Group's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insurance retentions), or will not have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group.

No litigation, proceedings or investigations are now pending or, to the knowledge of the Corporation's management, threatened against the Obligated Group that would in any manner challenge or adversely affect the corporate existence or powers of the Obligated Group to enter into and carry out the financing transactions described herein or contemplated hereby, or the status of any member of the Obligated Group as an organization described in Section 501(c) (3) of the Code.

SUPPLEMENTAL FINANCIAL INFORMATION

The attached June 30, 2016 and June 30, 2015 by site statement of activities financial schedules are included as additional supplemental information related to the operations of the Obligated Group.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statement of Activities - Unrestricted - By Site
Year Ended June 30, 2016
(000's omitted)

	OPRS Communities												
	Dorothy Love	Park Vista	Lake Vista	Llanfair	Mount Pleasant	Cape May	Rockynol	Westminster Thurber	Breckenridge Village	Swan Creek	Vineyard on Catawba	Sarah Moore	Communities Total
Unrestricted Net Assets													
Operating Revenues:													
Net service revenue	$13,828	$16,021	$10,020	$14,804	$20,745	$7,424	$14,549	$22,706	$32,727	$12,435	$1,423	$4,829	$171,511
Operating Expenses:													
Salaries and wages	6,076	7,417	3,309	5,942	6,740	2,495	5,985	8,090	11,398	3,774	405	2,527	64,158
Employee benefits and payroll taxes	1,603	1,972	860	1,598	1,780	654	1,623	2,171	2,991	1,037	105	554	16,948
Therapy, medical supplies, drugs and other ancillary	1,242	1,007	2,137	1,153	2,135	722	1,193	2,147	743	546	-	478	13,503
Professional fees	175	911	240	435	640	154	461	448	767	271	116	182	4,800
Inpatient hospice room and board	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	703	707	339	682	729	266	711	910	1,344	470	31	251	7,143
Utilities	594	630	336	573	849	305	758	794	1,472	587	81	200	7,179
Supplies	281	324	203	342	268	112	330	420	573	192	46	117	3,208
Training, travel and mileage reimbursement	22	36	17	26	28	18	25	25	33	10	3	6	249
Maintenance and repair	121	246	96	131	224	64	172	274	360	179	17	53	1,937
Marketing and advertising	45	56	34	100	44	18	76	39	107	35	7	31	592
Real estate taxes	220	99	301	57	603	138	136	739	980	174	89	-	3,536
Franchise permit fees	467	485	251	420	516	133	348	565	476	141	2	141	3,945
Bad debt expense	-	541	172	270	176	74	191	189	87	100	282	61	2,143
Other	232	305	146	239	178	45	282	365	895	138	113	99	3,037
Interest expense, net	599	549	745	693	1,416	807	815	1,721	3,150	715	317	471	11,998
Depreciation and amortization	1,454	1,445	971	1,528	2,685	884	2,766	2,959	4,336	1,428	71	318	20,845
Corporate office	732	921	521	746	942	331	770	1,075	1,418	495	-	-	7,951
Total Expenses	14,566	17,651	10,678	14,935	19,953	7,220	16,642	22,931	31,130	10,292	1,685	5,489	173,172
(Loss) Income from Operations	**(738)**	**(1,630)**	**(658)**	**(131)**	**792**	**204**	**(2,093)**	**(225)**	**1,597**	**2,143**	**(262)**	**(660)**	**(1,661)**

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statement of Activities - Unrestricted - By Site
Year Ended June 30, 2016
(000's omitted)

	Senior Independence													
	Miami Valley	Mahoning Valley	Southwest	Akron Canton	Central Ohio	Cleveland	Toledo	iPartner	SI Total	Total Operating Divisions	Branding	Corporate Office	OPRS Foundation	Consolidated Total
Unrestricted Net Assets														
Operating Revenues:														
Net service revenue	$2,820	$6,958	$3,271	$6,165	$5,277	$5,236	$13,857	$501	$44,085	$215,596		($65)	-	$215,531
Operating Expenses:														
Salaries and wages	1,739	3,479	1,874	3,155	1,748	3,174	5,593	664	21,426	85,584		5,867	-	91,451
Employee benefits and payroll taxes	413	690	412	690	416	695	1,215	-	4,531	21,479		1,343	-	22,822
Therapy, medical supplies, drugs and other ancillary	436	746	512	614	1,040	366	2,931	-	6,645	20,148		-	-	20,148
Professional fees	24	172	148	15	45	22	169	-	595	5,395	234	3,298	-	8,927
Inpatient hospice room and board	142	733	101	654	384	182	533	-	2,729	2,729		(34)		2,695
Food	-	-	80	34	-	16	-	-	130	7,273		-	-	7,273
Utilities	35	49	96	31	21	38	68	-	338	7,517		415	-	7,932
Supplies	9	21	25	30	11	17	19	-	132	3,340		67	-	3,407
Training, travel and mileage reimbursement	73	243	90	140	82	127	238	-	993	1,242		385	-	1,627
Maintenance and repair	-	1	20	4	10	7	2	-	44	1,981		35	-	2,016
Marketing and advertising	30	18	27	14	16	22	12	-	139	731		108	-	839
Real estate taxes	-	-	-	-	-	-	-	-	-	3,536		60	-	3,596
Franchise permit fees	-	-	-	-	-	-	-	-	-	3,945		(1)	-	3,944
Bad debt expense	113	260	260	311	321	254	586	-	2,105	4,248		(282)	-	3,966
Other	138	253	260	250	214	173	145	-	1,433	4,470		687	-	5,157
Interest expense, net	-	-	-	-	-	-	-	-	-	11,998		(132)	-	11,866
Depreciation and amortization	16	10	23	17	26	25	60	-	177	21,022		1,223	-	22,245
Corporate office	427	821	545	737	548	668	1,406		5,152	13,103		(13,103)	-	-
Total Expenses	3,595	7,496	4,473	6,697	4,882	5,786	12,977	664	46,570	219,742	234	(65)	-	219,911
(Loss) Income from Operations	**(775)**	**(538)**	**(1,202)**	**(532)**	**395**	**(550)**	**880**	**(163)**	**(2,485)**	**(4,146)**	**(234)**	**(0)**	**-**	**(4,380)**

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statement of Activities - Unrestricted - By Site
Year Ended June 30, 2015
(000's omitted)

	OPRS Communities												
	Dorothy Love	Park Vista	Lake Vista	Llanfair	Mount Pleasant	Cape May	Rockynol	Westminster Thurber	Breckenridge Village	Swan Creek	Vineyard on Catawba	Sarah Moore	Communities Total
Unrestricted Net Assets													
Operating Revenues:													
Net service revenue	$13,626	$15,449	$9,742	$13,850	$20,794	$6,377	$13,876	$21,207	$31,296	$12,158	$1,551	$4,396	$164,322
Operating Expenses:													
Salaries and wages	5,604	6,972	3,155	5,653	6,642	2,250	5,773	7,924	11,206	3,777	393	2,142	61,491
Employee benefits and payroll taxes	1,388	1,754	778	1,422	1,635	559	1,481	1,988	2,800	1,010	95	349	15,259
Depreciation and amortization	1,391	1,391	1,032	1,428	2,679	873	1,673	2,449	4,133	1,413	312	255	19,029
Therapy, medical supplies, drugs and other	1,042	1,001	2,180	875	2,125	633	1,132	2,034	802	623	-	467	12,914
Inpatient hospice room and board	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	184	682	288	345	620	140	421	457	652	225	125	143	4,282
Interest expense, net	549	514	743	539	1,390	824	693	1,156	2,950	718	129	456	10,661
Utilities	612	603	301	576	795	313	628	766	1,412	571	77	208	6,862
Food	679	705	329	666	737	258	669	836	1,255	498	31	222	6,885
Other	226	238	171	285	179	109	241	320	892	216	213	75	3,165
Bad debt	77	344	172	55	375	12	234	416	132	85	9	27	1,938
Franchise permit fees	424	486	252	386	517	132	318	565	477	142	-	129	3,828
Supplies	268	302	190	357	272	120	286	348	523	205	52	85	3,008
Real estate taxes	213	97	374	57	515	137	129	290	901	180	109	-	3,002
Training, travel, and mileage reimbursement	20	25	17	27	27	11	29	26	36	20	3	5	246
Maintenance and repair	93	218	73	125	182	103	179	247	409	182	17	35	1,863
Marketing and advertising	35	80	41	91	41	15	67	48	108	39	10	10	585
Corporate office	738	899	544	720	981	303	771	1,083	1,424	518	75	-	8,056
Total Expenses	13,543	16,311	10,640	13,607	19,712	6,792	14,724	20,953	30,112	10,422	1,650	4,608	163,074
(Loss) Income from Operations	**83**	**(862)**	**(898)**	**243**	**1,082**	**(415)**	**(848)**	**254**	**1,184**	**1,736**	**(99)**	**(212)**	**1,248**

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statement of Activities - Unrestricted - By Site
Year Ended June 30, 2015
(000's omitted)

	Senior Independence												
	Miami Valley	Mahoning Valley	Southwest	Akron Canton	Central Ohio	Cleveland	Toledo	iPartner	SI Total	Total Operating Divisions	Corporate Office	OPRS Foundation	Consolidated Total
Unrestricted Net Assets													
Operating Revenues:													
Net service revenue	$3,864	$5,528	$4,031	$4,887	$4,993	$5,093	$10,760	$529	$39,685	$204,007	($66)	-	$203,941
Operating Expenses:													
Salaries and wages	2,247	3,004	2,414	2,891	1,835	3,312	4,704	514	20,921	82,412	6,049	-	88,461
Employee benefits and payroll taxes	568	661	601	676	448	805	1,073	-	4,832	20,091	1,561	-	21,652
Depreciation and amortization	22	13	28	19	30	27	50	-	189	19,218	873	-	20,091
Therapy, medical supplies, drugs and other	590	609	555	716	921	397	2,505	-	6,293	19,207	-	-	19,207
Inpatient hospice room and board	337	177	227	407	268	61	123	-	1,600	1,600	-		1,600
Professional fees	69	31	275	31	23	19	153	-	601	4,883	3,407	-	8,290
Interest expense, net	-	-	-	-	-	-	-	-	-	10,661	74	-	10,735
Utilities	40	50	96	36	22	47	62	-	353	7,215	426	-	7,641
Food	-	7	92	33	-	18	14	-	164	7,049	-	-	7,049
Other	152	293	412	253	219	223	219	-	1,771	4,936	408	-	5,344
Bad debt	163	289	606	278	253	337	689	-	2,615	4,553	-	-	4,553
Franchise permit fees	-	-	-	-	-	-	-	-	-	3,828	-	-	3,828
Supplies	22	28	27	29	3	20	28	-	157	3,165	109	-	3,274
Real estate taxes	-	-	-	-	-	-	-	-	-	3,002	61	-	3,063
Training, travel, and mileage reimbursement	162	221	98	127	91	142	244	-	1,085	1,331	465	-	1,796
Maintenance and repair	-	4	21	-	12	7	5	-	49	1,912	42	-	1,954
Marketing and advertising	12	35	19	23	16	35	10	-	150	735	116	-	851
Corporate office	641	713	780	744	598	748	1,377		5,601	13,657	(13,657)	-	-
Total Expenses	5,025	6,135	6,251	6,263	4,739	6,198	11,256	514	46,381	209,455	(66)	-	209,389
(Loss) Income from Operations	**(1,161)**	**(607)**	**(2,220)**	**(1,376)**	**254**	**(1,105)**	**(496)**	**15**	**(6,696)**	**(5,448)**	**-**	**-**	**(5,448)**

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016, 2015 and 2014

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Ohio Presbyterian Retirement Services and Subsidiaries

Consolidated Financial Statements

For the Years Ended

June 30, 2016, 2015 and 2014

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Financial Statements
Years Ended June 30, 2016, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors
Ohio Presbyterian Retirement
Services and Subsidiaries

We have audited the accompanying consolidated financial statements of Ohio Presbyterian Retirement Services and Subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2016, 2015, and 2014 and the related consolidated 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Ohio Presbyterian Retirement
Services and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ohio Presbyterian Retirement Services and Subsidiaries as of June 30, 2016, 2015, and 2014 and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Ohio Presbyterian Retirement Services and Subsidiaries. The consolidating statements of financial position and consolidating statements of activities and changes in net assets are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements.

The consolidating statements of financial position and consolidating statements of activities and changes in net assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the consolidating statements of financial position and consolidating statements of activities and changes in net assets are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

September 21, 2016

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Financial Position

	As of June 30		
	2016	2015	2014
		(In Thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 13,749	$ 19,192	$ 12,981
Investments - board designated	30,952	31,099	30,486
Investments	44,835	49,305	52,629
Accounts receivable, net	17,146	16,420	19,884
Contributions receivable, current	2,299	2,343	2,053
Assets whose use is limited	4,183	3,951	4,292
Prepaid expenses and other	836	2,017	1,804
Total Current Assets	**114,000**	**124,327**	**124,129**
Investments, net of current portion	33,088	32,262	31,598
Contributions receivable, net of current portion	2,951	2,908	2,200
Assets whose use is limited, net of current portion	10,807	30,173	58,519
Beneficial interests in assets held by others	17,716	17,066	17,365
Property and equipment, net	341,125	315,574	283,874
Financing costs, net	2,796	3,394	3,649
Deferred development costs, net	811	978	1,144
Operating rights and other	7,589	7,495	5,923
Total Assets	**$ 530,883**	**$ 534,177**	**$ 528,401**

See accompanying notes to the consolidated financial statements.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Financial Position
(continued)

	As of June 30		
	2016	2015	2014
	(In Thousands)		
Liabilities			
Current liabilities:			
Accounts payable and other accrued expenses	$ 14,312	$ 17,947	$ 11,388
Payroll and related liabilities	6,974	9,207	11,214
Interest payable	3,823	4,092	4,463
Deposits	2,951	7,338	7,721
Deferred revenue, current	7,379	6,992	6,822
Refundable entrance fees, current	5,900	3,500	3,600
Long-term debt, current	14,125	6,755	6,165
Interest rate swap liability, current	23,649	-	13,820
Total Current Liabilities	**79,113**	**55,831**	**65,193**
Long-term debt, net of current portion	256,842	270,969	270,014
Refundable entrance fees, net of current portion	35,460	33,222	31,863
Deferred revenue, net of current portion	44,897	30,624	29,608
Gift annuity obligations, net of current portion	3,283	3,577	3,806
Interest rate swap liability, net of current portion	4,508	20,056	1,900
Total Liabilities	**424,103**	**414,279**	**402,384**
Net Assets			
Unrestricted	52,619	64,892	70,718
Temporarily restricted	3,558	5,882	6,544
Permanently restricted	50,603	49,124	48,755
Total Net Assets	**106,780**	**119,898**	**126,017**
Total Liabilities and Net Assets	**$ 530,883**	**$ 534,177**	**$ 528,401**

See accompanying notes to the consolidated financial statements.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets

	Years Ended June 30		
	2016	2015	2014
		(In Thousands)	
Unrestricted Net Assets			
Operating Revenues:			
Net service revenue	$ 214,891	$ 203,367	$ 192,815
Net assets released to support operations	640	574	422
Total Operating Revenue and Other Support	215,531	203,941	193,237
Operating Expenses:			
Salaries and wages	91,451	88,461	83,572
Employee benefits and payroll taxes	22,822	21,652	25,035
Depreciation and amortization	22,245	20,091	19,173
Therapy, medical supplies, drugs and other ancillary	20,148	19,207	17,137
Interest expense, net	11,866	10,735	9,504
Professional fees	8,927	8,290	6,865
Utilities	7,932	7,641	7,059
Food	7,273	7,049	6,612
Other	5,157	5,344	5,790
Bad debt	3,966	4,553	2,057
Franchise permit fees	3,944	3,828	3,515
Real estate taxes	3,596	3,063	2,678
Supplies	3,407	3,274	3,234
Inpatient hospice room and board	2,695	1,600	2,513
Maintenance and repair	2,016	1,954	1,837
Training, travel and mileage reimbursement	1,627	1,796	2,384
Marketing and advertising	839	851	1,003
Total operating expenses	219,911	209,389	199,968
Loss from Operations	**(4,380)**	**(5,448)**	**(6,731)**
Nonoperating Income (Losses):			
Contributions	1,737	2,284	1,842
Fundraising expenses	(2,740)	(2,646)	(2,718)
Net assets released to support fundraising expenses	411	263	864
Net assets released from endowment appropriations	1,606	1,585	1,555
Interest and dividend income - net	1,069	1,012	1,129
Realized gain on investments - net	357	2,158	4,432
Unrealized loss on investments	(1,995)	(1,159)	(1,142)
Other	(1,019)	(1,307)	(801)
Realized loss on early extinguisment of debt	(645)	(18)	(134)
Nonoperating (Loss) Income	**(1,219)**	**2,172**	**5,027**
Performance Loss before Change in Fair Value of Interest Rate Swaps	**(5,599)**	**(3,276)**	**(1,704)**
Change in fair value of interest rate swaps	(8,101)	(3,086)	(320)
Performance Loss	**(13,700)**	**(6,362)**	**(2,024)**
Other Changes in Unrestricted Net Assets:			
Net assets released for purchase of property and equipment	1,427	536	777
Decrease in Unrestricted Net Assets	**$ (12,273)**	**$ (5,826)**	**$ (1,247)**

See accompanying notes to the consolidated financial statements.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
(continued)

	Years Ended June 30		
	2016	2015	2014
	(In Thousands)		
Unrestricted Net Assets			
Decrease in Unrestricted Net Assets	**$ (12,273)**	**$ (5,826)**	**$ (1,247)**
Temporarily Restricted Net Assets			
Contributions	2,365	2,428	1,658
Investment income - non-endowment	66	13	19
Endowment:			
Interest and dividends - net	793	706	535
Realized gain on investments - net	372	4,222	1,796
Unrealized (loss) gain on investments - net	(1,517)	(4,827)	3,252
Net assets released to support:			
Operations	(640)	(574)	(422)
Fundraising expenses	(330)	(231)	(251)
Purchase of property and equipment	(1,427)	(536)	(777)
Endowment appropriations	(1,606)	(1,585)	(1,555)
Other changes	(400)	(278)	(277)
(Decrease) Increase in Temporarily Restricted Net Assets	**(2,324)**	**(662)**	**3,978**
Permanently Restricted Net Assets			
Contributions	2,131	1,293	4,406
Investment income	81	82	57
Net assets released to support fundraising expenses	(81)	(32)	(613)
Other changes	(302)	(449)	(375)
Change in value of beneficial interest in assets held by others	(350)	(525)	1,739
Increase in Permanently Restricted Net Assets	**1,479**	**369**	**5,214**
(Decrease) Increase in Net Assets	**(13,118)**	**(6,119)**	**7,945**
Net Assets at Beginning of Year	119,898	126,017	118,072
Net Assets at End of Year	**$ 106,780**	**$ 119,898**	**$ 126,017**

See accompanying notes to the consolidated financial statements.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Cash Flows

	As of June 30		
	2016	2015	2014
	(In Thousands)		
Cash Flows from Operating Activities			
(Decrease) increase in net assets	$ (13,118)	$ (6,119)	$ 7,945
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Amortization of entrance fees/deferred revenue	(5,699)	(4,955)	(5,927)
Depreciation and amortization	22,245	20,091	19,173
(Increase) decrease in beneficial interest in assets held by others	(650)	299	(1,660)
Change in fair value of interest rate swaps	8,101	3,086	320
Realized and unrealized net loss (gain) on investments and other investing activities	2,783	(394)	(8,338)
Realized loss on early extinguishment of debt	645	18	134
Restricted contributions and investment income	(5,436)	(3,816)	(6,140)
Provision for bad debt	3,966	4,553	2,057
(Increase) decrease in assets:			
Accounts receivable	(4,692)	(647)	(139)
Contributions receivable	1	(998)	543
Prepaid expenses and other	1,181	(205)	(35)
Increase (decrease) in liabilities:			
Accounts payable and other accrued expenses	1,015	(324)	1,879
Payroll and related liabilities	(2,233)	(2,194)	(89)
Interest payable	(269)	(398)	2,285
Deferred revenue	3,008	1,440	404
Net cash provided by operating activities	**10,848**	**9,437**	**12,412**
Cash Flows from Investing Activities			
Purchase of property and equipment	(52,027)	(38,216)	(26,927)
Net sales (purchases) of investments and investments - board designated	1,008	4,189	(13,670)
Purchase of operating rights	(55)	(818)	(879)
(Purchase of) proceeds from other investing activities	(39)	(146)	17
Deposits received (paid) - net - non-entrance fee related	5	(393)	519
Initial cash received from Sarah Moore	-	23	-
Net cash used in investing activities	**(51,108)**	**(35,361)**	**(40,940)**

See accompanying notes to the consolidated financial statements.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidated Statements of Cash Flows
(continued)

	As of June 30		
	2016	2015	2014
	(In Thousands)		
Cash Flows from Operating Activities			
Net cash provided by operating activities	**$ 10,848**	**$ 9,437**	**$ 12,412**
Cash Flows from Investing Activities			
Net cash used in investing activities	**(51,108)**	**(35,361)**	**(40,940)**
Cash Flows from Financing Activities			
Proceeds from long-term debt issuance	61,467	-	75,049
Payment of long-term debt	(68,224)	(6,305)	(2,631)
Payment of note payable - line of credit	-	-	(11,000)
Payment of financing costs	(346)	(84)	(1,010)
Gross proceeds from entrance fees and related deposits	23,128	9,525	13,627
Refunded entrance fees	(5,483)	(3,455)	(3,528)
Decrease (increase) in assets whose use is limited	19,134	28,867	(52,646)
Increase in gift annuity obligations	320	171	347
Payment of gift annuity obligations	(614)	(400)	(380)
Receipt of restricted contributions and investment income	5,436	3,816	6,158
Net cash provided by financing activities	**34,818**	**32,135**	**23,986**
Net (Decrease) Increase in Cash and Cash Equivalents	**(5,443)**	**6,211**	**(4,542)**
Cash and Cash Equivalents at Beginning of Year	19,192	12,981	17,523
Cash and Cash Equivalents at End of Year	**$ 13,749**	**$ 19,192**	**$ 12,981**
Supplemental Disclosure of Cash flow Information:			
Cash paid during the year for interest, net of capitalized interest	$ 12,103	$ 11,106	$ 7,219

See Note 17 related to supplemental disclosure for the business combination.

Ohio Presbyterian Retirement Services and Subsidiaries
Notes to Consolidated Financial Statements
(In Thousands)
June 30, 2016, 2015 and 2014

1. Organization

These consolidated financial statements include Ohio Presbyterian Retirement Services (OPRS or the Parent), OPRS Communities (OPRSC), Ohio Presbyterian Retirement Services Foundation (OPRSF), and Senior Independence (SI). Also included are OPRSC's wholly owned subsidiaries BV Apartments, LLC, and as of August 1, 2014, Sarah Moore Health Care Center, Inc. (Sarah Moore). Each entity is an Ohio nonprofit corporation exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code. OPRS, OPRSC, OPRSF, and SI are collectively referred to as the Corporation herein.

OPRSC operated 12 continuing care retirement communities, throughout Ohio, for the years ended June 30, 2016 and in 2015, respectively, and 11 for the year ended June 30, 2014. SI provides various services including skilled nursing home health care, non-skilled home care, hospice care, therapy care, adult day care, and transportation to people living in 48 counties in Ohio.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include all accounts of the Corporation. All significant intercompany accounts were eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits and other short-term, highly liquid investments with an original maturity of three months or less, and excludes amounts whose use is limited or other arrangements including those under trust agreements.

2. Significant Accounting Policies (continued)

Cash in Excess of Insured Limits

The Corporation maintains cash balances at several financial institutions located primarily in the vicinity of Columbus, Ohio. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 per institution. From time to time the Corporation's balances may exceed amounts insured by the FDIC.

Investments - Board Designated

Investments - board designated consist of funds whose use is limited by the Corporation's Board of Directors for future purposes as determined by the Board.

Investments and Assets Whose Use is Limited

Investments include those held in equity securities and debt securities that are reported at fair value, as further described herein, on the consolidated statements of financial position.

Assets whose use is limited include investments in equity securities and debt securities that are reported at fair value, as further described herein, in the consolidated statements of financial position for funds that are restricted by donors, debt agreements, and regulatory agreements.

Investment income generated from investments and assets whose use is limited consists of realized gains and losses on the sale of investments, unrealized gains and losses, interest, and dividend income. For purposes of classifying investment income on the statements of activities and changes in net assets, accounting standards provide that investments may be classified as trading or other-than-trading depending on an organization's investment policy. For the Corporation, investments are considered to be trading securities. Accordingly, all categories of investment income are reported as components of the performance income (loss), unless the income or loss is restricted by donor or law.

Net Service Revenue and Accounts Receivable

The Corporation records service revenue and accounts receivable in the month that services are provided to residents, patients, clients, and other parties. Net service revenue and accounts receivable are recorded and reported based on anticipated payment at the net realizable amounts using standardized private pay or usual and customary charge rates as the base offset by contractual allowances as applicable to reimbursable amounts established by Medicare, Medicaid, and other third-party payors which are originally expected to be collected. Certain payments that are received in advance of services provided are reported as deferred revenue as further described herein.

2. Significant Accounting Policies (continued)

Net Service Revenue and Accounts Receivable (continued)

Accounts receivable are further adjusted based on evaluating the status of collections. In evaluating the collectability of accounts receivable, the Corporation considers a number of factors, including the age of the accounts based on dates of service; changes in collection patterns; the composition of accounts by payor type; status of compliance with sufficiency and completeness of medical record documentation required by various governmental agencies and third party carriers, which may include prior and recurring authorizations, sufficiently completed face-to-face forms, and orders by physicians, all or certain of which may be required prior to billing claims depending on the contractual arrangement; transitional status of new programs or contracts; and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that accounts will not be collected in full. At the point that collection on a particular account receivable is deemed remote, the account is written off and removed from the accounts receivables.

Contributions Revenue and Receivables

Contributions are unconditional gifts, grants, promises to give, and bequests. Contributions may include gifts of cash, investments, property and equipment, collectible art, and other items. Contributions that are not restricted by donors are reported as unrestricted non-operating revenue when the unconditional promise or actual gift is received. Unconditional contributions and promises to give are recorded as contributions receivable in the period that the unconditional and legally enforceable promise is made. Conditional contributions are not recorded as revenue or receivables until substantially all of the significant conditions are met.

Contributions restricted by the donor for specific operating programs or that have a time use restriction stipulated by the donor are recorded to temporarily restricted net assets. In the year the stipulated operating program occurs for which the funds are used to pay for related expenditures of the operating program, or when the donor time period stipulation expires, these funds are reported as releases from temporarily restricted net assets and releases to the operating section of the unrestricted net assets in the consolidated statements of activities and changes in net assets.

Contributions restricted by the donor to fund expenditures related to the acquisition or construction of property and equipment are included in temporarily restricted net assets until the related capital expenditures are incurred. At that time, the funds are reported as releases from temporarily restricted net assets to unrestricted net assets, but are excluded from the performance income (loss) activity of the changes in unrestricted net assets. Contributions restricted by the donor as permanent endowments are recorded to permanently restricted net assets when received.

2. Significant Accounting Policies (continued)

Beneficial Interests in Assets Held by Others

Beneficial interests in assets held by others primarily consist of split-interest agreements within certain trust or gift agreements established by donors with third parties. These third parties may be a bank trust department or financial institution, as well as nonprofit family, corporate or community foundations, for which these third parties hold the gift assets. Under these agreements, the Corporation is entitled to benefits as the sole beneficiary or shares with other named beneficiaries. Since these agreements are irrevocable and the naming of the beneficiary is considered unconditional as the ceasing of existing operations by the beneficiary is the major contingency that would negate future interest in the assets, which is generally considered remote, the beneficiary then has a beneficial interest that is recorded as an asset. Accordingly, the contribution is originally recorded at the underlying gift asset's fair value as of the date that the notice is received by the Corporation. The original recorded value is subsequently adjusted to the pro-rata fair value of the underlying trust assets at each year end. Trusts that will be received at the grantor/trustee's death are reported as temporarily or permanently restricted contributions depending on the terms of the trust agreements and the use stipulations of the donor. Perpetual trusts for which the corpus is held in perpetuity are reported as permanently restricted contributions.

The Corporation is named as the beneficiary of certain trusts that either the Corporation is unable to substantiate the value of the trust or the donors have the right to change the beneficiary or revoke the agreement in its entirety. These trusts are not recorded in the consolidated financial statements and will not be recognized until the donor-imposed conditions expire, the asset value can be substantiated, and the gift is unconditional and/or irrevocable.

Property and Equipment

Property and equipment assets are recorded at cost incurred or fair value when received, if donated. Routine maintenance and repairs are recorded as an operating expense. Depreciation expense is computed and recorded using the straight-line method over the following estimated useful lives:

Land improvements	10 to 20 years
Buildings and improvements	15 to 40 years
Furniture and equipment	4 to 10 years
Technology equipment and software	5 years

2. Significant Accounting Policies (continued)

Financing Costs

Financing costs consist of capitalized costs incurred in connection with obtaining financing described as long-term debt in the financial statements. Capitalized financing costs were $5,497, $8,920, and $8,890 as of June 30, 2016, 2015 and 2014, respectively. Financing costs are amortized using the effective interest method over the length of the terms of the underlying debt. Accumulated amortization was approximately $2,701, $5,526, and $5,241 as of June 30, 2016, 2015 and 2014, respectively. Amortization expense was $286, $321, and $268 for the years ended June 30, 2016, 2015 and 2014, respectively. Additional financing activities occurred in 2016, as described further herein, which resulted in additional capitalized costs of $346, as well as write-off of previously capitalized costs of $3,769 and accumulated amortization of $3,124, resulting in a realized loss on early extinguishment of debt of $645.

Deferred Development Costs

Deferred development costs consist of certain costs associated with external fees incurred for development and marketing of new unit construction that were capitalized. Deferred development costs were $2,761 as of the years ended June 30, 2016, 2015 and 2014, respectively. The deferred development costs are amortized on the straight-line method over approximately 15 years. Accumulated amortization was $1,950, $1,783, and $1,617 as of June 30, 2016, 2015 and 2014, respectively. Amortization expense was $167, $166, and $166 for the years ended June 30, 2016, 2015 and 2014, respectively.

Operating Rights and Other

Operating rights and other primarily consist of operating rights for licensed nursing facility beds. The Corporation was operating 918, 871, and 826 licensed nursing home beds as of June 30, 2016, 2015 and 2014, respectively. Capitalized costs incurred to purchase certain of those beds were $6,501, $6,446, and $5,198 as of June 30, 2016, 2015 and 2014, respectively.

Other assets include goodwill for Sarah Moore, investments in operational services limited partnerships/joint ventures; a venture capital limited partnership formed to invest in health services, technology, and related product for seniors and senior living providers; and certain notes receivable.

Intangibles with indefinite lives, such as operating rights and certain goodwill, are not amortized to expense, but are tested for impairment annually. It was determined that no impairment exists for the operating rights, intangible assets, or goodwill.

2. Significant Accounting Policies (continued)

Entrance Fees Revenue, Refundable Liability, and Deferred Revenue Liability

All residents of facilities operated by OPRSC enter into a residency agreement. Certain residency agreements for independent living facility units require an entrance fee and generally provide for some level of refund of all or a portion of the entrance fee upon termination of the agreement in the event of death or move out. Anticipated refundable portions of the entrance fees are recorded as a refundable entrance fee liability. The refundable amount is based on the particular residency agreement as described herein. Payments of refunds reduce the refundable entrance fees liability. Anticipated non-refundable portions of the entrance fees are recorded as a deferred revenue liability and are recognized as revenue over the estimated remaining life expectancy of each resident which is adjusted annually. Any unamortized deferred revenue liability for the non-refundable portions present at the time vacancy of a unit occurs is recognized as revenue pursuant to the terms of the applicable residency agreement.

The residency agreements which were offered beginning in 1988, also referred to as the "traditional" residency agreements, provides for the entrance fee to be initially recorded entirely as a deferred revenue liability and then recognized as revenue over the life expectancy of the resident. For purposes of determining any refund, OPRSC subtracts a 10% administrative fee from the total entrance fee amount in the month that occupancy initially occurs, then reduces the remaining 90% of the entrance fee by 2% per month of residency up to 50 months, at which time no amount is refundable. If vacancy occurs prior to the 50th month, whether by voluntary or involuntary move out, including death, a pro-rata refund is available. Payment of the refund is not contingent upon re-occupancy. Traditional residency agreements represent approximately 70% to 75% of the agreements providing for an entrance fee.

Residency agreements were developed in the late 1990s that provide for the refund of 100%, 90%, or 50% of the entrance fee upon vacancy, whether voluntary or involuntary, which is payable upon re-occupancy of the unit. Refundable entrance fees that are contingent upon re-occupancy by a subsequent resident but are not limited to the proceeds of re-occupancy are accounted for as refundable entrance fee liabilities. The 100% refundable occupancy agreements represent approximately 20% of the agreements providing for an entrance fee.

2. Significant Accounting Policies (continued)

Entrance Fees Revenue, Refundable Liability, and Deferred Revenue Liability (continued)

For the purpose of reporting a current portion of refundable entrance fees liabilities as of each year end, management estimates the amount using the approximate amount of the actual entrance fees refunded or transferred as advance payments toward assisted living or long term skilled nursing care during the most recent reporting year end.

For purposes of reporting a current portion of the deferred revenue liability as of each year end, management estimates the amount based on a calculation of amortization applicable for the following year based on individuals residing in the facilities under these agreements as of the end of each year.

Gift Annuity Obligations

OPRSF entered into gift annuity agreements whereby, upon the receipt of an annuity gift, OPRSF pays the donor an annuity for the remainder of his or her life. At the time of the gift, an obligation is established for the present value of the annuity payments estimated to occur based upon the donor’s life expectancy. The difference between the gift and the obligation is recognized as contribution revenue. The current portion of the gift annuities calculated to be paid in the following year is included in accounts payable and other accrued expenses.

As of June 30, 2016, 2015 and 2014, OPRSF had unrestricted gift annuity obligations of $777, $841, and $896, respectively, temporarily restricted gift annuity obligations of $726, $501, and $497, respectively, and permanently restricted gift annuity obligations of $1,945, $2,405, and $2,591, respectively.

Interest Rate Swaps

The Corporation uses interest rate swaps as part of its overall debt management policy. Interest rate swaps are derivative financial instruments and are required to be recorded at fair value on the consolidated statements of financial position. The interest rate swaps were not intended to meet the accounting requirements to qualify as a financial hedge; accordingly, the related changes in fair value are reported on the consolidated statements of activities and changes in net assets as a component of the performance loss.

2. Significant Accounting Policies (continued)

Description of Net Asset Classes

Temporarily restricted net assets relate to contributions received whose use was limited by donors to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified and presented as releases to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets. Permanently restricted net assets relate to contributions received whose use was restricted by donors to be maintained in perpetuity, the income from which is expendable to support the Corporation or make payments to annuitants as applicable to the terms of the gift.

Operating and Nonoperating Activities

The primary purpose of the Corporation is to provide residency and continuing care for older adults. Activities related to ongoing operations are classified as net service revenue. Revenue includes those generated from direct resident and client care, related support services, amortization of entrance fees, and sundry revenue related to the operations of the Corporation. Revenues, gains, expenses, and losses that are considered not directly related to ongoing operations, or that occur infrequently, are reported as nonoperating income or loss on the consolidated statements of activities and changes in net assets. Unrestricted contributions revenue and related activity are reported as components of nonoperating income or loss.

Performance Loss

The consolidated statements of activities and changes in net assets includes a line item within the changes of unrestricted net assets described as performance loss that is intended to represent a performance income or loss result for each year presented. Changes in unrestricted net assets which are excluded from that line item, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets) and equity transfers to and from affiliates under common control.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including the date of the independent auditor’s report, which is the date the consolidated financial statements were available to be issued. See Note 18 for discussion of a significant subsequent event.

2. Significant Accounting Policies (continued)

Charity Care

A resident or client is classified as a charity resident or client by reference to certain established policies of the Corporation. Essentially, these policies define charity services as those services provided for which no payment is anticipated or full payment is not anticipated as determined at the time that the Corporation accepts the resident or client and there is no confirmed funding source, or when it becomes known that a resident or client that has been receiving service exhausted all personal funds. Accounting standards require that charity care revenue and offsetting related charity care revenue reduction not be reported or disclosed at gross amounts. Management estimates that the approximate cost of providing charity care was $3,452, $3,484, and $2,876 for the years ended June 30, 2016, 2015 and 2014, respectively. Management calculates the estimated charity care based on normalized annual operational expenses.

Functional Expenses

The Corporation provides a variety of housing and health services to residents, patients, and clients. Expenses related to providing these services were approximately $193,294, $186,104, and $179,913 for the years ended June 30, 2016, 2015 and 2014, respectively. General and administrative expenses were approximately $26,617, $23,285, and $20,055 for the years ended June 30, 2016, 2015 and 2014, respectively.

Fundraising Expenses

For the purpose of statements of activities and changes in net assets presentation, all fundraising expenses were aggregated and presented as a separate line item on the statements of activities and changes in net assets within the nonoperating activities section. Fundraising expenses include all expenses incurred by the OPRSF.

Self-Insured Programs

<u>General and Professional Liability</u>

The Corporation utilizes a program of self-insuring general and professional liability risks for individual losses up to $750 per claim or occurrence and $2,000 in aggregate. Those amounts function as high deductible retention limits as part of professional and general liability commercial insurance policies. Both the professional liability and general liability policies have $1,000 limits per claim or occurrence and $3,000 in aggregate. The Corporation also carries excess liability commercial insurance coverage of $10,000 for each occurrence and in aggregate.

2. Significant Accounting Policies (continued)

Self-Insured Programs (continued)

General and Professional Liability (continued)

The commercial insurance policies only apply to claims that have been asserted and incidents reported to the insurance carrier; any unknown incidents, and therefore, unreported incidents, would not be covered by insurance. Management intends to maintain the current claims made excess insurance policy to cover any unknown incidents that may be asserted.

General and professional liability claims for incidents which have or may be asserted against the Corporation by various claimants that may give rise to litigation are actively identified and monitored by management with the assistance of external legal counsel. Management estimated a self-insurance reserve based on known incidents and assessment of potential settlement loss based on interaction with legal counsel and trended historical settlement activity. An estimated self-insurance reserve liability of $135, $378, and $334 was recorded for the years ended June 30, 2016, 2015 and 2014, respectively.

Self-Insured Healthcare Benefits

The Corporation utilizes a self-insurance healthcare benefits program whereby the Corporation makes direct payment of claims instead of paying healthcare insurance premiums. The plan covers substantially all full-time employees for healthcare benefits. Participating employees do pay for a portion of the coverage depending on the level of the plan selected. The program includes a stop-loss commercial healthcare insurance policy that covers claims over $300 per participant per annum effective for episodes occurring after July 1, 2013. Effective July 1, 2015, the Corporation implemented a higher deductible level of $600 for one specific dependent in an effort to decrease stop-loss premium expense resulting in anticipated net savings. There is no maximum limit of coverage associated with the stop-loss policies. Claims are charged to operations as incurred. An estimated liability for self-insured claims was $1,000, $1,000, and $1,200 as of June 30, 2016, 2015 and 2014, respectively.

Self-Insured Workers' Compensation

The Corporation utilizes a self-insurance workers' compensation program covering all employees for workers' compensation claims. The program includes a stop-loss commercial insurance policy that covers claims over $500 per employee or total claims in excess of $1,000. Management recorded an estimated liability for self-insured workers' compensation of $167, $262, and $308 as of June 30, 2016, 2015 and 2014, respectively.

2. Significant Accounting Policies (continued)

Conditional Asset Retirement Obligations

In accordance with accounting standards, management considered the need to recognize a liability for any asset retirement obligation, specifically as it relates to the Corporation's legal obligation to perform asset retirement activities, such as asbestos removal, on the Corporation's existing properties. Management is not aware of any such legal obligation to perform asset retirement activities and thus did not record a liability related to asset retirement activities as of the years ended June 30, 2016, 2015 or 2014.

Accounting Standards Update

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. Management is in the process of assessing the effect of this accounting standards update on the consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost.* The ASU provides amendments that require that: (1) debt issuance costs related to a recognized debt liability be presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability, (2) the amortization of such costs be reflected as a component of interest expense, and (3) application of the changes on a retrospective basis for all reporting periods presented. The Corporation will be required to adopt and implement this accounting update as of and for the year ending June 30, 2017. Management is in the process of assessing the effect of this accounting standards update on the consolidated financial statements.

2. Significant Accounting Policies (continued)

Accounting Standards Update (continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842).* The ASU establishes amended guidance and definitions for both lessors and lessees pertaining to financing and operating leases, with the most significant change being that operating leases will be required to be reported as a liability on the statements of financial position. The ASU requires a modified retrospective implementation approach. The Corporation will be required to adopt and implement this accounting update as of and for the year ending June 30, 2020. Management is in the process of assessing the effect of this accounting standards update on the consolidated financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* The ASU requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The Corporation will be required to adopt the ASU for the year ending June 30, 2019 and the ASU must be applied on a retrospective basis. Management is currently evaluating the effect this standard will have on the financial statements.

3. Investments

Information relating to the composition of investments and related fair values is disclosed in the fair value measurements disclosure herein. Investments support net asset amounts as follows for the years ended June 30:

	2016	2015	2014
Unrestricted	$ 44,200	$ 46,712	$ 48,553
Temporarily restricted	635	2,593	4,076
Permanently restricted	33,088	32,262	31,598
	77,923	81,567	84,227
Less: current portion	(44,835)	(49,305)	(52,629)
Investments, net of current portion	$ 33,088	$ 32,262	$ 31,598

Non-current investments consist of all permanently restricted endowment investments. All other investments are available for use or anticipated to be used in the next operating cycle.

4. Accounts Receivable

Accounts receivable consisted of the following as of June 30:

	2016	2015	2014
OPRS Communities:			
Private and other third party	$ 7,038	$ 5,920	$ 6,812
Medicare and Medicaid	3,236	3,364	3,757
Entrance fees	502	315	447
	10,776	9,599	11,016
Senior Independence:			
Private and other third party	3,988	4,156	2,766
Medicare and Medicaid	4,334	4,813	7,272
	8,322	8,969	10,038
Other	438	228	330
Accounts receivable, gross	19,536	18,796	21,384
Less allowance for doubtful accounts	(2,390)	(2,376)	(1,500)
Accounts receivable, net	$ 17,146	$ 16,420	$ 19,884

The Corporation grants credit to its residents, patients, and clients, but generally does not require collateral or other security in extending the credit. The Corporation routinely obtains assignment of, or is otherwise entitled to receive, residents' benefits payable under health insurance plans, programs, or policies (e.g., Medicare or Medicaid).

Funding sources relating to gross receivables are as follows as of June 30:

	2016	2015	2014
Medicare	33%	31%	42%
Medicaid	6%	12%	10%
Resident and client	23%	19%	22%
Third-party payors	38%	38%	26%
Total	100%	100%	100%

5. Contributions Receivable

Contributions receivable consist of various promises to give including pledges, bequests, or grants relating to various campaigns, purchases of property and equipment, and other operational activities. Contributions receivable also include estate notes signed by residents in connection with various fundraising efforts. The estate notes are irrevocable promises to give and are to be paid upon the donor's death.

Management evaluates the collectability of pledges, bequests, and estate notes receivable and records an estimated allowance for doubtful accounts. The Corporation recorded all unconditional promises to give at net present value at the time of the gift, discounted at rates ranging from 1.38% to 2.50%. Anticipated collection of contributions receivable is as follows as of June 30:

	2016	2015	2014
Contributions receivable:			
Due in one year	$2,399	$2,282	$2,193
Due in two to five years	1,645	1,692	1,414
Due in more than five years	2,012	2,094	1,238
	6,056	6,068	4,845
Less:			
Discount for present value	(706)	(682)	(452)
Allowance for doubtful accounts	(100)	(135)	(140)
Total - net	5,250	5,251	4,253
Less contributions receivable, current	(2,299)	(2,343)	(2,053)
Contributions receivable, non-current, net	$ 2,951	$ 2,908	$ 2,200

6. Assets Whose Use is Limited

Assets whose use is limited consisted of the following as of June 30:

	2016	2015	2014
Bond indenture agreements:			
Cash and equivalents	$ 3,002	$ 11,028	$ 16,603
Investment securities	10,553	21,724	44,648
Accrued interest income	43	143	328
	13,598	32,895	61,579
Federal agency loan agreements:			
Cash and equivalents	1,204	1,122	1,130
Personal use account agreements:			
Cash and equivalents	188	107	102
Total assets whose use is limited	14,990	34,124	62,811
Less amounts reported as current as required to meet obligations classified as current liabilities	(4,183)	(3,951)	(4,292)
Total non-current assets whose use is limited	$ 10,807	$ 30,173	$ 58,519

Interest expense of $11,839, $10,799, and $9,666 in 2016, 2015 and 2014, respectively, is offset by investment earnings on bond funds whose use is limited under bond indenture agreements as described herein. Investment (loss) earnings on such bond funds were ($27), $64, and $162 in 2016, 2015 and 2014, respectively.

7. Property and Equipment

Property and equipment and accumulated depreciation consisted of the following as of June 30:

	2016	2015	2014
Land and improvements	$ 28,871	$ 26,369	$ 25,671
Buildings and improvements	497,551	417,216	401,089
Furniture and equipment	65,645	60,491	57,009
Technology equipment and software	12,267	11,486	10,186
Construction in progress	4,253	45,708	16,104
	608,587	561,270	510,059
Less accumulated depreciation	(267,462)	(245,696)	(226,185)
Property and equipment, net	$ 341,125	$ 315,574	$ 283,874

7. Property and Equipment (continued)

Capitalized interest expense related to new construction projects for the year ended June 30, 2016 was $2,016, net of interest earnings of $213. Capitalized interest expense related to new construction projects for the year ended June 30, 2015 was $3,040, net of interest earnings of $470. Capitalized interest expense related to new construction projects for the year ended June 30, 2014 was $1,185, net of interest earnings of $581. Depreciation expense was $21,830 for 2016, which includes $33 recorded in fundraising expense on the statements of activities, and $19,637 for 2015, which includes $33 recorded in fundraising expense on the statements of activities, and $18,738 for 2014, which includes $34 recorded in fundraising expense on the statements of activities.

8. Deferred Revenue

Deferred revenue consisted of the following as of June 30:

	2016	2015	2014
Current:			
Non-refundable entrance fees	$ 6,200	$ 5,400	$ 5,900
Customization fees	1,179	1,172	854
Unearned revenue	-	398	-
Other	-	22	68
	7,379	6,992	6,822
Non-current:			
Non-refundable entrance fees	44,897	30,624	29,608
Total Deferred Revenue	$ 52,276	$ 37,616	$ 36,430

The Corporation made payments of refundable entrance fees of $5,483, $3,455, and $3,528 in 2016, 2015 and 2014, respectively. Total contractual entrance fee refund obligations, assuming all contracts were terminated, at June 30, 2016, 2015 and 2014 were $63,479, $46,830, and $45,249, respectively.

9. Note Payable - Line of Credit

In June 2013, the Corporation consummated a note payable with two financial institutions providing a non-revolving line of credit that matured in June 2014. The maximum amount available was $28,000 for which $11,000 was drawn as of June 30, 2013. Interest was payable monthly based on LIBOR plus 2.5%. The line of credit was collateralized by substantially all of the Corporation's unrestricted assets. As a part of the financing that resulted in proceeds from the bond issuance that occurred in November 2013, as further described herein, the outstanding balance of $11,000 was paid in full upon closing of the financing and the note payable was cancelled.

10. Long-term Debt

Long-term debt consisted of the following as of June 30:

	2016	2015	2014
Mortgage note payable, bearing interest at 2.58%, due in monthly installments of $23 including interest, maturing February 1, 2033 - BV Apartments LLC	$ 3,682	$ 3,857	$ 4,027
Fixed Rate Tax Exempt Revenue Bonds:			
2002A	13,530	13,530	13,530
2005A	10,945	10,945	10,945
2010A	24,915	25,000	25,000
2011A	28,470	30,133	31,721
2012A	14,265	16,800	19,205
2012B	6,070	6,930	7,745
2013A	50,550	50,550	50,550
2013B	25,000	25,000	25,000
2016A	30,000	-	-
2016B	30,000	-	-
	233,745	178,888	183,696
Variable Rate Taxable Demand Note:			
2000	-	-	3,130

10. Long-term Debt (continued)

	2016	2015	2014
Variable Rate Taxable Bank Notes:			
2014	$ 1,455	$ 3,045	$ -
2016	1,500	-	-
	2,955	3,045	-
Variable Rate Tax Exempt Demand Bonds:			
2002B	10,540	11,115	11,945
2005B	13,520	14,055	14,280
2006A	-	60,000	60,000
2007 - Sarah Moore	7,355	7,610	-
	31,415	92,780	86,225
Other long-term indebtedness	49	102	156
Long-term debt - gross	271,846	278,672	277,234
Less unamortized original issue discount	(879)	(948)	(1,055)
Total debt	270,967	277,724	276,179
Less current portion	(14,125)	(6,755)	(6,165)
	$ 256,842	$ 270,969	$ 270,014

In April 2000, the Corporation issued $11,245 of Variable Rate Taxable Demand Notes, Series 2000 (2000 Notes) of which $3,130 remained outstanding at June 30, 2014. The maturity date of the 2000 Notes was extended to July 1, 2033. The 2000 Notes were subject to redemption prior to maturity and were subject to purchase on the demand of the note holders prior to maturity. The 2000 Notes incurred interest at a variable interest rate (.15% at June 30, 2014) that was adjusted weekly and was payable on the first business day of each month. The 2000 Notes were further securitized by a letter of credit provided by a bank in amounts matching the outstanding principal and had an expiration date of November 1, 2014. Prior to November 1, 2014, the 2000 Notes were replaced with a bank note, as further described below, and the letter of credit was terminated.

10. Long-term Debt (continued)

In November 2002, the Corporation issued $46,390 of Health Care Facilities Revenue Bonds, Series 2002, consisting of one issuance of $26,600 Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002A (2002A Bonds) and a second issuance of $19,790 Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002B (2002B Bonds). The 2002A Bonds were structured to include $4,205 of serial bonds with annual maturities ranging from $390 to $745 from 2005 to 2012, and incur interest at fixed rates ranging from 2.5% to 4.2%; $9,790 of 5.125% term bonds due July 1, 2022; and $12,605 of 5.25% term bonds due July 1, 2033. The 2002B Bonds were structured as term bonds scheduled to mature on July 1, 2033, are subject to redemption prior to maturity, and are subject to purchase on the demand of the note holders prior to maturity. The 2002B Bonds incur interest at a variable interest rate (.43%, .08%, and .06% at June 30, 2016, 2015 and 2014, respectively) that is adjusted weekly and is payable on the first business day of each month. The Corporation is required to make monthly payments to the trustee bank in amounts sufficient to pay interest and as it becomes due while making principal payments on an annual basis. The 2002B Bonds were further securitized by a letter of credit provided by a bank in amounts matching the outstanding principal and had an expiration date of November 1, 2014. On August 29, 2014, the letter of credit was extended to an expiration date of November 1, 2017, at a fee of 1.35%, subject to increase should rating fall below BBB-.

In March 2005, the Corporation issued $25,330 of Health Care Facilities Revenue Bonds, Series 2005, consisting of one issuance of $10,945 Health Care Facilities Improvement Revenue Bonds, Series 2005A (2005A Bonds) and a second issuance of $14,385 Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2005B (2005B Bonds). The 2005A Bonds were structured to include $3,440 of 5.0% term bonds due July 1, 2026 and $7,505 of 5.125% term bonds due July 1, 2035. The 2005B Bonds were structured as term bonds scheduled to mature on July 1, 2035, are subject to redemption prior to maturity, and are subject to purchase on the demand of the note holders prior to maturity. The 2005B Bonds incur interest at a variable interest rate (.46%, .08%, and .06% at June 30, 2016, 2015, and 2014, respectively) that is adjusted weekly and is payable on the first business day of each month. The Corporation is required to make monthly payments to the trustee bank in amounts sufficient to pay interest as it becomes due while making principal payments on an annual basis. The 2005B Bonds were further securitized by a letter of credit provided by a bank in amounts matching the outstanding principal and had an expiration date of November 1, 2014. On August 29, 2014, the letter of credit was extended to an expiration date of November 1, 2017, at a fee of 1.35%, subject to increase should rating fall below BBB-. As part of a refinancing, on June 15, 2016, the letter of credit was replaced by a new letter of credit provided by another bank at a fee of 1.60% with an expiration date of June 15, 2019.

10. Long-term Debt (continued)

In May 2006, the Corporation issued $89,105 of Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2006 (2006 Bonds) consisting of three bond issues, of which all were redeemed. The 2006A Bonds were refunded in June 2016, as described herein. The 2006A Bonds were structured as term bonds scheduled to mature on July 1, 2036, were subject to redemption prior to maturity, and were subject to purchase on the demand of the note holders prior to maturity. The 2006A Bonds incurred interest at a variable interest rate (.07% and .05% at June 30, 2015 and 2014, respectively) that was adjusted weekly and is payable on the first business day of each month. The Corporation was required to make monthly payments to the trustee bank in amounts sufficient to pay interest as it becomes due while making principal payments on an annual basis.

The owners of the 2006A Bonds had the option to demand payment of their bonds upon seven days' notice. In addition, the 2006A Bonds were subject to mandatory tender on a date that is five business days prior to the scheduled expiration date of the letter of credit securing such bonds. At this point, they would become bank bonds under the letter of credit and were due as described below with respective repayments of the principal amount of remarketed bonds. The Corporation entered into a remarketing agreement which required the remarketing agent to utilize its best efforts to remarket any such bonds that may be optionally or mandatorily tendered for payment.

In October 2007, the standby bond purchase agreement, entered into in connection with the 2006A Bonds issuance, that provided liquidity in the event of a failed remarketing of the 2006A Bonds was suspended and replaced with a letter of credit, provided by a four bank syndicate, that provided both credit and liquidity support for the 2006A Bonds. In the event the 2006A Bonds could be remarketed, the letter of credit provided for the letter of credit banks to make payment of the purchase price of the tendered 2006A Bonds. The Corporation was obligated to make payment to the letter of credit banks for the principal amount of the un-remarketed bonds in 20 equal quarterly installments beginning on the first January 1, April 1, July 1, or October 1 that is at least 367 days following the failed remarketing. Prior to July 15, 2016, the 2006A Bonds were refunded and refinanced with two direct bank placements, as further described below, and the letter of credit was terminated.

10. Long-term Debt (continued)

In October 2007, the former legal owner of Sarah Moore entered into a loan agreement with Delaware County for $8,905 of Adjustable Rate Demand Health Care Facilities Revenue Bonds, Series 2007 (2007 Bonds). The 2007 Bonds mature November 1, 2033 and incur interest at a variable interest rate (.50% and .16% at June 30, 2016 and 2015, respectively) that is adjusted weekly and is payable on the first business day of each month. Monthly principal payments to the trustee bank range from $20 to $21 and are required such that there are sufficient funds to make the annual principal payment on October 1 of each year. The 2007 Bonds were further securitized by a letter of credit provided by a bank in amounts matching the outstanding principal and have a current expiration date of January 15, 2017. Financial covenants are present, including a minimum operating cash account balance, minimum investment account balance, and a fixed charge ratio that was amended and not applicable until the 8-month period ending March 31, 2015, and then tested quarterly on a 12-month rolling basis. Sarah Moore is not a member of the Corporation's Obligated Group, as further described below. In June 2016, the Corporation signed a term sheet with a bank providing for the future refunding of the 2007 Bonds and simultaneous termination of the letter of credit. The 2007 Bond will be refinanced with a direct bank bond placement, with a term of 10 years and a monthly interest rate calculated as the aggregate of the 1-month LIBOR plus 1.79%, multiplied by 67%. The 1-month LIBOR was at .45% as of June 30, 2016. OPRS Communities will guarantee the Sarah Moore debt payment obligations as evidenced and secured by a master note issued by OPRS Communities to the bank under the Master Trust Indenture. The refinancing of the Sarah Moore 2007 bonds is expected to occur in November 2016. Accounting standards require the that full outstanding principal amount of the 2007 Bonds be reflected as a current liability until the refinancing is closed because commitment letters provided by banks do not have completely non-cancellable terms. Management believes that the probability is relatively high that the refinancing will close in November 2016, and that only $265,000 of the $7,355,000 outstanding principal will be required to be paid in fiscal year 2017.

The owners of the 2002B, 2005B, and the 2007 Bonds have the option to demand payment of their remaining outstanding bonds. The Corporation entered into remarketing agreements which require the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event those bonds cannot be remarketed, the letters of credit, referred to previously, provide that the letter of credit bank will make payment for the bonds tendered. The Corporation is obligated to make payment to the letter of credit banks for un-remarketed bonds by the expiration date of the letters of credit. A concentration of credit risk exists to the Corporation as the same bank is the issuer on these letters of credit.

In June 2010, the Corporation issued $25,000 of Health Care Facilities Improvement Revenue Bonds, Series 2010A (2010A Bonds). The 2010A Bonds were structured as $1,185 of serial bonds, with annual maturities ranging from $65 in 2016 to $330 in 2020 and incur interest at rates ranging from 4.00% to 5.00%, and $23,815 of 5.625% term bonds maturing July 1, 2026.

10. Long-term Debt (continued)

In June 2011, the Corporation issued $36,000 of Health Care Facilities Improvement Revenue Bonds, Series 2011A (2011A Bonds). A portion of the proceeds were used to refinance the 2006B and 2006C Bonds. The 2011A Bonds were directly purchased by three banks each with varying participation shares.

The 2011A Bonds provide for a 20-year amortization of the principal but have an initial term of seven years expiring June 30, 2018, with the option by the banks to renew for additional terms. The 2011A Bonds incur interest at 3.95% and require principal and interest payments on a quarterly basis in scheduled principal increments.

In August 2012, the Corporation issued $30,000 of Health Care Facilities Revenue Bonds, Series 2012, consisting of one issuance of $21,485 (2012A Bonds) and a second issuance of $8,515 (2012B Bonds). Proceeds of these issuances were used to refinance the 1997 Bonds and a portion of 2002A Bonds. Both issuances were directly purchased by one bank. The 2012A Bonds incur interest at a fixed rate of 2.63% and require principal and interest payments on an annual and semiannual basis, respectively, through maturity on July 1, 2020. The 2012B Bonds incur interest at a fixed rate of 2.75% and require principal and interest payments on an annual and semiannual basis, respectively, through maturity on July 1, 2021.

In November 2013, the Corporation issued $75,550 of Health Care Facilities Improvement Revenue Bonds, Series 2013, consisting of one issuance of $50,550 (2013A Bonds) and a second issuance of $25,000 (2013B Bonds). The 2013A Bonds were structured as four term bonds of $1,500, $2,000, $10,880, and $36,170 scheduled to mature on July 1, 2028, 2032, 2035, and 2040, respectively, and incur interest at rates of 5.25%, 5.625%, 6.00%, and 6.125%, respectively. Each of the term bonds are subject mandatory principal sinking fund redemption payments beginning in 2026 in advance of the schedule maturity dates. The Corporation is required to make monthly payments to the trustee bank in amounts sufficient to pay interest as it becomes due each January 1 and July 1, beginning July 1, 2014. The Corporation is required to make monthly payments to the trustee bank in amounts sufficient to pay principal as it becomes due each July 1 beginning July 1, 2026.

The 2013B Bonds were directly purchased by one bank. The 2013B Bonds provide for a 25-year amortization of the principal but have an initial term of eight years expiring November 1, 2021, with the option by the bank to renew for additional terms. The 2013B Bonds incur interest at 4.10% and require interest payments on a monthly basis with scheduled principal payments beginning in 2026.

10. Long-term Debt (continued)

In September 2014, the Corporation refinanced the 2000 Notes converting to a bank note loan directly with a bank. The 2014 Bank Note (2014 Bank Note) provides for a 19-year amortization of principal with an original term of 5 years ending October 31, 2019 and an option for the bank to renew for additional terms. Interest is incurred at a variable rate based on the 1-month LIBOR (.45% and .19% as of June 30, 2016 and 2015, respectively) plus 1.35%, with an increase of .25% for any ratings downgrade, and requires payments of principal and interest on a semi-annual and monthly basis, respectively, matching the original schedule stipulated with the 2000 Notes.

As a part of refinancing efforts, in June 2016, the Corporation refinanced $1,500 of the remaining $3,000 of the 2014 Bank Note with a bank note loan from another bank. The 2016 Term Loan provides for a 16-year amortization of principal with an original term of 3 years ending June 15, 2019 and an option for the bank to renew for additional terms. Interest is incurred at a variable rate based on the 1-month LIBOR (.45% as of June 30, 2016) plus 1.60% and requires payments of principal and interest on a quarterly and monthly basis, respectively.

In June 2016, the $60,000 2006A Bonds were refunded and refinanced with two $30,000 direct bank bond placements. The Health Care Facilities Revenue Bonds, Series 2016A direct bank bond placement (2016A Bonds) provides for an initial 7 year term ending June 15, 2023, which may be extended at the discretion of the bank, and for the amortization and principal remaining the same as the 2006A Bonds that were scheduled to mature on July 1, 2036. Interest is incurred at a variable rate based on the 1-month LIBOR (.45% as of June 30, 2016) plus 1.27%. Payments of principal and interest are required on an annual and monthly basis, respectively. The Health Care Facilities Revenue Bonds, Series 2016B direct bank bond placement (2016B Bonds) provides for an initial term of 4 years ending June 15, 2020, which may be extended at the discretion of the bank, and for the amortization and principal remaining the same as the 2006A Bonds that were scheduled to mature on July 1, 2036. Interest is incurred at a variable rate based on the 1-month LIBOR (.45% as of June 30, 2016) plus 1.02%. Payments of principal and interest are required on an annual and monthly basis, respectively.

10. Long-term Debt (continued)

A Master Trust Indenture was established in 1991 and created the Obligated Group whose members consist of all entities of the Corporation except for BV Apartments LLC and Sarah Moore. Each member of the Obligated Group is jointly and severally liable for all debt-related obligations issued on the master trust indenture. The Corporation granted a security interest in all gross receipts, all trustee-held bond funds, and a mortgage lien on substantially all of its property and equipment. Various debt covenants exist, including restrictions on additional borrowings and restrictions on transfers of assets to other related entities not included in the Obligated Group. A rate covenant exists requiring a debt service coverage ratio, as defined, to be maintained of at least 1.20. A liquidity covenant exists requiring days cash on hand, as defined, to be maintained at an amount equal to or greater than 110 days.

Substantially all property and equipment and gross revenue (as defined), as well as various trustee-held bond funds, are pledged as security as part of mortgage notes payable corresponding with each bond issuance. The 2014 Bank Note and 2016 Bank Note are also cross-collateralized through the Master Trust Indenture as amended. The 2002B, 2005B, and 2007 Bonds are further secured by letters of credit as previously described. The mortgage note payable for BV Apartments, LLC is collateralized by the rental property, as well as required HUD reserves, and payment of the mortgage note payable is guaranteed by HUD.

Scheduled payments of long-term debt for the five years subsequent to June 30, 2016, assuming certain direct bank debt is extended for the original amortization schedule, are as follows:

2017	$ 14,125
2018	7,184
2019	7,532
2020	7,948
2021	7,522
Thereafter	226,656
	$ 270,967

11. Interest Rate Swaps

The Corporation entered into various interest rate swap agreements with certain financial institutions which reduce exposure to volatility of interest rates on outstanding debt. The Corporation pays a fixed rate of interest, as noted in the table below, while the financial institution pays the Corporation based on a floating rate as a percentage of LIBOR. The floating rate resets every seven days. A summary of the interest rate swaps is as follows:

	2005B Bonds	2006A Bonds	2007 Bonds	Total
Notional amount at inception	$ 14,385	$ 60,000	$ 8,905	
Notional amount June 30, 2014	$ 14,385	$ 60,000	$ 7,610	
Effective date	March 31, 2005	May 31, 2006	Nov 12, 2008	
Termination date	July 1, 2035	July 1, 2036	Sept 1, 2033	
Pay fixed rate	3.385%	4.05%	4.03%	
Receive variable rate	67% LIBOR	67% LIBOR	67% SIFMA	
Fair value at July 1, 2013	$ (1,915)	$ (13,485)	$ -	$ (15,400)
Unrealized gain (loss)	15	(335)	-	(320)
Fair value at July 1, 2014	(1,900)	(13,820)	-	(15,720)
Unrealized loss	(57)	(2,938)	(91)	(3,086)
Acquired swap agreement (Note 17)	-	-	(1,250)	(1,250)
Fair value at June 30, 2015	(1,957)	(16,758)	(1,341)	(20,056)
Unrealized loss	(718)	(6,891)	(492)	(8,101)
Fair value at June 30, 2016	$ (2,675)	$ (23,649)	$ (1,833)	$(28,157)

Net interest paid or received under the swap agreement is included in interest expense. The Corporation incurred interest expense of $3,015, $3,021, and $2,723 in 2016, 2015 and 2014, respectively, in connection with payments on the interest rate swaps, which is included in interest expense.

During fiscal year 2009, the Corporation was notified that the counterparty on the interest rate swap agreement relating to the 2006A Bonds, with a notional amount of $60,000, filed for bankruptcy. During fiscal year 2010, the Corporation negotiated novation of this agreement to an alternate counterparty eliminating the risk of the bankrupt counterparty not being able to perform. The Corporation made no payments to facilitate this novation.

11. Interest Rate Swaps (continued)

The alternate counterparty was granted the right, at its discretion, to put the swap to the Corporation at five-year intervals beginning on April 20, 2015 and therefore, the liability related to the fair value of the swap agreement was classified as current on the consolidated statements of financial position as of June 30, 2014. The Corporation had the right to eliminate the put by posting collateral to the extent the swap has a negative value to the Corporation at April 20, 2015. The Corporation also had the options to end the swap agreement and fund the negative value to the existing counterparty or, in advance of April 20, 2015, secure another counterparty or renew and extend with the existing counterparty for another period. Pursuant to notice requirements included in the agreement, and to preserve its rights under the agreement, on October 3, 2014 the counterparty provided notice to exercise its option to put the swap on April 20, 2015.

In March 2015, the Corporation extended the agreement with the existing counterparty for a 2 year period expiring April 20, 2017 at which time the existing counterparty may exercise the put option. The fixed interest rate increased from 3.871% to 4.05%. The alternate counterparty was also given an obligation under the Master Indenture. The counterparty continues to have the put option on the swap expiring April, 20, 2017. Accordingly, the liability related to the fair value of the swap agreement was classified as current on the consolidated statements of financial position as of June 30, 2016. Management expects that the counterparty will provide notice to exercise its option to again put the current swap, at which time management will assess and pursue the options described above.

The 2006A swap agreement includes additional termination events as defined by the agreement which include but are not limited to the long-term unsecured unsubordinated debt rating ("Rating") of the Corporation by S&P being reduced below BBB-, withdrawn, or suspended. Any additional termination event would cause a termination of the agreement and a corresponding settlement payment based on a calculation as defined in the swap agreement.

12. Fair Value Measurements

A summary of the methods and significant assumptions used to estimate the fair values of each major class of financial instruments is as follows:

Short-term Financial Instruments - The fair values of short-term financial instruments, including cash and cash equivalents, trade accounts receivable and payable, and accrued liabilities, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments.

12. Fair Value Measurements (continued)

Investments - Recorded at fair value in the accompanying consolidated financial statements. Fair value is determined based on methods and significant assumptions as further described herein.

Entrance Fees - The fair value cannot be determined due to the uncertainty of the date of ultimate repayment.

Long-term Obligations - The fair value of fixed rate bonds payable is based on the current interest rates for bonds of similar nature and maturities. The fair value of variable rate bonds approximates the carrying amounts in the accompanying consolidated financial statements.

Interest Rate Swaps - The fair value is based on using comparable market data and discounting for the credit rating of the Corporation as valued by an independent source.

Below is the fair value hierarchy that categorizes into three levels the inputs to valuation techniques that are used to measure fair value:

- Level 1 includes observable inputs which reflect quoted prices for identical assets or liabilities in active markets at the measurement date.

- Level 2 includes observable inputs for assets or liabilities other than quoted prices included in Level 1 and include valuation techniques which use prices for similar assets and liabilities.

- Level 3 includes unobservable inputs which reflect the reporting entity's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of transparency. The types of instruments based on quoted market prices in active markets include most U.S. government and agency securities, active listed equities, corporate obligations, and most money market securities. Such instruments are generally classified within Level 1 of the fair value hierarchy.

12. Fair Value Measurements (continued)

The types of instruments valued based upon quoted prices that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of pricing transparency include most municipal and provincial obligations, investment-grade, high yield corporate bonds, U.S. government and agency and mortgage securities, and interest rate swaps. Such instruments are generally classified as Level 2 securities. Certain types of instruments are classified with Level 3 of the fair value hierarchy because they trade infrequently and therefore, have little or no price transparency. The Corporation relies on third-party reporting by financial institutions to determine the valuation of the amounts in Level 3.

The following tables set forth the Corporation's assets and liabilities measured at fair value on a recurring basis, aggregated by the measurement level. The assets presented consist of board-designated investments, investments, and assets whose use is limited.

	Fair Value at June 30, 2016	Level 1	Level 2	Level 3
Assets				
Board Designated				
Mutual funds-fixed income (c)	$ 14,857	$ 14,857	$ -	$ -
Mutual funds-equities (d)	16,095	16,095	-	-
Total board designated	30,952	30,952	-	-
Investments				
U.S. Treasury bonds	7,701	7,701	-	-
Corporate obligations and other (a)	4,493	-	4,493	-
Marketable equity securities (b)	280	152	128	-
Mutual funds-fixed income (c)	19,670	-	19,670	-
Mutual funds-equities (d)	36,644	17,713	18,931	-
Acadian global low volatility alternative (e)	9,135	-	-	-
	77,923	25,566	43,222	-
Assets Whose Use is Limited - Bond indenture agreements				
U.S. Treasury bonds	1,481	1,481	-	-
Mutual funds-fixed income (c)	3,120	3,120	-	-
Corporate obligations and other (a)	5,952	5,952	-	-
	10,553	10,553	-	-
Beneficial interest in assets held by others	17,716	-	-	17,716
Total	$ 137,144	$ 67,071	$ 43,222	$ 17,716
Liabilities				
Interest rate swap liabilities	$ 28,157	$ -	$ 28,157	$ -

12. Fair Value Measurements (continued)

	Fair Value at June 30, 2015	Level 1	Level 2	Level 3
Assets				
Board Designated				
Mutual funds-fixed income	$ 12,308	$ 12,308	$ -	$ -
Mutual funds-equities	18,791	18,791	-	-
Total board designated	31,099	31,099	-	-
Investments				
U.S. Treasury bonds	7,012	7,012	-	-
Corporate obligations and other (a)	4,907	-	4,907	-
Marketable equity securities (b)	291	165	126	-
Mutual funds-fixed income (c)	20,835	-	20,835	-
Mutual funds-equities (d)	37,857	-	37,857	-
Acadian global low volatility alternative (e)	10,665	-	-	-
	81,567	7,177	64,441	-
Assets Whose Use is Limited - Bond indenture agreements				
U.S. Treasury bonds	1,738	1,738	-	-
Mutual funds-fixed income (c)	2,707	2,707	-	-
Corporate obligations and other (a)	17,279	17,279	-	-
	21,724	21,724	-	-
Beneficial interest in assets held by others	17,066	-	-	17,066
Total	$ 151,456	$ 60,000	$ 64,441	$ 17,066
Liabilities				
Interest rate swap liabilities	$ 20,056	$ -	$ 20,056	$ -

12. Fair Value Measurements (continued)

	Fair Value at June 30, 2014	Level 1	Level 2	Level 3
Assets				
Board Designated				
Mutual funds-fixed income	$ 7,353	$ 7,353	$ -	$ -
Mutual funds-equities	23,133	23,133	-	-
Total board designated	30,486	30,486	-	-
Investments				
U.S. Treasury bonds	8,302	8,302	-	-
Corporate obligations and other (a)	4,456	-	4,456	-
Marketable equity securities (b)	371	159	212	-
Mutual funds-fixed income (c)	20,675	-	20,675	-
Mutual funds-equities (d)	50,423	-	50,423	-
	84,227	8,461	75,766	-
Assets Whose Use is Limited - Bond indenture agreements				
U.S. Treasury bonds	1,270	1,270	-	-
Mutual funds-fixed income (c)	2,955	2,955	-	-
Corporate obligations and other (a)	40,423	40,423	-	-
	44,648	44,648	-	-
Beneficial interest in assets held by others	17,365	-	-	17,365
Total	$ 176,726	$ 83,595	$ 75,766	$ 17,365
Liabilities				
Interest rate swap liabilities	$ 15,720	$ -	$ 15,720	$ -

12. Fair Value Measurements (continued)

(a) Corporate obligations and other investments primarily consist of bond funds. The allocation of holdings at June 30, 2016 includes Level 1 investments held 100% in credit institution bonds and Level 2 investments held 93% in credit institution bonds and 7% in asset-backed bonds. The allocation of holdings at June 30, 2015 includes Level 1 investments held 100% in credit institution bonds and Level 2 investments held 93% in credit institution bonds and 7% in asset-backed bonds. The allocation of holdings at June 30, 2014 includes Level 1 investments held 100% in credit institution bonds and Level 2 investments held 98% in credit institution bonds and 2% in U.S. savings bonds.

(b) Marketable equity securities are invested primarily in equity securities, which include common stocks, options, and futures. The allocation of holdings at June 30, 2016 includes Level 1 investments held 100% in large cap funds and Level 2 investments held 100% in small cap funds. The allocation of holdings at June 30, 2015 includes Level 1 investments held 100% in large cap funds and Level 2 investments held 100% in small cap funds. The allocation of holdings at June 30, 2014 includes Level 1 investments held 100% in large cap funds and Level 2 investments held 100% in small cap funds.

(c) Mutual funds-fixed income are primarily invested in fixed-income securities, including, but not limited to, bonds, notes, or other investments, such as government securities, commercial paper, certificates of deposit, master notes, or variable amount notes. The allocation of holdings at June 30, 2016 includes Level 1 investments held 100% in balanced funds and Level 2 investments held 100% in balanced funds. The allocation of holdings at June 30, 2015 includes Level 1 investments held 100% in balanced funds and Level 2 investments held 100% in balanced funds. The allocation of holdings at June 30, 2014 includes Level 1 investments held 33% in treasury notes and 67% in balanced funds and Level 2 investments held 33% in treasury notes and 67% in balanced funds.

(d) Mutual funds-equities are invested primarily in equity securities. The investments may include common stock, non-U.S. municipal securities, options, and futures. The allocation of holdings at June 30, 2016 includes Level 1 investments held 32% in large cap funds, 46% international funds, 9% in mid cap funds, and 13% in small cap funds and Level 2 investments held 31% in large cap funds, 54% in international funds, 2% in mid cap funds, and 13% in balanced funds. The allocation of holdings at June 30, 2015 includes Level 1 investments held 21% in large cap funds, 66% international funds, and 13% in small cap funds and the Level 2 investments held 15% in large cap funds, 21% in international funds, 13% in small cap funds, and 51% in balanced funds. The allocation of holdings at June 30, 2014 includes Level 1 investments held 10% in large cap funds, 63% international funds, and 27% in small cap funds and the Level 2 investments held 38% in large cap funds, 35% in international funds, and 27% in small cap funds.

12. Fair Value Measurements (continued)

(e) Acadian emerging markets and global low volatility alternatives are technically invested in a limited partnership that determines fair value based on a calculation of net asset value per share, for which such holdings are not considered Level 1, 2, or 3. Additional required disclosures are as follows:

Classification	2016 Fair Value	2015 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Acadian Global Low Volatility Equity Fund (1)	$9,135	$8,894	$ -	No Restriction	30 days
Acadian Emerging Markets Local Debt Fund (2)	-	$1,771	$ -	No Restriction	30 days

(1) This fund seeks to achieve a volatility level considerably less than the global equity market while providing market-like or above-market returns over full market cycles. The fund principally invests in common stocks traded on equity markets. Other securities also permitted include convertible securities, preferred stocks, warrants, subscription rights to common stocks, American depository receipts, and global depository receipts.

(2) This fund's objective was to achieve a superior total return from a portfolio of bond and other instruments, including derivatives, from emerging markets. The fund primarily invested in emerging markets bonds and other debt securities denominated in local and hard currency issue, common stocks of global issues listed or traded on equity markets in Regulated Markets, subscription rights to securities held by companies, warrants, convertible securities, preferred stocks, American depository receipts, and global depository receipts. The Corporation sold all interest in this fund during the year ended June 30, 2016.

12. Fair Value Measurements (continued)

The following table is a roll forward of the consolidated statements of financial position amounts for financial instruments classified by the Corporation within Level 3 of the valuation hierarchy defined above as of June 30, 2016, 2015 and 2014:

	Level 3 Investments
Balance at July 1, 2013	$ 15,705
Change in value of beneficial interest in assets held by others	1,661
Sales	(1)
Balance at June 30, 2014	$ 17,365
Change in value of beneficial interest in assets held by others	(539)
Additions	240
Balance at June 30, 2015	$ 17,066
Change in value of beneficial interest in assets held by others	(350)
Additions	1,238
Sales	(238)
Balance at June 30, 2016	$ 17,716

Beneficial interest in assets held by others categorized as Level 3 assets consist primarily of beneficial interests in irrevocable trusts. The Corporation estimates the fair value of these assets based upon the fair value of the assets in the trust unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

12. Fair Value Measurements (continued)

The fair value of long-term debt obligations, valued using Level 2 inputs, at June 30, 2016, 2015 and 2014 approximates $280,624, $283,915, and $282,848, respectively.

Interest rate swaps and certain investments included in U.S. government agencies, corporate obligations and other, marketable equity securities, mutual funds-fixed income, and mutual funds-equities were determined primarily based on Level 2 inputs. The Corporation estimates the fair value of the swap agreements based on similar agreements traded in active markets. The Corporation estimates the fair value of these investments using quoted prices provided by the Corporation's investment custodians.

The Corporation's policy for determining when transfers between levels are recognized is at the end of the reporting period.

13. Net Service Revenue

Net revenue is summarized below for the years ended June 30:

	2016	2015	2014
OPRS Communities:			
Private	$ 97,397	$ 94,871	$ 88,770
Other third party	18,944	17,831	15,887
Medicare	27,207	24,909	22,901
Medicaid	21,559	21,124	19,766
Amortization of entrance fees	5,699	4,955	5,927
	170,806	163,690	153,251
Senior Independence:			
Private	2,283	2,944	3,065
Other third party	9,572	9,918	8,592
Medicare	29,405	25,052	25,367
Medicaid	2,825	1,763	2,540
	44,085	39,677	39,564
Total Net Service Revenue	$ 214,891	$ 203,367	$ 192,815

13. Net Service Revenue (continued)

The Medicare program uses a prospective payment system (PPS) for skilled nursing facilities. Under PPS Part A skilled nursing facility providers bill and are paid one of several daily payment rates based on individual patient acuity levels to cover substantially all services provided to patients, including ancillary services such as respiratory, rehabilitation, therapies, and certain covered pharmaceuticals. Under PPS Part B skilled providers are paid fee screen rates based on specific therapy and other ancillary services provided. Revenue is recognized each month based on the services provided during that month end at the established rates. Providers are required to bill Medicare in sequential order of days of service for a particular month subsequent to having provided the service, thus no advance payments are received.

The Medicare program uses an episodic PPS for reimbursement of home health services. Under PPS, home health service providers commit to provide care for up to 60 days and establish an expected episodic payment rate for the full episode which is determined at the start of care based on an acuity assessment. There are various episodic rates established for acuity level and related care plan needs. Revenue for the episode of care is recorded over the anticipated 60-day episode using a calendar day prorating method. The amount of revenue recognized for episodes of care which are incomplete at a month end is based on the pro rata of number of days which were completed. The original expected episodic rate is subject to increase or decrease over the duration of the episode depending on a variety of factors, and thus final determination of the final episodic rate may not occur for up to 60 days and result in adjustments to revenue over that period of time. Payment is made in two payments for each episode. Providers are required to bill episodes in two portions. The first portion is referred to as the Reimbursement Advance Payment (RAP) which pays at 60% and 50% of the expected episodic rate for an initial start of care episode and a contiguous recertified episode, respectively. The RAP claim submission may be made once the clinical assessment is complete, and thus payment may be received from Medicare in an amount that is more than service provided at a particular month end.

The Ohio Medicaid program has a prospective price-based payment system for skilled nursing facilities. Under this system providers are paid a daily rate for all Medicaid beneficiary patients, adjusted periodically for changes in resident acuity on an aggregate Medicaid resident basis. Revenue is recognized each month based on the services provided during that month end at the established rates. Providers are required to bill for Medicaid services in sequential order of days of service provided for a particular month subsequent to having provided the service, and thus no advance payments are received.

The amount of estimated settlements from the Medicare and Medicaid programs for any open reimbursement years was included in receivables and accounts payable as applicable. OPRS received final settlements for the skilled nursing facilities Medicare cost reports through 2013.

13. Net Service Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Medicare program initiated a recovery audit contractor (RAC) initiative, whereby claims will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. Management of the Corporation believes that any amounts billed and received were substantially in compliance with government regulations, and thus believes that there is no significant risk for unidentified overpayments that would result in a material liability, if any.

14. Pension Plan

The Corporation sponsors the Ohio Presbyterian Retirement Services 403(b) Plan (the Plan) which is a defined contribution pension plan for the benefit of employees who have completed two years of continuous employment and who have worked at least 1,000 hours per year. The Plan has a length of service component and a matching component.

The length of service component provided for the Corporation to fund contributions to the Plan that range from 1.5% to 4.5% of each participant's annual wages, depending on years of service. The Plan document provides management the discretion to adjust the contribution rates. Management elected not to contribute to the Plan for the Plan year ended December 31, 2014 or any future year. The employee did not have to contribute to the Plan to participate in this component. The Corporation funded the length of service program based on a final calculation performed for all eligible employees who remain employed through the end of the Plan year end, which is a calendar year. Based on that calculation, the Corporation then made two applicable payments in April and October of the calendar year following the Plan year end. Accordingly, $803 was recorded as a liability and reported in payroll and related liabilities as of June 30, 2014 relating to the second payment due for the preceding calendar Plan year. Pension expense for the length of service portion of the Plan was $1,578 for the year ended June 30, 2014. Since no contribution was made for the Plan years ended December 31, 2014 or 2015, then, accordingly, there were no required payments in April or October of calendar year 2015 and no liability recorded as of June 30, 2015. Effective December 31, 2014, the Plan was amended to terminate the length of service component.

14. Pension Plan (continued)

The matching component provides for the Corporation to fund matching contributions for those participating employees who are contributing to the Plan. Effective January 1, 2015, the Plan was amended such that the Corporation contributes a match at 100% of employee contributions up to the first 3% of the wages of a participating employee and a match of 50% on the next 2% of the wages of a participating employee, limited to the IRS maximum contribution wage level. Effectively, if the employee contributes 5% of wages to the Plan, he or she is entitled to a 4% maximum match. Prior to January 1, 2015, the Corporation contributed a match at 50% of employee contributions up to a maximum contribution of 2% of the wages of a participating employee, limited to the IRS maximum contribution wage level. The Plan document provides management the discretion to adjust the matching contribution rates. Pension expense for the matching program was $1,432, $926, and $573 for the years ended June 30, 2016, 2015 and 2014, respectively. The Corporation funds the matching program after each payroll period end.

15. Commitments and Contingencies

Because of the nature of its operations, the Corporation is at all times subject to pending and threatened legal actions that arise in the normal course of its activities.

The Corporation entered into construction contracts for building projects at its various facilities which established unpaid contractual commitments of approximately $4,254 as of June 30, 2016.

16. Endowment Funds

Endowment funds represent a portion of the temporary and permanently restricted net asset activity of the Corporation. The Corporation’s endowment funds consists approximately 2,040 individual funds established primarily for supporting residents and clients whose personal financial sources are unable to pay for their care and other activities provided by the Corporation. Endowment funds only include donor-restricted endowments. There are no funds designated by the Board of OPRS, OPRSC, SI, or OPRSF to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

16. Endowment Funds (continued)

The Board of OPRSF interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (OUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, OPRSF classifies gifts as permanently restricted net assets as follows: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by OUPMIFA.

In accordance with OUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate temporarily restricted funds: (1) the duration and preservation of the fund, (2) the purpose of the Corporation and the temporarily restricted fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, and (7) investment policies of the Corporation.

OUPMIFA provides for appropriation and disbursement of endowment-related funds pursuant to an appropriate spending policy. Appropriations and corresponding disbursements may exceed amounts available at any point in time depending on the underlying aggregate investment return provided that management adopted and implemented a prudent long-term investment policy. To the extent spending does exceed available investment return, or the investments incur a net loss for the year without any appropriations occurring in the year, the resulting deficit is recorded to unrestricted net assets.

16. Endowment Funds (continued)

The following is a summary of endowment-related activity:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, June 30, 2013	$ -	$ 28,028
Investment return:		
Investment income	535	-
Realized gains	1,796	-
Unrealized gains	3,252	-
Total investment return	5,583	-
Appropriations	(1,555)	-
Contributions	-	3,793
Other changes	-	(318)
Changes in unmatured annuity gifts	-	95
Endowment net assets, June 30, 2014	4,028	31,598
Investment return:		
Investment income	706	-
Realized gains	4,222	-
Unrealized losses	(4,827)	-
Total investment return	101	
Appropriations	(1,585)	-
Contributions	-	1,262
Other changes	-	(368)
Changes in unmatured annuity gifts	-	(230)
Endowment net assets, June 30, 2015	2,544	32,262
Investment return:		
Investment income	793	-
Realized gains	372	-
Unrealized losses	(1,517)	-
Total investment return	(352)	
Appropriations	(1,606)	-
Contributions	-	811
Other changes	-	(221)
Changes in unmatured annuity gifts	-	236
Endowment net assets, June 30, 2016	$ 586	$ 33,088

16. Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting standards, such deficiencies of this nature would be reported in unrestricted net assets.

Return Objectives and Risk Parameters

The Corporation adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that equal or exceed a mix of the Barclays Aggregate, S&P 500, Russell 1000 Value, Russell 1000 Growth, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE Value, and MSCI EAFE Growth benchmarks. The Corporation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporation has a policy of appropriating for distribution each year 4% of the endowment fund's investment holdings fair value as of the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation considered the long-term expected return on its endowment. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

17. Sarah Moore Health Care Center, Inc.

Effective August 1, 2014, OPRSC became the sole member of Sarah Moore Health Care Center, Inc. pursuant to a consummated Member Substitution Agreement whereby OPRSC replaced the existing Board of Directors as the member of Sarah Moore. Sarah Moore is a senior living facility located in Delaware, Ohio that originally began operating as a home for the aged in 1892. Sarah Moore has 32 licensed skilled nursing facility beds that are certified to participate in the Medicare and Medicaid programs, and has 65 licensed residential care facility units, for which 53 were in operation.

The following summarizes the fair value of the assets acquired and liabilities assumed by OPRSC and also serves as the supplemental disclosure for the statements of cash flows for the year ended June 30, 2015:

Cash	$ 23
Investments	1,476
Accounts receivable	442
Assets whose use is limited/bond sinking fund	180
Prepaid expenses and other	8
Property, plant, and equipment	6,650
Operating rights	430
Total assets	$ 9,209
Long-term debt	$ 7,850
Accounts payable and other accrued expenses	240
Payroll and related liabilities	187
Interest payable	27
Deferred revenue	105
Interest rate swap liability	1,250
Total liabilities	9,659
Total identifiable net assets	(450)
Goodwill	450
Total purchase price	$ 0

Since SMHCC was acquired from an unrelated party, supplemental pro forma information related to revenue and earnings for SMHCC for the year ended June 30, 2014 is not available.

18. Subsequent Event

On August 13, 2016, lightning struck a 70 unit apartment building on the Mount Pleasant Retirement Community campus in Monroe, Ohio, causing a significant fire. There were no casualties and only minor injuries to one resident and none to staff. However, the North wing of the building incurred substantial damage. Other portions of the building incurred some water and smoke damage, but are scheduled to be back in operation relatively quickly. Major portions of the North wing will need to be reconstructed. Management is in the process of developing plans and engaging contractors. The net book value of the property and equipment destroyed or damaged is estimated at approximately $2,000. Estimated insurance proceeds for property and contents coverage are estimated at approximately $4,000. Additional insurance proceeds are available from business interruption coverage for anticipated lost rental revenue.

Supplementary Information

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidating Statements of Financial Position
As of June 30, 2016
(In Thousands)

	Obligated Group	BV Apartments, LLC	Sarah Moore Health Care Center, Inc.	Total	Eliminating Entries	**Consolidated Total**
Assets						
Current assets:						
Cash and cash equivalents	$ 12,547	$ 717	$ 485	$ 13,749	$ -	**$ 13,749**
Investments - board designated	30,952	-	-	30,952	-	**30,952**
Investments	43,591	-	1,244	44,835	-	**44,835**
Accounts receivable, net	17,077	-	284	17,361	(215)	**17,146**
Contributions receivable, current	2,299	-	-	2,299	-	**2,299**
Assets whose use is limited	2,806	1,197	180	4,183	-	**4,183**
Prepaid expenses and other	744	54	38	836	-	**836**
Total Current Assets	**110,016**	**1,968**	**2,231**	**114,215**	**(215)**	**114,000**
Investments, net of current portion	33,088	-	-	33,088	-	**33,088**
Contributions receivable, net of current portion	2,951	-	-	2,951	-	**2,951**
Assets whose use is limited, net of current portion	10,807	-	-	10,807	-	**10,807**
Beneficial interests in assets held by others	17,716	-	-	17,716	-	**17,716**
Property and equipment, net	332,231	2,520	6,374	341,125	-	**341,125**
Financing costs, net	2,671	102	23	2,796	-	**2,796**
Deferred development costs, net	811	-	-	811	-	**811**
Operating rights and other	6,601	-	988	7,589	-	**7,589**
Total Assets	**$ 516,892**	**$ 4,590**	**$ 9,616**	**$ 531,098**	**$ (215)**	**$ 530,883**

See independent auditor's report.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidating Statements of Financial Position (continued)
As of June 30, 2016
(In Thousands)

	Obligated Group	BV Apartments, LLC	Sarah Moore Health Care Center, Inc.	Total	Eliminating Entries	**Consolidated Total**
Liabilities						
Current liabilities:						
Accounts payable and other accrued expenses	$ 13,348	$ 980	$ 199	$ 14,527	$ (215)	**$ 14,312**
Payroll and related liabilities	6,801	44	129	6,974	-	**6,974**
Interest payable	3,790	8	25	3,823	-	**3,823**
Deposits	2,818	78	55	2,951	-	**2,951**
Deferred revenue, current	7,374	-	5	7,379	-	**7,379**
Refundable entrance fees, current	5,900	-	-	5,900	-	**5,900**
Long-term debt, current	6,770	-	7,355	14,125	-	**14,125**
Interest rate swap liability, current	23,649			23,649		**23,649**
Total Current Liabilities	70,450	1,110	7,768	79,328	(215)	**79,113**
Long-term debt, net of current portion	253,160	3,682	-	256,842	-	**256,842**
Refundable entrance fees, net of current portion	35,460	-	-	35,460	-	**35,460**
Deferred revenue, net of current portion	44,897	-	-	44,897	-	**44,897**
Gift annuity obligations, net of current portion	3,283	-	-	3,283	-	**3,283**
Interest rate swap liability, net of current portion	2,818	-	1,690	4,508	-	**4,508**
Total Liabilities	**410,068**	**4,792**	**9,458**	**424,318**	**(215)**	**424,103**
Net Assets						
Unrestricted (deficit)	52,663	(202)	158	52,619	-	**52,619**
Temporarily restricted	3,558	-	-	3,558	-	**3,558**
Permanently restricted	50,603	-	-	50,603	-	**50,603**
Total Net Assets	**106,824**	**(202)**	**158**	**106,780**	**-**	**106,780**
Total Liabilities and Net Assets	**$ 516,892**	**$ 4,590**	**$ 9,616**	**$ 531,098**	**$ (215)**	**$ 530,883**

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidating Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

(In Thousands)

	Obligated Group	BV Apartments, LLC	Sarah Moore Health Care Center, Inc.	Total	Eliminating Entries	**Consolidated Total**
Unrestricted Net Assets						
Operating Revenues:						
Net service revenue	$ 207,962	$ 2,255	$ 4,829	$ 215,046	$ (155)	**$ 214,891**
Net assets released to support operations	635	-	5	640	-	**640**
Total Operating Revenue and Other Support	208,597	2,255	4,834	215,686	(155)	**215,531**
Operating Expenses:						
Salaries and wages	88,316	608	2,527	91,451	-	**91,451**
Employee benefits and payroll taxes	22,115	153	554	22,822	-	**22,822**
Depreciation and amortization	21,646	281	318	22,245	-	**22,245**
Therapy, medical supplies, drugs, and other ancillary	19,670	-	478	20,148	-	**20,148**
Interest expense, net	11,281	114	471	11,866	-	**11,866**
Professional Fees	8,771	129	182	9,082	(155)	**8,927**
Utilities	7,484	248	200	7,932	-	**7,932**
Food	6,837	185	251	7,273	-	**7,273**
Other	4,938	120	99	5,157	-	**5,157**
Bad debt	3,905	-	61	3,966	-	**3,966**
Franchise permit fees	3,803	-	141	3,944	-	**3,944**
Real estate taxes	3,467	129	-	3,596	-	**3,596**
Supplies	3,249	41	117	3,407	-	**3,407**
Inpatient hospice room and board	2,695	-	-	2,695	-	**2,695**
Maintenance and repair	1,931	32	53	2,016	-	**2,016**
Training, travel, and mileage reimbursement	1,621	-	6	1,627	-	**1,627**
Marketing and advertising	808	-	31	839	-	**839**
Total Operating Expenses	212,537	2,040	5,489	220,066	(155)	**219,911**
(Loss) Income from Operations	**(3,940)**	**215**	**(655)**	**(4,380)**	**-**	**(4,380)**
Nonoperating Income (Losses):						
Contributions	1,737	-	-	1,737	-	**1,737**
Fundraising expenses	(2,740)	-	-	(2,740)	-	**(2,740)**
Net assets released to support fundraising expenses	411	-	-	411	-	**411**
Net assets released from endowment appropriations	1,606	-	-	1,606	-	**1,606**
Interest and dividend income - net	1,056	-	13	1,069	-	**1,069**
Realized gain on investments - net	307	-	50	357	-	**357**
Unrealized loss on investments	(1,899)	-	(96)	(1,995)	-	**(1,995)**
Other	(835)	(178)	(6)	(1,019)	-	**(1,019)**
Realized loss on early extinguishment of debt	(645)	-	-	(645)	-	**(645)**
Nonoperating Loss	**(1,002)**	**(178)**	**(39)**	**(1,219)**	**-**	**(1,219)**
Performance Loss before Change in Fair Value of Interest Rate Swaps	**(4,942)**	**37**	**(694)**	**(5,599)**	-	**(5,599)**
Change in fair value of interest rate swaps	(7,752)	-	(349)	(8,101)	-	**(8,101)**
Performance Loss	**(12,694)**	**37**	**(1,043)**	**(13,700)**	**-**	**(13,700)**
Other Changes in Unrestricted Net Assets:						
Transfers (from) to Parent - net	(1,035)	-	1,035	-	-	-
Net assets released for purchase of property and equipment	1,427	-	-	1,427	-	**1,427**
Total Other Changes in Unrestricted Net Assets:	**392**	**-**	**1,035**	**1,427**	**-**	**1,427**
(Decrease) Increase in Unrestricted Net Assets	**$ (12,302)**	**$ 37**	**$ (8)**	**$ (12,273)**	**$ -**	**$ (12,273)**

See independent auditor's report.

Ohio Presbyterian Retirement Services and Subsidiaries
Consolidating Statements of Activities and Changes in Net Assets (continued)
For the Year Ended June 30, 2016
(In Thousands)

	Obligated Group	BV Apartments, LLC	Sarah Moore Health Care Center, Inc.	Total	Eliminating Entries	**Consolidated Total**
Unrestricted Net Assets						
(Decrease) Increase in Unrestricted Net Assets	**$ (12,302)**	**$ 37**	**$ (8)**	**$ (12,273)**	**$ -**	**$ (12,273)**
Temporarily Restricted Net Assets						
Contributions	2,360	-	5	2,365	-	**2,365**
Investment income - non-endowment	66	-	-	66	-	**66**
Endowment:						
Interest and dividends - net	793	-	-	793	-	**793**
Realized gain on investments - net	372	-	-	372	-	**372**
Unrealized (loss) gain on investments - net	(1,517)	-	-	(1,517)	-	**(1,517)**
Net assets released to support:						
Operations	(635)	-	(5)	(640)	-	**(640)**
Fundraising expenses	(330)	-	-	(330)	-	**(330)**
Purchase of property and equipment	(1,427)	-	-	(1,427)	-	**(1,427)**
Endowment appropriations	(1,606)	-	-	(1,606)	-	**(1,606)**
Other changes	(400)	-	-	(400)	-	**(400)**
Decrease in Temporarily Restricted Net Assets	**(2,324)**	**-**	**-**	**(2,324)**	**-**	**(2,324)**
Permanently Restricted Net Assets						
Contributions	2,131	-	-	2,131	-	**2,131**
Investment income	81	-	-	81	-	**81**
Net assets released to support fundraising expenses	(81)	-	-	(81)	-	**(81)**
Other changes	(302)	-	-	(302)	-	**(302)**
Change in value of beneficial interest in assets held by others	(350)	-	-	(350)	-	**(350)**
Increase in Permanently Restricted Net Assets	**1,479**	**-**	**-**	**1,479**	**-**	**1,479**
(Decrease) Increase in Net Assets	**(13,147)**	**37**	**(8)**	**(13,118)**	**-**	**(13,118)**
Net Assets (Deficit) at Beginning of Year	119,971	(239)	166	119,898	-	**119,898**
Net Assets (Deficit) at End of Year	**$ 106,824**	**$ (202)**	**$ 158**	**$ 106,780**	**$ -**	**$ 106,780**

See independent auditor's report.

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APPENDIX C

SUMMARY OF CERTAIN DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN DOCUMENTS

The following are summaries of the Master Indenture, the Supplemental Indentures, the Base Lease, the Lease, the Bond Indenture and the Tax Regulatory Agreement. The summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Official Statement and in the summaries of the Master Indenture, the Supplemental Indentures, the Base Lease, the Lease, the Bond Indenture and the Tax Regulatory Agreement.

"501(c)(3) Organization" means a "501(c)(3) organization" as defined in Section 150(a)(4) of the Code.

"Act" means Chapter 140 of the Ohio Revised Code, as enacted and amended from time to time.

"Additional Payments" means the amounts described as such required to be paid by the Corporation pursuant to the provisions of the Lease.

"Adjusted Annual Revenue" shall mean, as of any date of determination thereof, the total operating and non-operating revenues and income (exclusive of (i) gains or losses upon defeasance of Indebtedness and (ii) unrealized gains or losses on investments, including derivatives (including but not limited to Interest Rate Hedges) of the members of the Obligated Group for the Fiscal Year in question, including proceeds from residents' entrance fees, contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, less net revenues derived from Property financed with the proceeds of Project Indebtedness, amortization of deferred revenues on residents' entrance fees, bad debt allowances, contractual adjustments with third party payors and adjustments for free services relating to such Fiscal Year and, to the extent otherwise included therein, gifts, grants or bequests of a non-recurring nature, other than contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, to the extent such gifts, grants and bequests exceed the arithmetic mean of the gifts, grants and bequests of a non-recurring nature received by members of the Obligated Group during the two immediately preceding Fiscal Years.

"Affiliate" shall mean (a) any corporation, association, business trust, joint venture, partnership or similar entity organized on a for-profit basis under the laws of any state, of which the Corporation (or its members or Governing Body) possesses, directly or indirectly, in excess of 50% of the voting rights with respect thereto, provided that the ability to acquire voting rights shall not be treated as possession of such rights until the rights are acquired, or (b) any other corporation, association, business trust, joint venture, partnership or similar entity organized on a nonprofit basis under the laws of any state, the articles of incorporation, by-laws, articles of association or similar organizational documents of which require or expressly permit the Corporation (or its members or Governing Body) to exercise control thereof, whether through (i) appointment of officers or employees of the Corporation (or its members or Governing Body) to a majority of its governing body on an ex-officio basis (with voting rights), (ii) appointment of a majority of members of such

governing body by the Corporation (or its members or Governing Body) or (iii) authority of the Corporation (or its members or Governing Body) to remove a majority of members of such governing body.

"Assumed Amortization Period" shall mean, with respect to any Indebtedness, the principal and interest requirements of which are to be recast for purposes of a calculation of the Debt Service Coverage Ratio, or in connection with the incurrence of Interim Indebtedness, the period of time determined, at the election of the Obligated Group Representative, pursuant to either (a) or (b) hereafter: (a) twenty-five (25) years, or (b) the period of time, not exceeding thirty (30) years, set forth in an opinion delivered to the Master Trustee of an investment banker selected by the Obligated Group Representative and experienced in underwriting indebtedness of the type being recast, or of another Person selected by the Obligated Group Representative and experienced in the issuance and sale of indebtedness of such type, as being the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar institutions of comparable credit standing would, if then being offered, be marketable on reasonable and customary terms.

"Assumed Interest Rate" shall mean, with respect to any Indebtedness, the principal and interest requirements of which are to be recast for purposes of a calculation of the Debt Service Coverage Ratio or in connection with the incurrence of Interim Indebtedness, the rate per annum determined in accordance with the applicable paragraph set forth below:

(a) With respect to Variable Rate Indebtedness, the rate per annum equal to the average rate over the 12-month period next preceding the month in which the determination of Assumed Interest Rate is being made plus one-half of one percent (.5%) or, if such Variable Rate Indebtedness has not been outstanding for such 12-month period, the average rate for the period during which such Variable Rate Indebtedness has been outstanding plus one half of one percent (.5%);

(b) With respect to other Indebtedness, the rate per annum equal to the average rate over the 12-month period next preceding the month in which the determination of Assumed Interest Rate is being made or, if such Indebtedness has not been outstanding for such 12-month period, the average rate for the period during which such Indebtedness has been outstanding, and determined at the election of the Obligated Group Representative, pursuant to clause (i) or clause (ii) below:

(i) A rate per annum equal to (1) ninety percent (90%), if interest on the Indebtedness is exempt from Federal income taxation, or (2) one hundred ten percent (110%), if interest on the Indebtedness is subject to Federal income taxation, of the most recently published daily yields to maturity of United States Treasury obligations adjusted to a constant maturity equal, as close as practicable, to the maturity of such Indebtedness, as published by the Board of Governors of the Federal Reserve System; or

(ii) The rate per annum set forth in an opinion delivered to the Master Trustee of an investment banker selected by the Obligated Group Representative and experienced in underwriting indebtedness of the type being recast, or of another Independent Person selected by the Obligated Group Representative and experienced in the issuance and sale of indebtedness of such type, as being the lowest rate of

interest (which may be a rate which reflects the exemption of such interest from Federal income taxation if such exemption is then available) at which indebtedness having comparable terms and security, amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period, and issued or incurred by similar institutions of comparable credit standing would, if being offered as of such last day of the calendar month, be marketable on reasonable and customary terms.

"Authorized Corporation Representative" means the person at the time designated to act on behalf of the Corporation by written certificate furnished to the Issuer and the Bond Trustee, containing the specimen signature of that person and executed on behalf of the Corporation by one of its duly authorized officers. That certificate may designate an alternate or alternates. In the event that all persons so designated become unavailable or unable to act and the Corporation fails to designate a replacement within ten days after such unavailability or inability to act, the Bond Trustee may appoint an interim Authorized Corporation Representative until such time as the Corporation designates that person. The initial Authorized Corporation Representative is the Corporation's Treasurer.

"Average Annual Debt Service" shall mean the average annual scheduled payments of principal (including mandatory sinking fund redemption requirements) and interest on Long-Term Indebtedness computed in accordance with clauses (a) through (j) of the definition of Debt Service Coverage Ratio due in any succeeding Fiscal Year.

"Bank Covenants Agreements" means, collectively, the Series 2005B Credit Bank Agreement, the Series 2011 Bank Direct Purchaser Agreement, the Series 2012 Bank Direct Purchaser Agreement, the Series 2013 Bank Direct Purchaser Agreement, the Series 2016A Bank Direct Purchaser Agreement, the Series 2016B Bank Direct Purchaser Agreement and the Series 2016D Bank Direct Purchaser Agreement.

"Bank Direct Purchasers" means the direct purchasers of the Series 2011 Bonds, the Series 2012 Bonds, the Series 2013B Bonds, the Series 2016A Bonds, the Series 2016B Bonds and the Series 2016D Bonds.

"Base Lease" means the Base Lease relating to the Series 2016C Bonds dated as of October 1, 2016 between the Corporation, as lessor, and the Issuer, as lessee, as amended or supplemented from time to time.

"Bond Documents" means the Base Lease, the Lease, the Bond Indenture, the Assignment of Rights Under a Base Lease from the Issuer to the Master Trustee, the Tax Agreement, the Series 2016C Supplemental Master Indenture, the Series 2016C Note and the Bond Purchase Agreement.

"Bond Fund" means the Bond Fund created in the Bond Indenture.

"Bond Indenture" means the Trust Indenture relating to the Series 2016C Bonds dated as of October 1, 2016 between the Issuer and the Bond Trustee, as amended or supplemented from time to time.

"Bond Service Charges" means the principal of, premium, if any, and interest on the Series 2016C Bonds for any period or payable at any time, whether due on an Interest Payment Date, at maturity or upon acceleration or redemption.

"Bondholder" or "Holder" or "Holder of a Bond" means the Person in whose name a Series 2016C Bond is registered on the Register.

"Bond Resolution" means the resolution adopted by the Issuer on September 28, 2016 approving the issuance of the Series 2016C Bonds by the Issuer and other related matters.

"Book entry form" or "book entry system" means, with respect to the Series 2016C Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Series 2016C Bonds and Bond Service Charges may be transferred only through a book entry and (ii) physical Series 2016C Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Series 2016C Bond certificates "immobilized" in the custody of the Depository. The book entry system that is maintained by and is the responsibility of the Depository and not maintained by or the responsibility of the Issuer or the Bond Trustee is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Series 2016C Bonds.

"Book Value" (a) when used in connection with Property of an Obligated Issuer, shall mean the value of such Property, net of accumulated depreciation, as it is carried on the books of account of such Obligated Issuer and in conformity with generally accepted accounting principles and (b) when used in connection with Property of the Obligated Group shall mean the aggregate of the values so determined with respect to Property of each member of the Obligated Group, but calculated so that no portion of such value of Property of any member of the Obligated Group is included more than once.

"Business Day" means a day that is not (a) a Saturday, Sunday or legal holiday on which banking institutions in the State of New York, the state in which each office of the Bond Trustee (or its affiliates) responsible for performing the duties of the Bond Trustee hereunder is located (initially Ohio) are required or authorized by law or executive order to close, (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the Depository is closed.

"Capitalization" shall mean the principal amount of all outstanding Long-Term Indebtedness plus the equity accounts of the Obligated Issuers (i.e. unrestricted fund balances), plus deferred revenues on residents' entrance fees. In the case of Long-Term Indebtedness issued or incurred at a discount, such Long-Term Indebtedness shall be valued at the accreted value thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. References to the Code and sections of the Code include relevant applicable regulations and proposed regulations thereunder (and under the related provisions of the Internal Revenue Code of 1954, as amended) and any successor to those sections, regulations or proposed regulations.

"Completion Indebtedness" shall mean any Long-Term Indebtedness or Interim Indebtedness incurred or issued by any member of the Obligated Group for the purpose of financing (i) the improvement, replacement or renovation of or substitutions for, or additions to, facilities for which Long-Term Indebtedness or Interim Indebtedness has been incurred, necessitated by faulty design,

damage to or destruction of such facilities or (ii) the completion of a project for which Long-Term Indebtedness or Interim Indebtedness has already been issued or incurred.

"Convertible Indebtedness" shall mean Indebtedness which by its terms permits the borrower on one or more occasions to establish or to modify the period for which the rate of interest thereon shall be fixed.

"Corporation" means OPRS Communities, an Ohio nonprofit corporation, and its successors and assigns.

"Credit Bank" means, currently, with respect to the Series 2005B Bonds, Comerica Bank. Upon the effectiveness of any alternate letter of credit relating to any such series of Bonds, "Credit Bank" shall mean the issuer thereof and its successors and assigns.

"Credit Enhanced Indebtedness" shall mean Indebtedness the principal of or interest on which is secured by the proceeds of an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement with a Person not a member of the Obligated Group.

"Current Assets" shall mean cash and cash equivalent deposits, marketable securities, accounts receivable, accrued interest receivable and any other assets of the Obligated Group which at the time of computation thereof are considered current assets under generally accepted accounting principles (including those set forth under the heading of other assets which otherwise would qualify therefor) except that, regardless of generally accepted accounting principles, Current Assets shall include cash and cash equivalent deposits and marketable securities ("Board Designated Assets") that have been designated by the Governing Body of any member of the Obligated Group to be used for the acquisition of capital assets by such member of the Obligated Group except for assets that have been contractually committed by action of such Governing Body to pay part of the costs of a particular capital project with respect to which Indebtedness has been incurred and the completion of such capital project has not been abandoned by action of such Governing Body, provided that funds held by trustees for the self-insurance of professional liability shall be treated as Current Assets, notwithstanding the characterization to the contrary on the balance sheets of the Obligated Group.

"Debt Service Coverage Ratio", as that term is used in the Master Indenture, shall mean the ratio of Net Income Available for Debt Service for the period in question to the greater of (i) the Average Annual Debt Service or (ii) the actual debt service requirements for the current Fiscal Year, consisting of principal payments (whether at maturity or pursuant to sinking fund redemption requirements) and interest payments of the Obligated Group on Outstanding Long-Term Indebtedness (including Interim Indebtedness and including Long-Term Indebtedness arising from Guarantees) for the then current or any succeeding Fiscal Year; provided, however, that for purposes of calculating such ratio:

(a) principal and interest requirements on Long-Term Indebtedness, or portions thereof, shall not be included in the computation of the Average Annual Debt Service (i) until the Fiscal Year in which such principal or interest, or portions thereof, first becomes payable and, with respect to the Fiscal Year in which it first shall become payable, only to the extent it shall be payable, from sources other than amounts deposited in trust, escrowed or otherwise set aside for the payment thereof at the time of incurrence of Indebtedness (including without limitations, so as to prevent the double-counting of any Indebtedness in the computation of

the Average Annual Debt Service, capitalized interest and accrued interest so deposited into trust, escrowed or otherwise set aside) with the Master Trustee, a Related Bond Trustee or another Person approved by the Master Trustee; and (ii) following deposit of amounts in trust, escrowed or otherwise set aside with the Master Trustee, any Related Bond Trustee or another Person approved by the Master Trustee which are sufficient in time and amount to pay such principal and interest;

(b) any Long-Term Indebtedness having a single principal maturity and no sinking fund redemption requirements, or having a principal amount due in any Fiscal Year in an amount equal to 20% or more of the principal amount of such Long-Term Indebtedness and with no mandatory sinking fund redemption requirements shall be deemed to bear interest at the Assumed Interest Rate determined in accordance with paragraph (b) of the definition of Assumed Interest Rate and shall be deemed to be amortized on a level debt service basis over a period equal to the Assumed Amortization Period;

(c) the interest on any Variable Rate Indebtedness shall be calculated in accordance with paragraph (a) of the definition of Assumed Interest Rate;

(d) the annual principal and interest payments on Indebtedness arising from any Guaranty shall be taken into account as follows:

(i) if at any time within the 18 months immediately preceding the computation date, the obligee of the guaranteed indebtedness shall have demanded that the guarantor pay all or a portion of principal of or interest on the guaranteed indebtedness and if within thirty (30) calendar days of the guarantor's receipt of such demand the Obligated Group Representative shall have failed to deliver to the Master Trustee an Opinion of Counsel to the effect that the guarantor is not legally obligated to honor such demand, then 100% of the greater of (A) the Guaranteed Obligor's Average Annual Debt Service or (B) the actual debt service requirements for the current fiscal year of the Guaranteed Obligor on the guaranteed indebtedness which the guarantor shall be obligated to pay; or

(ii) if the Guaranteed Obligor's Coverage Ratio is less than 1.00 and the Debt Service Coverage Ratio is being calculated for any purpose other than compliance with provisions of the Master Indenture described herein in "SUMMARY OF THE MASTER INDENTURE" under "Covenants of the Obligated Group - "Debt Service Coverage Ratio", or under "Members of the Obligated Group - Withdrawal from the Obligated Group", or under paragraph (b)(iii)(A) of "Restrictions on Transfers of Property", then 100% of the greater of (A) the Guaranteed Obligor's Average Annual Debt Service or (B) the actual debt service requirements for the current fiscal year of the Guaranteed Obligor on the guaranteed indebtedness; provided that, in such case, there shall be added to the Net Income Available for Debt Service the Guaranteed Obligor's Net Income Available for Debt Service; or

(iii) if the Guaranteed Obligor's Coverage Ratio is at least 1.00 but less than 1.10, or if the Guaranteed Obligor's Coverage is less than 1.00 and the Debt Service Coverage Ratio is being calculated for the purpose of demonstrating

compliance with provisions of the Master Indenture described herein in "SUMMARY OF THE MASTER INDENTURE" under "Covenants of the Obligated Group - "Debt Service Coverage Ratio", or under "Members of the Obligated Group - Withdrawal from the Obligated Group", or under paragraph (b)(iii)(A) of "Restrictions on Transfers of Property", then fifty percent (50%) of the greater of (A) the Guaranteed Obligor's Average Annual Debt Service or (B) the actual debt service requirements for the current fiscal year of the Guaranteed Obligor on the guaranteed indebtedness; or

(iv) otherwise, twenty percent (20%) of the greater of (A) the Guaranteed Obligor's Average Annual Debt Service or (B) the actual debt service requirements for the current fiscal year of the Guaranteed Obligor on the guaranteed indebtedness;

(e) notwithstanding the requirements of subsection (d) hereof, principal and interest requirements on Outstanding Long-Term Indebtedness arising from any Guaranty by a member of the Obligated Group shall not be taken into account if such member or any other member of the Obligated Group is the obligor of the guaranteed Indebtedness;

(f) principal and interest requirements on Long-Term Indebtedness, or portions thereof, shall not be included in the computation of the Average Annual Debt Service due in any Fiscal Year to the extent that a Federal, state or local government has absolutely, unconditionally and irrevocably committed to make payments in such Fiscal Year to or for the benefit of a member of the Obligated Group and the application of such payments is limited to the payment of such principal and interest; provided, however, that the exclusion set forth in this paragraph (f) shall apply only if an Officer's Certificate shall be delivered to the Master Trustee describing the amount to be excluded under the Master Indenture and the year of such exclusion and only if such Officer's Certificate shall be accompanied by a copy of the contract, commitment letter or other evidence of the Federal, state or local government's commitment together with an Opinion of Counsel to the effect that such commitment is absolute, unconditional and irrevocable and that the amounts so committed are legally and validly restricted to the payment of principal and/or interest on Long-Term Indebtedness;

(g) debt service on Optional Tender Indebtedness shall not include amounts payable upon exercise by the holder thereof of the option to tender such Indebtedness for payment to the extent and for so long as a Person other than an Obligated Issuer is required to provide the moneys necessary for such payment (the "Liquidity Backer"), shall be deemed to include any periodic fees of the Liquidity Backer and shall not be based upon the terms of any reimbursement obligation to the Liquidity Backer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Liquidity Backer advancing funds and not being reimbursed;

(h) debt service on Convertible Indebtedness shall be determined based upon the type of Indebtedness the Convertible Indebtedness will be at the time of calculation if each of the following tests is satisfied: (i) the Obligated Issuer incurring such Indebtedness has no current intention or expectation that the conversion option of such Indebtedness will be exercised at any particular future time, (ii) the conversion option has been included to provide flexibility in reacting to future circumstances, (iii) the conversion option has not been

included for the purpose of avoiding any limit or restriction herein on the incurrence of Indebtedness of a type into which such Convertible Indebtedness may by its terms be converted and (iv) the Officer's Certificate required by the Master Indenture with respect to Convertible Indebtedness has been filed with the Master Trustee. If any one or more of the foregoing tests are not satisfied, debt service on Convertible Indebtedness shall be calculated at the higher of the debt service at the time of calculation or debt service upon conversion;

(i) debt service on Credit Enhanced Indebtedness shall be deemed to include all periodic payments to the Credit Enhancer but shall not be based upon the terms of any reimbursement obligation to the Credit Enhancer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Credit Enhancer advancing funds and not being reimbursed. Any Obligated Issuer which also is undertaking any contingent repayment obligation to a Person other than an Obligated Issuer who has undertaken to provide moneys necessary for payment to holders of such Credit Enhanced Indebtedness (the "Credit Enhancer") shall not also be deemed to be incurring separate Indebtedness to the Credit Enhancer; and

(j) anything in the Master Indenture to the contrary notwithstanding, any portion of any Indebtedness of any Obligated Issuer for which an Interest Rate Hedge has been obtained by such Obligated Issuer shall be deemed to bear interest for the period of time that such Interest Rate Hedge is in effect at a net rate which takes into account the interest payments made by such Obligated Issuer on such Indebtedness and the payments made or received by such Obligated Issuer on such Interest Rate Hedge; provided that the long-term credit rating of the provider of such Interest Rate Hedge (or any guarantor thereof) is in one of the three highest rating categories of each nationally recognized rating agency which then rates any Related Bonds (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of long-term, unenhanced Indebtedness of the Corporation; in addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Hedge, any payments made by an Obligated Issuer on such Interest Rate Hedge shall be excluded from "expenses" and any payments received by such an Obligated Issuer on such Interest Rate Hedge shall be excluded from "revenues" (including without limitation Adjusted Annual Revenues), in each case for all purposes of the Master Indenture.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created pursuant to the Bond Indenture.

"Debt Service Reserve Requirement" means, as of each Valuation Date, the least of (i) 10% of the original aggregate principal amount of the Series 2016C Bonds, (ii) the maximum annual debt service payable on the outstanding Series 2016C Bonds in the current or any succeeding fiscal year of the Corporation, but prior to the final maturity, or (iii) 125% of the average annual debt service payable on the outstanding Series 2016C Bonds in the current or any succeeding fiscal year of the Corporation, but prior to the final maturity, in the case of (ii) and (iii) assuming all such outstanding Series 2016C Bonds which are subject to mandatory redemption are duly redeemed in accordance with the requirements of the Bond Indenture, and assuming that no such Series 2016C Bond is otherwise redeemed prior to its maturity.

"Defeasance Obligations" shall mean (i) Federal Securities; (ii) evidences of ownership of proportionate interests in future interest or principal payments on obligations specified in clause (i) or (iii) of this definition held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in clause (i) of this definition, and which underlying obligations are not available to satisfy any claim of the custodian or any Person claiming through the custodian or to whom the custodian may be obligated; (iii) obligations issued by or on behalf of states or political subdivisions, (A) provision for the payment of the principal of, premium, if any, and interest on which shall have been made by irrevocable deposit with a bank or trust company in the capacity of trustee or escrow agent of cash or obligations described in (i) or (ii) above, the maturing principal of and interest on which, when due and payable (without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom), shall provide sufficient money to pay the principal of, any redemption premium and interest, if any, on such obligations issued by or on behalf of states or political subdivisions and (B) which obligations are rated at the time of acquisition in the highest rating category by a Rating Service; and (iv) any obligations issued by or on behalf of states or political subdivisions which are insured and are rated in either of the two highest rating categories by a Rating Service, at the time of the acquisition of such obligations. Notwithstanding the foregoing provisions of this definition, the Supplemental Indenture or Related Bond Indenture pursuant to which a series of Obligations or Related Bonds, respectively, is issued may preclude providing for the payment thereof through the deposit of one or more types of Defeasance Obligations described in the preceding paragraph or may permit the payment thereof through the deposit of one or more types of obligations not described in the preceding paragraph, and as to such series of Obligations or Related Bonds, respectively, the provisions of such Supplemental Indenture or Related Bond Indenture shall control.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Series 2016C Bonds, and to effect transfers of book entry interests in Series 2016C Bonds in Book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Eligible Investments" means, if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture, dollar denominated investments in any of the following:

(a) Government Obligations;

(b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Service;

(c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation or the Federal Farm Credit Bank) which is either (i) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier

or otherwise) assigned by any Rating Service, or (ii) backed by the full faith and credit of the United States of America;

(d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or the Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Service, and which mature not more than 365 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Service, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Service in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) asset-backed securities, commercial mortgage-backed securities, or mortgage-backed securities which are, at the time of purchase, rated by any Rating Service in any of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(h) investment agreements with banks that at the time the agreement is executed are at the time of purchase rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Service or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Service at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is at the time of purchase rated by any Rating Service in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by any Rating Service. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;

(i) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Bond Trustee or its respective affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is free and clear of third-party claims, (ii) a master repurchase

agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or the Bond Trustee's agent;

(j) investments in a money market fund, including funds of the Bond Trustee or its affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Service; and

(k) shares in any investment company, money market mutual fund, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Eligible Investments as defined in paragraphs (a) through (j) above, including money market mutual funds from which the Bond Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

The Bond Trustee shall be entitled to assume that any investment which at the time of purchase is an Eligible Investment remains an Eligible Investment thereafter, absent receipt of written notice or information to the contrary.

For the purposes of this definition, obligations issued or held in the name of the Bond Trustee (or in the name of Issuer and payable to the Bond Trustee) in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee.

"Excluded Property" shall mean (a) the Property described in Exhibit B to the Master Indenture, as amended or supplemented from time to time in accordance with the provisions of the Master Indenture, (b) Real Property financed solely with the proceeds of Project Indebtedness and (c) Real Property owned by a Person proposed to become an Obligated Issuer if each of the following conditions is satisfied:

(i) the Real Property is subject to one or more contractual restrictions set forth in agreements or instruments for borrowed money having as of the time the Person is proposed to become an Obligated Issuer an outstanding principal balance of at least 3% of the outstanding principal balance of the Obligations, the effect of which restrictions is to prohibit subjecting the Real Property to a Mortgage and an Opinion of Counsel to that effect is filed with the Master Trustee;

(ii) for the first full Fiscal Year following such Person's becoming an Obligated Issuer, the Debt Service Coverage Ratio is expected to be at least 2.00 (or such lower ratio as would result in Long-Term Indebtedness evidenced or collateralized by Obligations being ratable by Moody's, if any Obligations or Related Bonds are then rated by Moody's, and S&P, if any Obligations or Related Bonds are then rated by S&P, and in any event by either S&P or Moody's in one of their three highest generic rating categories in use on the date of execution of the Master Indenture without regard to any refinement or gradation) as evidenced by a written report of an Independent Consultant; and

(iii) the value of all Real Property qualifying as Excluded Property pursuant to this clause (c), after giving effect to the Person becoming an Obligated Issuer, does not exceed the lesser of 25% of the Value of the Property, Plant and Equipment, or 15% of the aggregate principal amount of all Obligations then Outstanding; provided that in determining the Value of all Real Property excluded pursuant to this clause (c), there shall be taken into account only to the extent such Value exceeds 100% of the then outstanding principal amount of indebtedness subject to such contractual restrictions.

"Event of Default" means an Event of Default described under the heading "Summary of the Bond Indenture - Events of Default."

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable expenses, including but not limited to attorneys' fees and expenses, properly incurred by the Bond Trustee under the Bond Indenture, other than Ordinary Services and Ordinary Expenses, and shall specifically include services rendered or expenses incurred by the Bond Trustee in connection with, or in contemplation of, an Event of Default.

"Fair Market Value" shall mean the value established for Property pursuant to an appraisal made by an Independent Person appointed by the Obligated Group Representative and experienced in appraising the value of assets similar or identical to the Property; provided, however, that if at the time a determination of Fair Market Value is required under any provision of the Master Indenture the Debt Service Coverage Ratio for the then most recently completed Fiscal Year for which financial statements have been delivered pursuant to the Master Indenture is not less than 2.00, then such appraisal may be made by any Person, otherwise qualified under the foregoing provisions of this definition and without regard to whether or not such Person shall be an officer or employee of any member of the Obligated Group or an employee or elected official of any Related Issuer.

"Fiscal Year" shall mean, with respect to each member of the Obligated Group, that period of twelve complete consecutive calendar months determined by the Obligated Group Representative to be the fiscal year of the members of the Obligated Group and which period shall have been reported on by an Independent Certified Public Accountant.

"Governing Body" shall mean, with respect to each Obligated Issuer, the board of directors or board of trustees of such Obligated Issuer, or if there shall be no board of trustees or board of directors, then such Person or body which pursuant to law or the organizational documents of the Obligated Issuer is vested with powers similar to those vested in a board of trustees or a board of directors; the term also encompasses any committee empowered to act on behalf of such board or body.

"Government Obligations" means (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Primary Bank), and (c) securities issued under any government

sponsored program, which securities represent an interest in the obligations described in (a) and (b) above.

"Governmental Regulations" shall mean state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence, cost containment requirements or restrictions on rates, charges and/or revenues of the members of the Obligated Group, or reimbursement regulations and policies which may be imposed by third-party payors (whether governmental or private).

"Gross Receipts", as that term is used in the Master Indenture, shall mean all cash and other receipts, present and future accounts, receivables, contracts and contract rights (including particularly contracts, agreements, contract rights and agreement rights, particularly those between any member of the Obligated Group and the State of Ohio with respect to Medicaid, any member of the Obligated Group and third-party insurers of patients of any members of the Obligated Group and any member of the Obligated Group and the United States of America with respect to Medicare, and all other equivalent insurance programs, or any state or federal program substituted in lieu thereof), general intangibles, chattel paper or instruments, documents and instruments, which are now owned or hereafter acquired by the Obligated Group, and all proceeds therefrom, whether cash or noncash, derived by the Obligated Group from the conduct of all or any part of its operations, and all revenue and income of the Obligated Group and all rights to receive the same from whatever source derived, including not only that derived by the Obligated Group from the Leased Premises but also from any and all facilities hereafter acquired, leased or used by the Obligated Group, income from and the principal of investments, leases and income received from leases, and grants received by the Obligated Group from any source and excluding only (i) grants, gifts, bequests, contributions and other donations, to the extent specifically restricted by the donor or grantor to a special object or purpose so as to preclude use thereof for payment of principal or interest on the Obligations, (ii) the proceeds of any borrowing or any funds held in trust by a trustee as security for each borrowing, (iii) revenues, income, receipts and money received by a member of the Obligated Group as agent for and on behalf of a Person other than a member of the Obligated Group, (iv) any Property that is the subject of a lien or encumbrance permitted by the Master Indenture or that has been conveyed or otherwise disposed of as permitted by the Master Indenture, and (v) the portion of any gifts, grants, contributions and donations restricted to provide for the payment to the donor or grantor thereof, or to a third party designated by such donor or grantor, of annuities or other funds under gift or annuity contracts or pooled income funds or unit trust arrangements.

"Guaranteed Obligor" means the obligor of indebtedness guaranteed by a Guaranty.

"Guaranteed Obligor's Average Annual Debt Service" means the average annual scheduled payments of principal (including mandatory sinking fund redemption requirements) and interest on long-term indebtedness of a Guaranteed Obligor computed, to the extent possible, in the same manner, and using the same methodology, as described in clauses (a) through (j) of the definition of Debt Service Coverage Ratio, due in any succeeding fiscal year of the Guaranteed Obligor.

"Guaranteed Obligor's Coverage Ratio" means the ratio of the Guaranteed Obligor's Net Income Available for Debt Service for the period in question to the greater of (i) the Guaranteed Obligor's Average Annual Debt Service or (ii) the actual debt service requirements for the current fiscal year of the Guaranteed Obligor, consisting of principal payments (whether at maturity or pursuant to mandatory sinking fund redemption requirements) and interest payments of the

Guaranteed Obligor on outstanding long-term indebtedness for the then current or any succeeding fiscal year; provided that, to the extent possible, the Guaranteed Obligor's Coverage Ratio shall be calculated in the same manner, and using the same methodology, as set forth in the definition of Debt Service Coverage Ratio used in the Master Indenture.

"Guaranteed Obligor's Net Income Available for Debt Service" means, with respect to any period of calculation, the excess of total Guaranteed Obligor's Adjusted Annual Revenue over total operating and nonoperating expenses of the Guaranteed Obligor computed, to the extent possible, in the same manner, and using the same methodology, as set forth in the definition of Net Income Available for Debt Service.

"Guaranty" shall mean a loan commitment or obligation of any Obligated Issuer which loan commitment or obligation guarantees in any manner whether directly or indirectly any obligation of any other Person which obligation would, if such other Person were an Obligated Issuer, constitute Indebtedness under the Master Indenture; provided, however, that notwithstanding the foregoing, none of the following shall be deemed to constitute a Guaranty: (a) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection, (b) rentals payable in future years under leases, other than leases properly capitalized under generally accepted accounting principles; (c) any indemnification agreement entered into by any Obligated Issuer in connection with surety bonds, performance bonds, bid bonds, material bonds, labor bonds, stay bonds, appeal bonds and other similar bonds, except to the extent any of such bonds requires reimbursement of reserves; (d) any income maintenance agreement with or on behalf of physicians or employees of the Corporation or any Affiliate in connection with recruiting or other staff requirements; (e) the discount or sale with recourse of any such Person's notes receivable or accounts receivable; (f) any obligation of such Person guaranteeing or in effect guaranteeing any obligation of the primary obligor which does not constitute a sum certain; and (g) a guaranty of an obligation for which moneys or obligations are on deposit in an irrevocable deposit and such moneys or obligations (including, where appropriate, the earnings or other investments to accrue thereon) are required to be applied solely to pay on a timely basis such amounts and such moneys or obligations are sufficient to pay such amounts.

"Holder" or "Holder of a Series 2016C Bond", "Bondholder" or "Series 2016C Bondholder" means the Person in whose name a Series 2016C Bond is registered on the Register.

"Indebtedness" shall mean, without duplication, (a) all obligations of the Obligated Group and each member thereof for borrowed moneys which is shown, under generally accepted accounting principles, on the balance sheet of that member as a liability; (b) all obligations for borrowed moneys, no matter how created, secured by Property of any member of the Obligated Group, whether or not such obligations are assumed by any member of the Obligated Group; (c) any agreement under which any member of the Obligated Group is obligated to make payments of money, a portion of which is payment of principal and a portion of which is payment of interest on unpaid principal, and which is shown, under generally accepted accounting principles, on the balance sheet of that member as a liability; (d) the liability of any member of the Obligated Group under any lease of real or personal property which is properly capitalized on the balance sheet of any member of the Obligated Group in accordance with generally accepted accounting principles, specifically excluding operating leases; and (e) any Guaranty; provided that if more than one instrument represents the same obligation to make payments it shall be counted only once; and provided further that Indebtedness shall not include (i) payments required to be deposited into any reserve funds pursuant to the provisions of any indenture or other agreement securing Indebtedness or Related Bonds; (ii) any obligation owed by

one member of the Obligated Group to another member of the Obligated Group; (iii) Project Indebtedness; (iv) any continuing obligation of any member of the Obligated Group to pay principal of and interest on Indebtedness on Related Bonds which are deemed discharged or defeased in accordance with the agreement or instrument creating or evidencing such Indebtedness or Related Bonds; (v) any obligation to reimburse any Person for the payment of Indebtedness or the payment of debt service on any Related Bonds; (vi) dividends which have been declared with respect to stock of an Obligated Issuer unless and until such dividends shall remain unpaid on the date established for the payment thereof; (vii) Indebtedness for which moneys or obligations are on deposit in an irrevocable escrow and such moneys or obligations (including, where appropriate, the earnings or other investment to accrue thereon) are required to be applied solely to pay on a timely basis such amounts and such moneys or obligations so required to be applied are sufficient to pay such amounts; (viii) deferred compensation agreements between Obligated Issuers and employees of such Obligated Issuers, to the extent that payments under such deferred compensation agreements are secured by, or are otherwise to be made from, assets of such Obligated Issuers of equal or greater value, which are segregated for such purpose; (ix) accounts payable obligations of Obligated Issuers arising in the ordinary course of business; (x) any gift or annuity contracts or arrangements involving pooled income funds or unit trust arrangements, in each case, between a member of the Obligated Group and a donor or grantor and (xi) obligations of Obligated Issuers under Interest Rate Hedges. As of any date of computation, the principal amount of any Indebtedness arising from any Guaranty shall be deemed to be an amount calculated as follows:

(a) if at any time within the 18 months immediately preceding the computation date, the obligee of the guaranteed indebtedness shall have demanded that the guarantor pay all or a portion of principal of or interest on the guaranteed indebtedness and if within thirty (30) calendar days of the guarantor's receipt of such demand, the Obligated Group Representative shall have failed to deliver to the Master Trustee an Opinion of Counsel to the effect that the guarantor is not legally obligated to honor such demand, then 100% of the then outstanding principal balance of the guaranteed indebtedness; or

(b) if the Guaranteed Obligor's Coverage Ratio is less than 1.00, then (1) 50% of the then outstanding principal balance of the guaranteed indebtedness plus (2) an amount equal to the difference between one and the Guaranteed Obligor's Coverage Ratio multiplied by the then outstanding principal balance of the guaranteed indebtedness, divided by two; or

(c) if the Guaranteed Obligor's Coverage Ratio is at least 1.00 but less than 1.10, then fifty percent (50%) of the then outstanding principal balance of the guaranteed indebtedness; or

(d) otherwise, twenty percent (20%) of the then outstanding principal balance of the guaranteed indebtedness.

"Independent Certified Public Accountant" shall mean an Independent Person qualified as a certified public accountant.

"Independent Consultant" shall mean an Independent Person (which may be an Independent Certified Public Accountant) with experience in the health care field (or other appropriate experience if the Obligated Issuer is not in the health care field) appointed by the Obligated Group Representative and not unsatisfactory to the Master Trustee, qualified to pass upon questions relating

to the financial affairs of facilities of the type or types operated by the members of the Obligated Group and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"Independent Insurance Consultant" shall mean any Independent Person, appointed by the Obligated Group Representative and not unsatisfactory to the Master Trustee, qualified to survey risks and to recommend insurance coverage for facilities of the type or types operated by the members of the Obligated Group and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations.

"Independent Person" shall mean a Person in which no partner (treating a shareholder of a professional association which is a partner as though such shareholder were such partner), director, officer or employee is a member, stockholder, partner, director, officer or employee of a member of the Obligated Group.

"Interest Payment Date" means each January 1 and July 1, commencing January 1, 2017.

"Interest Rate Exchange Agreement" means an agreement, commonly known as an "interest rate swap"; whereby an Obligated Issuer agrees with another Person to pay such Person interest on a mutually agreed-upon notional amount in exchange for such Person's agreement to pay that Obligated Issuer interest on such amount, all at such interest rates and over such periods of time as may be mutually agreed upon; provided, however, that no such agreement shall entail any exchange of principal or any assumption of liability for the payment of the principal of or interest on any particular indebtedness of that Obligated Issuer or such other Person, as the case may be.

"Interest Rate Hedge" means (a) any agreement, device or arrangement designed to protect an Obligated Issuer from fluctuations of interest rates, exchange rates or forward rates, including, but not limited to, Interest Rate Exchange Agreements, dollar-denominated or cross-currency exchange agreements, forward currency exchange agreements, interest rate caps, collars or floors, forward rate currency or interest rate options, puts, warrants, swaps, swaptions, U.S. Treasury locks and U.S. Treasury options, (b) any other interest rate hedging transactions, such as, but not limited to, managing an Obligated Issuer's interest rate risk associated with any pending or potential capital market transactions such as fixed rate bond issues and (c) any and all cancellations, buybacks, reversals, terminations or assignments of any of the foregoing, and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Interim Indebtedness" shall mean Indebtedness incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness which is reasonably expected to be issued within 60 months following the incurrence of such Indebtedness.

"Lease" means the Lease relating to the Series 2016C Bonds dated as of October 1, 2016 between the Issuer, as lessor, and the Corporation, as lessee, as amended or supplemented from time to time.

"Lien" shall mean any Mortgage or other encumbrance on, any Property of any Obligated Issuer which secures any Indebtedness or any other obligation of any Obligated Issuer other than an obligation to any other Obligated Issuer; provided, however, that liens applicable to Property in

which any Obligated Issuer has only a leasehold interest shall be deemed "Liens" only if the liens secure Indebtedness.

"Long-Term", when used in connection with Indebtedness, shall mean Indebtedness (including that evidenced or collateralized by Obligations) having an original maturity greater than one year (including demand notes with alternative stated maturities of less than one year unless and until a demand for the payment thereof shall have been made) or renewable at the option of the obligor for a period greater than one year from the date of original incurrence or issuance thereof, which shall not include the current portion of such Long-Term Indebtedness as determined in accordance with generally accepted accounting principles.

"Long Term Obligation" shall mean any Obligation other than a Short Term Obligation.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Mortgage" means any mortgage, deed of trust, collateral assignment of lease, security interest and other lien, charge or encumbrance on or pledge of Property given as security for the payment of Indebtedness or the performance of other obligations.

"Mortgaged Property" shall mean the real and personal property described in a Mortgage.

"Net Income Available for Debt Service" shall mean, with respect to any period of calculation, the excess of total Adjusted Annual Revenue of the Obligated Group over total operating and non-operating expenses of the Obligated Group (including without limitation all property, franchise, income, sales, use and other taxes, assessments and governmental charges) other than (i) expenses directly incurred with respect to Property the acquisition of which has been financed from the proceeds of Project Indebtedness, (ii) depreciation, amortization and interest on Long-Term Indebtedness (including the current portion thereof) and (iii) all Federal, state and local taxes assessed with respect to the income of any member of the Obligated Group if and to the extent that such income shall not have been included in the determination of Adjusted Annual Revenue, all as determined in accordance with generally accepted accounting principles consistently applied and applied in the manner set forth in the Master Indenture, which may be determined on a consolidated or combined basis; but excluding (a) material balances and transactions between or among members of the Obligated Group; (b) all insurance proceeds payable as a result of casualty or other similar circumstances (other than the proceeds of medical and health insurance received for services rendered by a member of the Obligated Group or by a Person on behalf of such member, the proceeds of casualty insurance but only to the extent that the loss resulting from the casualty is included in the total expenses of the Obligated Group with respect to the period in question and the proceeds of business interruption insurance); (c) gains and losses from the sale of capital assets not in the ordinary course of business; (d) gains and losses attributable to refundings, advance refundings and other early extinguishments of Indebtedness or Project Indebtedness and (e) unrealized gains or losses on investments, including derivatives (including but not limited to Interest Rate Hedges).

"Obligated Group" shall mean all Obligated Issuers.

"Obligated Group Representative" shall mean any one of such officer or officers of the Corporation as may be designated pursuant to a written notice delivered to the Master Trustee executed on behalf of the Corporation by the president, any vice president or treasurer.

“Obligated Issuer” shall mean the Corporation and any Person which has become an Obligated Issuer under the Master Indenture. Currently, the Obligated Issuers are the Corporation, Midwest Presbyterian Senior Services, Ohio Presbyterian Retirement Services Foundation and Senior Independence.

“Obligation”, as that term is used in the Master Indenture, shall mean any evidence of Indebtedness, including a Guaranty, issued, authenticated and delivered under the Master Indenture. References to Obligations of a series or such series shall mean the Obligations or series issued pursuant to, and in the form set forth in, the Related Supplemental Indenture authorizing their issuance.

“Officer’s Certificate” shall mean, in the case of any Obligated Issuer which is a corporation, a certificate signed by the president or any vice president of such Obligated Issuer; in the case of the entire Obligated Group, by the Obligated Group Representative; or in the case of any Obligated Issuer which is not a corporation, by the managing partner or other Person in which the power to act on behalf of such Person is vested by law, the organizational documents of such Obligated Issuer or by subsequent action of its Governing Body.

“Opinion of Bond Counsel” shall mean (i) for purposes of the Master Indenture, an opinion in writing signed by a firm of attorneys which shall be nationally recognized as experienced in matters pertaining to the validity of obligations of governmental issuers (as such term is defined within the definition of the term “Related Bonds”) and the exclusion from gross income for purposes of Federal income taxes of interest on such obligations and (ii) for purposes of the Bond Indenture, an opinion of Ice Miller LLP or of other counsel nationally recognized as having an expertise in connection with the exclusion of interest on obligations of states and local governmental units from the gross income of holders thereof for federal income tax purposes.

“Opinion of Counsel” shall mean an opinion in writing signed by an attorney or firm of attorneys who may be an employee of or counsel to any Obligated Issuer and who shall be satisfactory to the Master Trustee.

“Optional Tender Indebtedness” shall mean any portion of Indebtedness a feature of which is an option on the part of the holders of such Indebtedness to tender for purchase at a stated purchase price prior to its stated due date all or a portion of such Indebtedness to one or more members of the Obligated Group or an agent, or a trustee or other fiduciary for such holders, or other party whom one or more members of the Obligated Group are obligated to reimburse.

“Ordinary Services” and “Ordinary Expenses” means those services normally rendered, and those expenses normally incurred, by a Bond Trustee under instruments similar to the Bond Indenture.

“Outstanding”, as that term is used in the Master Indenture, shall mean:

(a) when used in connection with Indebtedness evidenced, collateralized or secured by Obligations, all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(i) Obligations theretofore canceled by the Master Trustee or delivered to the Master Trustee for cancellation;

(ii) Obligations for the payment or redemption of which cash funds (or Defeasance Obligations to the extent permitted) shall have theretofore been deposited with the Master Trustee; provided that if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and provided further that prior to such redemption or payment, the Obligations to be paid or redeemed shall be deemed to be outstanding for the purpose of replacement, transfer and exchange pursuant to the Master Indenture;

(iii) Obligations issued pursuant to the Master Indenture in connection with the issuance of a series of Related Bonds, to the extent that such Related Bonds are no longer deemed to be outstanding under the provisions of the Related Bond Indenture;

(iv) Obligations in lieu of which other Obligations have been authenticated; and

(v) Obligations owned, other than on a temporary basis, by members of the Obligated Group, or by any Affiliate.

(b) when used in connection with Indebtedness not evidenced by Obligations, all such Indebtedness except:

(i) Indebtedness, with respect to which the Obligations of all members of the Obligated Group to make payments thereon have been discharged, or Indebtedness which is no longer deemed to be outstanding in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness;

(ii) Indebtedness, provision for the payment of which has been made by the deposit in trust of cash or Federal Securities, not redeemable at the option of anyone other than the holder thereof, the principal of and interest on which will be sufficient to pay, when due (whether at maturity, by redemption, upon acceleration or otherwise), amounts due with respect to such Indebtedness; and

(iii) Indebtedness held by members of the Obligated Group or any Affiliate.

“Outstanding Series 2016C Bonds” or “Series 2016C Bonds outstanding” means, as of the applicable date, all Series 2016C Bonds that have been authenticated and delivered, or that are being delivered by the Bond Trustee under the Bond Indenture, except:

(a) Series 2016C Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption on or prior to that date;

(b) Series 2016C Bonds, or the portion thereof, the payment, redemption or purchase for cancellation of which sufficient money has been deposited and credited with the Bond Trustee pursuant to the Bond Indenture on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Series 2016C Bonds); provided that if any of those Series 2016C Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee;

(c) Series 2016C Bonds, or the portion thereof, that are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Bond Indenture; and

(d) Series 2016C Bonds in lieu of which others have been authenticated under the Bond Indenture;

provided that, in determining whether the Holders of the requisite percentage of Series 2016C Bonds have concurred in any demand, direction, request, notice, consent, waiver or other action under the Bond Indenture, Series 2016C Bonds that are owned by the Corporation or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation shall be regarded and deemed not to be outstanding for the purpose of any such determination; provided further that for the purposes of determining whether the Bond Trustee shall be protected in relying on any such direction, consent or waiver, only such Series 2016C Bonds that the Bond Trustee knows are so owned shall be disregarded. Series 2016C Bonds so owned that have been pledged in good faith may be regarded as Outstanding for such purpose, if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Series 2016C Bonds and the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

"Permitted Encumbrances" shall mean:

(a) Liens created by the Master Indenture or any Supplemental Indenture, all Related Bond Indentures and any loan, lease, sublease, guaranty, sale or similar agreement entered into in connection with the issuance of and providing for or securing the payment of Related Bonds or any reimbursement agreement related to the above;

(b) Liens arising by reason of good faith deposits by any Obligated Issuer in connection with tenders, leases of real estate, or tangible personal property, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Issuer to secure public or statutory obligations, or as security for a surety or an issuer of, or in lieu of, surety, performance bonds, bid bonds, material bonds, labor bonds, stay bonds, appeal bonds or other similar bonds and deposits as security for the payment of taxes or assessments or other similar charges;

(c) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation (i) as a condition to the transaction of any business or the exercise of any privilege or license, or (ii) to enable any Obligated Issuer 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 pension or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(d) any judgment Lien against any Obligated Issuer, so long as the finality of such judgment is being contested and execution thereon is stayed or provision for payment of the judgment has been made in accordance with applicable law or by the deposit of cash or Federal Securities with the Master Trustee or a commercial bank or trust company acceptable to the Master Trustee;

(e) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (A) terminate such power, franchise, grant, license or permit, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (ii) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (iii) easements, rights-of-way, servitudes, restrictions and other defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof (for purposes of this clause (iii) the absence of such material impairment or such material and adverse effect can be conclusively established by an Officer's Certificate delivered to the Master Trustee); (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner; and (v) landlord's liens;

(f) encumbrances arising from grants, loans or guarantees of the United States of America pursuant to 42 U.S.C. §291 et seq. (the "Hill-Burton Act") or 42 U.S.C. §300 et seq.; and other existing encumbrances arising from grants or loans from, or guarantees of Indebtedness by Federal, state and local governments or agencies thereof certified in an Officer's Certificate to be similar in nature to the encumbrances described in the first part of this clause (f);

(g) Liens for taxes and special assessments not then delinquent or being contested in accordance with the provisions of the Master Indenture;

(h) any Mortgage permitted by the Master Indenture;

(i) any lease or sublease of real or personal property or space within its real or personal property to any Person; provided that where the application of generally accepted accounting principles would require the Person leasing such real or personal property or such space from any member of the Obligated Group to treat the lease as Indebtedness (were such

Person a member of the Obligated Group), the lease or sublease shall be treated as a disposition of Property by a member of the Obligated Group which must qualify under paragraphs (a) or (b) under the heading "SUMMARY OF THE MASTER INDENTURE -- Covenants of the Obligated Group -- Restrictions on Transfers of Property";

(j) other mortgages, security interests, liens, charges and encumbrances expressly permitted by the terms of the Master Indenture;

(k) reservations contained in patents from the United States of America;

(l) Liens existing on Property when received by an Obligated Issuer through gifts, grants or bequests; provided that no such Lien may be extended, renewed or modified so as to apply to any Property of any Obligated Issuer not previously subject to such Liens, unless such Lien, as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;

(m) Liens on moneys deposited by residents, patients or others with any Obligated Issuer as security for or as prepayment for the cost of patient care;

(n) Liens on Current Assets due to rights of third party payors for recoupment of amounts paid to any Obligated Issuer;

(o) Liens, encumbrances and other matters affecting title existing on the date of execution and delivery of the Master Indenture which are described in an exhibit to the Master Indenture;

(p) Liens in favor of a lessor, vendor, or lender extending credit to an Obligated Issuer (including, without limitation, any Related Bond Trustee or Related Issuer with respect to Indebtedness permitted under the Master Indenture) for the acquisition by an Obligated Issuer of the Property which is the subject of the Lien (whether or not such Lien constitutes a purchase money mortgage or purchase money security interest under applicable state or local law), the acquisition of which Property has not been financed, directly or indirectly, with moneys representing the proceeds of Obligations or Related Bonds, which Liens may be prior to, or on a parity with, the lien of the Master Indenture;

(q) Liens which are security only for Project Indebtedness and which do not extend to any Property other than that acquired with the proceeds of Project Indebtedness and revenues derived therefrom;

(r) Liens on the Property of a Person (other than the Corporation or any other Person who or which on the date of execution and delivery of the Master Indenture is an Affiliate) which Liens exist on the date such Person shall become a member of the Obligated Group and Liens existing on the date Property, which has not theretofore been owned by any member of the Obligated Group or by an Affiliate, is acquired by a member of the Obligated Group;

(s) Liens on Excluded Property, which Liens may be prior to, or on a parity with, the lien of the Master Indenture; and

(t) Liens arising under law or by contract with respect to initial deposits made under life-care contracts.

"Person" shall mean (i) for purposes of the Master Indenture, an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof and (ii) for purposes of the Bond Indenture words importing persons means firms, associations, corporations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Prior Bonds" means, collectively, the Series 2002A Bond and the Series 2005A Bonds, all of the outstanding principal amount of which are being refunded with proceeds of the Series 2016C Bonds.

"Project" means the Project Facilities and the Project Site, including, as applicable, the interest of the Issuer in and to the Project, and constituting "hospital facilities" as defined by the Act.

"Project Facilities" means consist of all facilities currently located at the Project Site, together with any additions, modifications and substitutions to those facilities.

"Project Fund" means the Project Fund created pursuant to the Bond Indenture.

"Project Indebtedness" shall mean any Indebtedness secured by and payable from sources limited solely to the revenues and/or Property associated with the project financed by such Indebtedness; provided, however, that the instrument evidencing such Indebtedness shall provide that it is with no recourse, directly or indirectly, to any other Property (except Excluded Property) or revenues of any member of the Obligated Group; provided, however, that such Property (except Excluded Property) shall not be Property to which any member of the Obligated Group has title as of December 1, 1991.

"Project Site" means the sites of the Project Facilities described in Exhibit B to the Lease.

"Property", when used in connection with a particular Person or group of Persons, shall mean any and all rights, titles and interests of such Person or group of Persons in and to any and all property, whether real or personal, tangible or intangible, and wherever situated.

"Property, Plant and Equipment" shall mean all Property of the members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Rating Service" shall mean (i) for purposes of the Master Indenture, Moody's Investors Service and S&P Global Ratings, and their successors and assigns, or if either shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated by the Obligated Group Representative and satisfactory to the Master Trustee and (ii) for purposes of the Bond Indenture, either Moody's, S&P, or any other nationally recognized statistical rating service.

"Real Property" shall mean that Property which under the laws of the jurisdiction in which such Property is located is deemed to be "real property".

"Refunding Indebtedness" shall mean any Indebtedness issued for the purpose of refunding Outstanding Interim Indebtedness or Long-Term Indebtedness.

"Register" means the books kept and maintained by the Bond Trustee for registration and transfer of Series 2016C Bonds.

"Registered Owner" shall mean the Person or Persons in whose name or names a particular Obligation is registered on the register maintained for that purpose pursuant to the Master Indenture.

"Related Bonds" shall mean the bonds or other obligations issued by any Obligated Issuer or by any state of the United States of America or any municipal corporation or political subdivision formed under the laws thereof or any body corporate and politic or any constituted authority of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer") pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to or for the benefit of (i) one or more members of the Obligated Group, directly or indirectly, in consideration, in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such governmental issuer or the Related Bond Trustee or (ii) any Person other than the Corporation or any other Obligated Issuer in consideration of issuance to such governmental issuer or trustee for such obligations (A) by such Person of any indebtedness or other obligation of such Person and (B) by the Corporation or any other Obligated Issuer of a Guaranty issued under the Master Indenture in respect of such indebtedness or other obligation.

"Related Bond Indenture" shall mean any indenture or resolution or comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Trustee" shall mean the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Issuer" shall mean the issuer of any issue of Related Bonds.

"Related Supplemental Indenture", when used with reference to Obligations of a particular series, shall mean the Supplemental Indenture creating such series.

"Rental Payment Date" means November 10, 2016 and the tenth day of each month thereafter.

"Rental Payments" means the amounts required to be paid by the Corporation to the Bond Trustee pursuant to the Lease.

"Revenues" means (i) all rentals and any other moneys received by the Issuer or the Bond Trustee pursuant to the Lease, including the Rental Payments, and (ii) all money and investments in the Bond Fund, the Debt Service Reserve Fund and the Project Fund, and (iii) all income and profit from the investment of the foregoing money, together constituting "hospital receipts" within the meaning of the Act.

"S&P" means S&P Global Ratings and its successors and assigns.

"Series 2002A Bonds" means the $26,600,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002A (Ohio Presbyterian Retirement Services).

"Series 2002B Bonds" means the $19,790,000 original principal amount County of Franklin, Ohio Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2002B (Ohio Presbyterian Retirement Services).

"Series 2005A Bonds" means the $10,945,000 original principal amount County of Franklin, Ohio Health Care Facilities Improvement Revenue Bonds, Series 2005A (Ohio Presbyterian Retirement Services).

"Series 2005B Bonds" means the $14,385,000 original principal amount County of Franklin, Ohio Variable Rate Demand Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2005B (Ohio Presbyterian Retirement Services).

"Series 2005B Credit Bank Agreement" means the Letter of Credit Reimbursement and Term Loan Agreement between the Corporation and the Credit Bank relating to the Series 2005B Bonds.

"Series 2005B Interest Rate Exchange Agreement" means the ISDA Master Agreement between the Corporation and Morgan Stanley Capital Services Inc., including the Schedule thereto and the Confirmation, as amended.

"Series 2005B Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2005B Bonds.

"Series 2005B LOC Note" means the Obligation issued by the Corporation under the Master Indenture to the Credit Bank to secure the Corporation's reimbursement obligations to the Credit Bank under the Series 2005B Credit Bank Agreement.

"Series 2005B Swap Note" means the Obligation issued by the Corporation under the master Indenture to secure its obligations to Morgan Stanley Capital Services Inc. under the Series 2005B Interest Rate Exchange Agreement.

"Series 2006A Interest Rate Exchange Agreement" means the ISDA Master Agreement between the Corporation and PNC Bank, National Association, including the Schedule and Credit Support Annex thereto and the Confirmation, as amended.

"Series 2006A Swap Note" means the Obligation issued by the Corporation under the master Indenture to secure its obligations to PNC Bank, National Association under the Series 2006A Interest Rate Exchange Agreement.

"Series 2010 Bonds" means the $25,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Improvement Revenue Bonds, Series 2010A (OPRS Communities).

"Series 2010 Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2010 Bonds.

"Series 2011 Bank Direct Purchaser Agreement" means the Bond Purchase and Bank Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2011 Bonds, as amended or supplemented from time to time.

"Series 2011 Bonds" means the $36,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding and Improvement Revenue Bonds, Series 2011 (OPRS Communities).

"Series 2011 Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2011 Bonds.

"Series 2012 Bank Direct Purchaser Agreement" means the Bond Purchase and Bank Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2012 Bonds, as amended or supplemented from time to time.

"Series 2012 Bonds" means the $30,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2012 (OPRS Communities).

"Series 2012 Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2012 Bonds.

"Series 2013A Bonds" means the $50,550,000 original principal amount County of Franklin, Ohio Health Care Facilities Improvement Revenue Bonds, Series 2013A (OPRS Communities).

"Series 2013A Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2013A Bonds.

"Series 2013B Bank Direct Purchaser Agreement" means the Bond Purchase and Bank Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2013B Bonds, as amended or supplemented from time to time.

"Series 2013B Bonds" means the $25,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Improvement Revenue Bonds, Series 2013B (OPRS Communities).

"Series 2013B CCA Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations under the Series 2013B Bank Direct Purchaser Agreement.

"Series 2013B Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the 2013B Bonds.

"Series 2014 Term Loan Agreement" means the Credit Agreement between the Corporation and PNC Bank, National Association, , as amended or supplemented from time to time, pursuant to which a term loan was made to the Corporation.

"Series 2014 Term Loan Note" means the Obligation issued by the Corporation under the Master Indenture to PNC Bank, National Association to secure the Corporation's payment

obligations to PNC Bank, National Association with respect to the term loan made under the Series 2014 Term Loan Agreement.

"Series 2016 Term Loan" means the $1,500,000 term loan made by Comerica Bank to the Corporation pursuant to the Series 2005B Credit Bank Agreement.

"Series 2016 Term Loan Note" means the Obligation issued by the Corporation under the Master Indenture to Comerica Bank to secure the Corporation's payment obligations to Comerica Bank with respect to the Series 2016 Term Loan.

"Series 2016A Bank Direct Purchaser Agreement" means the Continuing Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2016A Bonds, as amended or supplemented from time to time.

"Series 2016A Bonds" means the $30,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016A (OPRS Communities).

"Series 2016A Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the Series 2016A Bonds.

"Series 2016B Bank Direct Purchaser Agreement" means the Bank Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2016B Bonds, as amended or supplemented from time to time.

"Series 2016B Bonds" means the $30,000,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016B (OPRS Communities).

"Series 2016B Note" means the Obligation issued by the Corporation under the Master Indenture to secure its payment obligations with respect to the 2016B Bonds.

"Series 2016C Bonds" means the $21,955,000 original principal amount County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities).

"Series 2016C Note" means the Obligation issued by the Corporation under the Series 2016C Supplemental Master Indenture to secure its payment obligations with respect to the Series 2016C Bonds.

"Series 2016C Supplemental Master Indenture" means the supplement to the Master Indenture, dated as of October 1, 2016, between the Corporation and the Master Trustee, pursuant to which the Corporation will issue its Series 2016C Note.

"Series 2016D Bank Direct Purchaser Agreement" means the Bank Covenants Agreement between the Corporation and the Bank Direct Purchaser of the Series 2016D Bonds, as amended or supplemented from time to time.

"Series 2016D Bonds" means the $10,150,000* original principal amount County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities).

"Series 2016D Note" means the Obligation issued by the Corporation under the Series 2016D Supplemental Master Indenture to secure its payment obligations with respect to the 2016D Bonds.

"Series 2016D Supplemental Master Indenture" means the supplement to the Master Indenture, dated as of October 1, 2016, between the Corporation and the Master Trustee, pursuant to which the Corporation will issue its Series 2016D Note.

"Short-Term", when used in connection with Indebtedness (including Obligations), shall mean having an original maturity less than or equal to one year and not renewable at the option of the obligor for a term greater than one year beyond the date of original incurrence or issuance.

"Short Term Obligations" shall mean an Obligation maturing or payable at the option of the obligee not more than 365 days after it is incurred, excluding the current portion of any Long Term Obligation.

"Significant Obligated Issuer" shall mean any member of the Obligated Group which for the three Fiscal Years (for which financial statements have been delivered pursuant to the Master Indenture) immediately preceding the occurrence of certain events of bankruptcy or insolvency involving such member or preceding the withdrawal of such member from the Obligated Group, as the case may be, either shall have had average Adjusted Annual Revenue (determined solely with reference to such member) greater than or equal to five percent (5%) of the average Adjusted Annual Revenue for such three Fiscal Years or shall have owned or leased Property having a Book Value greater than or equal to five percent (5%) of the Book Value of the Property of the Obligated Group for such three Fiscal Years.

"Subordinated Indebtedness" shall mean Indebtedness (including Obligations) which contains provisions substantially in the form set forth in Exhibit A to the Master Indenture.

"Supplemental Indenture" shall mean (i) for purposes of the Master Indenture an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose of creating a particular series of Obligations issued under the Master Indenture, or amending or supplementing the terms of the Master Indenture and (ii) for purposes of the Bond Indenture, any indenture supplemental to the Bond Indenture entered into between the Issuer and the Bond Trustee in accordance with the provisions of the Bond Indenture.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement dated as of October 1, 2016, among the Corporation, the Issuer and the Bond Trustee (as bond trustee for the Series 2016C Bonds and the Series 2016D Bonds).

"Unassigned Issuer's Rights" means the rights of the Issuer under the Lease that are not assigned to the Bond Trustee or the Master Trustee, consisting of the rights of the Issuer to (i) receive Additional Payments, (ii) be held harmless and to be indemnified, (iii) be reimbursed for

* Preliminary; subject to change.

reasonable attorney's fees and expenses, to the extent permitted by law, (iv) give or withhold consent to amendments of the Lease and (v) enforce those rights.

"Valuation Date" means each July 1, commencing July 1, 2017 and the date of any withdrawal from the Debt Service Reserve Fund.

"Variable Rate Indebtedness" shall mean any portion of Indebtedness the rate of interest on which is not established at the time of incurrence as one or more numerical rates applicable throughout the term thereof or for specified periods during the term thereof, with the result that at the time of incurrence the numerical rate of interest which will be in effect during any portion of the term thereof cannot be determined.

SUMMARY OF THE MASTER INDENTURE

Authorization and Issuance of Obligations

All Obligations must be issued pursuant to the provisions of the Master Indenture. In addition to Obligations issued to secure Indebtedness, Obligations may be issued to secure other Indebtedness and to evidence and secure obligations under Interest Rate Hedges. Unless contrary provision is made in the Supplemental Indenture pursuant to which the Obligation is issued, the principal amount of any Obligation issued to secure any obligations under an Interest Rate Hedge shall be deemed to equal the amount that would be owing to the counterparty of the Obligated Issuer under such Interest Rate Hedge upon the actual termination of the Interest Rate Hedge in accordance with its terms; provided, however, that prior to the termination of the Interest Rate Hedge, the Obligation securing such Interest Rate Hedge shall be deemed outstanding under the Master Indenture solely for the purpose of receiving payment under the Master Indenture and shall not be entitled to exercise any rights under the Master Indenture. Any Obligated Issuer which delivers an Obligation to secure obligations under an Interest Rate Hedge shall give prior notice of such delivery to any nationally recognized rating agency then rating any Related Bonds.

Covenants of the Obligated Group

Each member of the Obligated Group covenants that for so long as any Obligation is outstanding:

Payment of Principal, Premium and Interest. It shall duly and punctually pay the principal of, the premium, if any, and the interest on each Obligation at the times and at the place and in the manner provided in such Obligation, the Supplemental Indentures and the Master Indenture.

Insurance. It shall maintain insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its properties and operations. Each member of the Obligated Group which owns or operates hospital facilities or other health care facilities shall also maintain insurance covering the risk of professional liability in such amounts as, in its reasonable judgment, is adequate to protect it and its operations. The insurance required to be maintained pursuant to the Master Indenture shall be subject to the biennial review and approval of an Independent Insurance Consultant, and such member shall follow any recommendations of the Independent Insurance Consultant to the extent feasible.

An Obligated Issuer may, upon resolution adopted in good faith by its Governing Body and upon the recommendations of an Independent Insurance Consultant, adopt alternative risk management programs which shall be in compliance with applicable governmental rules and regulations including, without limitation, the right: to self-insure in whole or in part; to organize captive insurance companies; to participate in programs of captive insurance companies organized by others; to establish self-insurance trust funds; to participate in mutual or other cooperative insurance or other risk management programs with others; to participate in or enter into agreements with local, state or federal governments in order to achieve such insurance; to take advantage of state or federal statutes or laws limiting medical and malpractice liability; or to participate in other alternative risk management programs as shall be recommended by such Independent Insurance Consultant.

Restrictions as to Incurrence of Indebtedness. It will incur Indebtedness only as follows; provided that no Event of Default shall have occurred or be continuing unless such event will be cured upon incurrence of such Indebtedness and application of the proceeds thereof and the placing in service of any facilities thereby, and that prior to the incurrence of Indebtedness evidenced or collateralized by Obligations, all conditions in the Master Indenture for the issuance of Obligations and any other conditions set forth in the Supplemental Indenture authorizing the issuance of such Obligations have been satisfied:

(a) Long-Term Indebtedness provided that:

(i) the Obligated Issuer proposing to incur such Indebtedness shall certify in an Officer's Certificate the uses intended for the proceeds of such Long-Term Indebtedness and if any portion is to be used to acquire or improve Real Property, the estimated cost thereof; and

(ii) one of the following tests is satisfied:

A. an Officer's Certificate is filed with the Master Trustee to the effect that the Debt Service Coverage Ratio for the most recent Fiscal Year, taking into account all outstanding Long-Term Indebtedness and that then proposed to be incurred, is not less than 1.20; or

B. (1) an Officer's Certificate is filed with the Master Trustee to the effect that the Debt Service Coverage Ratio for the most recent Fiscal Year for which financial statements have been delivered to the Master Trustee, taking into account all outstanding Long-Term Indebtedness but not taking into account the Long-Term Indebtedness then proposed to be incurred, is not less than 1.20; and

(2) a report or opinion of an Independent Consultant is filed with the Master Trustee to the effect that, taking the proposed Long-Term Indebtedness into account, the Debt Service Coverage Ratio for the first full fiscal year following the completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such proposed Long-Term Indebtedness, or following the incurrence of Long-Term Indebtedness for other purposes, is expected to be not less than 1.25; or

C. an Officer's Certificate is filed with the Master Trustee that as of the date of the incurrence of such Long-Term Indebtedness the sum of the proposed Long-Term Indebtedness and the existing Long-Term Indebtedness of the Obligated Group does not exceed 66-2/3% of the Capitalization of the Obligated Group; or

D. an Officer's Certificate is filed with the Master Trustee that the aggregate principal amount of Long-Term Indebtedness incurred in reliance on the test set forth in this clause D. that is Outstanding on the date of delivery of such Officer's Certificate, plus the Long-Term Indebtedness then proposed to be incurred, does not exceed 20% of the Adjusted Annual Revenue for the most recent Fiscal Year preceding the date of the proposed issuance of such Long-Term Indebtedness for which audited financial statements are available.

In the event that an Independent Consultant shall deliver a report to the Master Trustee to the effect that Governmental Regulations do not permit or by their application make it impracticable for the Obligated Group to produce the required ratios set forth in (a)(ii)(B) above, then such ratios shall be reduced to the highest practicable ratios then permitted by such laws or regulations but in no event less than 1.00.

(b) Completion Indebtedness.

(c) Refunding Indebtedness (i) which has Average Annual Debt Service no greater than 120% of the Average Annual Debt Service of the Indebtedness refunded thereby, (ii) which results in a reduction in total debt service or (iii) which will be used to refund Interim Indebtedness.

(d) Short-Term Indebtedness; provided that (i) the combined Outstanding principal amount of such Short-Term Indebtedness does not exceed fifteen percent (15%) of the Adjusted Annual Revenue as shown on or calculable from the audited financial statements of the Obligated Group for the most recent Fiscal Year for which financial statements have been delivered pursuant to the Master Indenture, or (ii) if the combined Outstanding principal amount of Indebtedness incurred pursuant to this paragraph shall at any time thereafter exceed the fifteen percent (15%) limitation, then the combined Outstanding principal amount of Indebtedness incurred pursuant to this paragraph shall be reduced to an amount not exceeding such fifteen percent (15%) limitation not later than ninety (90) days after the date such limitation shall have been exceeded.

(e) Project Indebtedness.

(f) Interim Indebtedness provided that, at the time such Interim Indebtedness is incurred or assumed, there shall be delivered to the Master Trustee:

(i) an Officer's Certificate setting forth the information required by paragraph (a)(i) above and an Officer's Certificate stating that the anticipated

financing thereof by the issuance of Long-Term Indebtedness is reasonably expected to be completed within the next 60 months; and

(ii) reports or opinions of the type required by any of the subparagraphs (a)(ii)(A) through (a)(ii)(D) above demonstrating that all requirements of such subparagraphs would be met if such Interim Indebtedness were then being issued as Long-Term Indebtedness maturing over a term equal to the Assumed Amortization Period with level annual combined payments of principal and interest and having an interest rate equal to the Assumed Interest Rate.

(g) Subordinated Indebtedness.

(h) Any continuing obligation of any member of the Obligated Group to pay principal of and interest on Indebtedness or Related Bonds which are deemed to be discharged or defeased in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness or Related Bonds, as the case may be; provided, however, that there is delivered to the Master Trustee a letter from a nationally recognized firm of Independent Certified Public Accountants verifying the adequacy of any escrow established in connection with the discharge or defeasance of such Indebtedness or Related Bonds.

(i) Indebtedness which constitutes Indebtedness for which money for the payment of which is on deposit in a project fund or another restricted fund.

(j) Indebtedness of any member of the Obligated Group to any other member thereof.

(k) Indebtedness representing a loan to any member of the Obligated Group of moneys on deposit in accumulated capital reserve accounts or depreciation reserve accounts created under Supplemental Master Indentures or Related Bond Indentures.

Completion Indebtedness, Refunding Indebtedness, Project Indebtedness and Subordinated Indebtedness which would otherwise be Long-Term Indebtedness shall not be subject to the tests in (a) above of this caption "Restrictions as to Incurrence of Indebtedness", unless the Obligated Group elects to treat such Indebtedness as issued as Long-Term Indebtedness pursuant to (a) above. In addition, any Indebtedness issued or guaranteed by any member of the Obligated Group pursuant to any of the preceding paragraphs may at any time and from time to time, if the same shall be permitted to be issued or guaranteed pursuant to another paragraph, be reclassified by the Obligated Group as having been issued or guaranteed by the member pursuant to such other paragraph.

For purposes of the Master Indenture:

(i) Indebtedness shall generally be deemed to be "incurred" by a Person whenever such Person shall create, assume, guarantee, or otherwise become liable in respect thereof;

(ii) the sale or other transfer of indebtedness of any member of the Obligated Group by the member which holds such indebtedness to any Person not a member of the

Obligated Group shall be deemed to be the incurrence of Indebtedness as of the date of sale or transfer;

(iii) Outstanding Indebtedness of any Person which becomes a member of the Obligated Group shall be deemed to be incurred on the date such Person becomes a member; and

(iv) in the case of Indebtedness which is subject to conversion, at the option of the Obligated Group, with respect to term and interest rate, any such conversion shall be deemed not to be the incurrence of Indebtedness.

Debt Service Coverage Ratio. If the Debt Service Coverage Ratio as calculated at the end of any Fiscal Year is below 1.20, the Obligated Group covenants to retain within six months of the end of such Fiscal Year an Independent Consultant to make recommendations (which may include, without limitation, increasing rates and charges, reducing operating costs, altering the intensity or scope of services or any combination of the foregoing) to increase the Debt Service Coverage Ratio to at least 1.20 or if, in the opinion of the Independent Consultant, achieving such coverage is impracticable due to law or regulation then in effect, to the highest practicable level. So long as the Obligated Group shall retain an Independent Consultant and each member of the Obligated Group shall follow such Independent Consultant's recommendations with respect to such member to the extent feasible, this requirement shall be deemed to have been complied with even if the Debt Service Coverage Ratio for any subsequent Fiscal Year is below 1.20, which event will not constitute an Event of Default under the Master Indenture unless and until such Debt Service Coverage Ratio falls below 1.00.

Consolidation, Merger, Sale or Conveyance. Each member of the Obligated Group covenants that it will not merge or consolidate with any other Person not a member of the Obligated Group or sell or convey all or substantially all of its assets to any Person not a member of the Obligated Group unless (a) either such Obligated Issuer shall be the continuing Person, or the successor Person (if other than such Obligated Issuer) shall be a Person organized and existing under the laws of the United States of America or a state thereof and such Person shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all Obligations issued by such Obligated Issuer under the Master Indenture according to their tenor and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed and observed by such Obligated Issuer by supplemental indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Person; (b) such Obligated Issuer shall have delivered an Officer's Certificate to the Master Trustee to the effect that such Obligated Issuer or such successor Person, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance or observance of any such covenant or condition; (c) such Obligated Issuer, or such successor Person, as the case may be, demonstrates, in a report of an Independent Consultant delivered to the Master Trustee, that the Debt Service Coverage Ratio for each of the two Fiscal Years immediately succeeding the proposed date of such merger, consolidation, sale or conveyance is expected to be (i) at least 1.20 or (ii) if less than 1.20, greater than the Debt Service Coverage Ratio would have been in the absence of such merger, consolidation, sale or conveyance, and (d) if there are any Outstanding Related Bonds bearing interest that is excludable from gross income for federal income tax purposes, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger,

consolidation, sale or conveyance would not cause the interest payable on such Related Bonds to become included in gross income of the holders thereof for federal income tax purposes.

Restrictions on Transfers of Property. (a) Any member of the Obligated Group may sell or otherwise voluntarily dispose of any of its Property (i) to another member of the Obligated Group, (ii) in payment of Indebtedness, (iii) which is Excluded Property, or (iv) in the ordinary course of business, provided that, with respect to sales or dispositions of accounts receivable and contract rights in the ordinary course of business, such sale or other disposition is also on terms not less favorable to the transferor than in an arms-length transaction.

(b) Except as provided in the Master Indenture, each member of the Obligated Group agrees that it will not sell or otherwise voluntarily dispose of any of its Property (other than Current Assets) unless one of the tests listed in (i) through (iv) below has been met and the sale or disposition of such Property will not impair the structural soundness, efficiency or economic value of the remaining Property of that member:

(i) in the judgment of the Obligated Group such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary; or

(ii) the sale or disposition of such Property was pursuant to the reasonable requirements of the Obligated Group and for consideration, in the form of cash or securities in an amount, or real or personal property having a Fair Market Value, at least equal to the Fair Market Value of such Property sold or disposed of, except in the case of a bargain sale, in which case to the extent the Fair Market Value of such Property sold or disposed of exceeds the consideration received, the disposition of an amount equal to such excess must qualify under clause (iii) or clause (iv) hereof; or

(iii) after giving effect to such transaction, the conditions described in the Master Indenture would be met for the incurrence of one dollar of Long-Term Indebtedness, and that:

(A) the Debt Service Coverage Ratio, as provided in an Officer's Certificate, for the most recent Fiscal Year preceding the proposed date of such transaction for which audited financial statements are available, assuming such transaction actually occurred at the beginning of such Fiscal Year, would not have been reduced or, if reduced, would not have been reduced by more than 25% or to less than 1.20; or

(B) the Debt Service Coverage Ratio, as reported by the Obligated Group's Independent Certified Public Accountants or an Independent Consultant, for each of the two Fiscal Years immediately following the proposed date of such transaction is expected to be:

(1) greater than 1.20 and not less than 75% of the Debt Service Coverage Ratio for the most recent Fiscal Year preceding the

proposed date of such transaction for which audited financial statements are available; or

(2) higher than it would have been had such transactions not been effected; or

(iv) the aggregate Value of such Property sold or otherwise disposed of pursuant to this paragraph in any one Fiscal Year does not exceed 5% of the aggregate Value of all Property (other than Current Assets) of the Obligated Group.

(c) Except as provided in (a) above, each member of the Obligated Group agrees that it will not sell or otherwise voluntarily dispose of any of its Current Assets, unless (i) with respect to Current Assets being invested or reinvested, the investment or reinvestment thereof is deemed to be reasonably prudent by the member of the Obligated Group making such investment or reinvestment, or (ii) one of the tests in (A) through (C) below has been met:

(A) the Fair Market Value of the Property being acquired in exchange for such disposition equals or exceeds the amount of such Current Assets, except in the case of a bargain sale, in which case to the extent that the amount of Current Assets exchanged exceeds the Fair Market Value of the Property being acquired, the disposition of an amount equal to such excess must qualify under clause (B) or clause (C) of this clause (c)(ii); or

(B) the amount of Current Assets being transferred or disposed of in that Fiscal Year is equal to or less than five percent (5%) of Adjusted Annual Revenue for the immediately preceding Fiscal Year; or

(C) the Debt Service Coverage Ratio, as provided in an Officer's Certificate, for the most recent Fiscal Year of the Obligated Group for which audited financial statements are available would not be reduced below 1.75 if the amount of "Net Transfers of Current Assets" for the current Fiscal Year were deducted from Net Income Available for Debt Service for such most recent Fiscal Year. For purposes of this clause (C), "Net Transfers of Current Assets" means (1) the amount of Current Assets transferred during the current Fiscal Year from a member of the Obligated Group to any Person which is not a member of the Obligated Group minus (2) the amount of Current Assets transferred to any member of the Obligated Group during the current Fiscal Year by any Person which is not a member of the Obligated Group, which transfers to any member of the Obligated Group would not, under generally accepted accounting principles consistently applied, have any effect on Net Income Available for Debt Service.

(d) Any member of the Obligated Group may lease or sublease to any Person its real or personal property or space within its real or personal property; provided that where the application of generally accepted principles would require the Person leasing such real or personal property or such space from any member of the Obligated Group to treat the lease as Indebtedness (were such Person a member of the Obligated Group), the lease shall be

treated as a disposition of Property by a member of the Obligated Group which must qualify under (a) or (b) above and not as a lease under this paragraph (d).

(e) A certificate of the Obligated Group Representative shall be delivered to the Master Trustee within five months after the end of each Fiscal Year to the effect that all disposition of Property during that Fiscal Year were permitted under the provisions of the Master Indenture.

(f) No member of the Obligated Group shall designate any Property as Excluded Property unless:

(i) a certificate of the Obligated Group Representative has been delivered to the Master Trustee to the effect that one of the tests listed in clause (iii) or (iv) of clause (b) above has been met; and

(ii) a Supplemental Master Indenture designating such Property as Excluded Property has been executed and delivered.

Members of the Obligated Group

(a) Any Person may, at any time, become a member of the Obligated Group by complying with paragraphs (b) and (c) below.

(b) To become a member to the Obligated Group, such Person shall execute and deliver to the Master Trustee an appropriate instrument containing an agreement of such Person (i) to become an Obligated Issuer and be subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, and (ii) agreeing with the Master Trustee and each other member of the Obligated Group that it shall be jointly and severally obligated to pay all Indebtedness evidenced by Obligations and that such Indebtedness will be paid in accordance with the terms thereof and of the Master Indenture when due.

(c) The Master Trustee shall receive an Opinion of Counsel, addressed to and reasonably satisfactory to the Master Trustee, (i) to the effect that each such Person has the power and authority to execute and deliver such instruments and to perform its obligations thereunder and such instruments have been duly authorized, executed and delivered by all parties thereto and constitutes valid and binding obligations of each of such parties enforceable in accordance with its terms, except as limited by bankruptcy laws, insolvency laws and other similar laws affecting creditors' rights generally and general principles or equity, and (ii) as to such matters incidental to such Person becoming a member of the Obligated Group as the Master Trustee may reasonably deem necessary; and (iii) such Person shall also furnish to the Master Trustee a certificate of the Obligated Group Representative consenting to the inclusion of such Person in the Obligated Group.

(d) The Master Trustee shall also have received (i) an Officer's Certificate which demonstrates that, immediately upon any Person's becoming an Obligated Issuer, the Obligated Group: (A) would not be in default in the performance or observance of any covenant or condition to be performed or observed by the Obligated Group, and (B) either would meet the conditions for the incurrence of one dollar of Long-Term Indebtedness, or if it

would not so meet the conditions then in the opinion of an Independent Consultant such transaction shall be in the best interest of the Obligation holders and after giving effect to such transaction the Debt Service Coverage Ratio for the first Fiscal Year following the effective date thereof would be greater than what it would have been for such Fiscal Year if such transaction would not have occurred; and (ii) if any Related Bonds then shall be Outstanding, an Opinion of Bond Counsel to the effect that the consummation of such transaction would not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on such Related Bonds.

Withdrawal from the Obligated Group. Any member of the Obligated Group may withdraw from the Obligated Group and be released from further liability or obligations under the Master Indenture if: (a) prior to such release the Master Trustee shall be furnished with evidence satisfactory to it that either (i) such Person is not a Significant Obligated Issuer or (ii) there are no Obligations Outstanding issued by such Person; (b) the Obligated Group Representative shall have approved the withdrawal and release of such Person; (c) if such Person shall have executed as a maker any outstanding Obligation, one or more of the remaining members of the Obligated Group shall execute one or more Obligations in substitution and deliver the same to the Master Trustee for authentication, which Obligations shall be authenticated by the Master Trustee and delivered to the holders upon surrender of the Obligations they replace; (d) the Master Trustee shall receive an Officer's Certificate confirming that after giving effect to the withdrawal, no Event of Default or event which with the giving of notice or lapse of time or both shall constitute an Event of Default shall have occurred and be continuing; (e) after giving effect to the withdrawal and release, the Obligated Group either would meet the conditions described in paragraph (a)(ii) under "Restrictions as to Incurrence of Indebtedness" for the incurrence of one dollar of Long-Term Indebtedness or, if not, that the Debt Service Coverage Ratio for the first full fiscal year immediately preceding the effective date of the withdrawal would be greater than if the withdrawal had not occurred; and (f) if either the Corporation or the Foundation is to withdraw from the Obligated Group, an Officer's Certificate demonstrating that either (i) after giving effect to such withdrawal, the Debt Service Coverage Ratio for the most recent Fiscal Year for which financial statements have been delivered to the Master Trustee pursuant to the Master Indenture would be at least 1.50 or (ii) the "net worth" of the Obligated Group, immediately after the date on which such Obligated Issuer will cease to be an Obligated Issuer, will not be less than ninety per centum (90%) of the "net worth" of the Obligated Group immediately preceding such date (for the purposes of this paragraph, "net worth" shall mean the excess of total assets, including board designated funds, over total liabilities).

Pledge of Gross Receipts and Security Interest

To secure payment on all outstanding Obligations, pursuant to Supplemental Indenture Number Twenty-Five, the Obligated Group has assigned and granted to the Master Trustee, and covenants, agrees and acknowledges that the Master Trustee will have and continue to have, an assignment of and a security interest in all present or future Gross Receipts.

The foregoing constitutes an absolute and unconditional present assignment of the Gross Receipts, subject however to the conditional permission given to each member of the Obligated Group to collect and use Gross Receipts during a period while no Event of Default under the Master Indenture shall have occurred and be continuing, upon which delinquency or Event of Default that permission shall automatically terminate, and the Gross Receipts shall be deposited immediately with the Master Trustee; provided that the existence or exercise of any privilege of a member of the

Obligated Group granted pursuant to that permission shall not be construed and shall not operate to subordinate the assignment made or the security interest granted in whole or in part, to any subsequent assignment made or security interest granted by the member of the Obligated Group. The assignment, security interest and agreement to pay shall not inhibit, the sale or other transfer of such Gross Receipts for Obligated Group expenditures, provided that an Event of Default shall not have occurred and be continuing or occur on account of such sale or transfer.

Negative Pledge

Property of the Obligated Group, except for Excluded Property, shall not be subject to any Lien or Mortgage except for:

(i) Permitted Encumbrances;

(ii) Liens on Property other than Excluded Property so long as prior to or contemporaneously with the attachment thereof, such member of the Obligated Group shall have entered into a Lien with the Master Trustee granting it a security interest prior to or on a parity with such other Lien and shall have taken all action necessary to perfect the Lien granted to the Master Trustee; and

(iii) Other mortgages, security interests, liens, charges and encumbrances expressly permitted by the terms of the Master Indenture.

Filing of Financial Statements; Certificate of No Default

As soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group Representative shall file, or cause to be filed, with the Master Trustee and with each Obligation holder who may have so requested or on whose behalf the Master Trustee may have so requested, (i) a combined or consolidated revenue and expense statement of the Obligated Group eliminating material balances and transactions between or among members of the Obligated Group for such Fiscal Year, (ii) a combined or consolidated balance sheet presented on the basis described in (i) above as of the end of such Fiscal Year, each accompanied by the certificate or opinion of an Independent Certified Public Accountant, in each case in comparative form showing the corresponding figures for the preceding Fiscal Year, (iii) an Officer's Certificate setting forth the calculation of the Debt Service Coverage Ratio for the Fiscal Year then ended, and (iv) an Officer's Certificate of each Obligated Issuer stating whether or not, to the best knowledge of the signer, such Obligated Issuer is in default in the performance of any covenant contained in the Master Indenture or Related Supplemental Indenture, and, if so, specifying each such default of which the signer may have knowledge and stating what action the Obligated Group proposes to take with respect thereto.

Events of Default

The following are Events of Default under the Master Indenture:

(a) failure of any Obligated Issuer to make any payment of the principal of, the premium, if any, or interest on any Indebtedness evidenced by Obligations issued and outstanding as the same shall become due and payable, whether at maturity, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture and the Related

Supplemental Indenture and the continuance of such default beyond the period of grace, if any, set forth in the Related Supplemental Indenture if such Obligation or Obligations collateralize Related Bonds, then in the Related Bond Indenture;

(b) failure of any Obligated Issuer (other than due to causes beyond the control of the Obligated Group) to observe or perform any other covenant or agreement contained in the Master Indenture for a period of 60 days after the date on which written notice of such failure has been given to the members of the Obligated Group and to the Obligated Group Representative by the Master Trustee, or to the members of the Obligated Group and the Master Trustee by the holders of at least 25% in aggregate principal amount of Obligations then outstanding; provided that if any such default can be cured by any Obligated Issuer but cannot be cured within the 60-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by any Obligated Issuer within such 60-day period and diligently pursued until the default is corrected; and provided, further, that if the performance, observation or compliance with any of the terms, covenants, conditions or provisions referred to in this paragraph shall be prevented by the application of Governmental Regulations, and such member of the Obligated Group shall have complied in full with its obligation described above under the caption "SUMMARY OF THE MASTER INDENTURE - Covenants of the Obligated Group - Debt Service Coverage Ratio", the inability to perform, observe or comply with any such term, covenant, condition or provision shall not constitute an Event of Default under the Master Indenture;

(c) default of any Obligated Issuer in the payment of any Indebtedness (other than Project Indebtedness and other than Indebtedness the principal amount of which is less than 3% of its Adjusted Annual Revenue for the most recent Fiscal Year as of the date of such default), and the expiration of any period of grace with respect thereto, or the occurrence of an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, such Indebtedness, which default in payment or event of default shall result in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided that any such failure by an Obligated Issuer will not be an Event of Default under this paragraph if such Obligated Issuer is diligently contesting in good faith its obligation to pay such Indebtedness and has provided the Master Trustee with an Officer's Certificate of the member of the Obligated Group that should the member of the Obligated Group fail in such efforts contesting its obligation to pay such Indebtedness, the member of the Obligated Group shall have the ability to and shall pay such Indebtedness declared due and payable, and provided further that any such failure by an Obligated Issuer will not be an Event of Default under this paragraph if, following the time such Indebtedness is declared due and payable, the Obligated Issuer pays an amount sufficient to pay all principal and interest then due and owing with respect to such Indebtedness, excluding accelerated amounts;

(d) certain events of bankruptcy or insolvency involving any Significant Obligated Issuer;

(e)(i) any judgment, writ or warrant of attachment or of any similar process in an amount in excess of 3% of its Adjusted Annual Revenue for the most recent fiscal year which shall be entered or filed against any Obligated Issuer or against any of its Property (other than Excluded Property) and remains unvacated, unpaid, unbonded, uninsured or unstayed for a

period of 60 days, and (ii) failure of the Obligated Group to deposit with the Master Trustee within 15 calendar days of the Obligated Group Representative's receipt of written notice from the Master Trustee that such an event has occurred, an amount sufficient to pay in full such judgment, writ or warrant of attachment or similar process.

Remedies. Upon the occurrence of an Event of Default, then and in each and every such case, unless the principal of all Obligations then Outstanding shall have already become due and payable, the Master Trustee may declare, by notice in writing to the Obligated Group Representative and all members of the Obligated Group, the principal of all Obligations then Outstanding to be due and payable immediately. If an Event of Default shall arise from the failure of any Obligated Issuer to pay the principal of, premium or interest on any Obligation, then upon receipt of a written request therefor from the holders (or one or more Related Bond Trustees acting on behalf of the holders) of not less than twenty-five percent (25%) in aggregate principal amount of all Obligations Outstanding, the Master Trustee shall declare the principal of all Obligations to be due and payable immediately. If an Event of Default arises for a reason other than that stated in the immediately preceding sentence, then upon receipt of a written request therefor from the holders (or one or more Related Bond Trustees acting on behalf of the holders) of not less than fifty-one percent (51%) in aggregate principal amount of all Obligations then Outstanding, the Master Trustee shall declare the principal of all Obligations then Outstanding to be due and payable immediately. Each such declaration shall be in writing and sent to all of the members of the Obligated Group. Upon any such declaration the same shall become and shall be immediately due and payable, anything in the Master Indenture or in the Obligations contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of all Obligations shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the members of the Obligated Group shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate specified in the Related Supplemental Indenture) and the expenses of the Master Trustee, and any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied, the Master Trustee may waive, and upon the written request of the holders of (i) a majority of the aggregate principal amount of Obligations of each series then Outstanding in respect of which default in the payment of principal, premium or interest occurred (other than by reason of acceleration) either on such Obligations or any Indebtedness evidenced, collateralized or secured by such Obligations, or (ii) a majority of the aggregate principal amount of Obligations then Outstanding shall waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

Suit by Obligation Holders. No holder of an Obligation shall have any right by virtue or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless such holder previously shall have given to the Master Trustee written notice of default and of the continuance thereof, as provided in the Master Indenture, and unless also (a) the holders of not less than a majority in aggregate principal amount of Obligations of any series, if such Event of Default arises by reason of the failure of any member of the Obligated Group to pay the principal of or premium or interest on any Obligation of

such series, or (b) the holders (or one or more Related Bond Trustees acting on behalf of the holders) of not less than a majority in aggregate principal amount of all Obligations then Outstanding, if such Event of Default arises for any other reason, shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for thirty (30) days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the Master Indenture; it being understood and intended, and being expressly covenanted by the taker and holder of an Obligation with every other taker and holder of an Obligation and the Master Trustee, that no one or more holders of Obligations shall have any right in any manner whatever by virtue or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other holder of an Obligation or to obtain or seek to obtain priority or preference to any other such holder, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal, ratable and common benefit of all holders of Obligations.

Unless the Credit Bank is in default with respect to its obligations under the letter of credit securing the Series 2005B Bonds or Series 2005B Credit Bank Agreement, the Credit Bank will be deemed to be the holder of the Series 2005B Note for all purposes under the Master Indenture.

Supplements and Amendments to the Master Indenture

The Master Indenture may be supplemented or amended, without the consent of any Obligation holder, to add additional Excluded Property in accordance with the terms of the Master Indenture, to evidence the succession of another corporation to any member of the Obligated Group, to add to the covenants and restrictions imposed on the Obligated Group, to cure any ambiguities or defects in the Master Indenture, to qualify the Master Indenture under the Trust Indenture Act of 1939, to evidence additions to or withdrawals from membership in the Obligated Group, to substitute another trustee for the Master Trustee or to add co-trustees as provided in the Master Indenture, to permit the issuance of Obligations in coupon form or not evidenced by physical certificates, to make any other change which, in the judgment of an Independent Consultant is in the best interest of the Obligated Group and is not to the prejudice of the Obligation holders, to pledge or assign additional revenues and/or property under the Master Indenture, to permit the Master Trustee to comply with any duties imposed upon it by law, to achieve compliance of the Master Indenture with any applicable federal securities or tax law, to issue additional Obligations in accordance with the Master Indenture and to make necessary or advisable amendments or additions in connection with the issuance of additional Obligations which do not affect adversely the interests of Holders of Outstanding Obligations, and in connection with any other change therein which, in the judgment of the Master Trustee, is not to the prejudice of the Obligation holders or the Master Trustee.

With the consent of the holders of not less than a majority in aggregate principal amount of Obligations outstanding, the Master Indenture may be changed in any manner; provided, however, that no supplemental indenture shall (a) change the times, amounts or currency or payment of the principal of, premium, if any, or interest on any Obligation or reduce the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the holder of such Obligation, or (b)(i) reduce the percentage of Obligations, the holders of which are required to consent to any such supplemental indenture, or (ii) permit the preference or priority of any Obligation

or Obligations over any other Obligation or Obligations, without the consent of the holders of all Obligations then outstanding, or (c) modify the right of the holders of not less than 25% in aggregate principal amount of any series of Obligations, if any Obligation in that Series is in default as to payment of principal, premium or interest to compel the Master Trustee to declare the principal of all Obligations then outstanding to be due and payable, without the consent of the holders of a majority in aggregate principal amount of the Obligations of such series then outstanding.

Any Obligated Issuer, when authorized by its Governing Body and with the prior written consent of the Obligated Group Representative, may enter into a Related Supplemental Indenture with the Master Trustee to create a series of Obligations.

Satisfaction and Discharge

If, when the Obligations shall become due and payable and the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Obligations shall be paid or provided for, then the right, title and interest of the Master Trustee to the property securing performance of the obligations of the Obligated Group pledged by the Master Indenture and all covenants, agreements and other obligations of the members of the Obligated Group to the Obligation holders shall thereupon cease, terminate and become void and become discharged and satisfied.

All outstanding Obligations of any one or more series shall, prior to the maturity or redemption date thereof, be deemed to have been paid if there shall have been deposited with the Master Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and the members of the Obligated Group shall have given the Master Trustee irrevocable instructions to give a notice to the holders of such Obligations that the deposit described above has been made with the Master Trustee.

Certain Additional Covenants for the Benefit of the Credit Bank, the Bank Direct Purchasers and the Holders of the Series 2010 Bonds and the Series 2013A Bonds

Each of the Bank Covenants Agreements and the leases relating to the Series 2010 Bonds and the Series 2013A Bonds contains certain additional covenants (hereinafter, the "Additional Covenants") of the Obligated Group. In each such Bank Covenant Agreement or lease, such covenants are applicable only so long as the related series of bonds is outstanding.

Such Additional Covenants include, but are not limited to:

1. A requirement that the Obligated Group have at least 110 Days Cash on Hand (as defined below) on each June 30 and December 31 (each a "Calculation Date"). "Days Cash on Hand" means the amount determined by (i) dividing (A) the aggregate unrestricted cash, investments, board-designated funds of the Obligated Group and the restricted investments of the Foundation by (B) the aggregate operating expenses of the Obligated Group less depreciation and amortization, and (ii) multiplying the quotient so obtained by 365. For purposes of this paragraph, "Days Cash on Hand" means the amount determined by (i) dividing (A) the aggregate unrestricted cash, investments, board-designated funds of the Obligated Group and the restricted investments of

the Foundation by (B) the aggregate operating expenses of the Obligated Group less depreciation and amortization, and (ii) multiplying the quotient so obtained by 365.

Each of the Bank Covenant Agreements and the leases relating to the Series 2010 Bonds and the Series 2013A Bonds provides that the Obligated Group shall be deemed to be in default under this liquidity covenant only if (i) the Obligated Group shall have, as of any Calculation Date, less than 110 Days Cash on Hand but greater than or equal to 90 Days Cash On Hand but shall have a Debt Service Coverage Ratio (calculated in accordance with the provisions under "Debt Service Coverage Ratio" below) of not less than 1.20:1.0 as of such Calculation Date, and shall have less than 110 Days Cash on Hand as of the immediately following Calculation Date; (ii) the Obligated Group shall have less than 110 Days Cash on Hand as of any Calculation Date and shall have a Debt Service Coverage Ratio (calculated in accordance with the provisions under "Debt Service Coverage Ratio" below) of less than 1.20:1.0 as of such Calculation Date; or (iii) the Obligated Group shall have less than 90 Days Cash on Hand as of any Calculation Date.

See "SUMMARY OF THE LEASE – Covenants of the Corporation Concerning its Operations" herein for a description of an additional covenant in the Lease regarding required Days Cash on Hand so long as any Series 2016C Bonds are Outstanding.

2. A requirement that "Debt Service Coverage Ratio" be calculated using the following definition of "Adjusted Annual Revenues" in lieu of such defined term set forth under "DEFINITIONS OF CERTAIN TERMS" in this APPENDIX C:

> "Adjusted Annual Revenue" shall mean, as of any date of determination thereof, the total operating and non-operating revenues and income (exclusive of (i) gains or losses upon defeasance of Indebtedness and (ii) unrealized gains or losses on investments, including derivatives (including but not limited to Interest Rate Hedges) of the members of the Obligated Group for the Fiscal Year in question, including proceeds from residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, less net revenues derived from Property financed with the proceeds of Project Indebtedness, amortization of deferred revenues on residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contractual adjustments with third party payors and adjustments for free services relating to such Fiscal Year and, to the extent otherwise included therein, gifts, grants or bequests of a non-recurring nature, other than contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, to the extent such gifts, grants and bequests exceed the arithmetic mean of the gifts, grants and bequests of a non-recurring nature received by members of the Obligated Group during the two immediately preceding Fiscal Years.

See "SUMMARY OF THE LEASE – Covenants of the Corporation Concerning its Operations" herein for a description of an additional covenant in the Lease regarding required Days Cash on Hand so long as any Series 2016C Bonds are Outstanding.

3. Certain of the Bank Covenants Agreements also (i) require the Debt Service Coverage Ratio to be tested and reported monthly or quarterly on a rolling twelve-month basis and (ii) contain additional restrictions on Permitted Encumbrances.

Unless waived by the applicable party, failure to satisfy the Additional Covenants described above and set forth in the Bank Credit Agreements or the leases relating to the Series 2010 Bonds and the Series 2013A Bonds may result in an event of default under such agreements which, in turn, could lead to an acceleration of all Obligations under the Master Indenture.

SUMMARY OF THE SUPPLEMENTAL INDENTURES

The following is a summary of the Supplemental Master Indentures that will be outstanding on the date of issuance of the Series 2016C Bonds and the Series 2016D Bonds:

Supplemental Indenture Number One dated as of December 1, 1991 provided for the addition of Ohio Presbyterian Retirement Services Foundation to the Obligated Group.

Supplemental Indenture Number Eight dated as of September 10, 1992 provided for the addition of Midwest Presbyterian Senior Services, the sole member of the Corporation, to the Obligated Group.

Open-End Mortgage and Supplemental Indenture Number Twenty-One provides (i) for the creation and issuance by the Corporation of the Series 2005B Note to the Bond Trustee to secure the payment of principal and interest on the Series 2005B Bonds, respectively, (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property described therein, and (iii) a security interest in all present and future Gross Receipts. Supplemental Indenture Number Twenty-One secures all Outstanding Obligations and terminates when the Series 2005B Bonds are no longer Outstanding.

Supplemental Indenture Number Twenty-Five restates that the Corporation, Ohio Presbyterian Retirement Foundation and Midwest Presbyterian Senior Services have granted a security interest in all present and future Gross Receipts in favor of the Master Trustee in order to secure all Outstanding Obligations.

Open-End Mortgage and Supplemental Indenture Number Twenty-Six provides (i) for the creation and issuance by the Corporation of the Series 2006A Swap Note to PNC Bank, National Association to secure the Corporation's payment obligations to PNC Bank, National Association under the Series 2006A Interest Rate Exchange Agreement and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property described therein. Supplemental Indenture Twenty-Six secures all Outstanding Obligations and terminates when all sums payable under the Series 2006A Swap Note have been paid.

Open-End Mortgage and Supplemental Indenture Number Twenty-Seven provides (i) for the creation and issuance by the Corporation of the Series 2005B Swap Note to Morgan Stanley Capital Services, Inc. to secure the Corporation's payment obligations to Morgan Stanley Capital Services, Inc. under the Series 2005B Interest Rate Exchange Agreement and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture

Twenty-Seven secures all Outstanding Obligations and terminates when all sums payable under the Series 2005B Swap Note have been paid.

Supplemental Indenture Number Twenty-Eight dated June 14, 2010 provided for (i) the addition of Senior Independence to the Obligated Group and (ii) a security interest in all present and future Gross Receipts of Senior Independence.

Open-End Mortgage and Supplemental Indenture Twenty-Nine provides for (i) the creation and issuance by the Corporation of the Series 2010 Note to the Bond Trustee to secure the payment of principal and interest on the Series 2010 Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Twenty-Nine secures all Outstanding Obligations and terminates when the Series 2010 Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty provides for (i) the creation and issuance by the Corporation of the Series 2011 Note to the Bond Trustee to secure the payment of principal and interest on the Series 2011 Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty secures all Outstanding Obligations and terminates when the Series 2011 Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty-One provides for (i) the creation and issuance by the Corporation of the Series 2012 Note to the Bond Trustee to secure the payment of principal and interest on the Series 2012 Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-One secures all Outstanding Obligations and terminates when the Series 2012 Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty-Three provides for (i) the creation and issuance by the Corporation of the Series 2013A Note to the Bond Trustee to secure the payment of principal and interest on the Series 2013A Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Three secures all Outstanding Obligations and terminates when the Series 2013A Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty-Four provides for (i) the creation and issuance by the Corporation of the Series 2013B Note to the Bond Trustee to secure the payment of principal and interest on the Series 2013B Bonds, (ii) the creation and issuance by the Corporation of the Series 2013B CCA Note to the Bank Direct Purchaser of the Series 2013B Bonds to secure the payment obligations of the Corporation under the Series 2013B Bank Direct Purchaser Agreement and (iii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Four secures all Outstanding Obligations and terminates when the Series 2013B Bonds are no longer Outstanding and the Corporation has no obligations under the Series 2013B Bank Direct Purchaser Agreement.

Open-End Mortgage and Supplemental Indenture Thirty-Five provides for (i) the creation and issuance by the Corporation of the Series 2014 Term Loan Note to PNC Bank, National Association to secure the payment of principal and interest on the term loan made under the Series 2014 Term Loan Agreement, and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Five secures all Outstanding

Obligations and terminates when the Corporation has no obligations under the Series 2014 Term Loan Agreement.

Open-End Mortgage and Supplemental Indenture Thirty-Six provides for (i) the creation and issuance by the Corporation of the Series 2016A Note to the Bank Direct Purchaser of the Series 2016A Bonds to secure the payment of principal and interest on the Series 2016A Bonds, and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Six secures all Outstanding Obligations and terminates when the Series 2016A Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty-Seven provides for (i) the creation and issuance by the Corporation of the Series 2016B Note to the Bank Direct Purchaser of the Series 2016B Bonds to secure the payment of principal and interest on the Series 2016B Bonds, and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Seven secures all Outstanding Obligations and terminates when the Series 2016B Bonds are no longer Outstanding.

Open-End Mortgage and Supplemental Indenture Thirty-Eight provides for (i) the creation and issuance by the Corporation of the Series 2005B LOC Note to the Credit Bank for the Series 2005B Bonds to secure the Corporation's obligations under the Series 2005B Credit Bank Agreement except with respect to the Series 2016 Term Loan, (ii) the creation and issuance by the Corporation of the Series 2016 Term Loan Note to Comerica Bank to secure the Corporation's obligations under the Series 2005B Credit Bank Agreement with respect to the Series 2016 Term Loan, and (iii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. Supplemental Indenture Thirty-Eight secures all Outstanding Obligations and terminates when the Series 2005B Credit Bank Agreement is no longer in effect.

The Series 2016C Supplemental Master Indenture provides for (i) the creation and issuance by the Corporation of the Series 2016C Note to the Bond Trustee to secure the payment of principal and interest on the Series 2016C Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. The Series 2016C Supplemental Master Indenture secures all Outstanding Obligations and terminates when the Series 2016C Bonds are no longer Outstanding.

The Series 2016D Supplemental Master Indenture provides for (i) the creation and issuance by the Corporation of the Series 2016D Note to the Bank Direct Purchaser of the Series 2016D Bonds to secure the payment of principal and interest on the Series 2016D Bonds and (ii) to the Master Trustee an open-end mortgage and security interest in the Mortgaged Property. The Series 2016D Supplemental Master Indenture secures all Outstanding Obligations and terminates when the Series 2016D Bonds are no longer Outstanding.

SUMMARY OF THE BOND INDENTURE

Pledge and Assignment

Under the Bond Indenture, the Issuer pledges to the Bond Trustee all of its right, title and interest in and to (i) the Revenues, including without limitation, all Rental Payments and other amounts receivable by or on behalf of the Issuer under the Lease and all money and investments in the Bond Fund, the Debt Service Reserve Fund and the Project Fund; and (ii) the Series 2016C Note.

Project Fund

Under the Bond Indenture there is created by the Issuer and ordered to be maintained a Project Fund. The proceeds of the Series 2016C Bonds deposited in the Project Fund shall be applied to the refunding of the Prior Bonds in accordance with the provisions of the Bond Indenture and the Lease.

Bond Fund

Under the Bond Indenture there is created by the Issuer and ordered to be maintained a Bond Fund. Within the Bond Fund there are two separate accounts created, a "Principal Payment Account" and an "Interest Payment Account." The Bond Trustee shall deposit any funds required to pay interest on the Series 2016C Bonds in the Interest Payment Account. The Bond Trustee shall deposit any funds required to pay principal on the Series 2016C Bonds in the Principal Payment Account.

The Bond Trustee shall deposit in the applicable account within the Bond Fund upon receipt all Revenues relating to the Series 2016C Bonds, and any other amounts that, under the terms of the Bond Indenture, the Series 2016C Note or the Lease are to be applied to the payment of Bond Service Charges on the Series 2016C Bonds. Except as provided herein, the Bond Fund (and accounts) and the money and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they fall due at stated maturity, or by redemption or pursuant to any mandatory sinking fund requirements on the Series 2016C Bonds or upon acceleration, all as provided in the Bond Indenture and in the Lease.

Debt Service Reserve Fund

There is created and established with the Bond Trustee a Debt Service Reserve Fund. There shall be deposited into the Debt Service Reserve Fund, on the date of issuance and delivery of the Series 2016C Bonds, an amount equal to the Debt Service Reserve Requirement, which is initially $1,911,128.13. The Bond Trustee shall deposit in the Debt Service Reserve Fund any funds paid to the Bond Trustee under the Lease or the Bond Indenture for credit or transfer to the Debt Service Reserve Fund. If the Corporation has exercised its option or is obligated to prepay its Rental Payments in whole and not in part pursuant to the terms of the Lease, and has paid the sums as provided therein, all of the funds then in the Debt Service Reserve Fund shall be deposited into the Bond Fund to be applied to the redemption of such Series 2016C Bonds.

The Bond Trustee shall withdraw funds from the Debt Service Reserve Fund to pay Bond Service Charges on the Series 2016C Bonds to the extent that there are insufficient funds in the Bond Fund therefor on the date such Bond Service Charges are due. The amount of any

withdrawal from the Debt Service Reserve Fund shall be restored by the Corporation in no more than twelve (12) equal, consecutive, monthly installments, each payable on the Rental Payment Date each month, commencing with the seventh month following the month in which the withdrawal is made; provided, however, that if any withdrawal is made and if, prior to the restoration of the amount withdrawn an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balances of the Bond Fund and the Debt Service Reserve Fund, and (ii) all other amounts owed under the Lease and the Bond Indenture shall have been paid, money held in the Debt Service Reserve Fund may be deposited into the Bond Fund and credited against payments of Rental Payments required under the Lease.

The Bond Trustee shall make a determination as to the value of the moneys and investments on deposit in the Debt Service Reserve Fund on each Valuation Date. If, as a result of the valuation of the investments held in the Debt Service Reserve Fund on each Valuation Date the balance of the Debt Service Reserve Fund is greater than the Debt Service Reserve Requirement for the Series 2016C Bonds, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the Series 2016C Bonds shall be transferred to the Interest Payment Account within the Bond Fund. If, as a result of the valuation of the investments held in the Debt Service Reserve Fund on each Valuation Date, the balance of the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Requirement for the Series 2016C Bonds, (i) the Bond Trustee shall notify the Corporation within five Business Days of such determination and (ii) the Corporation shall restore the difference between the Debt Service Reserve Requirement and the value of the funds on deposit in the Debt Service Reserve Fund in six (6) equal monthly installments, each payable on the Rental Payment Date each month, commencing with the month in which the valuation revealing the deficiency was made.

Investment of Funds

Except as otherwise provided in the Bond Indenture, money in the Bond Fund, the Debt Service Reserve Fund and the Project Fund shall be invested and reinvested by the Bond Trustee in Eligible Investments at the written direction of the Authorized Corporation Representative. Investment of money in the Bond Fund shall mature at the times and in the amounts necessary to provide money to pay Bond Service Charges for the Series 2016C Bonds as they become due at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements. Each investment of money in the Project Fund shall mature at such time as may be necessary to make payments when necessary from such Fund. In the absence of written direction from the Corporation with respect to investment of money held in the Funds, the Bond Trustee is directed to invest funds, until further directions are received, pursuant to standing instructions delivered to the Bond Trustee by the Authorized Corporation Representative upon the original issuance of the Series 2016C Bonds, as such instructions may be amended from time to time.

Subject to any directions from the Authorized Corporation Representative with respect thereto, the Bond Trustee may sell Project Fund and Bond Fund investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Bond Trustee, or any bank, trust company or

savings and loan association affiliated with any of the foregoing. The Bond Trustee shall sell or redeem investments at the best price reasonably obtainable credited to the Bond Fund to produce sufficient money applicable hereunder to and at the times required for the purposes of paying Bond Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order. An investment made from money credited to the Bond Fund or the Project Fund shall constitute part of that respective Fund, and each respective Fund shall be credited with all proceeds of sale and income from investment of money credited thereto. An investment made from money credited to the Debt Service Reserve Fund shall be transferred to the Interest Payment Account of the Bond Fund. For purposes of the Bond Indenture, those investments shall be valued at face amount or market value, whichever is less.

Covenants of the Issuer

In addition to any other covenants and agreements of the Issuer contained in the Bond Indenture, the Issuer further covenants and agrees with the Holders and the Bond Trustee as follows:

The Issuer will pay all Bond Service Charges, or cause them to be paid, solely from the Revenues received, on the dates, at the places and in the manner provided in the Bond Indenture.

The Issuer will not assign the Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under the Bond Indenture.

At the direction and expense of the Corporation, the Issuer will cause the Bond Indenture, and any related instrument or documents relating to the assignment made by it under the Bond Indenture to secure the Series 2016C Bonds, to be recorded and filed in the manner and in the places (if any) that may be required by law in order to preserve and protect fully the security of the Holders and the rights of the Bond Trustee under the Bond Indenture.

All books, instruments and documents in the Issuer's possession relating to the Project and the Revenues shall be open to inspection and copying (at the expense of the Person making such copies) at all times during the Issuer's regular business hours by any accountants or other agents of the Bond Trustee or the Corporation that the Bond Trustee or the Corporation may designate from time to time.

The Bond Trustee may enforce, in its name or in the name of the Issuer, all rights for and on behalf of the Holders, except for Unassigned Issuer's Rights, and may enforce all covenants, agreements and obligations of the Corporation under and pursuant to the Lease, regardless of whether the Issuer is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Issuer, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Lease, and will take all actions within its authority and control to keep the Lease in effect in accordance with the terms thereof.

The Issuer will do all things necessary within its control, to the extent possible and at the expense of the Corporation, to maintain the exclusion from gross income from federal income taxation of interest on the Series 2016C Bonds.

Release of Bond Indenture

If (i) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable hereunder or under the Lease and the Series 2016C Note, then the Bond Indenture shall cease, determine and become null and void (except for those provisions surviving as described below in the event the Series 2016C Bonds are deemed paid and discharged as described below), and the covenants, agreements and obligations of the Issuer under the Bond Indenture shall be released, discharged and satisfied.

Thereupon, and subject to the provisions described below, if applicable,

(a) the Bond Trustee shall release the Bond Indenture (except for those provisions described below), and shall sign and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(b) the Bond Trustee shall assign and deliver to the Issuer any property subject at the time to the lien of the Bond Indenture that then may be in their possession, except amounts in the Bond Fund required to be held by the Bond Trustee under the provisions of the Bond Indenture or otherwise for the payment of Bond Service Charges.

Payment and Discharge of Series 2016C Bonds

All or any part of the Series 2016C Bonds shall be deemed to have been paid and discharged within the meaning of the Bond Indenture, if:

(a) the Bond Trustee shall have received, in trust for and irrevocably committed thereto, sufficient money, or

(b) the Bond Trustee shall have received, in trust for and irrevocably committed thereto, noncallable and nonprepayable Government Obligations that are verified or certified by an independent firm experienced in preparation of verification reports to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment of all Bond Service Charges on those Series 2016C Bonds, at their maturity or prior redemption date, as the case may be; provided that, if any of those Series 2016C Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Bond Trustee shall have been duly made for the giving of that notice.

Any money held by the Bond Trustee in accordance with the provisions described under this heading may be invested by the Bond Trustee at the written direction of the Authorized

Corporation Representative only in noncallable Government Obligations having maturity dates, or having redemption dates which, at the option of the holder of those obligations, shall be not later than the date or dates at which money will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under the provisions described under this heading is determined from time to time by the Bond Trustee to be in excess of the amount required to be held by the Bond Trustee for the purposes of the discharge of the Series 2016C Bonds, that income, interest or increment shall be transferred at the time of that determination in the manner provided in the Bond Indenture for transfers of amounts remaining in the Bond Fund.

If any Series 2016C Bonds shall be deemed paid and discharged pursuant to the Bond Indenture, then within 15 days after such Series 2016C Bonds are so deemed paid and discharged the Bond Trustee shall cause a written notice to be given to each Holder thereof as shown on the Register on the date on which such Series 2016C Bonds are deemed paid and discharged. Such notice shall state the numbers of the Series 2016C Bonds deemed paid and discharged or state that all Series 2016C Bonds are deemed paid and discharged, set forth a description of the obligations held pursuant to subparagraph (b) above and specify any date or dates on which any of the Series 2016C Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the terms of the Bond Indenture.

The Corporation shall be required to provide to the Bond Trustee a verification report from an independent firm experienced in preparation of such reports and acceptable to the Bond Trustee as a condition of treating Series 2016C Bonds as no longer outstanding. Notice of any such determination that any Series 2016C Bonds are no longer outstanding must be given by the Bond Trustee to each Rating Service then rating the Series 2016C Bonds.

Survival of Certain Provisions

Notwithstanding the provisions described under the previous two headings, any provisions of the Bond Resolution and the Bond Indenture that relate to the maturity of Series 2016C Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory sinking fund requirements, exchange, transfer and registration of Series 2016C Bonds, replacement of mutilated, lost, wrongfully taken or destroyed Series 2016C Bonds, the safekeeping and cancellation of Series 2016C Bonds, non-presentment of Series 2016C Bonds, the holding of money in trust, and the rights, remedies, immunities and duties of the Bond Trustee, in connection with all of the foregoing, shall remain in effect and be binding upon the Bond Trustee and the Holders notwithstanding the release and discharge of the Bond Indenture. The provisions described under this heading shall survive the release, discharge and satisfaction of the Bond Indenture. The obligation of Corporation to pay Issuer and Bond Trustee fees and expenses and to indemnify the Issuer and the Bond Trustee shall survive the release, discharge and satisfaction of the Bond Indenture.

Events of Default

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Bond Indenture with respect to the Series 2016C Bonds:

(a) Payment of any interest on any Series 2016C Bond shall not be made when it becomes due and payable;

(b) Payment of the principal of or any premium on any Series 2016C Bond shall not be made when and as that principal or premium shall become due and payable, whether at stated maturity, by redemption, pursuant to any mandatory sinking fund requirements, by acceleration or otherwise;

(c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed with respect to the Series 2016C Bonds contained in the Bond Indenture or in the Series 2016C Bonds, which failure shall have continued for a period of 60 days after written notice, by registered or certified mail, to the Issuer and the Corporation specifying the failure and requiring that it be remedied, which notice may be given by the Bond Trustee in its discretion and shall be given by the Bond Trustee at the written request of the Holders of not less than a majority in aggregate principal amount of the Series 2016C Bonds then Outstanding;

(d) The occurrence and continuation of an event of default as described in the Lease; and

(e) The Bond Trustee shall have received notice from the Master Trustee of the declaration under the Master Indenture that the principal of the Series 2016C Note is immediately due and payable.

The term “default” or “failure” as used above means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed with respect to the Series 2016C Bonds contained in the Bond Indenture or in the Series 2016C Bonds, or (ii) a default or failure by the Corporation under the Lease, in either case, exclusive of any period of grace or notice required to constitute a default or failure an Event of Default, as provided above or in the Lease.

In the event that the Master Trustee has accelerated Series 2016C Note and is pursuing its available remedies under the Master Indenture, the Bond Trustee shall not pursue its available remedies under the Bond Indenture or the Lease in such manner as to hinder or frustrate the pursuit by the Master Trustee of its remedies under the Master Indenture.

If an Event of Default shall occur, within five Business Days of obtaining knowledge of such Event of Default, the Bond Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Issuer and the Corporation.

Acceleration

Upon the occurrence of an Event of Default, (i) the Bond Trustee shall, upon the occurrence of an Event of Default described in paragraph (e) above, the Bond Trustee shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of the Series 2016C Bonds outstanding, and (iii) the Bond Trustee otherwise may, declare, by a notice in writing delivered to the Issuer and the Corporation, the principal of all Series 2016C Bonds then Outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately.

Any such declaration shall be by telephonic notice, immediately confirmed by notice in writing, to the Issuer and the Corporation, and by notice in writing to the respective Holders and the Corporation, and, upon said declaration, principal and interest on all Series 2016C Bonds shall become and be immediately due and payable. The Bond Trustee immediately upon such declaration shall give notice thereof in the same manner as provided in Bond Indenture with respect to the redemption of the Series 2016C Bonds. Such notice shall specify the date on which payment of principal and interest shall be tendered to the Holders of the Series 2016C Bonds. Interest shall accrue to the payment date determined by the Bond Trustee pursuant to such declaration or the actual payment date, if later. Upon any declaration of acceleration under the Bond Indenture, the Bond Trustee shall immediately exercise such rights as it may have under the Lease and the Series 2016C Note to declare all payments thereunder to be immediately due and payable. In addition, upon any declaration of acceleration, and to the extent that the principal of the Series 2016C Note shall not then have been declared to be immediately due and payable, the Bond Trustee shall request the Master Trustee to declare the principal of such Series 2016C Note to be immediately due and payable pursuant to the Master Indenture.

Application of Money

All money received by the Bond Trustee after acceleration of the maturity of the Series 2016C Bonds shall be applied by the Bond Trustee to and only to the payment of principal of or interest on the Series 2016C Bonds. Subject to the foregoing, after payment of any costs, expenses, liabilities and advances paid, incurred or made by the Bond Trustee in the collection of money pursuant to any right given or action taken under the provisions of the Bond Indenture or the provision of the Lease or the 2010 Note (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Bond Indenture) and all fees owing to the Bond Trustee for Ordinary or Extraordinary Services, all money received by the Bond Trustee, shall be applied as follows, subject to any provision made pursuant to the provisions of the Bond Indenture:

Unless the principal of all of the Series 2016C Bonds shall have become, or shall have been declared to be, due and payable, all of that money shall be deposited in the Bond Fund and shall be applied:

FIRST -- To the payment to the Holders of the Series 2016C Bonds entitled thereto of all installments of interest then due on the Series 2016C Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege; and

SECOND -- To the payment to the Holders of the Series 2016C Bonds entitled thereto of the unpaid principal of any of the Series 2016C Bonds that shall have become due (other than Series 2016C Bonds previously called for redemption for the payment of which money is held pursuant to the provisions of the Bond Indenture), whether pursuant to any mandatory sinking fund requirements, in the order of their due dates, beginning with the earliest due date, with interest on such Series 2016C Bonds from the respective dates upon which they become due at the rates specified in such Series 2016C Bonds, and if the amount available is not sufficient to pay in full all Series 2016C Bonds due on any

particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege.

If the principal of all of the Series 2016C Bonds shall have become due or shall have been declared to be due and payable pursuant to the provisions of the Bond Indenture relating to Events of Default, all of that money shall be deposited into the Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon such Series 2016C Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Series 2016C Bond over any other Series 2016C Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege.

If the principal of all of the Series 2016C Bonds shall have been declared to be due and payable pursuant to the provisions of the Bond Indenture relating to Events of Default, and if that declaration thereafter shall have been rescinded and annulled under the provisions of the Bond Indenture, in the event that the principal of all of the Series 2016C Bonds shall become due and payable later, the money shall be deposited in the Bond Fund and shall be applied in accordance with the provisions of the Bond Indenture.

Whenever money is to be applied pursuant to the provisions described under this heading, that money shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Bond Trustee shall direct the application of that money, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided that the money is available therefor. The Bond Trustee shall give notice of the deposit with it of any money and of the fixing of that date, all consistent with the requirements of the Bond Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Bond Trustee shall not be required to make payment of principal of and any premium on a Series 2016C Bond to the Holder thereof, until the Series 2016C Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if it is paid fully, subject to the provisions of the Bond Indenture.

Rights and Remedies of Holders

No Holder shall have any right to institute any suit, action or proceeding for the enforcement of the Bond Indenture, for the execution of any trust thereunder, or for the exercise of any other remedy thereunder, unless:

(a) there has occurred and be continuing an Event of Default, of which the Bond Trustee has been notified, as provided in the Bond Indenture, or of which it is deemed to have notice,

(b) the Holders of at least a majority in aggregate principal amount of Series 2016C Bonds then outstanding shall have made written request to the Bond Trustee and shall have afforded the Bond Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Bond Indenture or to institute the suit, action or

proceeding in its own name, and shall have offered indemnity to the Bond Trustee as provided in the Bond Indenture, and

(c) the Bond Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted under the Bond Indenture or to institute the suit, action or proceeding in its own name.

No one or more Holders of the Series 2016C Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Bond Indenture by its or their action, or to enforce, except in the manner provided in the Bond Indenture, any remedy, right or power thereunder. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Bond Indenture for the benefit of the Holders of all Series 2016C Bonds then outstanding. Nothing in the Bond Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any Series 2016C Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Series 2016C Bond.

Waivers of Events of Default

Except as provided in the paragraph below, at any time, in its discretion, the Bond Trustee may waive any Event of Default under the Bond Indenture and its consequences and may rescind and annul any declaration of maturity of principal of the Series 2016C Bonds either in whole or in part.

There shall not be so waived, however, any Event of Default described in clauses (a) or (b) under the caption "Events of Default" above or any declaration of acceleration in connection therewith rescinded or annulled except with the written consent of the Holders of all Series 2016C Bonds then outstanding. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Bond Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it; the Issuer, the Bond Trustee and the respective Holders shall be restored to their former positions and rights under the Bond Indenture, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Holders

Without the consent of, or notice to, any of the Holders, the Issuer and the Bond Trustee may enter into indentures supplemental to the Bond Indenture. Such indentures shall not, in the opinion of the Issuer and the Bond Trustee, be inconsistent with the terms and provisions of the Bond Indenture. The Issuer and the Bond Trustee may enter into such indentures for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Bond Indenture;

(b) To grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Bond Trustee;

(c) To assign additional revenues under the Bond Indenture;

(d) To accept additional security and instruments and documents of further assurance with respect to the Project;

(e) To add to the rights, covenants, agreements and obligations of the Issuer under the Bond Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Bond Indenture;

(f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Bond Indenture, the Base Lease, the Lease and the Series 2016C Bonds;

(g) To facilitate (i) the transfer of Series 2016C Bonds issued by the Issuer under the Bond Indenture and held in Book Entry Form from one Depository to another and the succession of Depositories, or (ii) the withdrawal of Series 2016C Bonds issued by the Issuer under the Bond Indenture and delivered to a Depository for use in a Book Entry System and the issuance of replacement Series 2016C Bonds in fully registered form and in the form of physical certificates to others than a Depository;

(h) To permit the Bond Trustee to comply with any obligations imposed upon it by law;

(i) To achieve compliance of the Bond Indenture with any applicable federal securities or tax law; and

(j) To permit any other amendment that, in the judgment of the Bond Trustee, is not materially to the prejudice of the Bond Trustee or the Holders including, but not limited to, changes required in order to obtain or maintain a rating the Series 2016C Bonds from a Rating Service.

Supplemental Indentures Requiring Consent of Holders

Except as described above under the heading "Supplemental Indentures Not Requiring Consent of Holders", with the consent of the Holders of not less than a majority in aggregate principal amount of the Series 2016C Bonds at the time outstanding, evidenced as provided in the Bond Indenture, with the consent of the Corporation, the Issuer and the Bond Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Bond Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in this under this heading "Supplemental Indentures Requiring Consent of Holders" or under the heading "Supplemental Indentures Not Requiring Consent of Holders" shall permit, or be construed as permitting:

(a) without the consent of the Holder of each Series 2016C Bond so affected, (i) an extension of the maturity of any Series 2016C Bond, (ii) a reduction in the principal amount of any Series 2016C Bond, or (iii) a reduction in the amount or extension of the time of paying of any mandatory sinking fund requirements, or

(b) without the consent of the Holders of all Series 2016C Bonds then Outstanding, (i) the creation of a privilege or priority of any Series 2016C Bond or Series 2016C Bonds over any other Series 2016C Bond or Series 2016C Bonds, or (ii) a reduction in the aggregate principal amount of the Series 2016C Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Bond Trustee sign and deliver any Supplemental Indenture for any of the purposes described above, upon (i) being satisfactorily indemnified by the Corporation with respect to its expenses in connection therewith, and (ii) receipt of the required Corporation consents to the proposed execution and delivery of the Supplemental Indenture, the Bond Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Holders of Series 2016C Bonds then Outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

If the Bond Trustee shall receive, within a period prescribed by the Issuer, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Bond Trustee does not reasonably object, purporting to be signed by the Holders of at least a majority in aggregate principal amount of the Series 2016C Bonds then outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Bond Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Bond Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Series 2016C Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of that Series 2016C Bond and of any Series 2016C Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of the Series 2016C Bond by a revocation of such consent received by the Bond Trustee prior to the execution and delivery by the Bond Trustee of the Supplemental Indenture. At any time after the Holders of the required percentage of Series 2016C Bonds shall have filed their consents to the Supplemental Indenture, the Bond Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Series 2016C Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Series 2016C Bonds outstanding shall have consented to the Supplemental Indenture, as described above, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Bond Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

SUMMARY OF THE BASE LEASE

The Base Lease provides that the Corporation shall lease the Project to the Issuer for a term ending July 1, 2038, subject to extension or termination as set forth therein.

The Issuer shall have the right, during the term of the Base Lease, to sublease the Project to the Corporation pursuant to the Lease. In the event the Lease is disaffirmed, terminated or withdrawn for any reason, the Lease and the leasehold interest of the Issuer thereunder shall remain in full force and effect until terminated by the express terms of the Lease.

Upon the termination of the Base Lease, the Issuer agrees to surrender the Project to the Corporation peaceably and promptly together with all appurtenances thereto.

SUMMARY OF THE LEASE

The Lease provides that the Issuer shall sublease the Project to the Corporation for operation and use for a term ending July 1, 2038, subject to extension or termination as set forth therein.

Portions of the Project have been previously leased pursuant to the Lease, dated as of July 1, 1987, as supplemented and amended to the date hereof from the Corporation, as lessor, to the Issuer, as lessee; the Sublease and Security Agreement, dated as of July 1, 1987, as supplemented and amended to the date hereof, from the Issuer, as sublessor to the Corporation, as sublessee; the Base Lease, dated as of June 1, 2010 from the Corporation, as lessor, to the Issuer, as lessee; the Lease, dated as of June 1, 2010 from the Issuer, as sublessor, to the Corporation, as sublessee; the Base Lease, dated as of June 1, 2011 from the Corporation, as lessor, to the Issuer, as lessee; the Lease, dated as of June 1, 2011 from the Issuer, as sublessor, to the Corporation, as sublessee; the Base Lease, dated as of August 1, 2012 from the Corporation, as lessor, to the Issuer, as lessee; the Lease, dated as of August 1, 2012 from the Issuer, as sublessor, to the Corporation, as sublessee; the two Base Leases, each dated as of November 1, 2013 from the Corporation, as lessor, to the Issuer, as lessee; the two Leases, each dated as of November 1, 2013 from the Issuer, as sublessor, to the Corporation, as sublessee; the two Base Leases, each dated as of June 1, 2016 from the Corporation, as lessor, to the Issuer, as lessee; the two Leases, each dated as of June 1, 2016 from the Issuer, as sublessor, to the Corporation, as sublessee. Portions of the Project will also be leased pursuant to the Base Lease and the Lease relating to the Series 2016C Bonds, and pursuant to the Base Lease and Lease relating to the Series 2016D Bonds.

The Lease shall be subject and subordinate to the mortgage lien of the Master Indenture.

Rental Payments

On July 10, 2020 and on the tenth day of each month thereafter, the Corporation shall pay to the Issuer for deposit into the Principal Payment Account of the Bond Fund, the amount which, together with other available funds in the Principal Payment Account of the Bond Fund, is necessary to provide, in equal monthly installments, funds for the payment of the principal of any Series 2016C Bonds becoming due at maturity or by mandatory sinking fund redemption on the next succeeding July 1. On November 10, 2016 and on the tenth day of each month thereafter, the Corporation shall pay to the Issuer for deposit to the Interest Payment Account of the Bond Fund, the amount which, together with other available funds in the Interest Payment Account of the Bond

Fund, the amount which, together with all other available funds in the Interest Payment Account of the Bond Fund, is necessary to provide, in equal monthly installments, funds for the payment of the interest of any Series 2016C Bonds becoming due on the next Interest Payment Date. In addition, the Corporation shall make such payments as are necessary to satisfy the Debt Service Reserve Requirement provided for in the Bond Indenture.

In any event, the amount of the Rental Payments payable under the Lease shall always be sufficient to enable the Issuer and the Bond Trustee on its behalf to pay the total amount of Bond Service Charges as and when due. If at any time when a payment of Bond Service Charges is due the balance in the Bond Fund is insufficient to make that payment, the Corporation shall pay to the Bond Trustee an amount equal to any such deficiency in that fund for deposit into the applicable account within the Bond Fund.

Additional Payments

The Corporation agrees to pay, as Additional Payments under the Lease, directly to the Issuer the reasonable and necessary expenses incurred by the Issuer in connection with the issuance and delivery of the Series 2016C Bonds or otherwise related to actions taken by the Issuer with respect to the Lease and the Bond Indenture (including but not limited to reasonable attorney fees) when such expenses have then accrued and become payable, upon written request of the Issuer of the amount and nature of such expenses.

The Corporation shall pay to the Bond Trustee its reasonable fees, charges and expenses for acting as such under the Bond Indenture as provided in the Bond Indenture.

The Corporation shall pay to the Master Trustee its reasonable fees, charges and expenses for acting as such under the Master Indenture as provided in the Master Indenture.

Covenants of the Corporation Concerning its Operations

Maintenance of Properties. The Corporation shall insure the Project and other properties of the Corporation at all times in accordance with the provisions of the Master Indenture. The Corporation shall also maintain or cause to be maintained in connection with the Project any worker's compensation coverage required by the applicable laws of the State of Ohio.

Maintenance of Existence; Filing Financial Statements; Consolidation, Merger, Sale or Conveyance. The Corporation agrees that it will maintain its corporate existence as an Ohio nonprofit corporation and that it will be eligible to be a lessee under Section 140.05 of the Ohio Revised Code, except as otherwise provided in the Lease.

The Corporation also agrees that it will file with the Bond Trustee copies of the financial statements required to be filed with the Master Trustee under the Master Indenture at the same time as such financial statements are filed with the Master Trustee.

The Corporation may merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person, if:

(a) the Corporation complies with the applicable provisions of the Master Indenture and a copy of each opinion and certificate required to be delivered thereunder to the Master Trustee is also delivered to the Bond Trustee;

(b) each of the surviving, resulting or transferee Persons (the "Transferee"):

(1) is qualified to transact business as now transacted by the Corporation in the State and to own and operate the Corporation's properties in the State and its eligibility as a lessee under Section 140.05 of the Revised Code;

(2) is a 501(c)(3) Organization;

(3) is organized and existing under the laws of the United States of America or a state thereof; and

(4) assumes expressly in writing all of the covenants, agreements and obligations of the Corporation contained in the Bond Documents by an instrument or document satisfactory to the Issuer and the Bond Trustee;

(c) the merger, consolidation, sale or conveyance does not adversely affect the status of the Lease as a legal, valid and binding agreement of its enforceability; and

(d) prior to such merger, consolidation, sale or conveyance, the Authorized Corporation Representative delivers to the Bond Trustee and the Master Trustee written evidence from each nationally recognized rating agency then rating the Series 2016C Bonds that, after such merger, consolidation, sale or conveyance, such rating agency's rating on the Series 2016C Bonds will not be lowered, suspended or withdrawn.

<u>Liquidity Covenant</u>. The Corporation shall cause the Obligated Group to have at least 110 Days Cash on Hand (as defined below) on each June 30 and December 31, commencing December 31, 2016 (each a "Calculation Date"). For purposes of this paragraph, "Days Cash on Hand" means the amount determined by (i) dividing (A) the aggregate unrestricted cash, investments, board-designated funds of the Obligated Group and the restricted investments of the Foundation by (B) the aggregate operating expenses of the Obligated Group less depreciation and amortization, and (ii) multiplying the quotient so obtained by 365. The Obligated Group shall be deemed to be in default under this paragraph <u>only if</u> (i) the Obligated Group shall have, as of any Calculation Date, less than 110 Days Cash on Hand but greater than or equal to 90 Days Cash On Hand but shall have a Debt Service Coverage Ratio (calculated in accordance with the provisions under "Debt Service Coverage Ratio" below) of not less than 1.20:1.0 as of such Calculation Date, and shall have less than 110 Days Cash on Hand as of the immediately following Calculation Date; (ii) the Obligated Group shall have less than 110 Days Cash on Hand as of any Calculation Date and shall have a Debt Service Coverage Ratio (calculated in accordance with the provisions under "Debt Service Coverage Ratio" below) of less than 1.20:1.0 as of such Calculation Date; or (iii) the Obligated Group shall have less than 90 Days Cash on Hand as of any Calculation Date.

Debt Service Coverage Ratio. The Master Indenture covenant, described above under "SUMMARY OF THE MASTER INDENTURE – Debt Service Coverage Ratio, relating to maintenance and calculation of the Debt Service Coverage Ratio, has been incorporated by reference into the Lease as if fully set forth therein, with the following defined term having the following meaning for purposes of such calculation of Debt Service Coverage Ratio:

> "Adjusted Annual Revenue" shall mean, as of any date of determination thereof, the total operating and non-operating revenues and income (exclusive of (i) gains or losses upon defeasance of Indebtedness and (ii) unrealized gains or losses on investments, including derivatives (including but not limited to Interest Rate Hedges) of the members of the Obligated Group for the Fiscal Year in question, including proceeds from residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, less net revenues derived from Property financed with the proceeds of Project Indebtedness, amortization of deferred revenues on residents' entrance fees (but only to the extent such entrance fees are unrestricted (i.e., not pledged as collateral to secure Indebtedness of the Obligated Group other than the parity lien on Gross Receipts under the Master Indenture)), contractual adjustments with third party payors and adjustments for free services relating to such Fiscal Year and, to the extent otherwise included therein, gifts, grants or bequests of a non-recurring nature, other than contributions of cash and cash equivalents to members of the Obligated Group by Affiliates, to the extent such gifts, grants and bequests exceed the arithmetic mean of the gifts, grants and bequests of a non-recurring nature received by members of the Obligated Group during the two immediately preceding Fiscal Years.

Covenants Of the Issuer and the Corporation Concerning Federal Tax Matters

The Corporation agrees that it will not take any action or omit to take any action or cause or permit any circumstance within its control to arise or continue if such action or circumstance or omission would cause any revocation or adverse modification of such federal income tax status, unless it obtains an opinion of Bond Counsel, addressed to the Bond Trustee, that such revocation or modification will not adversely affect the exclusion from gross income under Section 103(a) of the Code of interest paid on the Series 2016C Bonds or cause the interest on the Series 2016C Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code.

The Issuer covenants that, to the extent within its power and control, it will not knowingly take any action, or fail to take any action, and the Corporation covenants that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Series 2016C Bonds under Section 103(a) of the Code or cause the interest on the Series 2016C Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code.

Notwithstanding any provision described above, if the Corporation provides to the Issuer and the Bond Trustee an opinion of Bond Counsel to the effect that any action required under the provisions described above is no longer required, or to the effect that some further action is

required, to maintain the exclusions from gross income of interest on the Series 2016C Bonds pursuant to Section 103(a) of the Code, the Corporation, the Issuer and the Bond Trustee may rely conclusively on such opinion in complying with the provisions of the Lease, and the covenants under the Lease shall be deemed to be modified to that extent.

Events of Default

The following events constitute "Events of Default" under the Lease:

(a) The Corporation shall fail to pay any Rental Payment within twenty (20) days of when such Rental Payment is due and payable.

(b) The Corporation shall fail to administer, maintain or operate the Project as hospital facilities in accordance with the Act, or the Corporation shall fail to provide services at the hospital facilities without regard to race, color, creed or national origin.

(c) The Corporation shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in any other paragraph under this heading "Events of Default", and the continuation of such failure for a period of sixty (60) days after written notice of such failure requiring that it be remedied is given to the Corporation by the Master Trustee, unless the Master Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the Corporation shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within the first sixty (60) day period, then, upon written notice thereof to the Master Trustee, such period shall be increased without such written extension until such curative action has been completed as to which efforts the Master Trustee shall be advised from time to time) or until sixty (60) days after such curative action can be diligently completed; and provided further, that if the performance, observation or compliance with any of the terms, covenants, conditions or provisions referred to in this paragraph shall be prevented by the application of federal or state wage and price controls, economic stabilization, cost containment requirements, or restrictions on rates, imposed by third party payors (whether governmental or private), and the Corporation shall have complied in full with its obligation to make Rental Payments under the Lease, the inability to perform, observe or comply with any such term, covenant, condition or agreement shall not constitute an Event of Default under the Lease.

(d) Abandonment by the Corporation of the Project, or of any substantial part thereof, or of the operations thereon herein contemplated, and such abandonment shall continue for a period of thirty (30) days after written notice of such abandonment shall have been given to the Corporation by the Issuer, the Bond Trustee or the Master Trustee.

No event described in subsection (c) above constitutes an Event of Default under subsections (b), (c) or (d), if that event is a result of Force Majeure, as defined below. The Corporation shall promptly give notice to the Master Trustee and the Issuer of any event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within the Corporation's discretion.

The term Force Majeure shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Corporation.

Remedies on Default

Whenever an Event of Default shall have happened and be continuing, any one or more of the following remedial steps may be taken; provided, however, that if the Event of Default is under paragraph (c) above, only the remedial steps provided in paragraph (f) below may be taken; and provided further that in no event shall the Issuer be obligated to take any step that in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until the Issuer has been furnished a satisfactory indemnity bond at no cost or expense to it.

(a) (i) If acceleration is declared pursuant to the provisions of the Bond Indenture, the Bond Trustee shall, and (ii) if acceleration has not been declared pursuant to the provisions of the Bond Indenture, the Bond Trustee may, declare all Rental Payments, Additional Payments and other amounts payable hereunder for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) Subject to applicable law, the Master Trustee, or upon ten days' written notice and with the prior written consent to the Master Trustee, the Issuer or its designee may

(i) terminate the Lease,

(ii) enter and take possession of the Project, or any appropriate part thereof, without terminating the Lease,

(iii) collect rentals and enforce all other remedies of the Corporation under any leases of, or assignments or grants of rights to use or occupy, the Project, or any part thereof, but without being deemed to have affirmed the leases, assignments or grants, and

(iv) enter into new leases, assignments and grants on any terms that the Issuer or the Master Trustee may deem to be suitable for the Project, or any part

thereof, which leases, assignments and grants may provide that they shall not be terminated or affected if the Corporation cures the Event of Default.

Rentals and other amounts described in clauses (iii) or (iv) of the preceding sentence may be applied by the Issuer or the Master Trustee to any costs of administration, operation, repair or maintenance of the Project, or any part thereof, as the Issuer or the Master Trustee may deem reasonably useful, and the remaining balance shall be applied (A) to the payment ratably of all Obligations including the Series 2016C Note securing payment of the Series 2016C Bonds and (B) to the payment of other amounts payable, or to become payable, under the Lease, in the order of priority to be determined by the Issuer or the Master Trustee in accordance with the Lease. Any balance of the rentals and other amounts remaining thereafter shall be paid promptly to the Corporation by the Issuer or the Master Trustee in accordance with the Lease, and the Issuer or the Master Trustee may hold the Corporation liable for the difference between those rentals and other amounts and the Rental Payments, Additional Payments and other amounts payable under the Lease.

(c) In the event any Series 2016C Bonds shall be outstanding at the time, and shall not be paid and discharged in accordance with the Bond Indenture, the Issuer, the Bond Trustee and the Master Trustee may have access to and inspect, examine and make copies of the books, records, accounts, financial and other data, and income and other tax returns, excluding specifically donor records, patient records, personnel records, medical staff records, medical staff committee records and nay other records the confidentiality of which may be protected by law.

(d) In accordance with applicable law, all revenues derived from the operation of the Project shall become payable immediately to the Master Trustee, and the Master Trustee may take whatever steps it deems necessary to notify payors of the Master Trustee's right thereafter to receive those revenues directly.

(e) The Bond Trustee may exercise any and all and any combination of rights, remedies and powers available to it under the Bond Indenture and the Lease, at law, in equity or by statute or otherwise.

(f) The Issuer and the Bond Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect Rental Payments, Additional Payments and other amounts then payable, or to become payable under the Lease, or to enforce the observance and performance or any covenant, agreement or obligation of the Corporation under the Lease.

Any amounts collected as, or applicable to, Rental Payments pursuant to any action taken under the provisions of the Lease described above (i) shall be paid into the Bond Fund and applied in accordance with the provisions of the Bond Indenture or (ii) if the Series 2016C Bonds have been paid and discharged in accordance with the Bond Indenture, shall be paid as provided in the Bond Indenture for transfers of remaining amounts in the Bond Fund.

Amendments to the Lease and the Series 2016C Note

Without the consent of or notice to the Holders, the Issuer and the Bond Trustee, may consent to any amendment, change or modification of the Lease or the Series 2016C Note as may be required (i) by the provisions of the Lease, the Series 2016C Note, the Master Indenture or the Bond Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Lease, the Series 2016C Note, the Master Indenture or the Bond Indenture, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Bond Indenture pursuant to the terms of the Bond Indenture, (iv) to release any real estate in accordance with the Lease and the Master Indenture or to accept additional real estate or any interest therein which becomes hereafter a part of the real property included under the Lease or the Base Lease or (v) in connection with any other change therein that is not materially to the prejudice of the Bond Trustee, the Issuer or the Holders of the Series 2016C Bonds, in the judgment of the Bond Trustee and the Issuer.

Except for the amendments, changes or modifications described above, neither the Issuer nor the Bond Trustee shall consent to:

(a) any amendment, change or modification of the Lease or the Series 2016C Note that would change the amount or times as of which Rental Payments are required to be paid, without the giving of notice as described below of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then outstanding Series 2016C Bonds affected by such amendment, change or modification, or

(b) any other amendment, change or modification of the Lease or the Series 2016C Note without the giving of notice as described below of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of at least a majority in aggregate principal amount of Series 2016C Bonds then outstanding affected by such amendment, change or modification.

If the Issuer and the Corporation shall request at any time the consent of the Bond Trustee to any proposed amendment, change or modification of the Lease or the Series 2016C Note contemplated in subparagraph (a) or (b) above, upon being indemnified satisfactorily with respect to expenses by the Corporation, the Bond Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner that is required by the provisions of the Bond Indenture with respect to notice of Supplemental Indentures. The notice shall be prepared by or on behalf of the Issuer and shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the Designated Office of the Bond Trustee for inspection by all Holders.

SUMMARY OF THE TAX REGULATORY AGREEMENT

The Tax Regulatory Agreement contains covenants and provisions relating to compliance with provisions of the Code governing the exclusion of interest on the Series 2016C Bonds and the Series 2016D Bonds from gross income for federal income tax purposes. The Corporation and the Issuer will covenant to take or cause to be taken all actions that may be required of them for the interest on the Series 2016C Bonds and the Series 2016D Bonds to be and to remain excluded from

gross income for federal income tax purposes and from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. The Corporation and the Issuer will covenant not to take any actions that would adversely affect that exclusion under the Code.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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October 27, 2016

County of Franklin, Ohio
Columbus, Ohio

B.C. Ziegler and Company
Chicago, Illinois

The Huntington National Bank, as
bond trustee
Columbus, Ohio

Huntington Public Capital Corporation
Las Vegas, Nevada

Re: $21,955,000 County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities) and $______________ County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities)

Ladies and Gentlemen:

We have examined the transcripts of proceedings (collectively, the "Transcript") relating to the issuance by the County of Franklin, Ohio (the "Issuer"), acting by and through the County Hospital Commission of Franklin County, of its $21,955,000 County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016C (OPRS Communities) (the "Series 2016C Bonds") and its $______________ County of Franklin, Ohio Health Care Facilities Refunding Revenue Bonds, Series 2016D (OPRS Communities) (the "Series 2016D Bonds" and together with the 2016C Bonds, the "Series 2016 Bonds"). The Series 2016C Bonds are being issued pursuant to the Trust Indenture dated as of October 1, 2016 (the "2016C Indenture"), between the Issuer and The Huntington National Bank, as trustee (the "2016C Trustee") and the Series 2016D Bonds are being issued pursuant to the Bond Purchase Agreement dated as of October 1, 2016 (the "2016D BPA") among the Issuer, OPRS Communities (the "Corporation") and Huntington Public Capital Corporation, as initial purchaser of the Series 2016D Bonds (the "2016D Purchaser") for the purpose of (i) current refunding certain revenue bonds previously issued by the Issuer for the benefit of the Corporation, the proceeds of which were used to finance and refinance the costs of acquiring, constructing, installing, equipping and improving "hospital facilities" as defined in Chapter 140 of the Ohio Revised Code (the "Project"), (ii) the funding of a debt service reserve fund to secure payment of the Series 2016C Bonds and (iii) paying the costs of issuance of the Series 2016 Bonds, all as more particularly set forth in the 2016C Indenture and the 2016D BPA. Certain real property and existing hospital facilities, the Project and the site of those existing hospital facilities and of the Project (collectively, the "Leased Premises") have been leased to the Issuer by the Corporation under the Base Lease dated as of October 1, 2016 (the "2016C Base Lease") related to the Series 2016C Bonds and/or under a Base Lease dated as of October 1, 2016 (the "2016D Base Lease" and together with the 2016C Base Lease, the "Base Leases") related to the Series 2016D Bonds, and the Leased Premises have been subleased to the Corporation by the Issuer under the Lease dated as of October 1, 2016 related to the Series 2016C Bonds (the "2016C Lease") and under the Lease dated as of October 1, 2016 related to the Series 2016D Bonds (the "2016D

Lease" and together with the 2016C Lease, the "Leases"). The documents in the Transcript examined include an executed counterpart of the 2016C Indenture; the 2016D BPA; the Base Leases; the Leases; the Tax Regulatory Agreement, dated as of October 1, 2016 among the Issuer, the Corporation and the 2016C Trustee (the "Tax Regulatory Agreement"); the Bond Purchase Agreement, dated October 12, 2016 among the Issuer, the Corporation and B.C. Ziegler and Company, as representative of the underwriters (the "2016C BPA"), related to the 2016C Bonds; the Bondowner Agreement, dated the date hereof between the Corporation and the 2016D Purchaser related to the Series 2016D Bonds; the Certificate Regarding the Total Financed Property and the Expenditure of Funds dated the date hereof signed by the Corporation; the investor letter dated the date hereof and executed by the 2016D Purchaser; and such other certificates, documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have also examined the signed and authenticated Series 2016C Bond No. R-1 and Series 2016D Bond No. R-1.

In particular, we have relied upon the two opinions of Jones Day (the "Borrower's Counsel Opinions"), as counsel for the Corporation, Ohio Presbyterian Retirement Services ("OPRS"), Ohio Presbyterian Retirement Services Foundation (the "Foundation") and Senior Independence ("SI"), dated the date hereof, as to all matters set forth in such opinions, including but not limited to the current legal status of each of the Corporation, OPRS, the Foundation and SI as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). We note that such opinions are subject to a number of qualifications and limitations. Failure of the Corporation, OPRS, the Foundation or SI to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2016 Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion.

We have assumed and relied upon, without undertaking to verify, the genuineness of all documents, certificates and opinions presented to us (whether as originals or as copies) and the signatures thereon and the due and legal execution and delivery thereof by and validity against any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in such documents and certificates and

of the correctness of the legal conclusions contained in the Borrower's Counsel Opinions. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed continuing compliance with all covenants and agreements contained in the 2016C Indenture, the 2016D BPA, the Leases and the Tax Regulatory Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes. The accuracy of certain of those representations and certifications (the "Tax Covenants") and continuing compliance by the Issuer and the Corporation with certain of those covenants and agreements may be necessary for interest on the Series 2016 Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to the issuance of the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance. We have assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the 2016C Trustee of the documents to which it is a party.

We express no opinion with respect to the Master Indenture (as defined in the 2016C Indenture) or any Obligations (as defined in the Master Indenture) or other collateral issued, pledged or mortgaged under the Master Indenture as security for the payment of the Series 2016 Bonds. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Master Indenture, the 2016C Indenture, the 2016D BPA, the Base Leases or the Leases, or the accuracy or sufficiency of the description contained therein of or the remedies available to enforce liens on any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any offering document relating to the Series 2016 Bonds and express no opinion relating thereto herein.

The opinions set forth below are expressly limited to and we opine only with respect to the laws of the State of Ohio and the federal income tax laws of the United States of America.

Based on such examination, and in reliance thereon, as of the date hereof and under existing law, we are of the opinion that:

1. The Series 2016 Bonds, the Base Leases, the Leases, the 2016C Indenture, the 2016C BPA and the 2016D BPA have been duly authorized, executed, issued and delivered by the Issuer and constitute valid, binding and enforceable obligations of the Issuer except as the enforceability of the same may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in

appropriate cases and to the limitations on legal remedies against public entities in the State of Ohio.

2. The Series 2016C Bonds are valid and legally binding limited obligations of the Issuer payable in accordance with their terms solely from the revenues and other moneys assigned by the 2016C Indenture to secure that payment, including certain payments made by the Corporation under the 2016C Lease. The Series 2016D Bonds are valid and legally binding limited obligations of the Issuer payable in accordance with their terms solely from the revenues and other moneys assigned by the 2016D BPA to secure that payment, including certain payments made by the Corporation under the 2016D Lease.

3. The Series 2016 Bonds are not general obligations, debt or bonded indebtedness of the Issuer or of the State of Ohio or any political subdivision thereof, and the holders or owners thereof do not have the right to have excises or taxes levied by the Issuer or the State of Ohio or any political subdivision thereof for the payment of the principal of and interest and premium, if any, on the Series 2016 Bonds. The right to payment of such principal, interest and premium, if any, on either series of Series 2016 Bonds is limited to the revenues and other moneys pledged therefor in the related Indenture.

4. Under federal statutes, decisions, regulations, and rulings existing on this date, the interest on the Series 2016 Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Code, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. This opinion is conditioned on continuing compliance by the Corporation and the Issuer with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Series 2016 Bonds to lose the exclusion from gross income for purposes of federal income taxation retroactive to the date of issuance of the Series 2016 Bonds.

5. The interest on the Series 2016 Bonds, and any profit made on their sale, exchange or other disposition, are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers intangible tax, the tax levied on the basis of the total equity capital of financial institutions and the net worth base of the corporate franchise tax.

We express no opinion as to any other tax consequences regarding the Series 2016 Bonds.

The opinion expressed in paragraph 4 is expressly limited as set forth in this paragraph. By the terms of the 2016D BPA and other relevant documents, the interest rate mode or formula and

the mandatory tender dates as set forth in the 2016D BPA for the Series 2016D Bonds may be changed, and certain actions may be taken under the circumstances and subject to the terms and conditions set forth in such documents, subject to receipt of an approving opinion of nationally recognized bond counsel. We express no opinion as to the effect upon any Series 2016 Bond or the excludability of the interest on the Series 2016 Bonds for federal income taxation purposes resulting from any such change or action.

Very truly yours,

ICE MILLER LLP

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COUNTY OF FRANKLIN, OHIO • HEALTH CARE FACILITIES REFUNDING REVENUE BONDS, SERIES 2016C (OPRS COMMUNITIES)

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