

In the opinion of Drinker Biddle & Reath LLP, Bond Counsel, under existing laws as currently enacted and construed, interest on the 2016 Bonds of each series is excluded from the gross income of the owners thereof for federal income tax purposes, and is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the 2016 Bonds will be included in “adjusted current earnings” for purposes of computing alternative minimum taxable income with respect to certain corporations. Such opinion of Bond Counsel with respect to the 2016 Bonds of each series is subject to continuous compliance by ACTS and each Authority as applicable with certain tax covenants contained in each Bond Indenture and Loan Agreement. For a more complete description of certain federal and state tax consequences of ownership of the 2016 Bonds, see “CERTAIN TAX MATTERS” herein.



\$209,940,000

**ACTS RETIREMENT – LIFE COMMUNITIES, INC. OBLIGATED GROUP
REVENUE BONDS**



consisting of:

\$97,165,000
**MONTGOMERY COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
(PENNSYLVANIA) RETIREMENT
COMMUNITIES REVENUE BONDS (ACTS
RETIREMENT-LIFE COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016**

\$105,585,000
**PALM BEACH COUNTY HEALTH
FACILITIES AUTHORITY (FLORIDA)
RETIREMENT COMMUNITIES REVENUE
BONDS (ACTS RETIREMENT-LIFE
COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016**

\$7,190,000
**GAINESVILLE AND HALL COUNTY
DEVELOPMENT AUTHORITY (GEORGIA)
RETIREMENT COMMUNITY REFUNDING
REVENUE BONDS (ACTS RETIREMENT-
LIFE COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016**

Dated: Initial Date of Delivery

Due: As Shown on the Inside Cover

Each series of the above-referenced bonds (collectively, the “2016 Bonds”) will be issued by the hereinafter defined Pennsylvania Authority, the Florida Authority or the Georgia Authority (each, an “Authority” and collectively, the “Authorities”), as applicable, as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the 2016 Bonds will be made in book-entry only form, in denominations of \$5,000 and integral multiples thereof. Purchasers of a beneficial interest in the 2016 Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interests in the 2016 Bonds. Interest on the 2016 Bonds, together with the principal or redemption price thereof will be paid directly to DTC by U.S. Bank National Association, as trustee (the “Bond Trustee”), so long as DTC or its nominee is the registered owner of the 2016 Bonds. The disbursement of such payments to the Beneficial Owners of the 2016 Bonds will be the responsibility of DTC, the DTC Participants, and the Indirect Participants, all as more fully described herein under the caption “BOOK-ENTRY ONLY SYSTEM.”

Each series of the 2016 Bonds will mature on the dates, and bear interest from their initial date of delivery at the rates, per annum, as shown on the inside front cover. Interest on the 2016 Bonds is payable on May 15 and November 15 in each year, commencing November 15, 2016, by check or draft mailed by the Bond Trustee to the registered owner as of the applicable record dates herein described, which payments are to be made to Cede & Co. as long as the book-entry only system is in place. Principal on the 2016 Bonds is also payable to Cede & Co. as long as the book-entry only system is in place.

Each series of the 2016 Bonds is issued pursuant to, and is equally and ratably secured by, the applicable Bond Indenture described herein, entered into between the Pennsylvania Authority, the Florida Authority, or the Georgia Authority, as applicable, and the Bond Trustee. The principal and redemption price of, and interest on, each series of the 2016 Bonds will be payable from, among other things, the amounts payable under separate Loan Agreements between each applicable Authority and ACTS Retirement-Life Communities, Inc. (“ACTS”), as each is more particularly described herein. The payment obligations of ACTS with respect to each series of the 2016 Bonds under the separate Loan Agreements, as applicable, are evidenced and secured by separate promissory notes (collectively, the “2016 Master Notes”) issued under the Master Indenture more particularly described herein among ACTS, ACTS Management Services, Inc. (“AMS”), and ACTS Signature Community Services, Inc. (“ASCS”) (each, an “Obligated Issuer” and collectively, the “Obligated Issuers” or the “Obligated Group”), as the Obligated Issuers thereunder, and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”). Each 2016 Master Note constitutes the joint and several obligation of the Obligated Issuers and each other Person (if any) that may become an Obligated Issuer (as defined herein) under the Master Indenture, and will be secured under the Master Indenture, equally and ratably with all other Obligations of the Obligated Group issued thereunder, by, among other things, a pledge and assignment to the Master Trustee of the Pledged Revenues of each Obligated Issuer as further described herein.

Each series of the 2016 Bonds is subject to optional, extraordinary optional and mandatory sinking fund redemption prior to maturity as more particularly described herein. See “DESCRIPTION OF THE 2016 BONDS - Redemption of the 2016 Bonds” herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE 2016 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

THE PENNSYLVANIA 2016 BONDS, THE FLORIDA 2016 BONDS, AND THE GEORGIA 2016 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE PENNSYLVANIA AUTHORITY, THE FLORIDA AUTHORITY, AND THE GEORGIA AUTHORITY, RESPECTIVELY, PAYABLE SOLELY AND EXCLUSIVELY FROM PAYMENTS RECEIVED BY THE RESPECTIVE AUTHORITIES UNDER THE LOAN AGREEMENT TO WHICH EACH IS A PARTY AND THE APPLICABLE MASTER NOTE AND FROM MONEYS PLEDGED UNDER THE BOND INDENTURE TO WHICH IT IS A PARTY.

AN INVESTMENT IN THE 2016 BONDS INVOLVES CERTAIN RISKS. SEE “CERTAIN BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 2016 BONDS.

The 2016 Bonds offered by this Official Statement are offered when, as and if issued and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for ACTS by Saul Ewing LLP, Philadelphia, Pennsylvania, Berger Singerman LLP, Boca Raton, Florida and Hulsey, Oliver & Mahar, LLP, Gainesville, Georgia, for the Pennsylvania Authority by its counsel Hamburg, Rubin, Mullin, Maxwell & Lupin, PC, Lansdale, Pennsylvania, for the Florida Authority by its counsel Haile, Shaw & Pfaffenberger, P.A., North Palm Beach, Florida, for the Georgia Authority by its counsel Stewart, Melvin & Frost LLP, Gainesville, Georgia, and for the Underwriter by its counsel, Butler Snow LLP, Atlanta, Georgia. It is expected that delivery of the 2016 Bonds in definitive form will be made against payment therefor through the facilities of DTC on or about August 16, 2016.



\$97,165,000 PENNSYLVANIA BONDS MATURITY SCHEDULE

November 15, of the Year	Principal Amount	Interest Rate	Price	Yield	CUSIP® No. **
2033	\$15,015,000	5.000%	121.464	2.600%*	61360PCJ7

\$82,150,000 5.000% Term Bond due November 15, 2036 Priced to Yield 2.730%* - CUSIP® No. **: 61360PCK4

\$105,585,000 FLORIDA BONDS MATURITY SCHEDULE

November 15, of the Year	Principal Amount	Interest Rate	Price	Yield	CUSIP® No. **
2019	\$7,275,000	4.000%	109.090	1.140%	69650MAM1
2020	9,380,000	4.000%	111.163	1.290	69650MAN9
2021	9,780,000	5.000%	117.816	1.460	69650MAP4
2022	1,115,000	5.000%	119.805	1.650	69650MAQ2
2025	70,000	3.000%	106.486	2.220	69650MAR0
2026	115,000	3.000%	105.699	2.370	69650MAS8
2027	155,000	3.000%	104.308	2.520*	69650MAT6
2028	205,000	3.000%	103.484	2.610*	69650MAU3

\$77,490,000 5.00% Term Bond due November 15, 2032 Priced to Yield 2.600%* - CUSIP® No. **: 69650MAV1

\$7,190,000 GEORGIA BONDS MATURITY SCHEDULE

November 15, of the Year	Principal Amount	Interest Rate	Price	Yield	CUSIP® No. **
2032	\$435,000	4.000%	110.153	2.850%*	362763AR5
2033	6,755,000	5.000%	121.967	2.550*	362763AQ7

* Priced to call at first optional call date of November 15, 2026.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Underwriter or the Obligated Group, and are included solely for the convenience of the holders of the 2016 Bonds. Neither the Underwriter nor the Obligated Group is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2016 Bonds as indicated above.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Montgomery County Industrial Development Authority (the “Pennsylvania Authority”), the Palm Beach County Health Facilities Authority (the “Florida Authority”), or the Gainesville and Hall County Development Authority (the “Georgia Authority” and together with the Pennsylvania Authority and the Florida Authority, the “Authorities”), ACTS Retirement—Life Communities, Inc. (“ACTS”), a Pennsylvania nonprofit corporation, ACTS Management Services, Inc., (“AMS”), a Pennsylvania nonprofit corporation, ACTS Signature Community Services, Inc., (“ASCS” and along with ACTS and AMS, each an “Obligated Issuer,” and together, the “Obligated Issuers” or the “Obligated Group”), a Pennsylvania nonprofit corporation, or B.C. Ziegler and Company (the “Underwriter”) to give any information or to make any representations with respect to the 2016 Bonds, other than those 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 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from each Authority, the Obligated Issuers and other sources that are believed to be reliable, but the Underwriter does not guarantee the accuracy or completeness of the information, and the information is not to be construed as a representation by the Underwriter. Except as it relates specifically to the Pennsylvania Authority, the Florida Authority, or the Georgia Authority, as applicable, the information contained herein is not to be construed as a representation by the Pennsylvania Authority, the Florida Authority, or the Georgia Authority. 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 matters described herein 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.

References in this Official Statement to any legislation or documents, including each Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 35, the 2016 Master Notes, the Continuing Disclosure Agreement, and the Bond Purchase Agreements (each as defined herein), do not purport to be complete. Refer to such legislation and documents for full and complete details of their provisions. Following delivery of the 2016 Bonds, copies of the Bond Indentures, the Loan Agreements, the Master Indenture and the Bond Purchase Agreements are expected to be on file with the Bond Trustee.

U.S. Bank National Association, as Bond Trustee and as Master Trustee, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (a) the accuracy or completeness of such information, (b) the validity of the 2016 Bonds or (c) the tax exempt status of the interest on the 2016 Bonds.

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

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ

materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of each Authority and the Obligated Issuers. These forward-looking statements speak only as of the date of this Official Statement. The Obligated Issuers disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Obligated Issuers' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

* * *

ACTS Retirement-Life Communities, Inc. Obligated Group



Azalea Trace



Brittany Pointe Estates



Cokesbury Village



Country House



Edgewater Pointe Estates

ACTS Retirement-Life Communities, Inc. Obligated Group



Fort Washington Estates



Granite Farms Estates



Gwynedd Estates



Indian River Estates



Lanier Village Estates

ACTS Retirement-Life Communities, Inc. Obligated Group



Lima Estates



Magnolia Trace



Manor House



Normandy Farms Estates



Plantation Estates

ACTS Retirement-Life Communities, Inc. Obligated Group



Southampton Estates



Spring House Estates



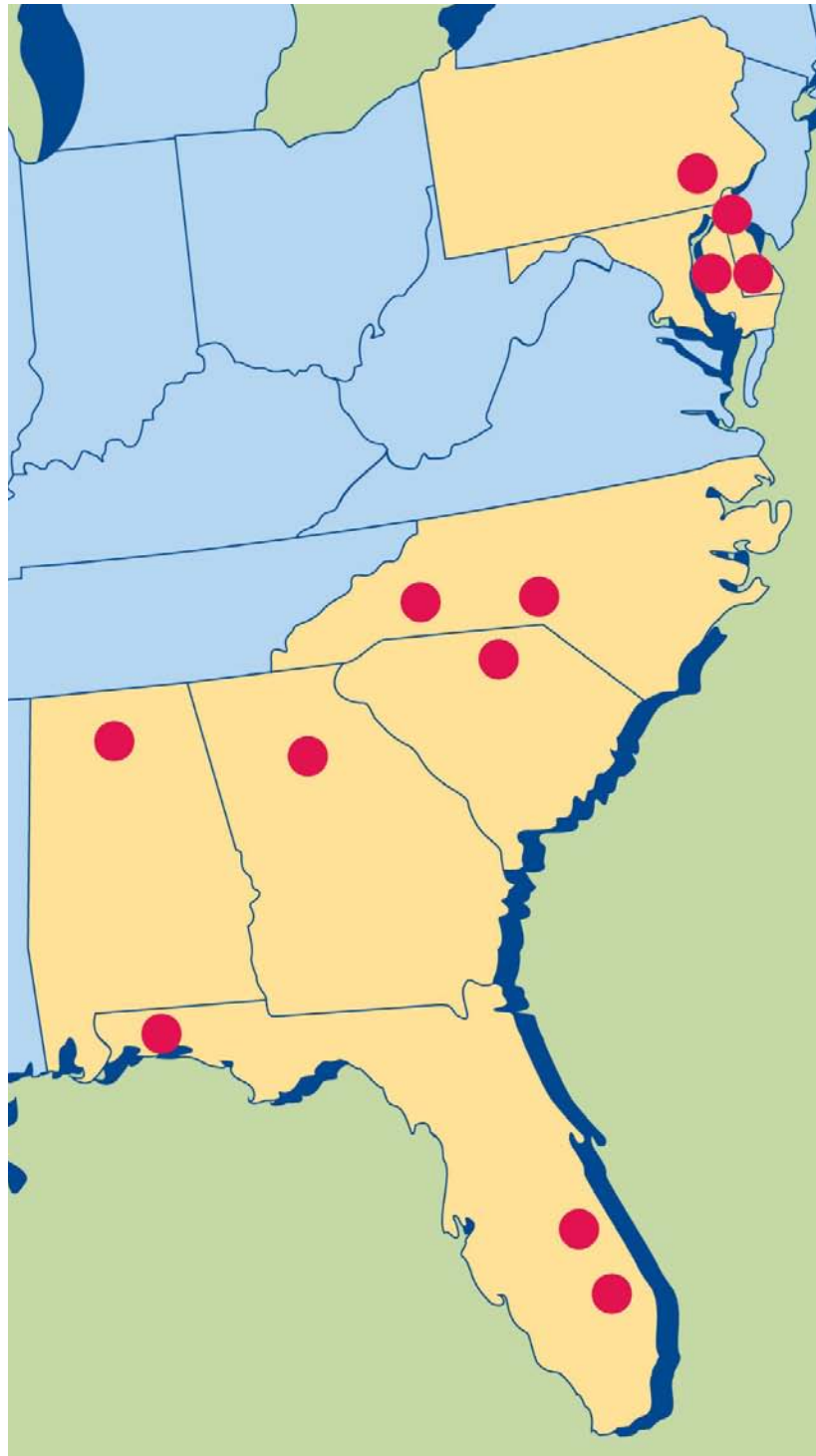
St. Andrews Estates



Tryon Estates

ACTS Retirement-Life Communities, Inc. Obligated Group

Location Map



Note: The Obligated Group includes the communities in the states of PA, DE, NC, GA, AL and FL. The communities in MD and SC are not members of the Obligated Group.

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SUMMARY STATEMENT

The information set forth in this Summary Statement is furnished to provide an introduction to the information contained in this Official Statement and is not comprehensive. It 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 2016 Bonds to potential investors is made only by means of the 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 in this Summary Statement, see “SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURES AND LOAN AGREEMENTS – DEFINITIONS OF CERTAIN TERMS” in APPENDIX C hereto and “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE – Definitions of Certain Terms” in APPENDIX D hereto.

The Pennsylvania Authority and the Pennsylvania 2016 Bonds

The Montgomery County Industrial Development Authority (the “Pennsylvania Authority”), a body corporate and politic and a public instrumentality of the Commonwealth of Pennsylvania, proposes to issue \$97,165,000 aggregate principal amount of its Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016 (the “Pennsylvania 2016 Bonds”). The Pennsylvania 2016 Bonds are being issued pursuant to the Pennsylvania Economic Development Financing Law, as amended, and a Trust Indenture dated as of August 1, 2016 (the “Pennsylvania Bond Indenture”), between the Pennsylvania Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

The proceeds of the Pennsylvania 2016 Bonds, will be used to: (1) currently refund (A) the Pennsylvania Authority’s outstanding Retirement Community Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A (the “Pennsylvania 2006A Bonds”), issued in the original principal amount of \$25,000,000 (all of which is currently outstanding) and (B) the Pennsylvania Authority’s outstanding Retirement Community Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B (the “Pennsylvania 2006B Bonds” and together with the Pennsylvania 2006A Bonds, the “Pennsylvania 2006 Bonds”), issued in the original principal amount of \$68,165,000 (of which \$32,240,000 is currently outstanding); (2) advance refund the Pennsylvania Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2009A-1 (the “Pennsylvania 2009 Bonds” and together with the Pennsylvania 2006 Bonds, the “Refunded Pennsylvania Bonds”), issued in the original aggregate principal amount of \$18,165,000 (of which \$10,100,000 is currently outstanding); (3) pay and/or reimburse ACTS for certain expenditures for capital projects at certain of its integrated continuing care retirement communities and/or other facilities located in Pennsylvania (collectively, the “Pennsylvania 2016 Capital Projects”); and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Pennsylvania 2016 Bonds. A description of the uses of the proceeds of the Pennsylvania 2016 Bonds is included herein under the captions “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS.” For a description of the Pennsylvania 2016 Capital Projects, see “CAPITAL PROJECTS AND IMPROVEMENTS” in APPENDIX A hereto.

The Florida Authority and the Florida 2016 Bonds

The Palm Beach County Health Facilities Authority (the “Florida Authority”), a public body corporate and politic of the State of Florida, proposes to issue \$105,585,000 in aggregate principal amount of its Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016 (the “Florida 2016 Bonds”). The Florida 2016 Bonds are being issued pursuant to Part III, Chapter 154, Florida Statutes, as amended, Part II, Chapter 159, Florida Statutes, as amended and Chapter 163, Florida Statutes, as amended (collectively, the “Act”), and a Trust Indenture dated as of August 1, 2016 (the “Florida Bond Indenture” and together with the Pennsylvania Bond Indenture the Georgia Bond Indenture, the “Bond Indentures”), between the Florida Authority and the Bond Trustee.

The proceeds of the Florida 2016 Bonds, will be used to: (1) currently refund (A) the Florida Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A (the “Florida 2006A Bonds”) , issued in the original aggregate principal amount of \$20,620,000 (all of which is currently outstanding) and (B) the Florida Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B (the “Florida 2006B Bonds” and together with the Florida 2006A Bonds, the “Florida 2006 Bonds”), issued in the original aggregate principal

amount of \$23,205,000 (all of which is currently outstanding); (2) advance refund the Florida Authority's outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2010 (the "Florida 2010 Bonds" and together with the Florida 2006 Bonds, the "Refunded Florida Bonds"), issued in the original aggregate principal amount of \$54,630,000 (all of which is currently outstanding); (3) pay and/or reimburse ACTS for certain expenditures for capital projects at certain of its integrated continuing care retirement communities located in Florida (collectively, the "Florida 2016 Capital Projects"); and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Florida 2016 Bonds. A description of the uses of the proceeds of the Florida 2016 Bonds is included herein under the captions "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS." For a description of the Florida 2016 Capital Projects, see "CAPITAL PROJECTS AND IMPROVEMENTS" in APPENDIX A hereto.

The Georgia Authority and the Georgia 2016 Bonds

The Gainesville and Hall County Development Authority (the "Georgia Authority"), a public body corporate and politic created under the laws of the State of Georgia, proposes to issue \$7,190,000 aggregate principal amount of its Retirement Community Refunding Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016 (the "Georgia 2016 Bonds"). The Georgia 2016 Bonds are being issued pursuant to the provisions of an amendment to the Constitution of the State of Georgia (Ga. Laws 1964, page 866 *et seq.*, as continued by Ga. Laws 1986, page 4328 *et seq.*), ratified and proclaimed, and an act of the General Assembly of the State of Georgia (Ga. Laws 1964, page 2282 *et seq.*, as amended by Ga. Laws 1982, page 4300 *et seq.* (the "Georgia Act"), which grants to the Georgia Authority all powers granted to authorities under the Georgia Development Authorities Law, O.C.G.A. Section 36-62-1 *et seq.*, as amended, and a Trust Indenture dated as of August 1, 2016 (the "Georgia Bond Indenture"), between the Georgia Authority and the Bond Trustee.

The proceeds of the Georgia 2016 Bonds will be used to: (1) advance refund a portion of the Georgia Authority's outstanding Senior Living Facility Revenue Bonds (Lanier Village Estates, Inc. Project), Retirement Community Revenue Bonds, Series 2009A-2 (the "Georgia 2009 Bonds" and together with the Refunded Pennsylvania Bonds and the Refunded Florida Bonds, the "Refunded Bonds"), issued in the aggregate principal amount of \$16,285,000 (of which \$14,855,000 is currently outstanding); and (2) pay all or a portion of the expenses incurred in connection with the issuance of the Georgia 2016 Bonds. A description of the uses of the proceeds of the Georgia 2016 Bonds is included herein under the captions "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

Security for the 2016 Bonds

Each series of the 2016 Bonds will be issued under and secured by a separate Bond Indenture between the Bond Trustee and the Pennsylvania Authority, the Florida Authority, or the Georgia Authority, as applicable, and will constitute special, limited obligations of such Authority, payable under such Bond Indenture solely from the revenues and other amounts pledged and assigned to the Bond Trustee thereunder, including, in particular: (i) in the case of the Pennsylvania 2016 Bonds, amounts payable by ACTS Retirement-Life Communities, Inc. ("ACTS"), a Pennsylvania nonprofit corporation, under a Loan Agreement dated as of August 1, 2016, between the Pennsylvania Authority and ACTS (the "Pennsylvania Loan Agreement"), (ii) in the case of the Florida 2016 Bonds, amounts payable by ACTS under a Loan Agreement dated as of August 1, 2016, between the Florida Authority and ACTS (the "Florida Loan Agreement"), and (iii) in the case of the Georgia 2016 Bonds, amounts payable by ACTS under a Loan Agreement dated as of August 1, 2016, between the Georgia Authority and ACTS (the "Georgia Loan Agreement" and, together with the Pennsylvania Loan Agreement and the Florida Loan Agreement, the "Loan Agreements"). *No debt service reserve fund will be created under any of the Bond Indentures with respect to the 2016 Bonds.*

The payment obligations of ACTS with respect to each series of 2016 Bonds under the Pennsylvania Loan Agreement, the Florida Loan Agreement, and the Georgia Loan Agreement, as applicable, will be evidenced and secured by a separate promissory note (the "Pennsylvania 2016 Master Note," the "Florida 2016 Master Note" and the "Georgia 2016 Master Note" respectively, and, together, the "2016 Master Notes") issued under and pursuant to the Master Indenture (as defined below), each in the aggregate principal amount of the corresponding series of 2016 Bonds. Pursuant to each Bond Indenture, other than certain reserved rights, the applicable Authority will pledge and assign to the Bond Trustee, all of its respective rights and interests in and to the payment obligations of ACTS under the corresponding Loan Agreement, together with its rights in and to the applicable 2016 Master Notes.

THE 2016 BONDS ARE LIMITED OBLIGATIONS OF EACH AUTHORITY, AS APPLICABLE, PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE APPLICABLE AUTHORITY UNDER THE CORRESPONDING LOAN AGREEMENT, THE CORRESPONDING 2016 MASTER NOTE, AND FROM MONEYS PLEDGED UNDER THE CORRESPONDING BOND INDENTURE, AND SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF THE COMMONWEALTH OF PENNSYLVANIA, THE STATE OF FLORIDA, THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING MONTGOMERY COUNTY, PENNSYLVANIA, PALM BEACH COUNTY, FLORIDA, THE CITY OF GAINESVILLE, GEORGIA, AND HALL COUNTY, GEORGIA), OTHER THAN A LIMITED OBLIGATION OF THE APPLICABLE AUTHORITY AS AFORESAID. NEITHER THE GENERAL CREDIT OF ANY AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA, THE STATE OF GEORGIA, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING MONTGOMERY COUNTY, PENNSYLVANIA, PALM BEACH COUNTY, FLORIDA, THE CITY OF GAINESVILLE, GEORGIA, AND HALL COUNTY, GEORGIA) IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, ANY OF THE 2016 BONDS. THE PENNSYLVANIA AUTHORITY, THE FLORIDA AUTHORITY, AND THE GEORGIA AUTHORITY HAVE NO TAXING POWER.

The Master Indenture and the Obligated Group

As of the date of issuance of the 2016 Bonds, ACTS, ACTS Management Services, Inc., (“AMS”), a Pennsylvania nonprofit corporation, and ACTS Signature Community Services, Inc. (“ASCS”), a Pennsylvania nonprofit corporation, (each, an “Obligated Issuer” and together, the “Obligated Issuers” or the “Obligated Group”) will be the only members of the Obligated Group created pursuant to the Master Trust Indenture dated as of December 1, 1996 (as heretofore and hereafter amended and supplemented, the “Master Indenture”), between the members of the Obligated Group and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”). For more information see “HISTORY, BACKGROUND AND ORGANIZATION” in APPENDIX A hereto.

The 2016 Master Notes will be secured under the Master Indenture equally and ratably with certain prior Master Notes evidencing Long Term Indebtedness and other indebtedness of the Obligated Group. As of the date of issuance of the 2016 Bonds, the aggregate principal amount of Master Notes evidencing Long Term Indebtedness of the Obligated Group outstanding (including the refunding of the Refunded Bonds) will be approximately \$505,115,000. In addition, Master Notes evidencing other indebtedness include: (i) Qualified Intermediate Term Indebtedness (as defined in the Master Indenture) in the maximum allowable amount of \$65,000,000, with \$11,298,000 outstanding at December 31, 2015, and (ii) Short Term Indebtedness (as defined in the Master Indenture) in the maximum allowable amount of \$65,000,000, with \$15,900,000 outstanding at December 31, 2015. For further information on the Indebtedness of the Obligated Group, see the audited special-purpose combined financial statements and related notes as of and for the period ended December 31, 2015, included in APPENDIX B hereto.

All Master Notes and other obligations currently outstanding or hereafter issued under the Master Indenture are payable and secured equally and ratably by the liens granted under the Master Indenture, subject, however, to the establishment of any debt service reserve or other separate fund under the Master Indenture (or otherwise) to secure any particular Obligations issued thereunder. *No debt service reserve fund will be created under the Master Indenture with respect to the 2016 Master Notes.*

The obligation to make payments on the Master Notes is the joint and several obligation of all present and future Obligated Issuers under the Master Indenture. In accordance with the Master Indenture, each Obligated Issuer has granted or will grant to the Master Trustee a security interest in its respective Pledged Revenues (as defined in the Master Indenture) to secure the Master Notes and other Obligations issued thereunder. In addition, under certain circumstances, as security for all Obligations issued and outstanding under the Master Indenture, the Obligated Issuers are required to deliver to the Master Trustee, and the Master Trustee is to accept and record, mortgage liens on, and security interests in, their respective Facilities, subject in each case to Permitted Liens and also subject to other limitations on placing mortgages on the Obligated Group’s Properties, as set forth in the Master Indenture. All 19 retirement communities owned by the Obligated Group are currently free of all liens except Permitted Liens. See the information under the headings “SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS —

Delivery and Recording of Mortgages” herein and “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Delivery and Recording of Mortgages” in APPENDIX D hereto.

Each Obligated Issuer covenants in the Master Indenture that it will not create, assume or suffer to exist liens upon any of its Property other than Permitted Liens and also subject to other limitations on placing mortgages on the Obligated Group’s Properties, as set forth in the Master Indenture. The Master Indenture permits the Obligated Issuer to incur Indebtedness and to create, assume or suffer to exist liens on its Property, if the Indebtedness or liens are of the types specified in the Master Indenture and/or if certain financial tests and ratios set forth therein are satisfied. See the information herein under the caption, “SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS —The Master Indenture.” See also “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Liens and Encumbrances” in APPENDIX D hereto.

Other Persons may become Obligated Issuers in accordance with the provisions of the Master Indenture; however, the Obligated Group has no present expectation of adding additional Obligated Issuers in the near future.

For a more complete description of the provisions of the Master Indenture, see “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE” in APPENDIX D hereto. See APPENDIX A hereto for a description of ACTS, AMS and ASCS, their histories, organization and financial performance and a summary of certain financial statements of the Obligated Group. See also “ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP) AUDITED SPECIAL-PURPOSE COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013” in APPENDIX B hereto and information regarding the fiscal quarters ended March 31, 2016 and 2015 under “FINANCIAL INFORMATION - Summary Financial Information” and – Results of Operations – Comparison of Fiscal Quarters Ended March 31, 2016 and 2015” in APPENDIX A hereto.

2016 ACTS Notes

Concurrently with the issuance of the 2016 Bonds, ACTS will issue certain notes (collectively the “2016 ACTS Notes”) in the aggregate principal amount of \$22,275,000, consisting of its: (i) ACTS Retirement-Life Communities, Inc. 1.354% Notes due November 15, 2016, in the principal amount of \$3,030,000; (ii) ACTS Retirement-Life Communities, Inc. 1.851% Notes due November 15, 2017, in the principal amount of \$8,625,000; (iii) ACTS Retirement-Life Communities, Inc. 2.175% Notes due November 15, 2018, in the principal amount of \$8,870,000 ; and (iv) ACTS Retirement-Life Communities, Inc. 2.472% Notes due November 15, 2019 in the principal amount of \$1,750,000. The 2016 ACTS Notes are being issued under a Trust Indenture dated as of August 1, 2016 (the “ACTS Indenture”), between ACTS and U.S. Bank National Association, as trustee. The payment obligations of ACTS with respect to the 2016 ACTS Notes will be secured by an additional Master Note issued under the Master Indenture, ranking pari passu with the 2016 Master Notes. The proceeds of the 2016 ACTS Notes will be used: (1) to currently refund the outstanding ACTS Variable Rate Demand Revenue Bonds, Series 2003A (the “Prior ACTS Bonds”), issued by ACTS in the original aggregate principal amount of \$20,000,000 (of which \$14,805,000 is currently outstanding); (2) to advance refund a portion of the 2009A-2 Georgia Bonds; (3) for other general corporate purposes; (4) to pay off a line of credit in the principal amount outstanding of \$1,900,000; and (5) to pay all or a portion of the expenses incurred in connection with the issuance of the 2016 ACTS Notes. **THE 2016 ACTS NOTES ARE NOT BEING OFFERED FOR PURCHASE PURSUANT TO THIS OFFICIAL STATEMENT.**

Additional Indebtedness

Upon compliance with the terms and conditions of the Master Indenture, the Obligated Issuers are permitted to incur additional Long Term and Short Term Indebtedness. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Additional Long Term Indebtedness” and “ — Short Term Indebtedness” in APPENDIX D hereto. Such additional Indebtedness, if evidenced by a Master Note or Guaranty under the Master Indenture, would constitute an obligation of such Obligated Issuer, equally and ratably secured under the Master Indenture (except as to any debt service reserve or other fund separately established for the benefit of the Holders of any particular series of Obligations under the Master Indenture) with the 2016 Master Notes and all other Master Notes then outstanding under the Master Indenture.

The Obligated Issuers are continually reviewing additional opportunities to develop, acquire, become involved in, and/or provide services to, additional retirement communities and other types of senior living

arrangements. Those opportunities may involve both new and/or existing facilities. The Obligated Issuers will continue to explore both the current opportunities as well as others that may arise in the future. The development and/or acquisition of new facilities may be financed with additional indebtedness, including indebtedness that may be evidenced and secured by additional Master Notes or the obligations issued under the Master Indenture.

Redemption Prior to Maturity

The 2016 Bonds are subject to optional redemption prior to maturity at the option of the applicable Authority, at the direction of ACTS, on any date on and after November 15, 2026, in whole or in part at a redemption price equal to par plus accrued interest to such redemption date. The 2016 Bonds are also subject to mandatory sinking fund redemption and the 2016 Bonds are subject to extraordinary optional redemption as described herein. See “DESCRIPTION OF THE 2016 BONDS — Redemption of the 2016 Bonds” herein.

Denominations

Each series of the 2016 Bonds is being issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof.

Payments, Payment Dates and Record Dates

Interest on each series of the 2016 Bonds is payable on each May 15 and November 15 (each an “Interest Payment Date”), beginning November 15, 2016, computed on the basis of a 360-day year of twelve 30-day months. While the 2016 Bonds are in book-entry form, principal of, redemption premium (if any) and interest on the 2016 Bonds will be made by the Bond Trustee directly to Cede & Co., as nominee for DTC, as registered owner of the 2016 Bonds, and will be subsequently disbursed by Cede & Co. to DTC Participants and thereafter to the hereinafter defined Beneficial Owners of the 2016 Bonds. See “DESCRIPTION OF THE 2016 BONDS – Book-Entry System of Registration.”

If the 2016 Bonds are no longer in book-entry form, interest will be paid by check or draft mailed by the Bond Trustee to the Owners as of the Regular Record Date preceding each payment date unless the applicable Authority should default in the payment due on such Interest Payment Date, in which event, such defaulted interest will be payable to the registered owner thereof on a Special Record Date (established by the Bond Trustee). Upon the written request of any owner of 2016 Bonds in the aggregate principal amount of \$1,000,000 or more given to the Bond Trustee not less than 20 days prior to any Interest Payment Date, interest on the 2016 Bonds may be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated by such owner. If the 2016 Bonds are no longer in book-entry form, the principal or redemption price of each series of the 2016 Bonds is payable at the designated corporate trust office of the Bond Trustee in Jacksonville, Florida. Principal is payable on the dates shown on the inside front cover of this Official Statement, subject to early redemption as mentioned above and described more fully herein.

Tax Status

In the opinion of Drinker Biddle & Reath LLP, Bond Counsel, under existing laws as presently enacted and construed, interest on the 2016 Bonds of each series is excluded from gross income of the owners thereof for federal income tax purposes, and is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the 2016 Bonds of each series will be included in “adjusted current earnings” in computing federal alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax. Such opinions of Bond Counsel are subject to continuous compliance by the Obligated Group, the Pennsylvania Authority, the Florida Authority, and the Georgia Authority with certain tax covenants contained in each Bond Indenture and the Loan Agreements. For a more complete discussion of certain federal and state tax consequences of ownership of the 2016 Bonds, see “CERTAIN TAX MATTERS” herein.

Certain Financial Information

Obligated Group Historical Pro Forma Debt Service Coverage Ratio. The following table shows the historical Debt Service Coverage Ratios (as defined in the Master Indenture) of the Obligated Group (on a pro forma basis assuming the issuance of the 2016 Bonds and the 2016 ACTS Notes and refunding of the Refunded Bonds) for

the last three Fiscal Years ending December 31 of 2015, 2014 and 2013. The Debt Service Coverage Ratios have been derived from the audited special-purpose combined financial statements of the Obligated Group. This data should be read in conjunction with the audited special-purpose combined financial statements and related notes as of and for the periods ended December 31, 2015, 2014 and 2013, included in APPENDIX B to this Official Statement.

(000's Omitted)	FYE 12-31-2015	FYE 12-31-2014	FYE 12-31-2013
Increase (Decrease) in Unrestricted Net Assets	\$1,991	\$7,057	\$8,135
Add:			
Loss on Extinguishment of Debt	-	-	154
Interest Expense (net)	19,270	19,710	19,663
Depreciation & Amortization	58,703	54,780	51,928
Entrance Fees Received, Net of Refunds	101,960	90,485	82,990
Net Entrance Fees from New Apartments (30% of all initial sales, excluding entrance fees related to Qualifying Intermediate Term Indebtedness)	-	-	98
Subtract/(Add):			
Amortization of Entrance Fees	73,253	72,614	69,899
Unrealized Gains	(4,019)	1,279	1,167
Net assets released from restriction to provide fixed assets	1,358	654	1,090
Contribution of Property and Equipment	1,325	-	-
Cash Flow Available for Debt Service	110,007	97,485	90,812
Historical Debt Service Requirements	35,494	35,552	35,552
Historical Debt Service Coverage	3.1	2.7	2.6
Pro Forma Debt Service Requirements ⁽¹⁾	36,775	36,775	36,775
Pro Forma Debt Service Coverage	3.0	2.7	2.5

⁽¹⁾ Reflects the issuance of \$232,215,000 of 2016 Bonds and 2016 ACTS Notes and the refunding of the Prior Bonds in the aggregate principal amount of \$195,455,000.

Ratio of Certain Assets to Total Pro Forma Long-Term Indebtedness and Pro Forma Ratio of Days of Total Cash and Cash Equivalents and Investments on Hand. The following table shows the pro forma ratios of cash and investments to pro forma Long-Term Indebtedness for the Obligated Group's last three Fiscal Years ending December 31 of 2015, 2014 and 2013 and also shows the pro forma ratios for days of total cash and cash equivalents and investments on hand. The pro forma ratios have been derived from the audited special-purpose financial statements of the Obligated Group (as currently structured). This data should be read in conjunction with the audited special-purpose combined financial statements and related notes as of and for the periods ended December 31, 2015, 2014 and 2013, included in APPENDIX B to this Official Statement.

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(000's Omitted)	FYE December 2015	FYE December 2014	FYE December 2013
Cash and Cash Equivalents	\$11,102	\$17,549	\$19,149
Unrestricted Investments	217,811	204,163	195,261
Total Unrestricted Cash and Investments	228,913	221,712	214,410
Historical Long-Term Indebtedness, including net unamortized premiums	474,685	490,828	506,488
Historical Cash to Debt Ratio	48%	45%	42%
Historical Daily Cash Expenses	851	830	809
Historical Days Cash on Hand	269	267	265
Pro Forma Long-Term Indebtedness ⁽¹⁾	553,103	560,635	567,538
Pro Forma Cash to Debt Ratio	41%	40%	38%
Pro Forma Daily Cash Expenses ⁽²⁾	854	831	810
Pro Forma Days Cash on Hand	268	267	265

⁽¹⁾ Debt is calculated by the sum of Long Term Indebtedness and includes net unamortized original issue discounts and premiums outstanding as of each respective period end, adjusted for the issuance of the 2016 Bonds and refunding of the Prior Bonds. The net unamortized original issue discounts and (premiums) on Long Term Indebtedness for fiscal years ended December 31, 2015, 2014, and 2013 as adjusted for the issuance of the 2016 Bonds and refunding of the Prior Bonds are (\$47,988,000), (\$48,558,000), and (\$49,108,000), respectively. Long Term Indebtedness excludes Qualified Intermediate Term Indebtedness that is currently being used to fund an independent living expansion (see Additional Information – Plans for Additional Expansion” in APPENDIX A hereto).

⁽²⁾ Reflects the issuance of \$232,215,000 of 2016 Bonds and 2016 ACTS Notes and the refunding of the Prior Bonds in the aggregate principal amount of \$195,455,000.

Certain Covenants of the Obligated Group

Rate Covenant. Pursuant to the Master Indenture, the Obligated Group is required to maintain an aggregate Historical Debt Service Coverage Ratio of at least 1.20:1.00. In the event such ratio is not maintained, the Obligated Group is required to employ a Consultant for the purpose of examining and reporting on the revenues and expenses, methods of operation and other factors affecting the financial condition of the Obligated Group; provided that the Obligated Group will not be required to engage the services of a Consultant for such purpose more than once during each period of two consecutive Fiscal Years. Each report is to contain recommendations to increase the Revenues Available for Debt Service of the Obligated Group to the required level. No Event of Default is to be deemed to occur under the Master Indenture because of a failure to maintain the required ratio provided that (a) a Consultant’s report is delivered to the Master Trustee and the Obligated Group makes good faith efforts to implement such applicable recommendations or (b) the Obligated Group delivers a certificate of a Consultant to the effect that the required ratio may not be lawfully achieved under applicable federal or state law. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Rate Covenant” in APPENDIX D hereto.

The failure of the Obligated Group to achieve a Debt Service Coverage Ratio in any Fiscal Year of at least 1.20:1.00 would require the Obligated Issuers to deliver Mortgages to the Master Trustee for the purpose of securing the payment of all of the Master Notes and other Obligations outstanding under the Master Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS — Delivery and Recording of Mortgages” herein, and “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE — Delivery and Recording of Mortgages” in APPENDIX D hereto.

Accumulation of Amounts Due Under Master Notes. Pursuant to Supplement No. 35 to the Master Indenture providing for the issuance of the 2016 Master Notes (“Supplement No. 35”), the Obligated Issuers are required to make monthly payments for deposit in the Revenue Fund established under the Master Indenture. Such deposit amounts are to be sufficient to accumulate, in equal monthly installments, the amounts due in each year under the respective 2016 Master Notes, in respect of the principal or redemption price of, and the interest on the corresponding 2016 Bonds. Amounts so deposited in the Revenue Fund will be held by the Master Trustee solely for the benefit and security of the Bond Trustee, as the Holder of each 2016 Master Notes, and will be applied by the Master Trustee to the payment of amounts due on the 2016 Master Notes on the dates each such payment are due

thereunder. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Accumulation of Payments in Respect of 2016 Master Notes” in APPENDIX D hereto.

Bondholders’ Risks

AN INVESTMENT IN THE 2016 BONDS INVOLVES CERTAIN RISKS. EACH PROSPECTIVE BOND PURCHASER IS ADVISED TO READ “CERTAIN BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISKS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 2016 BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, because the 2016 Bonds are payable solely from the revenues of the Obligated Group and other moneys pledged to such payment, careful evaluation should be made of certain factors that may adversely affect the ability of the Obligated Group to generate sufficient revenues to pay expenses of operation, and the principal or redemption price of and interest on the 2016 Bonds. Further, the delivery and recordation of the Mortgages (which will occur only if certain events occur) may constitute a preference under the United States Bankruptcy Code and may be subject to being set aside in the event of a bankruptcy case, with respect to the transferring Obligated Issuer within 90 days following the delivery and recordation thereof in the applicable jurisdiction. See “CERTAIN BONDHOLDERS’ RISKS” herein. Additionally, there are certain limitations as set forth under the Master Indenture (including state law limitations) which may limit the ability to deliver and/or record the Mortgages or the priority thereof. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Delivery and Recording of Mortgages” in APPENDIX D hereto and see “CERTAIN BONDHOLDERS’ RISKS — State Licensing and Regulation” herein.

Continuing Disclosure

The Obligated Group has undertaken to provide disclosure of financial and operating data including audited special-purpose combined financial statements on an annual basis, and notice of the occurrence of certain events on an ongoing basis, for the benefit of the holders of the 2016 Bonds under the Master Continuing Disclosure Agreement dated as of December 1, 1996, as amended effective as of August 1, 2016 (the “Continuing Disclosure Agreement”). A description of the undertaking by the Obligated Group to provide such information in connection with the Rule is set forth under “CONTINUING DISCLOSURE REQUIREMENTS.”

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OFFICIAL STATEMENT
relating to

\$209,940,000
ACTS RETIREMENT – LIFE COMMUNITIES, INC. OBLIGATED GROUP
REVENUE BONDS
consisting of:

\$97,165,000
MONTGOMERY COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
(PENNSYLVANIA) RETIREMENT
COMMUNITIES REVENUE BONDS (ACTS
RETIREMENT-LIFE COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016

\$105,585,000
PALM BEACH COUNTY HEALTH
FACILITIES AUTHORITY (FLORIDA)
RETIREMENT COMMUNITIES REVENUE
BONDS (ACTS RETIREMENT-LIFE
COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016

\$7,190,000
GAINESVILLE AND HALL COUNTY
DEVELOPMENT AUTHORITY (GEORGIA)
RETIREMENT COMMUNITY REFUNDING
REVENUE BONDS (ACTS RETIREMENT-
LIFE COMMUNITIES, INC.
OBLIGATED GROUP), SERIES 2016

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Until the issuance and delivery of the 2016 Bonds (as defined below), copies of drafts of the documents described herein may be obtained from B.C. Ziegler and Company (the “Underwriter”). After delivery of the 2016 Bonds, copies of the executed documents will be available for inspection at the principal corporate trust office of U.S. Bank National Association, Jacksonville, Florida (the “Bond Trustee”). *See APPENDIX C and APPENDIX D for definitions of certain capitalized words and terms used herein.*

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth certain information in connection with (i) the issuance by the Montgomery County Industrial Development Authority (the “Pennsylvania Authority”) of \$97,165,000 aggregate principal amount of its Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016 (the “Pennsylvania 2016 Bonds”), (ii) the issuance by the Palm Beach County Health Facilities Authority (the “Florida Authority”) of \$105,585,000 in aggregate principal amount of its Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016 (the “Florida 2016 Bonds”), and (iii) the issuance by the Gainesville and Hall County Development Authority (the “Georgia Authority”) of \$7,190,000 aggregate principal amount of its Retirement Community Refunding Revenue Bonds (ACTS Retirement—Life Communities, Inc. Obligated Group), Series 2016 (the “Georgia 2016 Bonds” and together with the Pennsylvania 2016 Bonds and the Florida 2016 Bonds, the “2016 Bonds”).

The Pennsylvania 2016 Bonds will be issued by the Pennsylvania Authority at the request of ACTS under and pursuant to the Pennsylvania Economic Development Financing Law, as amended, and a Trust Indenture dated as of August 1, 2016 (the “Pennsylvania Bond Indenture”), between the Pennsylvania Authority and the Bond Trustee.

The Florida 2016 Bonds are being issued at the request of ACTS pursuant to Part III, Chapter 154, Florida Statutes, as amended, Part II, Chapter 159, Florida Statutes, as amended and Chapter 163, Florida Statutes, as amended, and a Trust Indenture dated as of August 1, 2016 (the “Florida Bond Indenture” and, together with the Pennsylvania Bond Indenture and the Georgia Bond Indenture, the “Bond Indentures”), between the Florida Authority and the Bond Trustee.

The Georgia 2016 Bonds will be issued by the Georgia Authority at the request of ACTS under and pursuant to the provisions of an amendment to the Constitution of the State of Georgia (Ga. Laws 1964, page 866 *et seq.*, as continued by Ga. Laws 1986, page 4328 *et seq.*), ratified and proclaimed, and an act of the General Assembly of the State of Georgia (Ga. Laws 1964, page 2282 *et seq.*, as amended by Ga. Laws 1982, page 4300 *et seq.* which grants to the Georgia Authority all powers granted to authorities under the Georgia Development

Authorities Law, O.C.G.A. Section 36-62-1 *et seq.*, as amended, and a Trust Indenture dated as of August 1, 2016 (the “Georgia Bond Indenture”) between the Georgia Authority and the Bond Trustee.

Use of Proceeds of the 2016 Bonds

Pennsylvania 2016 Bonds. The proceeds of the Pennsylvania 2016 Bonds, will be used to: (1) currently refund (A) the Pennsylvania Authority’s outstanding Retirement Community Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A (the “Pennsylvania 2006A Bonds”), issued in the original principal amount of \$25,000,000 (all of which is currently outstanding) and (B) the Pennsylvania Authority’s outstanding Retirement Community Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B (the “Pennsylvania 2006B Bonds” and together with the Pennsylvania 2006A Bonds, the “Pennsylvania 2006 Bonds”), issued in the original principal amount of \$68,165,000 (of which \$32,240,000 is currently outstanding); (2) advance refund the Pennsylvania Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2009A-1 (the “Pennsylvania 2009 Bonds” and together with the Pennsylvania 2006 Bonds, the “Refunded Pennsylvania Bonds”), issued in the original aggregate principal amount of \$18,165,000 (of which \$10,100,000 is currently outstanding); (3) pay and/or reimburse ACTS for certain expenditures for capital projects at certain of its integrated continuing care retirement communities and/or other facilities located in Pennsylvania (collectively, the “Pennsylvania 2016 Capital Projects”); and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Pennsylvania 2016 Bonds. A description of the uses of the proceeds of the Pennsylvania 2016 Bonds is included herein under the captions “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS.” For a description of the Pennsylvania 2016 Capital Projects, see “CAPITAL PROJECTS AND IMPROVEMENTS” in APPENDIX A hereto.

Florida 2016 Bonds. The proceeds of the Florida 2016 Bonds, will be used to: (1) currently refund (A) the Florida Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A (the “Florida 2006A Bonds”) , issued in the original aggregate principal amount of \$20,620,000 (all of which is currently outstanding) and (B) the Florida Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B (the “Florida 2006B Bonds” and together with the Florida 2006A Bonds, the “Florida 2006 Bonds”), issued in the original aggregate principal amount of \$23,205,000 (all of which is currently outstanding); (2) advance refund the Florida Authority’s outstanding Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2010 (the “Florida 2010 Bonds” and together with the Florida 2006 Bonds, the “Refunded Florida Bonds”) , issued in the original aggregate principal amount of \$54,630,000 (all of which is currently outstanding); (3) pay and/or reimburse ACTS for certain expenditures for capital projects at certain of its integrated continuing care retirement communities located in Florida (collectively, the “Florida 2016 Capital Projects”); and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Florida 2016 Bonds. A description of the uses of the proceeds of the Florida 2016 Bonds is included herein under the captions “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS.” For a description of the Florida 2016 Capital Projects, see “CAPITAL PROJECTS AND IMPROVEMENTS” in APPENDIX A hereto.

Georgia 2016 Bonds. The proceeds of the Georgia 2016 Bonds will be used to: (1) advance refund a portion of the Georgia Authority’s outstanding Senior Living Facility Revenue Bonds (Lanier Village Estates, Inc. Project), Retirement Community Revenue Bonds, Series 2009A-2 (the “Georgia 2009 Bonds” and together with the Refunded Pennsylvania Bonds and the Refunded Florida Bonds, the “Refunded Bond”), issued in the in the aggregate principal amount of \$16,285,000 (of which \$14,855,000 is currently outstanding); and (2) pay all or a portion of the expenses incurred in connection with the issuance of the Georgia 2016 Bonds. A description of the uses of the proceeds of the Georgia 2016 Bonds is included herein under the captions “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS.”

THE OBLIGATED GROUP

As of the date of issuance of the 2016 Bonds, ACTS, ACTS Management Services, Inc., (“AMS”), a Pennsylvania nonprofit corporation, and ACTS Signature Community Services, Inc. (“ASCS”), a Pennsylvania nonprofit corporation, (each, an “Obligated Issuer” and together, the “Obligated Issuers” or the “Obligated Group”) will be the only members of the Obligated Group created pursuant to the Master Trust Indenture dated as of December 1, 1996 (as heretofore and hereafter amended and supplemented, the “Master Indenture”), between ACTS (for itself and as successor by merger to certain affiliated nonprofit entities that were previously members of the

Obligated Group) and U.S. Bank National Association, as successor to LaSalle Bank National Association, as master trustee (the “Master Trustee”). For more information see “HISTORY, BACKGROUND AND ORGANIZATION” in APPENDIX A hereto.

Other Persons may become Obligated Issuers in accordance with the provisions of the Master Indenture; however, the Obligated Group has no present expectation of adding additional Obligated Issuers in the near future. For a more complete description of the provisions of the Master Indenture, see “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE” in APPENDIX D hereto. See APPENDIX A hereto for a description of ACTS, AMS and ASCS, their histories, organization and financial performance and a summary of certain financial statements of the Obligated Group. See also “ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP) AUDITED SPECIAL-PURPOSE COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013” in APPENDIX B hereto and information regarding the fiscal quarters ended March 31, 2016 and 2015 under “FINANCIAL INFORMATION - Summary Financial Information” and – Results of Operations – Comparison of Fiscal Quarters Ended March 31, 2016 and 2015” in APPENDIX A hereto.

The communities listed below are owned and operated by ACTS and provide retirement living through a combination of housing, supportive services and health care. The major portion of the continuing care communities of the Obligated Group consists of residential units varying in size from studio to three-bedroom apartments, cottages and villas. The residents of the Obligated Group’s communities live independently as long as they are able and receive gradually increasing levels of health care as needed. The Obligated Group also maintains assisted living units and special care units at most of its communities for residents requiring certain assistance in activities of daily living. When long-term care is necessary, including skilled nursing care and medical supervision, the residents are transferred to the skilled nursing facility on a permanent basis. In addition, several communities have special care/dementia units. Currently, ACTS does not have a skilled nursing facility on one of its campuses because of the close proximity to other ACTS communities. After a resident transfers permanently to assisted living, a skilled nursing facility or otherwise and vacates the residential unit, the residential unit then becomes available for re-occupancy assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit. All three types of care at each community are located on common grounds for each community ranging from 12 acres to 104 acres per community.

In addition, ACTS has the following separate controlled affiliates, each of which is not a member of the Obligated Group:

- Heron Point of Chestertown, Inc. (formerly known as PUMH of Maryland, Inc.), a Maryland nonprofit corporation, which owns a continuing care retirement community in Chestertown, Maryland, consisting of 191 independent living units, 33 assisted living units, and 38 skilled nursing beds.
- Park Pointe Village, Inc., a South Carolina nonprofit corporation, which owns a continuing care retirement community in Rock Hill, South Carolina, consisting of 162 independent living units, 20 assisted living units, and 40 skilled nursing beds.
- ACTS Acquisition Company, LLC (“ACTS LLC”), a Florida limited liability company, of which ACTS is the sole member, and which is the sole member of Park Pointe Village, Inc. and Heron Point of Chestertown, Inc.

Because such other controlled affiliates are not members of the Obligated Group, none of their assets or revenues will be available for the purpose of satisfying the obligations of ACTS under the Loan Agreements or of the Obligated Issuers under the Master Notes securing the Florida 2016 Bonds, the Georgia 2016 Bonds, and the Pennsylvania 2016 Bonds (collectively the “Master Notes”).

For additional information, see “HISTORY, BACKGROUND AND ORGANIZATION” in APPENDIX A hereto.

THE OBLIGATED GROUP FACILITIES

The Obligated Group owns and operates the following 19 existing continuing care retirement communities in six states (Alabama, Delaware, Florida, Georgia, North Carolina, and Pennsylvania):

<u>Name</u>	<u>Location</u>	<u>Year Opened</u>	<u>Independent Living Units</u>	<u>Assisted Living Units</u>	<u>Skilled Nursing Beds</u>
Obligated Group Members:					
Fort Washington Estates	Fort Washington, PA	1972	98	18	40
Gwynedd Estates	Ambler, PA	1976	163	20	0
Spring House Estates	Lower Gwynedd, PA	1977	292	52	96
Lima Estates	Media, PA	1979	273	36	60
St. Andrews Estates (North & South)	Boca Raton, FL	1978	460	70	89
Southampton Estates	Southampton, PA	1979	304	36	120
Azalea Trace ¹	Pensacola, FL	1981	320	50	82
Edgewater Pointe Estates	Boca Raton, FL	1983	332	48	99
Normandy Farms Estates	Blue Bell, PA	1983	332	58	73
Granite Farms Estates	Media, PA	1986	242	40	82
Indian River Estates (East & West)	Vero Beach, FL	1986	538	70	120
Plantation Estates	Matthews, NC	1988	357	60	80
Tryon Estates	Columbus, NC	1992	271	44	47
Brittany Pointe Estates	Upper Gwynedd, PA	1994	279	37	92
Lanier Village Estates	Gainesville, GA	2001	334	40	64
Magnolia Trace ²	Huntsville, AL	2003	160	30	59
Cokesbury Village ³	Hockessin, DE	1978	236	48	45
Country House ³	Wilmington, DE	1960	135	36	48
Manor House ³	Seaford, DE	1966	117	56	60
SUB-TOTAL			<u>5,243</u>	<u>849</u>	<u>1,356</u>
Non-Obligated Members:					
Park Pointe Village ⁴	Rock Hill, SC	2001	162	20	40
Heron Point of Chestertown ³	Chestertown, MD	1991	191	33	38
SUB-TOTAL			<u>353</u>	<u>53</u>	<u>78</u>
TOTAL:			<u>5,596</u>	<u>902</u>	<u>1,434</u>

¹ Became affiliated with ACTS in 2003

² Became affiliated with ACTS in 2008

³ Became affiliated with ACTS in 2010

⁴ Became affiliated with ACTS in 2005

For additional information on each community, see “THE OBLIGATED GROUP’S COMMUNITIES” in APPENDIX A hereto.

THE PENNSYLVANIA AUTHORITY

The Pennsylvania Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic organized by the County of Montgomery, Pennsylvania and duly existing under the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, as amended and supplemented (the “Pennsylvania Act”), with full power under the Pennsylvania Act to issue the Pennsylvania 2016 Bonds and to enter into the Pennsylvania Bond Indenture and the Pennsylvania Loan Agreement and to perform its obligations thereunder.

The Pennsylvania Authority was created by a resolution of the Commissioners of Montgomery County, Pennsylvania adopted April 10, 1969 and its certificate of incorporation was issued by the Secretary of the Commonwealth of Pennsylvania on April 25, 1969 and was amended October 25, 2007 extending its corporate life to August 2, 2056.

The Pennsylvania Authority has no responsibility for management or operation of the Pennsylvania Facilities or ACTS. The Pennsylvania 2016 Bonds are limited obligations of the Pennsylvania Authority as described herein.

The Pennsylvania Authority has no taxing power and no source of funds for payment of the Pennsylvania 2016 Bonds, other than the underlying contractual obligations made by or on behalf of ACTS.

The Pennsylvania Authority does not and will not in the future monitor the financial condition of ACTS or otherwise monitor the payment of the Pennsylvania 2016 Bonds or compliance with the documents relating thereto. The Pennsylvania Authority will rely entirely upon the Pennsylvania Bond Trustee and ACTS to carry out their respective responsibilities under the Pennsylvania Bond Indenture and the Pennsylvania Loan Agreement. The Pennsylvania Authority has assets and may obtain additional assets in the future. However, such assets are not pledged to secure payment of the Pennsylvania 2016 Bonds, and the Pennsylvania Authority has no obligation nor expectation of making such assets subject to the lien of the Pennsylvania Bond Indenture.

The Pennsylvania Authority determined that no financial or operating data concerning the Pennsylvania Authority is material to any decision to purchase, hold or sell the Pennsylvania 2016 Bonds, and the Pennsylvania Authority does not provide any such information. The Pennsylvania Authority has not, and will not undertake any responsibilities to provide continuing disclosure with respect to the Pennsylvania 2016 Bonds or the security therefor, and the Pennsylvania Authority will have no liability to holders of the Pennsylvania 2016 Bonds with respect to any such disclosures.

None of the members of the Pennsylvania Authority are affiliated with ACTS. The Pennsylvania Authority has previously issued and has outstanding other issues of revenue bonds. However, none of such issues are payable from the revenues or secured by property pledged for the payment and security of the Pennsylvania 2016 Bonds. The Pennsylvania Authority may continue to issue other series of bonds for the purpose of financing other projects, which other series of bonds will be secured by and be payable from the revenues of such other projects.

Neither the general credit of either the Pennsylvania Authority nor the credit or taxing power of the County of Montgomery or the Commonwealth of Pennsylvania or of any political subdivision of either of them is pledged for payment of the principal or redemption price of, or the interest on the Pennsylvania 2016 Bonds, nor shall the Pennsylvania 2016 Bonds be deemed a general obligation of the Pennsylvania Authority or an obligation of the County of Montgomery or the Commonwealth of Pennsylvania or of any political subdivision of either of them. The Pennsylvania Authority has no taxing power.

THE PENNSYLVANIA AUTHORITY HAS NOT PARTICIPATED IN, REVIEWED, OR OTHERWISE APPROVED THE PREPARATION AND DISTRIBUTION OF THIS OFFICIAL STATEMENT.

THE FLORIDA AUTHORITY

General. The Florida Authority is a public body corporate and politic organized, existing and operating under the powers granted through and by the provisions of the Florida Health Facilities Authorities Law, Part III of Chapter 154, Florida Statutes, as amended (the "Health Facilities Law") and by resolutions of the Board of County Commissioners of Palm Beach County, Florida and other applicable provisions of law.

The Florida Authority is also a "local agency" as defined in Chapter 159, Part II, Florida Statutes, as amended (the "Florida Industrial Act" or the "Financing Act"), with the powers set forth in the Florida Industrial Act, and is a public agency under the Florida Interlocal Cooperation Act of 1969, Part I of Chapter 163, Florida Statutes, as amended (collectively, with the Health Facilities Law and the Florida Industrial Act, the "Florida Act"). Pursuant to the Florida Act, the Florida Authority has the power to issue its revenue bonds and revenue refunding bonds to finance and refinance the acquisition, construction, renovation and equipping of projects, within the meaning of the Florida Act, on behalf of any health care facility, as defined in the Health Facilities Law, and to assist health care facilities, as defined in the Health Facilities Law, to acquire health care facilities located within and without Palm Beach County.

THE FLORIDA 2016 BONDS ARE LIMITED OBLIGATIONS OF THE FLORIDA AUTHORITY. THE FLORIDA AUTHORITY IS NOT OBLIGATED TO PAY THE FLORIDA 2016 BONDS OR THE PREMIUM, IF

ANY, OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND FUNDS ASSIGNED TO THE FLORIDA BOND TRUSTEE OR OTHERWISE PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF FLORIDA OR OF ANY MUNICIPALITY, PUBLIC AGENCY, OR POLITICAL SUBDIVISION OF THE STATE OF FLORIDA IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR PREMIUM, IF ANY, ON THE FLORIDA 2016 BONDS. NEITHER THE MEMBERS NOR OFFICERS OF THE FLORIDA AUTHORITY, NOR ANY PERSON EXECUTING THE FLORIDA 2016 BONDS, IS LIABLE PERSONALLY THEREON OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF. THE FLORIDA AUTHORITY HAS NO TAXING POWER. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE FLORIDA AUTHORITY OR ITS MEMBERS OR OFFICERS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, ANY OF THE FLORIDA 2016 BONDS OR FOR ANY CLAIM BASED THEREON OR UPON ANY OBLIGATION, PROVISION, COVENANT OR AGREEMENT CONTAINED IN THE FLORIDA BOND INDENTURE OR ANY OTHER FLORIDA AUTHORITY DOCUMENT, AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, OFFICIAL, EMPLOYEE OR AGENT OF THE FLORIDA AUTHORITY, OR ANY OFFICER, OFFICIAL, EMPLOYEE OR AGENT OF ANY SUCCESSOR TO THE FLORIDA AUTHORITY, AS SUCH, EITHER DIRECTLY OR THROUGH THE FLORIDA AUTHORITY OR ANY SUCCESSOR TO THE FLORIDA AUTHORITY, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICER, OFFICIAL, EMPLOYEE OR AGENT AS SUCH IS EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THE FLORIDA BOND INDENTURE AND THE ISSUANCE OF ANY OF THE FLORIDA 2016 BONDS. THE FLORIDA AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURE SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE, AND DISTRIBUTION OF THE FLORIDA 2016 BONDS.

ACTS has agreed pursuant to the Florida Loan Agreement to indemnify and defend the Florida Authority and to hold it harmless against any and all claims, losses, liabilities, or damages to property or any injury or death of any person or persons occurring in connection with the transfer, sale, operations, use, occupancy, maintenance or ownership of the Florida Facilities or any part thereof or for any liability in any way growing out of or resulting from the Florida Loan Agreement, the Florida Bond Indenture, the Master Indenture or the Florida 2016 Bonds.

Members of the Florida Authority Board. The governing body of the Florida Authority is a Board (the “Florida Authority Board”) of five members appointed by the Board of County Commissioners of Palm Beach County, Florida. Members of the Florida Authority Board are appointed for staggered four-year terms and continue to serve until their successors are appointed.

Previous Florida Authority Revenue Bond Issues. The Florida Authority has issued and is authorized to issue revenue bonds and notes for various hospital and health care facility projects. Each such bond or note issue is payable from receipts and revenues derived by the Florida Authority from the hospital or health care facility on whose behalf such bonds or notes were issued and is secured separately and distinctly from the issues for every other hospital or health care facility. The Florida Authority expects from time to time to enter into separate indentures or other agreements for projects for the same or other hospitals or health care facilities that will provide for the issuance of bonds or notes to be secured by revenues derived from such hospitals or health care facilities.

THE FLORIDA AUTHORITY HAS NOT PARTICIPATED IN, REVIEWED, OR OTHERWISE APPROVED THE PREPARATION AND DISTRIBUTION OF THIS OFFICIAL STATEMENT.

THE GEORGIA AUTHORITY

General. The Georgia Authority is a public body, corporate and politic, and an instrumentality of the State of Georgia, duly organized and existing under the constitution and laws of the State of Georgia, particularly, an Amendment to Article VII, §V, 11 of the Georgia Constitution of 1945, Georgia Laws 1964, pp. 866, *et seq.*; an Act of the General Assembly of Georgia (Georgia Laws 1964, pp. 2282, *et seq.*); an Act of the General Assembly of Georgia (Georgia Laws 1978, pp. 3579, *et seq.*); an Act of the General Assembly of Georgia (Georgia Laws 1982, pp. 4300, *et seq.*); and an Act of the General Assembly of Georgia (Georgia Laws 1986, pp.

4328, *et seq.*), as the same may be amended from time to time, and other applicable provisions of law (the “Georgia Act”). The Georgia Act grants to the Georgia Authority all powers granted to authorities under the Georgia Development Authorities Law, O.C.G.A. Section 36-62-1 *et seq.*, as amended. The Georgia Authority was created for the general purpose of providing funds to defray the cost of expansion and development of facilities in Gainesville and Hall County, Georgia, so as to promote and expand for the public good and welfare industry and trade within Gainesville and Hall County, and so as to relieve, insofar as possible, unemployment within the boundaries of Gainesville and Hall County. The Georgia Act grants the Georgia Authority the power and authority to issue its revenue bonds in accordance with the applicable provisions of the Georgia Act for the purpose of paying all or part of the costs incurred for any one or more projects as defined in the Georgia Act. Pursuant to the Georgia Act, the Georgia Authority is authorized to undertake any “project” that is for any industrial, commercial, business, office, parking, public or other use, provided that the Georgia Authority determines that any such project and such use thereof will further the public purpose of the development of trade, commerce, industry and employment opportunities within Hall County. Under the Georgia Act, no revenue bonds issued by the Georgia Authority shall be deemed to constitute a debt of Hall County.

Other Bonds. The Georgia Authority has heretofore issued other series of bonds and notes, or may hereafter do so. Each series of bonds or notes issued by the Georgia Authority is and will be payable only from revenues provided by the entity for which such series was issued, and the general funds of the Georgia Authority are not and will not be pledged to the payment of such securities. Accordingly, moneys available for payment of such other issues will not be available for the payment of the Georgia 2016 Bonds, nor will the moneys available for the payment of the Georgia 2016 Bonds be available for payment of such other issues or any future Georgia Authority bond or note issues (except to the extent that the Georgia 2016 Bonds are refunded thereby) unless issued under the Georgia Indenture.

Certain of such other revenue bonds issued or to be issued by the Georgia Authority are in or may come into default. These defaults do not relate to ACTS and do not affect the Georgia 2016 Bonds or the availability of sufficient revenues to pay debt service thereon. Because the 2016 Bonds that are in or may come into default are special limited obligations of the Georgia Authority payable only from revenues received from the entity in default and not from the general revenues of the Georgia Authority or from moneys securing the Georgia 2016 Bonds, and because the full faith and credit of the Georgia Authority is not pledged to secure the payment of such bonds, such default does not and will not affect the Georgia 2016 Bonds or the availability of revenues to pay debt service thereon.

Limited Participation in Transaction. The Georgia Authority has no obligation to see to or be responsible for the Bond Trustee’s exercise of rights assigned to it. Also, the Georgia Authority has no oversight responsibilities with respect to any persons or entities involved in the Georgia Facilities, and the Georgia Authority will have no obligation to see to or be responsible for compliance, by any other person or entity, with the terms of the Georgia Loan Agreement, the Georgia Indenture, or any other document or agreement in connection with the Georgia 2016 Bonds or the Georgia Facilities.

The Georgia Authority has issued and has outstanding other issues of revenue bonds. However, none of such issues are payable from the revenues or secured by property pledged for the payment and security of the Georgia 2016 Bonds, other than revenue bonds previously issued for the benefit of ACTS. The Georgia Authority may continue to issue other series of bonds for the purpose of financing other projects, which other series of bonds will be secured by and be payable from the revenues of such other projects.

THE GEORGIA 2016 BONDS ARE LIMITED OBLIGATIONS OF THE GEORGIA AUTHORITY PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE GEORGIA AUTHORITY UNDER THE GEORGIA LOAN AGREEMENT AND THE APPLICABLE MASTER NOTE AND FROM MONEYS PLEDGED UNDER THE GEORGIA BOND INDENTURE AND SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING THE CITY OF GAINESVILLE, GEORGIA OR HALL COUNTY, GEORGIA, RESPECTIVELY) OTHER THAN THE LIMITED OBLIGATION OF THE GEORGIA AUTHORITY AS AFORESAID. NEITHER THE GENERAL CREDIT OF THE GEORGIA AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING THE CITY OF GAINESVILLE, GEORGIA AND HALL COUNTY, GEORGIA,

RESPECTIVELY) IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST OR PREMIUM, IF ANY, ON THE GEORGIA 2016 BONDS. THE GEORGIA AUTHORITY HAS NO TAXING POWER.

THE GEORGIA AUTHORITY HAS NOT PARTICIPATED IN, REVIEWED, OR OTHERWISE APPROVED THE PREPARATION AND DISTRIBUTION OF THIS OFFICIAL STATEMENT.

PLAN OF FINANCE

Use of Pennsylvania 2016 Bond Proceeds

The proceeds of the Pennsylvania 2016 Bonds, will be used to: (1) currently refund the Pennsylvania 2006 Bonds; (2) advance refund the Pennsylvania 2009A-1 Bonds; (3) pay and/or reimburse ACTS for the Pennsylvania 2016 Capital Projects; and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Pennsylvania 2016 Bonds.

Use of Florida 2016 Bond Proceeds

The proceeds of the Florida 2016 Bonds, will be used to: (1) currently refund the Florida 2006 Bonds; (2) advance refund the Florida 2010 Bonds; (3) pay and/or reimburse ACTS for the Florida 2016 Capital Projects; and (4) pay all or a portion of the expenses incurred in connection with the issuance of the Florida 2016 Bonds.

Use of Georgia 2016 Bond Proceeds

The proceeds of the Georgia 2016 Bonds will be used to: (1) advance refund a portion of the Georgia 2009 Bonds; and (2) pay all or a portion of the expenses incurred in connection with the issuance of the Georgia 2016 Bonds.

2016 ACTS Notes

Concurrently with the issuance of the 2016 Bonds, ACTS will issue certain notes (collectively the “2016 ACTS Notes”) in the aggregate principal amount of \$22,275,000, consisting of its: (i) ACTS Retirement-Life Communities, Inc. 1.354% Notes due November 15, 2016, in the principal amount of \$3,030,000; (ii) ACTS Retirement-Life Communities, Inc. 1.851% Notes due November 15, 2017, in the principal amount of \$8,625,000; (iii) ACTS Retirement-Life Communities, Inc. 2.175% Notes due November 15, 2018, in the principal amount of \$8,870,000; and (iv) ACTS Retirement-Life Communities, Inc. 2.472% Notes due November 15, 2019 in the principal amount of \$1,750,000. The 2016 ACTS Notes are being issued under a Trust Indenture dated as of August 1, 2016 (the “ACTS Indenture”), between ACTS and U.S. Bank National Association, as trustee. The payment obligations of ACTS with respect to the 2016 ACTS Notes will be secured by an additional Master Note issued under the Master Indenture, ranking pari passu with the 2016 Master Notes. The proceeds of the 2016 ACTS Notes will be used: (1) to currently refund the outstanding ACTS Variable Rate Demand Revenue Bonds, Series 2003A (the “Prior ACTS Bonds”), issued by ACTS in the original aggregate principal amount of \$20,000,000 (of which \$14,805,000 is currently outstanding); (2) to advance refund a portion of the 2009A-2 Georgia Bonds; (3) for other general corporate purposes; (4) to pay off a line of credit in the principal amount outstanding of \$1,900,000; and (5) to pay all or a portion of the expenses incurred in connection with the issuance of the 2016 ACTS Notes. **THE 2016 ACTS NOTES ARE NOT BEING OFFERED FOR PURCHASE PURSUANT TO THIS OFFICIAL STATEMENT.**

Refunding of the Refunded Bonds

Concurrently with the issuance of the 2016 Bonds, portions of the proceeds thereof, together with proceeds of the 2016 ACTS Notes and other funds available for such purpose, will be irrevocably deposited under one or more escrow deposit agreements (each an “Escrow Deposit Agreement”) among ACTS, the Pennsylvania Authority, the Florida Authority and the Georgia Authority, as applicable, and each trustee for the Refunded Bonds, as applicable, acting as escrow agent thereunder, for the purpose of (i) redeeming the Pennsylvania 2006 Bonds and the 2006 Florida Bonds not later than 90 days following the date of issuance of the 2016 Bonds, and (ii) providing for the payment of the maturing principal or scheduled mandatory redemption of the Pennsylvania 2009 Bonds, the Georgia 2009 Bonds and the Florida 2010 Bonds, and the interest thereon, as and when the same becomes due from the date of issuance of the 2016 Bonds until November 15, 2019, in the case of the Pennsylvania 2009 Bonds and

the Georgia 2009 Bonds, and November 15, 2020, in the case of the Florida 2010 Bonds, and to redeem the Pennsylvania 2009 Bonds and the Georgia 2009 Bonds on November 15, 2019, and to redeem the Florida 2010 Bonds on November 15, 2020.

The proceeds of the 2016 Bonds and other moneys deposited under each Escrow Deposit Agreement be invested in U.S. Government obligations (the “Investment Securities”) paying interest and maturing in such amounts and at such times sufficient to pay the principal and/or redemption price of and interest on the Refunded Bonds as described above. Upon the issuance of the 2016 Bonds, the Refunded Bonds will no longer be outstanding under each indenture under which each series of the Refunded Bonds was issued and will be payable from and secured solely by the cash and Investment Securities deposited.

Verification Agent

Chris D. Berens, CPA, PC (the “Verification Agent”) will provide at the time of delivery of the 2016 Bonds its reports to the effect that such firm has verified the arithmetic accuracy of certain schedules provided to it by the Underwriter with respect to the adequacy of the cash and the maturing principal of and interest on the Government Securities to pay when due the maturing principal or redemption price of the Refunded Bonds, and the interest thereon, as required under each Escrow Deposit Agreement. The Verification Agent will express no opinion as to any assumptions provided to it.

Redemption of Prior ACTS Bonds

The Prior ACTS Bonds will be redeemed and paid in full concurrently with the issuance of the 2016 Bonds and the 2016 ACTS Notes.

Capital Projects

A portion of the proceeds of the Florida 2016 Bonds and the Pennsylvania 2016 Bonds will be deposited in a project fund established under the Florida Bond Indenture and the Pennsylvania Bond Indenture and applied by the Bond Trustee, upon requisition of the Obligated Group Agent, to pay costs of the 2016 Florida Capital Projects and the 2016 Pennsylvania Capital Projects, respectively. A portion of such funds may be applied upon the issuance of the 2016 Bonds to reimburse ACTS for the payment of certain costs of the 2016 Florida Capital Projects and the 2016 Pennsylvania Capital Projects, as applicable, incurred prior to the issuance of the 2016 Bonds or to repay temporary borrowings made by ACTS for such purpose.

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SOURCES AND USES OF FUNDS

Set forth below are the sources and uses of funds in connection with the 2016 Bonds and the 2016 ACTS Notes.

	Pennsylvania 2016 Bonds	Florida 2016 Bonds	Georgia 2016 Bonds	2016 ACTS Notes	Combined
Sources of Funds					
Principal Amount of 2016 Bonds	\$97,165,000	\$105,585,000	\$7,190,000	\$22,275,000	\$232,215,000
Net Original Issue Premium	19,790,010	20,328,985	1,528,036		41,647,031
Existing Trustee-Held Funds	17,067,123	9,407,551	959,800	2,741,194	30,175,668
Total Sources of Funds	<u>\$134,022,133</u>	<u>\$135,321,536</u>	<u>\$9,677,836</u>	<u>25,016,194</u>	<u>\$304,037,699</u>
Uses of Funds					
Refunding Deposits:					
Pennsylvania Refunded Bonds	\$70,198,162				\$ 70,198,162
Florida Refunded Bonds		\$110,429,667			110,429,667
Georgia Refunded Bonds			\$9,615,280	\$8,106,334	17,721,614
Prior ACTS Bonds				14,805,005	14,805,005
Repay Line of Credit				1,900,000	1,900,000
Deposit to Pennsylvania Project Fund	63,000,000				63,000,000
Deposit to Florida Project Fund		24,000,000			24,000,000
Costs of Issuance ⁽¹⁾	823,971	891,869	62,556	204,855	1,983,251
Total Uses of Funds	<u>\$134,022,133</u>	<u>\$135,321,536</u>	<u>\$9,677,836</u>	<u>25,016,194</u>	<u>\$304,037,699</u>

⁽¹⁾ Includes the Authorities' fees and expenses, Underwriter's compensation, legal and accounting fees and expenses, printing costs, and initial Trustee's fees.

DESCRIPTION OF THE 2016 BONDS

General

Each series of 2016 Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The 2016 Bonds will be dated their initial date of delivery, and bear interest from such date of delivery, payable semiannually on May 15 and November 15 of each year (each an "Interest Payment Date"), commencing November 15, 2016, at the rates (calculated on the basis of a 360-day year consisting of twelve 30 day months) and with the maturities set forth on the inside cover page of this Official Statement.

The 2016 Bonds will be issued solely in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM" below. While the 2016 Bonds are in book-entry form, principal of, redemption premium (if any) and interest on the 2016 Bonds will be made by the Bond Trustee directly to Cede & Co., as nominee for DTC, as registered owner of the 2016 Bonds, and will be subsequently disbursed by Cede & Co. to DTC Participants and thereafter to the hereinafter defined Beneficial Owners of the 2016 Bonds.

In the event the 2016 Bonds are no longer held in a book-entry only system, the payment of the principal amount or redemption price of the 2016 Bonds will be made at the designated corporate trust office of the Bond Trustee and interest on all 2016 Bonds will be payable to the registered owner as of the Regular Record Date by check or draft mailed to such registered owner. The Regular Record Date for the 2016 Bonds for the payment of interest is the first day of the month in which such Interest Payment Date occurs. Interest due on any Interest Payment Date may also be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the registered owner of the 2016 Bonds in the aggregate principal amount of \$1,000,000 or more, not less than 15 days prior to any Interest Payment Date.

Redemption of the 2016 Bonds

Optional Redemption. The 2016 Bonds of each Series are subject to optional redemption prior to maturity at the option of the applicable Authority, at the direction of the Obligated Group Agent, in whole or in part, on any date on and after November 15, 2026, in order of maturity, upon payment of a redemption price equal to 100% of the principal amount of the 2016 Bonds to be redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The 2016 Bonds of each series are subject to redemption prior to maturity at the option of the applicable Authority as directed by the Obligated Group Agent, at a redemption price of 100% of the principal amount of 2016 Bonds to be redeemed, plus accrued interest to the redemption date as a whole or in part at any time, but only in the event all or a portion of the Facilities (as defined in each Bond Indenture) are damaged, destroyed, condemned or sold under threat of condemnation and it is determined by ACTS that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds or condemnation awards or proceeds of any sale under threat of condemnation received by the Bond Trustee as a result of such damage, destruction, condemnation or sale under threat of condemnation.

Mandatory Sinking Fund Redemption.

Pennsylvania 2016 Bonds. The Pennsylvania 2016 Bonds maturing November 15, 2036 are subject to mandatory sinking fund redemption on November 15, 2034, and on each November 15 thereafter, upon notice as provided in the Pennsylvania Bond Indenture, in part in Authorized Denominations, upon the conditions and terms prescribed in the Pennsylvania Bond Indenture, at a redemption price equal to the principal amount of the Pennsylvania 2016 Bonds called plus accrued interest thereon to the Redemption Date, in the years and principal amount as follows:

<u>November 15 of the Year</u>	<u>Principal Amount</u>	<u>November 15 of the Year</u>	<u>Principal Amount</u>
2034	\$26,790,000	2036*	\$27,285,000
2035	28,075,000		

* Maturity

Florida 2016 Bonds. The Florida 2016 Bonds maturing November 15, 2032 are subject to mandatory sinking fund redemption on November 15, 2029, and on each November 15 thereafter, upon notice as provided in the Florida Bond Indenture, in part in Authorized Denominations, upon the conditions and terms prescribed in the Florida Bond Indenture, at a redemption price equal to the principal amount of the Florida 2016 Bonds called plus accrued interest thereon to the Redemption Date, in the years and principal amount as follows:

<u>November 15 of the Year</u>	<u>Principal Amount</u>	<u>November 15 of the Year</u>	<u>Principal Amount</u>
2029	\$16,840,000	2031	\$20,335,000
2030	19,390,000	2032*	20,925,000

* Maturity

In the case of optional or extraordinary redemption of any 2016 Bonds subject to mandatory sinking fund redemption prior to maturity, the Obligated Group Agent shall be entitled to designate whether such payments shall be credited against principal amounts due at maturity or against particular mandatory sinking fund redemption obligations with respect to such 2016 Bonds.

At its option, to be exercised on or before the 60th day prior to each Sinking Fund Date, the Authority, through (or at the direction of) the Obligated Group Agent, may do any one or more of the following: (a) deliver to the Bond Trustee for cancellation any 2016 Bonds of the series and maturity then subject to mandatory sinking fund redemption as described above (“2016 Term Bonds”), (b) direct the Bond Trustee in writing to apply a credit for the Authority’s sinking fund redemption obligation for any 2016 Term Bonds which prior to said date have been redeemed or purchased (otherwise than through the operation of the Sinking Fund Account) and cancelled by the Bond Trustee and not theretofore applied as a credit against such sinking fund redemption obligations, or (c) cause funds to be delivered to the Bond Trustee with instructions for deposit in the Sinking Fund Account, together with written instructions from the Obligated Group Agent directing the Bond Trustee to apply such funds on or before said 60th day to the purchase of 2016 Term Bonds. Any 2016 Term Bond so delivered, redeemed or purchased in accordance with the terms of each Bond Indenture shall be credited by the Bond Trustee at 100% of the principal

amount thereof to the obligation of the Authority with respect to the Sinking Fund Account; any excess over such amount shall be credited to such future obligations with respect to the Sinking Fund Account in accordance with the written instructions of the Obligated Group Agent.

Selection of the 2016 Bonds to be Redeemed. While the 2016 Bonds are in book-entry form, the selection of book-entry interests in the 2016 Bonds to be redeemed is the responsibility of DTC, Direct Participants and Indirect Participants. See “BOOK-ENTRY ONLY SYSTEM” below. If the 2016 Bonds are no longer in book-entry form, if less than all the 2016 Bonds of a particular series and maturity are to be redeemed, the particular 2016 Bonds of such series and maturity to be redeemed shall be selected by the Bond Trustee in Authorized Denominations from the Outstanding 2016 Bonds of the applicable series and maturity not previously called for redemption, in order of maturities directed by the Obligated Group Agent (except for sinking fund redemptions which shall be made in direct order of maturity) and within any maturity chosen by the Bond Trustee by lot; provided that following any such selection, both the portions of such 2016 Bonds to be redeemed and the portion remaining shall be in Authorized Denominations, at the principal amount thereof plus accrued interest, or through purchase, as hereinafter provided.

Notice of Redemption. Notice of the call for redemption of the 2016 Bonds held under a book entry system will be sent by the Bond Trustee only to DTC or its nominee as registered owner. Selection of book entry interests in the 2016 Bonds called, and notice of call to the Beneficial Owners of those interests called, is the responsibility of DTC, Direct Participants and Indirect Participants. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or any Indirect Participant to notify the book entry interest owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of the 2016 Bonds. See “BOOK-ENTRY ONLY SYSTEM” below.

The Bond Trustee shall cause notice of any redemption of 2016 Bonds hereunder to be mailed by first class mail to the Owners of all 2016 Bonds to be redeemed at the registered addresses appearing in the bond register maintained by the bond registrar. Each such notice shall (i) be mailed at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption, (ii) identify the 2016 Bonds to be redeemed, specifying the name of the issue, the date of the issue, the stated maturity, the series designation, the CUSIP numbers and certificate numbers assigned to the 2016 Bonds subject to redemption, (iii) specify the date fixed for redemption and the redemption price and (iv) state that on the date fixed for redemption, the 2016 Bonds called for redemption will be payable at the designated office of the Bond Trustee as specified in such notice upon presentation and surrender thereof, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the 2016 Bonds. Failure to give notice in the manner described in this paragraph with respect to any 2016 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 2016 Bond with respect to which notice was properly given.

If at the time of mailing any notice of the optional redemption of any 2016 Bonds, the respective Authority shall not have deposited with the Bond Trustee funds sufficient to redeem all the 2016 Bonds called for redemption, such notice shall state that such redemption is subject to, and conditioned upon, the deposit of such funds with the Bond Trustee not later than 10 a.m. on the date fixed for redemption and notice thereof and shall be of no effect unless such funds are so deposited.

Purchase in Lieu of Optional Redemption. Under each Bond Indenture, each applicable Authority, and, by their acceptance of the 2016 Bonds, the Beneficial Owners of the 2016 Bonds, will irrevocably grant to ACTS the option to purchase, at any time when the 2016 Bonds are otherwise subject to optional redemption as described under “Optional Redemption” above, any 2016 Bonds of that series at a purchase price equal to the redemption price applicable thereto. To exercise such option with respect to such 2016 Bonds, ACTS must give the Bond Trustee a written request for purchase, and the Bond Trustee is thereupon required to give the owners of such 2016 Bonds notice of such purchase in the manner specified in under the subcaption “Notice of Redemption” above as though such purchase were a redemption. The purchase of such 2016 Bonds will be mandatory and enforceable against the owners of the 2016 Bonds selected for purchase. On the date fixed for purchase pursuant to any exercise of such option, ACTS is required to pay the purchase price of the 2016 Bonds then being purchased to the Bond Trustee in immediately available funds, and the Bond Trustee will pay the same to the owners of such 2016 Bonds against delivery thereof. Following such purchase, the Bond Trustee will cause such 2016 Bonds to be registered in the name of ACTS or its nominee and shall deliver them to ACTS or its nominee. In the case of the purchase of less than all of the 2016 Bonds of a particular series, such 2016 Bonds to be purchased will be selected in accordance with the provisions of the applicable Bond Indenture as though such purchase were a redemption.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC and the Underwriter takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of each series of the 2016 Bonds, as set forth on the inside cover page hereof, each in the aggregate principal amount of each maturity of each series of the 2016 Bonds and deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the 2016 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 respective Authority or the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, or the respective Authority to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the respective Authority or the Bond Trustee, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS

Limited Liability of Authorities

THE PENNSYLVANIA 2016 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE PENNSYLVANIA AUTHORITY PAYABLE SOLELY AND EXCLUSIVELY FROM PAYMENTS RECEIVED BY THE PENNSYLVANIA AUTHORITY UNDER THE PENNSYLVANIA LOAN AGREEMENT AND THE APPLICABLE MASTER NOTE AND FROM MONEYS PLEDGED UNDER THE PENNSYLVANIA BOND INDENTURE. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF PRINCIPAL OR INTEREST ON THE PENNSYLVANIA BONDS, OR ANY CLAIM BASED THEREON AGAINST THE PENNSYLVANIA AUTHORITY OR ANY PRESENT OR FUTURE OFFICER OF THE PENNSYLVANIA AUTHORITY OR ANY SUCCESSOR BODY, UNDER ANY CONSTITUTIONAL PROVISION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR BY ANY LEGAL OR EQUITABLE PROCEEDING OR OTHERWISE, AND ALL SUCH LIABILITY OF THE PENNSYLVANIA AUTHORITY OR ANY SUCCESSOR BODY, ANY SUCH OFFICERS, MEMBERS, EMPLOYEES OR AGENTS IS RELEASED AS A CONDITION OF, AND IN CONSIDERATION FOR THE ISSUANCE OF, THE PENNSYLVANIA BONDS. THE PENNSYLVANIA BONDS AND THE INTEREST THEREON SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE COUNTY OF MONTGOMERY, THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR ANY POLITICAL SUBDIVISION THEREOF AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE COUNTY OF MONTGOMERY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION, EITHER LEGAL, MORAL OR OTHERWISE, AND THE PENNSYLVANIA AUTHORITY SHALL NOT INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY TO OBLIGATE THE COUNTY OF MONTGOMERY, THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE MEMBERS OF THE PENNSYLVANIA AUTHORITY NOR ANY PERSON EXECUTING THE PENNSYLVANIA 2016 BONDS SHALL BE LIABLE PERSONALLY ON THE PENNSYLVANIA 2016 BONDS BY REASON OF THE ISSUANCE THEREOF. THE PENNSYLVANIA AUTHORITY HAS NO TAXING POWER.

THE FLORIDA AUTHORITY IS NOT OBLIGATED TO PAY THE FLORIDA 2016 BONDS OR THE PREMIUM, IF ANY, OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND FUNDS ASSIGNED TO THE FLORIDA BOND TRUSTEE OR OTHERWISE PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF FLORIDA OR OF ANY MUNICIPALITY, PUBLIC AGENCY, OR POLITICAL SUBDIVISION OF THE STATE OF FLORIDA IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR PREMIUM, IF ANY, ON THE FLORIDA 2016 BONDS. NEITHER THE MEMBERS NOR OFFICERS OF THE FLORIDA AUTHORITY, NOR ANY PERSON EXECUTING THE FLORIDA 2016 BONDS, IS LIABLE PERSONALLY THEREON OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF. THE FLORIDA AUTHORITY HAS NO TAXING POWER.

THE GEORGIA 2016 BONDS ARE LIMITED OBLIGATIONS OF THE GEORGIA AUTHORITY PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE GEORGIA AUTHORITY UNDER THE GEORGIA LOAN AGREEMENT AND THE APPLICABLE MASTER NOTE AND FROM MONEYS PLEDGED UNDER THE GEORGIA BOND INDENTURE AND SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING THE CITY OF GAINESVILLE, GEORGIA OR HALL COUNTY, GEORGIA, RESPECTIVELY) OTHER THAN THE LIMITED OBLIGATION OF THE GEORGIA AUTHORITY AS AFORESAID. NEITHER THE GENERAL CREDIT OF THE GEORGIA AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF (INCLUDING THE CITY OF GAINESVILLE, GEORGIA AND HALL COUNTY, GEORGIA, RESPECTIVELY) IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST OR PREMIUM, IF ANY, ON THE GEORGIA 2016 BONDS. THE GEORGIA AUTHORITY HAS NO TAXING POWER

The Bond Indentures

Pursuant to each Bond Indenture, the Pennsylvania Authority, the Florida Authority, and the Georgia Authority, as applicable, will assign and pledge to the Bond Trustee, for the equal and proportionate benefit, security and protection of the Owners from time to time of the 2016 Bonds issued thereunder, except as otherwise expressly provided in such Bond Indenture, all right, title and interest of the Pennsylvania Authority, the Florida Authority, and the Georgia Authority, as applicable, in and to the Trust Estate, which consists of: (a) the applicable Loan Agreement, together with any and all amounts payable to each Authority under such Loan Agreement and the Authority's right, title and interest to the applicable 2016 Master Note; (b) all moneys and investments in the funds and accounts created under each Bond Indenture (including all income and receipts earned on the funds and accounts held by the Bond Trustee under each Bond Indenture), as applicable, other than amounts on deposit in the Rebate Fund; (c) all other property rights of any kind assigned to the Bond Trustee as security for such 2016 Bonds; and (d) all proceeds acquired by the Bond Trustee from the exercise of any remedies under such Bond Indenture; subject, however, in each case, to the Reserved Rights of each Authority, as set forth in each Bond Indenture, which Reserved Rights include the payment of the Authority's fees and expenses pursuant to the Loan Agreement; the indemnification of the Authority, pursuant thereto, and the payment of all attorney's fees and expenses of such Authority, in the event of default by the Obligated Group pursuant thereto. *No debt service reserve fund will be created under any of the Bond Indentures with respect to the 2016 Bonds.*

For a more complete description of the Bond Indentures see "SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURES AND LOAN AGREEMENTS — THE BOND INDENTURES" in APPENDIX C hereto.

The Loan Agreements

Pursuant to each Loan Agreement, the applicable Authority will lend to ACTS the proceeds of the 2016 Bonds issued by such Authority, and ACTS will be obligated to make loan payments thereunder in amounts and at times sufficient together with certain investment earnings on the funds held under the corresponding Bond Indenture, to provide for the timely payment of the debt service requirements on all 2016 Bonds Outstanding under such Bond Indenture.

To evidence and secure its payment obligations under each Loan Agreement with respect to the applicable 2016 Bonds, ACTS will deliver, or cause to be delivered, to the Bond Trustee a separate 2016 Master Note issued under the Master Indenture.

The Pennsylvania Authority, the Florida Authority, and the Georgia Authority will each assign its respective Loan Agreements (except for Reserved Rights), including its right to receive payments thereunder, and its rights in and to the 2016 Master Notes to the Bond Trustee for the benefit of the holders from time to time of the 2016 Bonds issued by such Authority. For a more complete description of the Loan Agreements, see “SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURES AND LOAN AGREEMENTS — THE LOAN AGREEMENTS” in APPENDIX C hereto.

The Master Indenture

Each Master Note issued and outstanding under the Master Indenture, including the 2016 Master Notes, is the joint and several general obligation of ACTS, AMS, ASCS, as the current Obligated Issuers thereunder, and any future Obligated Issuers. The payment obligations of the Obligated Issuers under the Master Indenture are secured by a pledge of the Pledged Revenues of the Obligated Issuers, which include all revenues of the Obligated Issuers from whatever source derived and all accounts, general intangibles, documents, instruments and chattel paper (as such terms are defined in the Uniform Commercial Code of each applicable jurisdiction) of the Obligated Issuers, now owned or hereafter acquired, and all proceeds thereof; provided, however, that the Pledged Revenues do not include (i) any Property the use of which is restricted by the terms of any law or charitable gift or grant to purposes which do not include the payment of the Debt Service Requirements on any Obligations, (ii) any Property securing, or which is derived from the operation of Facilities which secure, Non-Recourse Indebtedness, or (iii) certain revenues from Property subject to certain existing Permitted Liens to the extent prohibited by the terms of such Permitted Liens. See the definition of “Pledged Revenues” in SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE – DEFINITIONS” in APPENDIX D hereto. The Master Indenture provides that payments on any Master Notes issued and outstanding thereunder, including the 2016 Master Notes, are the general obligation of the Obligated Group. See “CERTAIN BONDHOLDERS’ RISKS — Certain Matters Relating to the Enforceability of the Master Indenture.”

The 2016 Master Notes will be secured under the Master Indenture equally and ratably with certain prior Master Notes evidencing Long Term Indebtedness and other indebtedness of the Obligated Group. As of the date of issuance of the 2016 Bonds, the aggregate principal amount of Master Notes evidencing Long Term Indebtedness of the Obligated Group outstanding (including the refunding of the Refunded Bonds) will be \$505,115,000. In addition, Master Notes evidencing other indebtedness include: (i) Qualified Intermediate Term Indebtedness (as defined in the Master Indenture) in the maximum allowable amount of \$65,000,000, with \$11,298,000 outstanding at December 31, 2015, and (ii) Short Term Indebtedness (as defined in the Master Indenture) in the maximum allowable amount of \$65,000,000, with \$15,900,000 outstanding at December 31, 2015. For further information on the Indebtedness of the Obligated Group and the Obligated Group itself, see “ACTS RETIREMENT-LIFE COMMUNITIES, INC. (OBLIGATED GROUP) AUDITED SPECIAL-PURPOSE COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013” in APPENDIX B hereto.

All Master Notes and other obligations currently outstanding or hereafter issued under the Master Indenture are payable and secured equally and ratably by the liens granted under the Master Indenture, subject, however, to the establishment of any debt service reserve or other separate fund under the Master Indenture (or otherwise) to secure any particular Obligations issued thereunder. *No debt service reserve fund will be created under the Master Indenture with respect to the 2016 Master Notes.*

As of the date of issuance of the 2016 Bonds, ACTS, AMS and ASCS will be the only Obligated Issuers under the Master Indenture. Upon the satisfaction of certain conditions, however, any Person may become an Obligated Issuer and in the future such other members of the Obligated Group may incur indebtedness secured by Master Notes of the Obligated Group. Under certain conditions and upon meeting certain tests set forth in the Master Indenture, an Obligated Issuer may withdraw from the Obligated Group. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Persons Becoming Obligated Issuers” and “—Release of Obligated Issuers” in APPENDIX D hereto.

Under certain conditions specified in the Master Indenture, members of the Obligated Group may issue additional Master Notes or Obligations, which additional Master Notes or Obligations will not be pledged under the Bond Indenture, but will be equally and ratably secured by the Master Indenture with the 2016 Master Notes. In addition, the Master Indenture permits such additional Master Notes or Obligations to be secured by security in addition to that provided for the 2016 Master Notes, including letters or lines of credit or insurance, which additional security need not be extended to secure any other Master Notes (including the 2016 Master Notes). In addition, the Master Indenture permits Obligated Issuers to (i) incur other Indebtedness, (ii) enter into Guaranties and (iii) sell, lease or otherwise dispose of Property all upon the terms and conditions specified therein. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Additional Long Term Indebtedness,” — Short Term Indebtedness,” and “ — Sale, Lease or Other Disposition of Assets” in APPENDIX D hereto.

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

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

The pledge of certain portions of the Pledged Revenues may not be enforceable against third parties unless such Pledged Revenues are transferred to the Bond Trustee, and such pledge may be subject to exceptions under the UCC. In the event of a default by the Obligated Group under the Master Indenture, the Master Trustee may not be able to compel Medicare, Medicaid or other third-party payors or insurers to make payments directly to the Master Trustee. Under current law such security interests may be further limited by the following: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) present or future prohibitions against assignment contained in any state or federal statutes or regulations; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable discretion; (v) federal bankruptcy laws affecting assignments of revenues earned after any institution of bankruptcy proceedings by or against the Pennsylvania Authority, the Florida Authority, the Georgia Authority, ACTS and/or other Obligated Issuers; (vi) rights of third parties in any revenues, including revenues converted to cash, not in possession of the Bond Trustee; (vii) the requirement that appropriate continuation statements be filed pursuant to the UCC as from time to time in effect; and (viii) rights of holders of Permitted Liens, as set forth in the Master Indenture. The ability to deliver and record the Mortgages (or the priority thereof) may be limited or restricted by law and as otherwise provided by the Master Indenture. See “CERTAIN BONDHOLDERS’ RISKS — Certain Matters Relating to the Enforceability of the Master Indenture” herein.

In addition, as more particularly described below, the Obligated Group has covenanted under the Master Indenture not to create, or allow to exist upon its Property, any Lien except for Permitted Liens. Further, the Obligated Issuers, as more particularly described below, have covenanted to grant to the Master Trustee, under certain circumstances, mortgages and/or deeds of trust in certain circumstances granting in favor of the Master Trustee, for the equal and ratable benefit and security of all obligations outstanding under the Master Indenture, valid and binding liens on their respective Facilities, subject in each case to Permitted Liens and also subject to other limitations on placing mortgages on the Obligated Group’s properties, as set forth in the Master Indenture. See “CERTAIN BONDHOLDERS’ RISKS — Liens on Facilities” herein.

Also, the Master Indenture contains various financial covenants of the Obligated Group for the security of all Master Notes issued thereunder. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE” in APPENDIX D hereto.

Accumulation of Amounts Due Under Master Notes

Under Supplement No. 35, the Obligated Issuers are required to make monthly payments to the Master Trustee for deposit in the Revenue Fund established under the Master Indenture in amounts sufficient to accumulate, in equal monthly installments, the amounts due in each year under the respective 2016 Master Notes, in respect of the principal or redemption price of, and the interest on the corresponding 2016 Bonds. Amounts so deposited in the Revenue Fund, together with any amounts otherwise available under the Master Indenture, in respect of amounts due under the 2016 Master Notes, will be held by the Master Trustee (solely for the benefit and security of the Bond Trustee for each series of the 2016 Bonds), as the Holder of each 2016 Master Note, and will be applied by the Master Trustee to the payment of amounts due on the 2016 Master Notes on the dates each such payment shall be due thereunder. See “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Accumulation of Payments in Respect of 2016 Master Notes” in APPENDIX D hereto.

Additional Covenants

ACTS has agreed to additional operating covenants and restrictions under the Master Indenture for the sole and exclusive benefit of certain bond insurers, banks, and certain other lenders. Such additional covenants and agreements, which may be more restrictive to the Obligated Group than those applicable for the benefit for the Holder of the Bonds, are made for the sole and exclusive benefit of such parties and compliance by ACTS with the terms thereof may be enforced or waived at the sole discretion of such parties.

Delivery and Recording of Mortgages

If, at any time, (a) all of the ratings on any Long Term Indebtedness of the Obligated Group which is rated by any Rating Agency or Rating Agencies (or the rating on Long Term Indebtedness created under any Related Financing Documents and secured by an Obligation issued thereunder) does not constitute an Investment Grade Rating, or (b) the aggregate Historical Debt Service Coverage Ratio for the Obligated Group for any Fiscal Year is less than 1.20, then the Obligated Issuers are required to deliver to the Master Trustee and the Master Trustee is required under the Master Indenture, within 30 days after the occurrence of either of such conditions, to forthwith record mortgages and/or deeds of trust (each a “Mortgage” and collectively, the “Mortgages”) pledging and assigning in favor or for the benefit of the Master Trustee, and granting a lien upon and security interest in, each of its Facilities (except as otherwise provided in the Master Indenture or as otherwise precluded by law), including any land, improvements and fixtures constituting any part thereof, for the equal and ratable benefit and security of the Holders of all Obligations Outstanding under the Master Indenture, including the 2016 Master Notes securing payment of the 2016 Bonds. Pursuant to an escrow arrangement among the Obligated Issuers and the Master Trustee, ACTS has deposited in escrow with the Master Trustee, Mortgages pertaining to the existing Facilities. Under such arrangement, the Master Trustee will be permitted to release and record in the specified governmental offices upon the occurrence of the conditions to the delivery of the Mortgages. For a description of the existing Facilities of the Obligated Issuers, see “INFORMATION CONCERNING THE OBLIGATED GROUP — Description of Facilities and Operations” in APPENDIX A hereto. The Mortgages relating to the existing Facilities provided to the Master Trustee are not delivered and are of no force and effect, and will not and do not constitute a lien upon any Property of any Obligated Issuer unless and until the conditions for the delivery and recording thereof have occurred. For a description of certain risks pertaining to the delivery and recording of the Mortgages, see “CERTAIN BONDHOLDERS’ RISKS — Effect of Bankruptcy or Liquidation on Security for the 2016 Bonds; Mortgages Could be Set Aside as a Preference; Mortgages are not Delivered or Recorded — Pennsylvania Continuing Care Provider Act, — Georgia Continuing Care Act, — Registration of the Facilities in Florida and — North Carolina Continuing Care Act.” When the conditions to delivery and recording of the Mortgages shall cease to apply, the Master Trustee will satisfy the Mortgages of record at the request and expenses of the Obligated Group, subject to further future recordation thereof should such conditions once again apply.

Replacement of Master Indenture and Substitution of Master Notes

UNDER CERTAIN CIRCUMSTANCES THE 2016 MASTER NOTES (AS WELL AS ANY OTHER MASTER NOTES OR OBLIGATIONS OUTSTANDING UNDER THE MASTER INDENTURE) MAY BE REQUIRED TO BE EXCHANGED FOR THE MASTER NOTES OF A DIFFERENT OBLIGATED GROUP OF WHICH ACTS WOULD BE A MEMBER. THIS COULD, UNDER CERTAIN CIRCUMSTANCES, LEAD TO THE SUBSTITUTION OF DIFFERENT SECURITY IN THE FORM OF MASTER NOTES BACKED BY AN OBLIGATED GROUP WHICH IS FINANCIALLY AND OPERATIONALLY DIFFERENT THAN THE

OBLIGATED GROUP. THE NEW OBLIGATED GROUP COULD HAVE SUBSTANTIAL DEBT OUTSTANDING WHICH WOULD RANK ON A PARITY WITH THE SUBSTITUTE MASTER NOTES.

Under the Loan Agreements and Bond Indentures, the Bond Trustee is directed, subject to the conditions set forth therein, to accept, in exchange for the 2016 Master Notes held by the Bond Trustee pursuant to the Bond Indentures, master notes or other obligations (“Replacement Obligations”) issued under a master trust indenture (a “Replacement Master Indenture”) executed by or on behalf of all current Obligated Issuers and the other parties (collectively, the “New Group”) and a new trustee meeting the eligibility requirements for the Master Trustee under the Master Indenture (a “New Trustee”), including the following:

- (1) an original executed counterpart or certified copy of the Replacement Master Indenture;
- (2) an opinion of Counsel addressed to the Bond Trustee and the Pennsylvania Authority, the Florida Authority, or the Georgia Authority, as applicable, to the effect that:
 - (i) the replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, the Replacement Obligation has been duly authorized, executed and delivered by the New Group, and the Replacement Master Indenture and the Replacement Obligation are each a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors’ rights and application of general principles of equity, and to the qualification that the provisions of the Replacement Master Indenture and the Replacement Obligation requiring payments to be made thereunder may not be enforceable if such payments: (a) are requested with respect to payments on the Replacement Obligation which was issued for a purpose which is not consistent with the charitable purposes of the members of the New Group as expressed in the Articles of Incorporation and Bylaws of such members or which was incurred or issued for the benefit of any entity other than a nonprofit corporation which is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code; (b) are requested to be made from any assets which are donor restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the members of the New Group; or (d) are requested to be made pursuant to any loan which violates applicable usury laws; and (e) the qualification that the enforcement of any indemnification provisions of the Replacement Master Indenture may be limited by applicable securities laws or public policy;
 - (ii) all requirements and conditions to the issuance of the Replacement Obligation set forth in the Replacement Master Indenture have been complied with and satisfied, including, but not limited to, the perfection of any security interest created thereunder; and
 - (iii) registration of the Replacement Obligation under the Securities Act of 1933, as amended, is not required, nor is qualification of the Replacement Master Indenture under the Trust Indenture Act of 1933 required;
- (3) evidence of compliance with the tests for adding a new Obligated Issuer under the Master Indenture, including a Certificate from the Obligated Group Agent to the effect that (i) the New Group could, after giving effect to the issuance of the proposed Replacement Obligations, meet the requirements of the Master Indenture with respect to the incurrence of one dollar of Additional Indebtedness, and (ii) the New Group would not be in default under any of the provisions of the Master Indenture;
- (4) an opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the surrender of the 2016 Master Notes and the acceptance by the Bond Trustee of the Replacement Obligation will not adversely affect the validity of the applicable series of 2016 Bonds or any exemption for the purposes of federal income taxation to which interest on the 2016 Bonds would otherwise be entitled;
- (5) such other opinions and certificates as the Bond Trustee and the Pennsylvania Authority, the Florida Authority, or the Georgia Authority may reasonably require, together with such reasonable

indemnities as the Bond Trustee and the Pennsylvania Authority, the Florida Authority, or the Georgia Authority may request; and

(6) written evidence from each Rating Agency to the effect that the execution and delivery of the Replacement Master Indenture and the Replacement Obligation or Obligations will not cause the Rating Category then assigned to any 2016 Bonds by such Rating Agency to be reduced or withdrawn.

Upon the delivery to the Bond Trustee of any Replacement Obligation, references herein and in the Bond Indentures and Loan Agreements to ACTS, AMS and ASCS, the Obligated Group, the Master Notes (or any of them) and the Master Indenture, shall, to the extent appropriate, mean and refer to the issuer or issuers of the Replacement Obligation, the New Group, the Replacement Obligation and the Replacement Master Indenture, respectively.

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DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the 2016 Bonds and the Obligated Group's additional outstanding indebtedness secured by the Master Notes or Obligations. All amounts are rounded to the nearest whole dollar.

<u>Year</u>	<u>2016 Pennsylvania Bonds</u>		<u>2016 Florida Bonds</u>		<u>2016 Georgia Bonds</u>		<u>2016 Taxable Indebtedness</u>		<u>Total Prior Bonded Indebtedness</u> <small>(1)</small>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
11/15/2016	\$-	\$1,201,067	\$-	\$1,261,278	\$-	\$87,801	\$3,030,000	\$108,001	\$31,077,777	\$36,765,925
11/15/2017	-	4,858,250	-	5,101,800	-	355,150	8,625,000	395,831	17,432,465	36,768,496
11/15/2018	-	4,858,250	-	5,101,800	-	355,150	8,870,000	236,183	17,343,380	36,764,762
11/15/2019	-	4,858,250	7,275,000	5,101,800	-	355,150	1,750,000	43,260	17,379,108	36,762,568
11/15/2020	-	4,858,250	9,380,000	4,810,800	-	355,150	-	-	17,357,251	36,761,451
11/15/2021	-	4,858,250	9,780,000	4,435,600	-	355,150	-	-	17,336,396	36,765,396
11/15/2022	-	4,858,250	1,115,000	3,946,600	-	355,150	-	-	26,489,878	36,764,878
11/15/2023	-	4,858,250	-	3,890,850	-	355,150	-	-	27,662,818	36,767,068
11/15/2024	-	4,858,250	-	3,890,850	-	355,150	-	-	27,636,327	36,740,577
11/15/2025	-	4,858,250	70,000	3,890,850	-	355,150	-	-	27,590,689	36,764,939
11/15/2026	-	4,858,250	115,000	3,888,750	-	355,150	-	-	27,550,569	36,767,719
11/15/2027	-	4,858,250	155,000	3,885,300	-	355,150	-	-	27,510,273	36,763,973
11/15/2028	-	4,858,250	205,000	3,880,650	-	355,150	-	-	27,465,796	36,764,846
11/15/2029	-	4,858,250	16,840,000	3,874,500	-	355,150	-	-	10,835,146	36,763,046
11/15/2030	-	4,858,250	19,390,000	3,032,500	-	355,150	-	-	9,125,496	36,761,396
11/15/2031	-	4,858,250	20,335,000	2,063,000	-	355,150	-	-	9,154,822	36,766,222
11/15/2032	-	4,858,250	20,925,000	1,046,250	435,000	355,150	-	-	9,146,964	36,766,614
11/15/2033	15,015,000	4,858,250	-	-	6,755,000	337,750	-	-	9,799,360	36,765,360
11/15/2034	26,790,000	4,107,500	-	-	-	-	-	-	5,868,633	36,766,133
11/15/2035	28,075,000	2,768,000	-	-	-	-	-	-	5,931,589	36,774,589
11/15/2036	27,285,000	1,364,250	-	-	-	-	-	-	6,001,920	34,651,170
11/15/2037	-	-	-	-	-	-	-	-	6,076,648	6,076,648
11/15/2038	-	-	-	-	-	-	-	-	2,283,202	2,283,202
Total	\$97,165,000	\$92,031,067	\$105,585,000	\$63,103,178	\$7,190,000	\$6,107,951	\$22,275,000	\$783,275	\$384,056,508	\$778,296,979

(1) Represents principal and interest on existing debt that is not being refinanced as part of the Series 2016 financing. Figures in this column are net of applicable debt service reserve funds for outstanding bonds, as such amounts will be released in the respective years of final maturity and will be applied to the payment of debt service. Interest on variable rate debt takes into account the effect of certain interest rate swaps and bank fees, as applicable.

CERTAIN BONDHOLDERS' RISKS

General

Except as noted herein, the principal and redemption price of, and interest on, the 2016 Bonds will be limited obligations of the Florida Authority, the Georgia Authority, and the Pennsylvania Authority, respectively, payable under the corresponding Bond Indenture principally from payments by ACTS under the applicable Loan Agreement, including amounts paid under the Master Notes, and from funds held by the Bond Trustee under the Bond Indentures. The Obligated Group, including any future members of the Obligated Group, will be jointly and severally liable for amounts due on the Master Notes.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay all debt service requirements on the 2016 Bonds and other payments necessary to meet the obligations of the Obligated Group. The risk factors discussed below (and others, including those that may be unforeseen) should be considered in evaluating the Obligated Group's ability to pay all of its Debt Service Requirements. The availability of revenues to the Obligated Group from Facilities in the amounts necessary to pay the principal or redemption price of and interest on the Master Notes and any additional Master Notes will be dependent on the attainment and maintenance of high occupancy levels at the Facilities by eligible residents who will be able to pay the resident entry fee and monthly service fee and the hiring and retention of competent administrative and operating personnel to conduct the day-to-day operations of the Facilities. The realization of future revenues and control of expenses is dependent upon, among other things, successful marketing and capable management by the Obligated Group, future state and federal funding of health care reimbursement programs and future economic and other conditions which are unpredictable. Any of these factors (and others that may be unforeseen) may have a material effect on revenues and payment of debt service on the 2016 Bonds. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to make the required installments under the Loan Agreements and the Master Notes with respect to debt service on the 2016 Bonds or Obligations or Master Notes issued under the Master Indenture.

The Obligated Group may fail to meet the Rate Covenant described in APPENDIX D under the caption "SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Rate Covenant." Failure to meet such requirements will require the Obligated Group to formulate and implement a plan of corrective action. While these covenants are intended to require the Obligated Group to take corrective action in order to avert a payment default, no assurance can be given that such corrective action, if required, will be successful.

General Economic Conditions and Disruption of Financial Markets

The disruption of the domestic and international credit and financial markets in the last several years has had, and may continue to have, negative repercussions on the national and global economies, affecting, among other things, housing prices, consumer spending and business activity, availability of credit, volatility in the financial markets, interest rates, consumer bankruptcies and business failures and bankruptcies. The United States Congress, the Federal Reserve Board and various agencies of the federal government, along with foreign governments, have taken various actions that are designed to enhance liquidity, improve the performance and efficiency of credit markets, stabilize securities markets and stimulate spending. In addition, in light of recent events in the global financial markets and economy, the Obama Administration, the United States Congress and regulators have increased their focus on the regulation of the financial services industry, including the passage of The Dodd-Frank Wall Street Reform and Consumer Protection Act, which became law in July 2010. The effects of various legislative, regulatory and other governmental actions on the financial markets are unclear. The timing and strength of an economic recovery remains uncertain, and general economic conditions and instability in the financial markets may negatively affect the Obligated Group's results of operations, investments and financial condition. The senior living and healthcare sectors have been materially adversely affected by the uncertainty in financial markets. The consequences of these developments have generally included realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities and increased borrowing costs. The Obligated Group's access to credit markets may be adversely affected, including the ability of the Obligated Group to borrow for future capital expenditures or to obtain commitments from other providers of credit facilities or liquidity facilities. Federal budget deficits and expected shortfalls between state revenues and spending may result in changes to government health care programs. Many states have recently faced severe financial challenges, including erosion of general fund tax revenues, falling real estate values, slower economic growth and high unemployment.

Possible Consequences of Events of Default under Related Documents

An event of default under other documents or obligations secured by a Master Note may also constitute an Event of Default under the Master Indenture which may require the Master Trustee to accelerate the applicable Master Note. Acceleration of a Master Note will result in all Master Notes (including the Master Notes securing the 2016 Bonds) being accelerated, resulting in an acceleration of all the 2016 Bonds.

Failure to Maintain Occupancy

Residents execute resident agreements/contracts (the “Resident Agreements”) setting forth the services provided at the Facilities and the fees charged.

The financial feasibility of the Facilities depends in large part upon the ability of the Obligated Group to attract sufficient numbers of residents to the Facilities in order to maintain high levels of occupancy and upon turnover of occupancy at the Facilities throughout the term of the 2016 Bonds. The Obligated Group’s ability to maintain sufficient levels of occupancy depends to some extent on factors outside its control, such as the residents’ right to terminate their Resident Agreements at any time and to receive a refund as provided in the Resident Agreements. If the Facilities fail to achieve and maintain a sufficient level of occupancy, there may be insufficient funds to pay debt service on the 2016 Bonds and any other obligations relating to Master Notes.

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 Facilities 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 Facilities 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 Facilities.

Should other methods of payment, including rents only, without entrance fees, 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.

Substituted Master Indenture

Under certain circumstances, as provided in each Loan Agreement, the Master Notes may be exchanged for the obligations of a different obligated group of which the Obligated Group would be members. This could, under certain circumstances, lead to the substitution of different security in the form of an obligated group which is financially and operationally different than the Obligated Group as currently comprised and could lead to the 2016 Bonds being secured by obligations issued under a master trust indenture containing security and financial and other covenants similar to, or differing from, the security and covenants provided in the Master Indenture. In addition, the new obligated group could have substantial debt outstanding which would rank on a parity with the replacement obligations. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS — Replacement of Master Indenture and Substitution of Master Note” herein.

Competition

The Obligated Group competes with other senior living service facilities for residents. The existence of these and other facilities may have an adverse competitive impact on the Facilities.

The Facilities also may face additional competition in the future as a result of changing demographic conditions, and the construction of new, or the renovation or expansion of existing, housing facilities for the elderly in the area served by the Facilities. The Obligated Group also will face competition from other more widespread forms of retirement living, including condominiums, apartment buildings and facilities not specifically designed for the elderly. In addition, there are few entry barriers to future competitors who do not provide continuing care since some types of competing facilities, which would not include skilled nursing beds, generally would not require certificate of need or other government approval.

Liens on Facilities

Currently, other than Permitted Liens, there are no liens on the Facilities. Upon the occurrence of certain events, each Obligated Issuer is required to deliver Mortgages granting in favor of the Master Trustee a mortgage lien on the Obligated Issuers' Facilities, and thereafter, the Master Trustee is to record the Mortgages of record. See "Security for the 2016 Bonds — Delivery and Recording of Mortgages" herein and "SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Delivery and Recording of Mortgages" in APPENDIX D hereto. In the event the Mortgages are recorded, an Obligated Issuer may file or record certain liens on the Facilities pursuant to the Master Indenture. See the definition of "Permitted Liens" in APPENDIX D —"SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE." In addition, state or federal authorities, or others, may file liens and the Obligated Issuer may file liens that would result in an event of default under the Master Indenture. Such liens, in addition to Permitted Liens, may have priority over the liens of the Mortgages.

Possible Effect of Adverse Conditions in Housing Market

It is anticipated that a substantial number of existing and potential applicants for residency in the Facilities will expect to pay the resident entry fee from the proceeds of the sale of a residence. Nationwide, previously, there had been a reduction in residential sales volume, and residential mortgage loans generally had become less available. If there is a continued 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 applicants might be unable to dispose of their homes upon financial terms acceptable to them, and in such event may choose not to establish residence in the Facilities.

State Licensing and Regulation

Alabama Licensure. Assisted living facilities, specialty care assisted living facilities and skilled nursing facilities are licensed and regulated by the Alabama Department of Public Health under the Alabama Code § 22-21-20 *et seq.*, and related rules and regulations. Alabama currently has no legal or regulatory requirements related to the development or operation of CCRCs.

Alabama Administrative Code § 420-5-4 ("Assisted Living Rules") defines an assisted living establishment as follows: "'Assisted Living Facility' means an individual, individuals, corporation, partnership, limited partnership, limited liability company or any other entity that provides, or offers to provide, any combination of residence, health supervision, and personal care to three or more individuals who are in need of assistance with activities of daily living, which include bathing, dressing, ambulation, feeding, toileting, grooming, medication assistance, diet, and personal safety." There are exceptions to the definition for the provision of such people personally related and certain government provided services. Assisted living facility licenses are granted by the Alabama Board of Health ("Board") upon a determination by the Board or its authorized agents that there is a reasonable likelihood that the operator or operators of the assisted living facility are capable of achieving and maintaining substantial compliance with the rules adopted by the Board. A license to operate an assisted living facility expires on December 31 each year unless it is timely renewed.

Alabama Administrative Code § 420-5-20 ("Specialty Care Assisted Living Rules") defines a specialty care assisted living establishment as follows: "'Specialty Care Assisted Living Facility' means a facility that meets the definition of Assisted Living Facility but which is specially licensed and staffed to permit it to care for residents with a degree of cognitive impairment that would ordinarily make them ineligible for admission or continued stay in an assisted living facility." Specialty Care Assisted Living Facilities that care for 17 or more adults are classified as a "Congregate Specialty Care Assisted Living Facility." Special care assisted living facility licenses are granted by the Board upon a determination by the Board or its authorized agents that there is a reasonable likelihood that the operator or operators of the special care assisted living facility are capable of achieving and maintaining substantial compliance with the rules adopted by the Board. A license to operate a special care assisted living facility expires on December 31 each year unless it is timely renewed.

Alabama Administrative Code § 420-5-10 defines a nursing facility as follows: "'Nursing Facility' – A business entity that is engaged in providing housing, meals and care to sick or disabled individuals who require, on a daily basis or more frequently, medical care, nursing care, or rehabilitation services. This definition shall not include any business, operation, or facility that is exempt from licensure pursuant to Alabama law, nor shall it

include any business, operation, or facility that is (1) licensed by the Board as another kind of facility, and (2) functioning within the scope of applicable law and administrative rules.” Nursing facilities governing bodies in accordance with the Alabama Administrative Code § 420-5-10-.03, appoint the administrator who is an Alabama licensed nursing home administrator responsible for the safe and effective administrative management, control and operation of the facility services provided. A license to operate a nursing facility also expires on December 31 each year unless it is timely renewed.

Alabama Regulations. The Assisted Living Rules address community-based residential care for persons in need of assistance with the activities of daily living, including personal, recreational, supportive, and health related services available to the resident. The Assisted Living Rules set forth regulations consistent with the level of services provided and include but are not limited to, licensure and policy requirements; residents’ ability to direct self-care; appropriate staffing levels and certifications; resident rights and records, contracts, and service terms; physical plant and environmental requirements; medication policies and procedures; food service requirements; architectural and fire and safety requirements. No more than 30 days prior to a resident’s admission into a facility, a prospective resident must undergo a physician’s diagnosis that determines the resident’s plan of care. The written plan of care is to be determined prior to or at admission and is based on the medical examination, diagnoses and recommendation of the resident’s treating physician. The plan of care must be at minimum, reviewed annually by the attending physician or after a significant health event changes a resident’s condition.

The Specialty Care Assisted Living Rules addresses community-based residential care for persons with cognitive impairment and who are in need of assistance with the activities of daily living, including personal, recreational, supportive, and health related services available to the resident. Residents of a specialty care facility must be screened and approved for admission into a specialty care facility and must undergo a registered nurse monthly assessment and an annual cognitive assessment screening. The Specialty Care Assisted Living Rules set forth regulations consistent to the level of services provided for dementia residents and include but are not limited to, licensure and policy requirements; residents’ ability to direct self-care; appropriate staffing levels and certifications; resident rights and records, contracts, and service terms; physical, plant and environmental requirements; medication policies and procedures; food service requirements; architectural and fire and safety requirements.

Specialty care assisted living facilities are also regulated by the State Health Planning and Development Agency, and are required to be in compliance with laws relating to obtaining a Certificate of Need (“CON”) from the Alabama State Health Planning and Development Agency (“SHPDA”) as outlined under the Alabama Code § 22 21-260 *et seq.* and § 410 -2-4. A facility must file a letter of intent to SHPDA 30 days prior to submitting a formal CON application. The formal application details information regarding the planned facility or service expansion and includes but is not limited to, a summary of the project, type of ownership, cost of construction, types of services including the expansion or reduction of services, the proposed medical service area including a deficit of existing services and population-based needs, sources of funding, and historical (if applicable) and projected operating expenditures. As of August 12, 2014 there is no SCALF bed need for Madison County, Alabama.

For nursing facilities the Alabama Administrative Code sets forth that a governing authority must appoint a physician to serve as a medical director responsible for implementing resident care policies and coordinating medical care in the nursing home and a registered nurse must be appointed as a full-time director of nursing. A sufficient number of qualified nursing personnel, including an attending physician, must be available 24 hours per day and seven days per week. A registered nurse must be on duty, directly supervising resident care, a minimum of eight consecutive hours per day, 7 days per week. There are requirements concerning, *inter alia*, resident assessment, quality of care, nursing services, dietary services, physician services, specialized rehabilitative services, dental services, pharmacy services, infection control and the physical plant. Residents must be seen by a physician at least once every 30 days for the first 90 days after admission, and at least once every 60 days thereafter. Based on the comprehensive assessment of a resident, the facility must ensure that resident’s abilities in activities of daily living do not diminish unless circumstances of the individual’s clinical condition demonstrate that diminution was unavoidable - this includes the resident’s ability to bathe, dress, groom, transfer, ambulate, toilet, eat and use speech, language, or other functional communication systems. The nursing facility must maintain a quality assessment committee consisting of the director of nursing, a physician designated by the facility and at least three other staff members to develop and implement plans of action to correct quality deficiencies.

The capacity of any new room cannot exceed two residents, and the capacity of existing rooms cannot exceed four residents. The facility must conduct a comprehensive assessment of each resident’s functional

capacity, which must be performed no later than 14 days after occupancy, promptly after a significant change in the resident's physical or mental condition; and in no case less often than once every 12 months. The facility must examine each resident no less than once every 3 months (quarterly) and as appropriate, revising the resident's assessment to assure the continued accuracy of the assessment. A comprehensive care plan is then prepared by the attending physician, a registered nurse and appropriate staff within seven days of completing the comprehensive assessment. Residents receive three meals per day at regular time intervals with daily bedtime snacks. The facility must provide special eating utensils or specially-trained aids for residents in need of assistance.

Nursing facilities are also required to be in compliance with laws relating to obtaining a CON from SHPDA as outlined under the Alabama Code § 22 21-260 *et seq.* and § 410-2-4. Administrative Code § 410-2-4-.03 defines Nursing Homes as "licensed facilities providing inpatient care for convalescents or other persons not acutely ill and not in need of acute general hospital care, but requiring skilled nursing care. Nursing home care is not to be confused with long-term hospital care. Some hospitals, however, may have nursing homes beds attached as an identifiable part which is reflected in their license. Such beds are included in this chapter. Hospital swing beds are not included." Effective February 1, 2016, Administrative Code § 410-2-4-.03(9)(c) provides that until further action by the Statewide Health Coordinated Council, there shall be no need for additional skilled nursing beds in the State of Alabama.

Delaware Life Care Registration Act. The State of Delaware has enacted the Delaware Life Care Registration Act, Chapter 46, Title 18, Delaware Code, as amended (the "Life Care Registration Act"), which requires continuing care facilities in Delaware to register and file financial disclosure statements with the Secretary of State of Delaware (the "Secretary of State") and to adhere to a trust-in-advertising provision regarding such facilities. The Life Care Registration Act applies to the continuing care retirement communities operated by ACTS in Delaware.

The Life Care Registration Act requires that before a continuing care provider can engage in the business of providing continuing care in Delaware, it must first file a registration application (the "Registration Application") consisting of the following: (1) filing of a registration statement with the Secretary of State; (2) filing of a disclosure statement including a copy of the standard form or forms of contract for continuing care used by the provider for the facility (the "Disclosure Statement") with the Secretary of State concerning, among other things, the provider and the facility manager and their respective operations, affiliations and financial statements as well as services and fees for the facility; and (3) payment of a \$50 registration fee to the Secretary of State. A nonprofit continuing care facility whose facilities will not accommodate more than 100 residents are exempt from the provisions of the Life Care Registration Act so long as it files with the Secretary annual certified audits evidencing its qualifications for such an exemption.

Additionally, Life Care Registration Act requires that before a continuing care provider can execute a contract to provide continuing care to a prospective resident, it must advise in writing to the person with whom the contract is to be entered into that a verified copy of the current Disclosure Statement is available for examination by the said person and that the person may request for and be provided with a copy of the current Disclosure Statement. If requested, the continuing care provider must provide such copy at least 2 days prior to the execution of the contract. In the Disclosure Statement for each facility, a multiple-facility provider does not have to disclose information about its other facilities unless the operation of the facilities is financially connected.

Under the Life Care Registration Act, a continuing care provider must file, annually within 4 months following the end of the provider's fiscal year, with the Secretary of State an annual verified Disclosure Statement. Each Disclosure Statement must make a statement prominently on its cover page that the registration with the Secretary of State does not constitute approval, recommendation or endorsement of the continuing care facility by the Secretary of State, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set out in the Disclosure Statement. At least 5 copies of the annual Disclosure Statement must be kept on sight at the continuing care facility for inspection by residents of the continuing care facility. Any initial or annual Disclosure Statement must be made available to any member of the public upon request upon payment of reasonable copying charges.

A continuing care provider that enters into a contract for continuing care at a facility before filing a Registration Application or fails to deliver a copy of the Disclosure Statement as requested by a party to a resident agreement shall be subject to civil penalties as set forth in the Life Care Registration Act.

Delaware License and Rights of Patients. Pursuant to the Regulatory Provisions Concerning Public Health for Nursing Facilities and Similar Facilities, Chapter 11, Title 16, Delaware Code, as amended (the “Regulatory Provisions”), the Delaware Department of Health and Social Services (“DHSS”) is responsible for issuing licenses and certifying the compliance with state laws and regulations of the skilled nursing facility component of a continuing care facility in Delaware. No person shall establish, conduct or maintain any nursing facility or related facility in Delaware without first obtaining a license from DHSS. Licenses must be renewed on an annual basis. Failure to comply with this requirement will result in the imposition by DHSS of a civil penalty not to exceed \$10,000 per violation and may include other remedies for noncompliance, including, but not limited to, the suspension, revocation or refusal to renew a license. All nursing facilities in Delaware must operate under the direction of an individual authorized or licensed pursuant to Chapter 52, Title 24, Delaware Code, as amended, to perform the functions of a nursing home administrator. DHSS annually inspects skilled nursing facilities and similar facilities to ensure compliance with the Regulatory Provisions.

Residents of skilled nursing facilities or similar facilities are covered by a Declaration of Patients’ Rights delineated in the Regulatory Provisions. The Declaration of Patients’ Rights must be posted in a public place in all nursing facilities and copies are to be provided to all patients upon admittance to the facility and to all current residents of the facility.

DHSS may impose civil money penalties for the violation of the Regulatory Provisions or the regulations adopted pursuant to it. For any such violation which DHSS determines poses a serious threat to the health and safety of a resident or residents, a licensee or other person is liable for a civil penalty of not less than \$1,000 nor more than \$10,000 per violation.

Registration of the Florida Communities. Resident Agreements, entrance fees paid thereunder and other aspects of the operation of the Obligated Group’s communities in Florida are subject to regulation by the Florida Department of Financial Services and the Office of Insurance Regulation of the Financial Services Commission (together, referred to under this heading as the “Department”) under Chapter 651 of the Florida Statutes (“Chapter 651”). Revisions of Chapter 651 may be adopted from time to time, and there can be no assurance of the effect of any such revisions of Chapter 651 on the operations of the Obligated Group’s communities in Florida and the resulting revenues of the ACTS communities in Florida. Chapter 651 provides that no person may engage in the business of providing continuing care, or issuing continuing care agreements for the purpose of providing continuing care in the State of Florida without a certificate of authority with respect to the continuing care facility.

Chapter 651 requires that a prospective resident has the right to rescind his or her continuing care contract without penalty or forfeiture within seven days after executing the contract. The Obligated Group is required to furnish the prospective resident with certain information relative to its communities in Florida and its operation. The contract also may be cancelled upon written notice of cancellation of at least 30 days by the provider, the resident, or the person who provided the funds for the care of the resident.

Chapter 651 requires communities such as the Obligated Group’s communities in Florida to maintain three reserve accounts in escrow: a debt service reserve account, an operating reserve account and a renewal and replacement account. The present amount which must be maintained in the debt service reserve account is an amount equal to the aggregate amount of all principal and interest payments due during the fiscal year on any mortgage loan or other long term financing of a facility, including taxes and insurance, if there is outstanding indebtedness requiring a debt service reserve to be held in escrow pursuant to a trust indenture or mortgage lien on the facility. If principal payments are not due during the fiscal year, a facility must maintain a debt service reserve account in escrow in an amount equal to interest payments due during the next 12 months on any mortgage loan or other long-term financing of a facility, including taxes and insurance.

Chapter 651 also requires that an amount must be maintained in the operating reserve account equal to 15% of the total operating expenses listed in the annual report filed pursuant to Chapter 651.

The renewal and replacement reserve account must be maintained in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements required by the Department, not to exceed 15% of the facility’s average operating expenses for the past three fiscal years based on the audited financial statements of the facility for those years.

The Department may conduct an audit or other examination of the financial affairs of the Obligated Group's communities in Florida as often as it deems necessary, but at least every five years, and it is granted access to the books, records, data and other documents maintained by Obligated Group's communities. In the event of failure to comply with Chapter 651, the Department may suspend, revoke or refuse to renew or continue the required certificate of authority, levy administrative fines and, after review with an advisory council, may pursue court proceedings for rehabilitation, liquidation, conservation, reorganization, seizure or summary proceedings, but such rights are subordinate to the rights of the Bond Trustee.

Florida Licensure. The health care components of the Obligated Group's communities in Florida are licensed by the Agency for Health Care Administration ("AHCA"). The health facilities are required to undergo at least one annual unannounced inspection by AHCA to determine compliance with applicable statutes and rules promulgated thereunder which govern minimum standards of construction, quality, adequacy of care and rights of residents. In addition, AHCA will at least annually evaluate the health facilities to determine compliance with applicable licensure requirements and standards as a basis for assigning a rating to such facilities. In addition, ACTS is required to submit an annual financial statement and statement of ownership to AHCA, as well as maintaining a certificate of authority from the Department. Under Florida Statutes, the administrator of the health facilities is required to be and is licensed as a nursing home administrator.

Florida Regulations. Chapter 651 provides, in part, (a) a definition of "continuing care at-home" contracts; (b) provisions relating to certificates of authority; (c) the requirement of written approval from the Department for a 20% or more expansion of the number of continuing care at-home contracts; (d) the requirement of the same minimum reservation requirements for continuing care at-home contracts as continuing care contracts; (e) the requirement that a certain amount of the entrance fee collected for contracts resulting from an expansion be placed in an escrow account or on deposit with the Department; (f) that an actuarial study may be substituted for a feasibility study in specified circumstances; (g) limitations on the number of continuing care and continuing care at-home contracts at a facility based on the types of units at the facility; and (h) requirements in applications relating to the entitlement of a prospective resident, resident, or resident's estate to interest on a deposit or fee.

Georgia Continuing Care Act. Title 33, Chapter 45, 1-14 of the Official Code of Georgia Annotated, as amended (the "Georgia Continuing Care Act" or "GCCA") requires that each continuing care community obtain a Certificate of Authority and take necessary steps to maintain this Certificate of Authority. The Georgia Continuing Care Act requires each provider of Continuing Care Services (a "Provider") make full disclosure to each prospective resident concerning such Provider and the operation of its continuing care facility, and to provide each prospective resident with a copy of its continuing care agreement. The GCCA requires the Provider to file annually a revised disclosure statement ("Disclosure Statement") with the Georgia Insurance Department and make such Disclosure Statement available to all residents. The GCCA provides for a seven day right of rescission of a continuing care agreement for a prospective resident without penalty, in which case the entrance fee must be returned in full. Further, during a 90 day trial period, the resident, Provider or person providing funds for care may elect to cancel the agreement and receive a refund of not less than 90% of the entrance fee.

The GCCA provides that a Provider shall maintain financial reserves equal to 25% of the anticipated operating cost of the community for the coming 12 months, as reported on the Disclosure Statement. In extreme situations, failure to maintain proper reserves could result in loss of the certificate of authority to operate. The GCCA provides that any resident injured by a violation of the act may bring an action for recovery of damages plus reasonable attorney fees. Further, the Georgia Insurance Department may bring an action to enjoin violation of the GCCA. If ACTS were held liable to any resident of the Georgia Facilities or were enjoined from operation, the financial condition of ACTS and the Obligated Group could be materially adversely affected.

Georgia License and Bill of Rights. The skilled nursing facility component of the Georgia Facilities are licensed and regulated by the Georgia Department of Community Health (the "DCH"), pursuant to the Official Code of Georgia Annotated 31-7-1 *et seq.* The DCH regularly inspects facilities, operations and care of the skilled nursing facility. Failure to comply with current or future regulatory requirements of DCH or with the above referenced Code Sections could result in imposition of sanctions, and in extreme cases, loss of licensure.

Further, residents of the skilled nursing facility at the Georgia Facilities are covered by the Bill of Rights for residents of Long Term Care Facilities, Georgia Code Annotated 31-8-100 *et seq.* (the "Bill of Rights"). In the event of a violation of the Bill of Rights, ACTS could be subject to legal action, including compensatory and punitive damages.

Under Georgia Law (Official Code of Georgia Annotated Section 31-7-12), any dwelling, whether or not operated for a profit, which undertakes through its ownership or management to provide or arrange for the provision of housing, food service and one or more personal services for two or more adults who are not related to the owner or administrator by blood or marriage is designated as a personal care home. Personal services include, but are not limited to, individual assistance with or supervision of self-administered medication and essential activities of daily living such as eating, bathing, grooming, dressing, and toileting. The personal care component of the Georgia Facilities are licensed by DCH under O.C.G.A. Section 31-7-12 and regulations promulgated thereunder. The personal care component is subject to periodic inspection and evaluation by DCH to determine compliance with statutory and regulatory requirements. Failure to comply with current or future regulatory requirements could result in the imposition of various sanctions, including reprimand (public or private), imposition of a fine, and limitation, suspension or restriction of a permit.

On January 2, 2012, rules for assisted living communities became effective in the State of Georgia, to which the Georgia Facilities are subject. The administrative rules were promulgated by DCH under O.C.G.A. Section 31-7-2, O.C.G.A. Section 31-7-12.2, and O.C.G.A. Sections 31-2-4, 31-2-7, and 31-2-8. An assisted living community (“ALC”) is defined as a personal care home serving 25 residents or more that is licensed by DCH to provide assisted living care. DCH is empowered to enforce the new regulations for institutions licensed as ALCs. DCH regulations include required policies and procedures for ALCs, requirements for owners of ALCs, staff criminal background checks, staff qualifications, staff training, designs of buildings, fire safety requirements, general safety precautions, emergency management, application for admission/admission agreements with residents, medications, meals/food, resident files, rights of residents, requirements for reporting changes of condition of resident, and procedures for transfer or discharge of a resident. Memory care units have additional applicable regulations. Only an assisted living community licensed by DCH under the rules and regulations discussed can hold itself out as offering assisted living care in the State of Georgia.

North Carolina Continuing Care Act. Legislation for the regulation of continuing care centers in North Carolina, codified at Section 58-64-1 *et seq.* of the North Carolina General Statutes, as amended (the “Continuing Care Act”), creates requirements for disclosure statements and contracts for continuing care, restricts how entrance fees may be used, provides for civil liability for violations of the disclosure requirements and criminal penalties for willful and knowing violations of the legislation. Under the Continuing Care Act, each resident of a continuing care facility in North Carolina has the right to rescind such resident’s contract with a facility within 30 days following the later of the execution of the contract or the receipt of a disclosure statement meeting the disclosure requirements of the Continuing Care Act. The resident to whom the contract pertains is not required to move into the facility before the expiration of that 30-day period. In addition, if the resident dies or becomes ill or incapacitated in such a manner that the resident cannot occupy a living unit in the facility, then the contract is automatically canceled. For rescinded contracts under the Continuing Care Act, the resident is entitled to receive a refund of all money or property transferred to the facility, less certain nonrefundable fees and certain charges specified in the contract, including, certain periodic charges applicable only to the period the resident actually occupied a living unit. ACTS prepares a disclosure statement annually that ACTS reasonably believes meets the disclosure requirements of the Continuing Care Act, and has established procedures for the distribution of its disclosure statements that ACTS reasonably believes are adequate under the Continuing Care Act. Section 58-64-45 of the North Carolina General Statutes grants the State Commissioner of Insurance broad discretionary powers to supervise and, upon court order, to rehabilitate or liquidate any continuing care facility that becomes bankrupt or insolvent or otherwise fails to satisfy certain statutory standards. In the event of liquidation of the Obligated Group, under Section 58-64-60 residents’ continuing care contracts are deemed preferred claims against all assets owned by the Obligated Group, except that such claims will be subordinate to the liquidator’s cost of administration or any secured claims.

Section 58-64-33 of the North Carolina General Statutes requires that all continuing care facilities, such as the Facilities, maintain operating reserves equal to 50% of the total operating costs (as defined in Section 58-64-33) (or 25% of the total operating costs if such facilities maintain an occupancy level in excess of 90% and the North Carolina Commissioner of Insurance so approves) projected for the 12 month period following the period covered by the most recent disclosure statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Accordingly, the ability of the Master Trustee to enforce its security interest in any funds constituting Pledged Revenues may be limited, if those funds are held as operating reserves pursuant to Section 58-64-33.

Residents occupying skilled nursing beds and assisted living beds are protected by the Nursing Home Patients' Bill of Rights, pursuant to Section 131E-115 *et seq.* of the North Carolina General Statutes, as amended, and the Adult Care Home Residents' Bill of Rights, pursuant to Section 131D-19 *et seq.* of the General Statutes of North Carolina, as amended, respectively. The Nursing Home Patients' Bill of Rights provides that beneficiaries have the right, among other things, to receive reasonable responses to their requests, to present grievances, to be transferred or discharged only for limited reasons and to receive statements of any account of personal funds of the resident managed by the Obligated Group. Similarly, the Adult Care Home Residents' Bill of Rights provides that beneficiaries have the right, among other things, to receive upon admission a copy of the section of the statute containing their list of rights, to receive reasonable responses to their requests and to examine any account of personal funds managed by the Obligated Group. Injunctive remedies and administrative monetary penalties can be imposed for violation of either the Nursing Home Patients' Bill of Rights or the Adult Care Home Residents' Bill of Rights and such a violation could result in the revocation of the Obligated Group's licenses to operate the nursing home and assisted living components of its continuing care retirement facility.

The North Carolina General Assembly periodically studies the regulation of continuing care facilities. Although management of the Obligated Group is not aware of the introduction of any specific legislative proposals, legislation affecting continuing care facilities could be enacted in the future. Such legislation might limit the enforceability of and remedies under the Master Indenture, the Bond Indentures, the Loan Agreements and the Mortgages, thereby affecting the security for the 2016 Bonds.

Pennsylvania Continuing-Care Provider Act. The Commonwealth of Pennsylvania has enacted the Continuing-Care Provider Registration and Disclosure Act, 40 P.S. Sections 3201-3225 (the "Continuing-Care Provider Act") that applies to the eight communities operated by ACTS in Pennsylvania. The Continuing-Care Provider Act requires every continuing care provider to obtain a certificate of authority ("COA") from the Insurance Department of the Commonwealth of Pennsylvania in order to operate. ACTS has received COAs for its facilities in Pennsylvania. The Continuing-Care Provider Act also requires disclosure of certain information deemed to be of importance to residents of such a facility. The Continuing-Care Provider Act requires that every continuing care provider file with the Insurance Commissioner of the Commonwealth (the "Commissioner") an annual disclosure statement and to deliver to current and prospective residents a copy of the disclosure statement. The Continuing-Care Provider Act also contains certain requirements for residents' agreements and mandates that the Commissioner to require the provider to hold a portion of residents' entrance fees in escrow prior to occupancy, subject to release under certain conditions. In addition, the Continuing-Care Provider Act authorizes the Commissioner to require the provider to establish and maintain in escrow a portion of all entrance fees received by the provider in an aggregate amount not to exceed the total of all principal and interest payments due during the next twelve months on account of any first mortgage loan or other long-term financing of the facility. The Continuing-Care Provider Act also requires a continuing care provider to maintain liquid reserves in an amount equal to or exceeding the greater of:

- (i) the total of all principal and interest payments due during the next 12 months on account of any mortgage loan or other long-term financing of the facility; or
- (ii) ten percent of the projected annual operating expenses of the facility exclusive of depreciation.

If the Commissioner determines that a continuing care provider has violated or is about to violate the Continuing-Care Provider Act, the Commissioner may issue a cease and desist order or bring an action to enforce compliance. A provider or person acting on behalf of a provider may be liable for civil damages and repayment of entrance fees (with interest) if the disclosure statement was not delivered or it misstates or omits a material fact (even if the provider or person liable did not have actual knowledge of the misstatement or omission) and may be liable for criminal penalties if such person willfully and knowingly violates the Continuing-Care Provider Act or any rule or order thereunder. In addition, the COA may be revoked if the provider willfully violates the Continuing-Care Provider Act (or any rule, regulation or order adopted thereunder), fails to file an annual disclosure statement or resident agreement, fails to give prospective residents a disclosure statement, gives a prospective resident a disclosure statement which the provider knows makes an untrue statement or omits a material fact or fails to comply with a cease and desist order issued by the Commissioner. If the Commissioner determines that a continuing care provider has failed to meet certain financial requirements of the Continuing-Care Provider Act or is bankrupt or insolvent or in imminent danger of becoming bankrupt or insolvent, the Commissioner may apply to a court for an order directing the Commissioner (or authorizing the Commissioner to appoint a trustee) to liquidate or rehabilitate the provider. If the court issues an order for the Commissioner to rehabilitate the provider and then the Commissioner determines that further effort to rehabilitate the provider

would be useless, the Commissioner may apply to the court for an order of liquidation. An order to liquidate will act as a revocation of a provider's COA.

Prior to the issuance of a COA or at such other time as the Commissioner may determine it to be in the best interests of the residents of a continuing care facility, the Commissioner may file a lien on the real and personal property of the provider or facility to secure the obligations of the provider pursuant to existing and future contracts for continuing care. A lien filed under the Continuing-Care Provider Act shall be effective for a period of ten years and may be extended by the Commissioner. Such lien may be foreclosed upon liquidation of the facility or insolvency or bankruptcy of the provider, and in such event, the proceeds thereof shall be used in full or partial satisfaction on the obligations of the provider pursuant to contracts for continuing care then in effect. A lien filed by the Commissioner under the Continuing-Care Provider Act shall be subordinate to the lien of any first mortgage on the real property of the facility and may be subordinated, with the written consent of the Commissioner, to the claims of other persons if the Commissioner finds such subordination to be advisable for the efficient operation of the facility.

Additionally, the Continuing-Care Provider Act allows only the unencumbered assets of a continuing-care facility to be pledged by the provider as collateral for the purpose of securing loans for other continuing-care facilities, whether proposed or existing. This may affect the ability to deliver and/or record the Mortgages or other security of future members of the Obligated Group.

Pennsylvania Licensure. ACTS is required to obtain and maintain COA's from the Pennsylvania Department of Insurance in order to operate its Pennsylvania Facilities. See "CERTAIN BONDHOLDERS' RISKS — Pennsylvania Continuing-Care Provider Act" herein.

The skilled nursing facility component of the continuing care retirement communities in Pennsylvania owned and operated by ACTS (the "SNF") is licensed by the Pennsylvania Department of Health ("DOH") under The Health Care Facilities Act, 35 PS Section 448.101 *et seq.* and 28 Pa. Code §201 *et seq.* and is subject to laws and regulations relating, among other things, to the adequacy of the physical plant and equipment, standards of care, and operational requirements. To determine compliance with such laws and regulations, DOH routinely conducts annual and/or other periodic unannounced inspections of the SNF. Failure to comply with current or future regulatory requirements could result in the imposition of various sanctions including fines, denial of payment, or, in extreme cases, revocation of licensure.

In 2007, the Commonwealth of Pennsylvania enacted a law governing the licensure of assisted living residences. Assisted living residences are licensed by PDHS under 62 P.S. §1001 *et seq.* and 55 Pa. Code §2800 *et seq.* To determine compliance with such laws and regulations, PDHS conducts annual and/or other periodic unannounced inspections of all facilities. Failure to comply with current or future regulatory requirements could result in the imposition of various sanctions including fines, denial of payment, or, in extreme cases, revocation of licensure.

Final regulations for assisted living residences became effective January 18, 2011. The regulations have multiple provisions in addition to establishing guidelines and requirements for licensure of assisted living residences. The regulations limit the use of the term "assisted living" in marketing materials to facilities licensed under the regulations. The regulations require assisted living residences to develop a "resident handbook" which is to be approved by the PDHS. The regulations set out guidelines for an informed consent process and include a list of resident rights, as well as establish a complaint process for alleged violations of these rights, a specific program for administrator and staff training and orientation and require assisted living residences to immediately develop an action plan of supervision or suspension for any employee who has allegedly abused a resident and includes a list of reportable incidents and conditions. Finally, the regulations allow assisted living residences to apply for a waiver of any requirement of the regulations, upon a showing of items specified in the regulations.

Present and Prospective Federal and Related State Regulation

General. Health care providers are subject to federal, state and local laws and regulations, and sanctions imposed under or changes to such laws or regulations could adversely affect the operations or financial results of ACTS. Further reductions in federal and state funding of health care below levels authorized by present law can be expected.

Budget Control Act. The Budget Control Act of 2011 (the “Budget Control Act”) limits the federal government’s discretionary spending caps at levels necessary to reduce expenditures by \$917 billion from the federal budget baseline between federal fiscal years 2012 and 2021.

The Budget Control Act also created a new Joint Select Committee on Deficit Reduction (the “Super Committee”) tasked with making recommendations to further reduce the federal deficit by \$1.5 trillion. The Super Committee failed to act within the time specified in the Budget Control Act, but as a result of the enactment of the American Taxpayer Relief Act of 2012, automatic spending cuts (in an amount necessary to achieve \$1.2 trillion in savings between federal fiscal years 2013 and 2021, commonly referred to as “sequestration”) were not triggered on January 1, 2013. However, automatic spending cuts were triggered on March 1, 2013, the next effective date of sequestration. A wide range of spending is exempted from sequestration, including Social Security, Medicaid, Veteran’s benefits and pensions, federal retirement funds, civil and military pay, child nutrition and other programs. However, Medicare is not exempted from sequestration. Medicare payments are reduced in part as a result of these across the board spending reductions, limited to 2% of total program costs. Fitch Ratings approximates the annualized impact of sequestration cuts in Medicare spending that went into effect in April of 2013 at \$11 billion.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any approved spending cuts may have upon ACTS. President Obama’s fiscal 2016 federal budget proposal would reduce net Medicare spending by approximately \$400 billion between 2016 and 2025 and would use federal savings and revenues to reduce the deficit and replace sequestration of Medicare and other federal programs for that period. While the 2016 budget proposal has little chance of passage by the Republican majorities in the House and Senate, the healthcare cuts backed by President Obama could be attractive common ground to Republicans seeking to reduce overall spending and may thus be incorporated into the final budget signed into law. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If Medicare spending is reduced under either scenario, this may have a material adverse effect upon the financial condition of ACTS. Further, with no long-term resolution in place for federal deficit reduction, hospital and physician reimbursement are likely to continue to be targets for reductions with respect to any interim or long-term federal deficit reduction efforts.

Health Care Reform. The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the “Health Care Reform Law”) is designed to overhaul the United States health care system and regulate many aspects of and players in the health care arena including individuals, employers and health insurers. This legislation addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and will continue to change how health care services are covered, delivered, and reimbursed. These changes may result in lower reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. While most providers will receive reduced payments for care, millions of uninsured Americans may have coverage. Requirements for state health information exchanges could fundamentally alter the health insurance market and negatively impact providers by taking on a rate-setting role. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians, and other health care providers.

On June 28, 2012, the United States Supreme Court upheld the constitutionality of the Health Care Reform Law generally, but struck down certain provisions which would have permitted federal Medicaid funding to be entirely eliminated for states that do not comply with the expanded Medicaid coverage required under the Health Care Reform Law. Since the Supreme Court’s decision was handed down, certain political leaders have announced their intention to proceed with legislation to repeal or amend provisions of the Health Care Reform Law. Attempts to repeal provisions of the Health Care Reform Law are pending in Congress while the constitutionality of the Health Care Reform Law continues to be challenged in the courts. On March 4, 2015, the Supreme Court heard oral argument in *King v. Burwell*, a challenge to a component of the Health Care Reform Law that provides tax credits to individuals who purchase health insurance on the exchanges. On June 25, 2015, the Supreme Court issued a 6-3 decision upholding the Health Care Reform Act’s subsidies for U.S. residents purchasing coverage through the federal exchange. Based on this ruling, subsidies will continue to be available and used in an exchange administered either by a state or the federal government. The ultimate outcomes of legislative attempts to repeal or amend the Health Care Reform Law and future legal challenges to the Health Care Reform Law are unknown.

A significant component of the Health Care Reform Law is the expansion of the base of health care consumers through the reformation of the sources and methods by which consumers will pay for health care for themselves and their

families and by which employers will procure health insurance for their employees and dependents of their employees. One of the primary drivers of the Health Care Reform Law is to provide, make available, or subsidize the premium costs of health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels. As of March 2015, the Congressional Budget Office and the staff of the Joint Committee on Taxation project that for the next ten years the Health Care Reform Law will reduce the number of people without health insurance by 24 million to 25 million in most years relative to what would have occurred under prior law. To the extent all or any of the Health Care Reform Law provisions produce the intended result, 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, and a risk of physician shortages, especially in specialties necessary to provide critical intervention or chronic disease management (e.g., primary care).

The Health Care Reform Law also contains more than 32 sections related to health care fraud and abuse and program integrity as well as significant amendments to existing criminal, civil and administrative anti-fraud statutes. See “State Regulatory Compliance and Licensure of Senior Living Providers” below. Increased compliance and regulatory requirements, disclosure and transparency obligations, quality of care expectations and extraordinary enforcement provisions that could greatly increase potential legal exposure are all aspects of the Health Care Reform Law that could increase operating expenses to ACTS.

Some provisions of the Health Care Reform Law took effect immediately, while others will be phased in over time, ranging from a few months following final approval to ten years. Given the general complexity of the Health Care Reform Law, additional legislation is likely to be considered and enacted over time. The Health Care Reform Law will also require the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. In response, third-party payors as well as suppliers and vendors of goods and services to health care providers are expected to impose new contractual terms and conditions. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements as well as contractual terms and conditions, and consequently to structural and operational changes and challenges, for a substantial period of time.

Management of ACTS is analyzing the Health Care Reform Law and will continue to do so in order to assess the effects of the legislation and/or regulations on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation or promulgated regulations.

The Health Care Reform Law includes a number of initiatives that impact skilled nursing facility reimbursement. Final rules to update the skilled nursing facility, inpatient rehabilitation facility, and inpatient psychiatric facility prospective payment systems (“PPS”) for fiscal year (FY) 2016, and the FY 2016 acute inpatient PPS proposed rule were published by CMS on August 2, 2015. There is no assurance that payments made by CMS as a result of reimbursement reform measures will be sufficient to cover the facility’s costs. In addition, any future Congressional action related to value-based purchasing or adjustments to market basket updates could negatively affect ACTS’s revenues.

On April 16, 2015, President Obama signed into law H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015, a bipartisan agreement to reform Medicare’s physician payment program (P.L. 114-10). The law updates payments to providers who are reimbursed under the Medicare fee schedule, while improving and providing new incentives to deliver quality, efficient care. Briefly, the law will:

- Repeal the Sustainable Growth Rate, avoiding annual double digit payment cuts;
- Provide stable, annual updates for services paid under the Medicare physician fee schedule;
- Consolidate three Medicare incentive programs into one program that rewards performance based on value and improvement;
- Establish new priorities and provide funding for the development of quality measures;
- Encourage flexibility through alternative payment models (APM), such as medical homes and shared risk arrangements; and
- Extend federal funding for the Children’s Health Insurance Program (CHIP) for two years.

Several provisions in the law will facilitate Medicare's transition away from fee-for-service to value-based payments, incentivize providers to adopt APMs, and promote better health outcomes at lower cost.

Medicare and Medicaid Programs. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled, or qualify for the end stage renal disease program. Medicaid is a program of financial assistance, funded jointly by the federal government and each of the various states, primarily for medical assistance, including skilled nursing, to certain needy individuals and their dependents. Neither Medicare nor Medicaid cover the cost of independent living, but they provide coverage to patients in assisted living (in certain cases) and in SNFs.

SNFs participating in the Medicare program are reimbursed under a prospective payment system ("PPS") covering all costs of covered skilled nursing in-patient services furnished to Medicare beneficiaries under Part A of the Medicare program. Under PPS, skilled nursing facilities are paid a predetermined amount per patient, per day based on the anticipated costs of treating patients. The per day rate is determined by classifying each patient into one of 53 resource utilization groups (RUGS III). The PPS system generally has had and may continue to have an adverse impact on the Medicare revenues of the SNFs, although it is difficult to predict how substantial the impact will be. The Obligated Group received approximately 7% of its revenue from the Medicare program in the year ended December 31, 2015.

Due to health care reform as well as continuing political and financial pressures, the legal and regulatory environment surrounding the Medicaid and Medicare programs has been changing and is expected to continue to change. Future changes to Medicare and Medicaid may alter features including: (1) services eligible for payment; (2) rates of payment; (3) eligibility requirements to participate or qualify for different levels of payment/reimbursement; (4) consequences of violations; (5) rates and requirements relating to additional payments unrelated to services offered to patients; (6) guidelines relating to interactions between the participating healthcare providers, third party payers and the federal and state governments; and (7) payment methodologies. Past federal budgets have contained cuts to the Medicare program budget. In addition, due to the sequestration required by the Budget Control Act, cuts to the Medicare program of 2% of total program costs began on April 1, 2013. See "Present and Prospective Federal and Related State Regulation — Budget Control Act." As Congress continues to discuss the budget for the 2016 and 2017 fiscal years, reductions in Medicare and other health spending are cost-saving measures being considered. While it is uncertain what the outcome of current budget discussions will be and whether future federal budgets will propose additional cuts to these programs, any reduction in the level of Medicare spending or a reduction in the rate of increase of Medicare spending may have an adverse impact on the revenues of ACTS expected to be derived from the Medicare program.

Certain states have created programs that impose a fee or assessment on health care providers, the proceeds of which are intended to qualify for federal matching funds for such state's Medicaid program and are to be used to provide additional reimbursement from the federal government for Medicaid inpatient and outpatient services. The State has implemented a provider fee and thereby receives increased reimbursement for Medicaid services. For example, in an effort to generate additional revenues to provide medical assistance recipients with access to nursing facility services in Pennsylvania, the Pennsylvania Nursing Facility Assessment Law, codified at 62 P. S. §801-A to 815-A, directs PDHS to "implement a monetary assessment" on nonpublic licensed long term care nursing facilities beginning July 1, 2003, and ending June 30, 2007 (the "Assessment Program"). The Pennsylvania Nursing Facility Assessment Law has been extended and remains in effect. Under the Assessment Program, facilities are assessed at different rates, depending on a facility's manner of operation and ownership. One rate applies to nursing facilities (subject to certain exceptions not applicable to the Obligated Group) that participate in a licensed continuing care retirement community ("CCRC Facilities"). This methodology has remained the same each year since the Assessment Program's inception. For the 2004-2005 fiscal year, the assessment was \$1.50 per patient per day. For the 2015-2016 fiscal year, the assessment was \$8.01 per patient per day.

The impact of the assessment on the Obligated Group is reflected in the Obligated Group's audited special-purpose combined financial statements. All of the revenue derived from the assessment fees and associated federal matching funds are expected to be used to make payments to qualified Medicaid nursing facility providers in accordance with applicable law and regulations. The Obligated Group received approximately 1% of its revenue from the Medicaid program in the year ended December 31, 2015.

Federal Privacy Laws. Specific state and federal laws govern the use and disclosure of confidential patient health information, as well as patients' rights to access and amend their own health information. The Administrative

Simplification Requirements of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) established national standards to facilitate the electronic exchange of Protected Health Information (“PHI”) and to maintain the privacy and security of the PHI. These standards have a major effect on health care providers which transmit PHI in electronic form in connection with HIPAA standard transactions (e.g., health care claims). In particular, HIPAA established standards governing: (1) electronic transactions and code Sets; (2) privacy; (3) security; and (4) national identifiers. It also requires entities covered by HIPAA, including health care providers, to notify individuals when their “unsecured” PHI has been breached. ACTS has developed policies, procedures and practices that it believes comply with the HIPAA standards and requirements, but, if it was determined that ACTS was not in compliance, there could be criminal and civil penalties imposed.

Title XIII of the American Recovery and Reinvestment Act of 2009, otherwise known as the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”), provides for an investment of almost \$20 billion in public monies for the development of a nationwide health information technology infrastructure (“HITI”). The HITI is intended to improve health care quality, reduce costs and facilitate access to certain information. The HITECH Act also expands the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulations, (i) imposing a written notice obligation upon covered entities for security breaches involving “unsecured” PHI, (ii) expanding the scope of a provider’s electronic health record disclosure tracking obligations, (iii) substantially limiting the ability of health care providers to sell PHI without patient authorization, increasing penalties for violations, and (iv) providing for enforcement of violations by state attorneys general.

On Jan. 25, 2013, the HHS published the “HIPAA Omnibus Rule,” a set of final regulations modifying the HIPAA Privacy, Security, and Enforcement Rules to implement various provisions of the HITECH Act. In broad terms, the Omnibus Rule addresses the following three specific areas that have a bearing on covered entities:

- Modifies the HIPAA Privacy, Security, and Enforcement regulations in the following ways:
 - Makes business associates and subcontractors of business associates of covered entities directly liable for compliance with certain of the HIPAA Privacy and Security Rule requirements
 - Strengthens the limitations on the use and disclosure of protected health information (PHI) for marketing and fundraising purposes, and prohibits the sale of PHI without individual authorization
 - Expands an individual’s rights to receive electronic copies of his or her health information and to restrict disclosures to a health plan concerning treatment for which the individual has paid out-of-pocket in full
 - Requires modifications to a covered entity’s Notice of Privacy Practices
 - Adopts the additional HITECH Act enhancements to the Enforcement Rule, particularly regarding privacy breaches and penalties
- Creates an increased and tiered civil money penalty structure for security breaches under the HITECH Act.
- Modifies and clarifies the definition of what constitutes a reportable privacy breach and the factors covered entities and business associates must consider when determining whether a reportable breach has occurred.

The Omnibus Rule formally adopts the following penalty scheme for violations of the HITECH Act occurring on or after Feb. 18, 2009:

- For violations where a covered entity did not know and, by exercising reasonable diligence, would not have known that the covered entity violated a provision, a penalty of not less than \$100 or more than \$50,000 for each violation
- For a violation due to reasonable cause and not to willful neglect, a penalty of not less than \$1,000 or more than \$50,000 for each violation
- For a violation due to willful neglect that was timely corrected, a penalty of not less than \$10,000 or more than \$50,000 for each violation

- For a violation due to willful neglect that was not timely corrected, a penalty of not less than \$50,000 for each violation; the penalty for violations of the same requirement or prohibition under any of these categories may not exceed \$1.5 million in a calendar year.

While the effects of the HITECH Act cannot be predicted at this time, the obligations and penalties imposed thereunder could have a material adverse effect on the financial condition of ACTS.

Medicare and Medicaid Anti-Fraud and Abuse Provisions. A federal law (known as the “Anti-Kickback Statute”) makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in order to induce referrals for business that is reimbursable under any federal health care program. The Anti-Kickback Statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Statute may result in imprisonment for up to five years and/or fines of up to \$25,000 for each act. In addition, the Office of Inspector General (“OIG”) has the authority to impose civil assessments and fines and to exclude healthcare providers engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of active duty and retired members of the United States military services) and other federal health care programs, for a period of not less than five years.

The Health Care Reform Law amended a number of provisions of the Anti-Kickback Statute. One such amendment provides that an Anti-Kickback Statute violation may be established without showing that an individual knew of the statute’s proscriptions or acted with specific intent to violate the Anti-Kickback Statute. The new standard could significantly expand criminal and civil fraud exposure for transactions and arrangements where there is no specific intent to violate the Anti-Kickback Statute. The Health Care Reform Law further amended the Anti-Kickback Statute to explicitly provide that a violation of the statute constitutes a false or fraudulent claim under the federal False Claims Act (the “FCA”).

In addition to certain statutory exceptions to the Anti-Kickback Statute, the OIG has promulgated a number of regulatory “safe harbors” under the Anti-Kickback Statute designed to protect certain payment and business practices. However, these safe harbors are narrow and do not cover a wide range of common economic relationships involving healthcare providers. The regulations do not purport to comprehensively describe all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources. While the failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful; such failure may increase the likelihood of a regulatory challenge or the potential for investigation. To date, a limited number of final safe harbors have been established.

ACTS has a compliance program designed to help ensure material compliance with the Anti-Kickback Statute. In light of the narrowness of the safe harbor regulations and the scarcity of case law interpreting the Anti-Kickback Statute, there can be no assurances that ACTS will not be found to have violated the Anti-Kickback Statute, and, if so, whether any sanction imposed could have a material adverse effect on the operations of communities owned by ACTS.

Restrictions on Referrals. Another federal law (known as the “Stark Law”) prohibits, subject to limited exceptions, a physician who has a financial relationship or whose immediate family member has a financial relationship, with entities providing “designated health services” from referring patients to these entities for the furnishing of “designated health services” payable by Medicare. The Stark Law defines designated health services as including: physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts improperly collected, a civil penalty of up to \$15,000 for each service arising out of the prohibited referral, exclusion from participation in the federal health care programs and a civil penalty of up to \$100,000 against parties that enter into a scheme to circumvent the Stark Law’s prohibition. Under an emerging legal theory, violations of the Stark Law may also serve as the basis for liability under the federal FCA. The types of financial arrangements between a physician (or a

physician's immediate family member) and an entity that trigger the self-referral prohibitions of the Stark Law are broad and include ownership and investment interests and compensation arrangements.

Regulations promulgated under the Stark Law are subject to amendment. Such amendments are likely to require ACTS to amend or terminate certain arrangements with physicians to comply with new regulatory requirements.

Management of ACTS has a compliance program to help ensure material compliance with the Stark Law provisions. However, in light of the scarcity of case law interpreting the Stark Law provisions, there can be no assurances that ACTS will not be found to have violated the Stark Law provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations or the financial condition of ACTS.

False Claims Act/Qui Tam Actions. There are principally three federal statutes addressing the issue of "false claims." First, the federal FCA makes it illegal to knowingly submit or present a false or fraudulent claim to the federal government. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," share in the damages recovered by the government or recovered independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusions or reputation damage that could have a material adverse impact on health care providers. Because qui tam lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, in the absence of notice from the government of an investigation, it is impossible to determine at this time whether any such actions are pending against ACTS and no assurances can be made that such actions will not be filed in the future.

The Fraud and Enforcement and Recovery Act ("FERA"), signed into law on May 20, 2009, has expanded potential exposure under the civil FCA for a wide range of business transactions involving federal government funds. Pursuant to FERA amendments, the civil FCA may impose liability for false claims with more remote connections to the federal government. FERA has the effect of expanding liability for the retention of money owed to the government, including overpayments by Medicare.

The Health Care Reform Law requires a person who receives an overpayment to report and repay the overpayment within 60 days after the overpayment is identified or the date any corresponding cost report is due, whichever is later. The Health Care Reform Law defines overpayments as "any funds that a person receives or retains under Medicare or Medicaid to which the person, after applicable reconciliation is not entitled." Failure to repay any overpayment within the deadline could lead to liability under the FCA.

In addition, the Health Care Reform Law, among other changes to the civil FCA, limits the "public disclosure bar" (which previously required dismissal of a qui tam suit where the allegations were publicly disclosed in (i) a criminal, civil or administrative proceeding, (ii) a congressional, administrative or U.S. Government Accountability Office report, hearing, audit or investigation, or (iii) news media) as a jurisdictional defense to qui tam suits.

In addition to the civil FCA, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; (6) using a payment intended for a federal health care program beneficiary for another use; or (7) knowingly making or causing to be made a false statement, omission or misrepresentation of material fact in any application, bid or contract to participate in a federal health care program. The Secretary of the United States Department of Health and Human Services, acting through the OIG, also has both mandatory and permissive

authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

In addition, pursuant to HIPAA, the commission of either one of the prohibited practices listed below may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, i.e., upcoding and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could amount to civil monetary penalties of up to \$10,000 for each item or service involved. Management of ACTS does not expect that the prohibited practices provisions of HIPAA will affect ACTS in a material respect.

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

The Deficit Reduction Act of 2005 (“DRA”) provides financial incentives to states that pass similar false claims statutes or amend existing false claims statutes that track the FCA more closely with regard to penalties and rewards to qui tam relators. A number of states have passed similar statutes expanding the prohibition against the submission of false claims to nonfederal third-party payors.

Skilled nursing facilities in many states also are subject to state anti-kickback laws and state anti-self-referral laws (similar to the federal anti-kickback laws and state anti-self-referral laws). These prohibitions are similar in public policy and scope to the federal anti-kickback laws and state anti-self-referral laws and could pose the possibility of material adverse impact for the same reasons as the federal statutes.

At the present time, management of ACTS is not aware of any pending or threatened claims, investigations or enforcement actions regarding the FCA which, if determined adversely to ACTS, taking into account current reserves, would have a material adverse effect on the financial condition of ACTS.

The operations of ACTS are subject to numerous licensing, certification, accreditation and other governmental requirements which are administered by a variety of federal and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment and requirements relating to state licensing agencies, private payors and accreditation organizations. Renewal and continuance of certain of these licenses, certifications, approvals and accreditations are based upon inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by ACTS. An adverse determination could result in a loss, fine or reduction in ACTS’s scope of licensure, certification or accreditation, could affect the ability to undertake certain expenditures, or could reduce the payment received or require the repayment of the amounts previously remitted. ACTS currently anticipates no difficulty in renewing or continuing currently-held licenses, certifications and accreditations. It is impossible, however, to predict accurately the effect of future regulation on the operations or financial condition of ACTS.

Home Health

ACTS has established internal home health agencies which extend the reach of the health facilities into the living units as a means of allowing residents to live independently in their units as long as they are able. ASCS currently operates such home health agencies. To maintain such service, ASCS must maintain licensure as a home health agency under various state statutes. The home health agencies must be registered and licensed by various state agencies. The licenses must be renewed annually or in accordance with applicable law.

Certain Matters Relating to the Enforceability of the Master Indenture

In determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of additional Long Term Indebtedness and Short Term Indebtedness) are met, the accounts of the Obligated Group will be combined for financial reporting purposes, notwithstanding uncertainties hereinafter described as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture

which bear on the availability of the revenues of the Obligated Group for payment of debt service on the Master Notes, including the Master Notes pledged as security for the 2016 Bonds.

The obligation described herein of the Obligated Group to make payments of debt service on Master Notes and other Obligations issued pursuant to and under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent such payments (a) are requested to be made with respect to payments on any Master Note or Obligation issued by or for any Obligated Issuer other than the Obligated Issuer from which such payment is requested which is issued for a purpose that is not consistent with the charitable purposes of the member from which such payment is requested or which is issued for the benefit of an entity other than a tax-exempt organization; (b) are requested to be made from any Property which is donor restricted or which is subject to a direct or express trust which does not permit the use of such Property for such payment; (c) would result in the cessation or discontinuation of any material portion of the health-care or related services previously provided by the Obligated Issuer from which such payment is requested (other than the member by or for which such Master Note or Obligation was issued); or (d) are requested to be made pursuant to any loan violating applicable usury laws. Due to the absence of any clear legal precedent in this area, the extent to which the Property of any present or future Obligated Issuer falls within category (a) referred to above cannot be determined and could be substantial.

No Obligated Issuer may be required to make payments on Master Notes or Obligations issued by or for the benefit of another Obligated Issuer to the extent any such payment would render such Obligated Issuer insolvent or would conflict with, would not be permitted by or would be subject to recovery for the benefit of other creditors of such Obligated Issuer under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments by an Obligated Issuer in order to pay debt service on Master Notes or Obligations issued by or for the benefit of another Obligated Issuer may be voided by a trustee in bankruptcy in the event of a bankruptcy of the member or by third party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyances statutes, a creditor of a co-obligor, may avoid any obligation incurred by a co-obligor, if, among other bases therefor, (1) the co-obligor has not received fair consideration or reasonably equivalent value in exchange for the obligation and (2) the obligation renders the co-obligor insolvent, as defined in the Bankruptcy Code or state fraudulent conveyances statutes, or the co-obligor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force an Obligated Issuer to pay debt service on Master Notes or Obligations issued by or for the benefit of another Obligated Issuer, a court might not enforce such a payment in the event it is determined that such Obligated Issuer is analogous to a guarantor and that fair consideration or reasonably equivalent value for such guaranty was not received and that the incurrence of such obligation has rendered and will render the Obligated Issuer insolvent or the Obligated Issuer is or will thereby become undercapitalized.

There exists common law authority and authority under state statutes for the ability of courts in such states to terminate the existence of a not for profit or nonprofit corporation (or other entity) or undertake supervision of its affairs on various grounds, including a finding that such corporation (or other entity) has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court's own motion or pursuant to a petition of the attorney general of such states or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Additionally, it should be noted that the Pledged Revenues of the Obligated Group include certain types of items of collateral in which a security interest may only be perfected by possession by the Bond Trustee, as well as other items of collateral which may be excluded from the coverage of the UCC. These portions of the Pledged Revenues include, but are not limited to, cash, deposits, instructions, certain documents, and governmental and private insurance arrangements. To the extent that these items of collateral are not possessed by the Bond Trustee or are excluded from the coverage of the UCC, the security interest of the Bond Trustee in such portion of the Pledged Revenues will be unperfected.

Effect of Bankruptcy or Liquidation on Security for the 2016 Bonds; Mortgages Could be Set Aside as a Preference; Mortgages are not Delivered or Recorded

If an Obligated Issuer were to file a petition for relief (or if a petition were filed against any of them) under the Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against that entity, and its property and if the Mortgages were to have been recorded within 90 days (or such other period as may be set forth in the Bankruptcy Code) prior to the filing of such petition for relief (other than as a result of a contemporaneous exchange), such Mortgages could be set aside as preferential. If the bankruptcy court so ordered, the bankrupt entity's property, including its accounts receivable and proceeds thereof, could be used by the bankrupt entity despite the claims of its creditors.

In bankruptcy proceedings, the bankrupt entity could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or the rights of 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 either has been accepted by each class of claims impaired thereunder or the court finds that the plan is fair and equitable and does not discriminate unfairly as to each class that has not accepted the plan. 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.

Although under the Obligated Issuers' current Resident Agreements, residents have no special lien or claim against any property of the Obligated Group, there can be no assurances that residents could not successfully claim or otherwise restrict the use of any of the Obligated Group's property in a bankruptcy proceeding or other dispute.

The Mortgages could be subordinated to the claims of residents in the event of a liquidation by the Department of Insurance, or by other regulatory bodies or the insolvency or bankruptcy of that Obligated Issuer.

The Mortgages have not been delivered or recorded and will only be delivered and recorded under certain circumstances (see "SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS — Delivery and Recording of Mortgages" above). If the conditions requiring the delivery and recording of the Mortgages occur so that the Mortgages are to be delivered and recorded, there may also be recording or other taxes or fees imposed on the delivery and/or recordation of some or all of the Mortgages which, in certain instances, may be substantial and which may have an additional impact on the Obligated Group.

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

The Bond Trustee and the Authorities must look solely to the ability of the Obligated Group to make all required payments under the Loan Agreements and the Master Notes to pay and satisfy the 2016 Bonds in accordance with their terms. The bondholders are dependent upon the success of the Facilities and, upon any default, upon the value of the security provided by the Obligated Group for the payment of the principal or redemption price of and interest on the 2016 Bonds. In the event of a default, the value of the security provided by the Obligated Group may be less than the amount of Outstanding Bonds (and any other Obligations that are secured) and the Facilities may be operating at a loss, which would depress the price a buyer would be willing to pay to purchase the Facilities. The Facilities are specifically designed and constructed as continuing care communities and may not be suitable for other uses. The number of entities that could be expected to purchase or lease the Facilities are therefore limited, and thus the ability of the Master Trustee to realize funds from the sale of the Facilities upon an event of default may be limited. Such value may be also limited by (i) failure of the Obligated Group to maintain licensing and/or other requirements for the nursing beds or the assisted living or similar units at the Facilities and (ii) actual or alleged rights of residents. The Obligated Group has not obtained a current appraisal of the Facilities. Accordingly, in the event of sale of the Facilities, the Bondholders may not receive all principal and interest due under the terms of the 2016 Bonds.

Unique Nature of the Facilities; Zoning

The Facilities are not practically suited to alternative uses. In addition, the Facilities may be subject to restrictive covenants and to zoning limitations. As a result, the remedies available to the Master Trustee in the event of a default under the Master Indenture and the Mortgages (assuming that the Mortgages have been delivered and

recorded, as provided in the Master Indenture) may be limited, and the realization of revenues from the sale (upon foreclosure or otherwise) of the Facilities might thus be adversely affected.

Natural Disasters

Certain of the Obligated Group's Facilities are located in states which over the years have suffered from natural disasters, including, without limitation, hurricanes. While the Obligated Group believes that it maintains adequate insurance and other reserves to cover any loss arising from such natural disasters, there can be no assurance that in severe circumstances that such insurance and reserves will be adequate to rebuild such facilities. Additionally, there can be no assurance that after experiences with natural disasters, residents will continue to choose to live in such areas of the country. Such decisions could have an adverse impact on the financial success of the Obligated Group.

Environmental Matters

Environmental conditions relating to the Facilities may affect both the ongoing use of the Facilities for their current purposes and their value in the event of a sale upon foreclosure under the Mortgages (assuming that the Mortgages have been delivered and recorded, as provided in the Master Indenture). While the Obligated Group does not believe there is currently any such environmental condition at the Facilities, there can be no assurance that the use, handling and disposal of hazardous materials, including fuel oil, solvents, chemicals, pharmaceutical products, biological wastes and other ordinary substances and materials present on or near the Facilities, would not have a material adverse effect on the use and value of the Facilities. Moreover, increased costs of compliance with regulations for the use, storage, handling and disposal of such material could have a material adverse effect on the financial condition and results of operation of the Obligated Group.

Uncertainty of Entrance Fees Collection and Other Revenues

Payment of the 2016 Bonds is dependent on the continuing ability of the Obligated Group to attract and retain residents who can afford to pay the entrance fees and monthly fees associated with the Facilities and to collect such entrance fees and monthly fees. There can be no assurance that the Obligated Group will be able to do so. In such event, the Obligated Group's ability to make debt service payments on the 2016 Bonds may be limited.

The Nature of the Income of the Elderly

A portion of the monthly income of the residents of the Facilities will be fixed income derived from pensions and social security. In addition, some residents may liquidate assets in order to pay the entrance fees and monthly fees and other charges for occupancy of the Facilities. If, due to inflation or otherwise, substantial increases in monthly fees and other charges are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased monthly fees and other charges. Furthermore, investment income of the residents may be and may have been adversely affected by declines in market interest rates or the value of common stocks and other investments, also resulting in payment difficulties.

Organized Resident Activity

The Obligated Group may, from time to time, be subject to pressure from its residents seeking, among other things, to raise the level of services or to maintain the level of monthly fees or other charges without increase. While such pressure from groups of residents is not unusual, no assurance can be given that such pressure will not escalate into serious organized activity such as a general rent strike. Moreover, management of the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly fees and other charges. In such event, no assurance can be given that management of the Obligated Group would be able to satisfactorily meet the needs of both groups. To the extent that the Obligated Group was unable to do so, the number of residents who voluntarily withdraw from the Facilities may increase.

Entrance Fee Refunds

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 the Facilities. The payment of such refunds could adversely affect the Obligated Group's ability to make payments required by the Loan Agreements and the Master Notes.

Possible Limitations on Security

The pledge of and assignment by the Obligated Group of the Pledged Revenues of the Obligated Issuers may be limited by the following: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof or the States of Alabama, Delaware, Florida, Georgia, or North Carolina, or the Commonwealth of Pennsylvania or any agency of such States or Commonwealth; (iii) present or future prohibitions against assignment contained in any federal or state statutes or regulations (including those governing Medicare); (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) federal bankruptcy or state insolvency laws affecting assignments of revenues earned after any effective institution of bankruptcy or insolvency proceedings by or against one or more members of the Obligated Group; (vi) rights of third parties in any revenues, including revenues converted to cash, not in possession of the Bond Trustee; (vii) the requirement that appropriate continuation statements be filed in accordance with the applicable Uniform Commercial Code; (viii) rights of holders of Permitted Liens, as set forth in the Master Indenture; and (ix) other unforeseen reasons. The priority of the Mortgages may be limited or restricted by law and as otherwise provided by the Master Indenture.

Additional Indebtedness and Permitted Liens

The Master Indenture permits the Obligated Group to incur additional Long Term Indebtedness or Short Term Indebtedness which may be equally and ratably secured with the Master Notes. See "SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE — Additional Long Term Indebtedness," "— Short Term Indebtedness," and "— Liens and Encumbrances" in APPENDIX D hereto. Any such additional Long Term Indebtedness or Short Term Indebtedness would be entitled to share ratably with the Bond Trustee, as the Owner of the Master Note for the benefit of the owners of the 2016 Bonds, in any moneys realized from the exercise of remedies in the event of a default by the Obligated Group.

Tax Exempt/Nonprofit Status

In recent years, the activities of tax exempt nonprofit corporations and other entities have been subjected to increasing scrutiny by federal, state, and local legislative and administrative agencies. Various proposals either have been considered previously or are presently being considered at the federal, state and local level which would variously restrict the definition of tax-exempt or nonprofit corporation or other entities, impose new restrictions on the activities of tax-exempt nonprofit corporations or other entities, and/or tax or otherwise burden the activities of such corporations or other entities. There can be no assurance that future changes in the laws, rules, regulations, interpretations and policies relating to the definition, activities and/or taxation of tax exempt nonprofit corporations or other entities will not have material adverse effects on the future operations of the Obligated Group.

Loss of tax-exempt status by an Obligated Issuer could result in loss of tax exemption of the interest paid on Bonds and on other tax-exempt obligations issued for the benefit of an Obligated Issuer, and defaults in covenants regarding the 2016 Bonds and other related debt would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Obligated Group. Management of the Obligated Group is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of any Obligated Issuer under laws in effect as of the date of this Official Statement.

The maintenance by each Obligated Issuer of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets or income to inure to the benefit of private individuals.

The Internal Revenue Service may scrutinize transactions between tax-exempt nonprofit corporations or other entities and for-profit entities. Although certain specific activities have been the subject of interpretations by

the Internal Revenue Service in the form of Revenue Rulings and Private Letter Rulings (the latter of which is binding only with respect to the taxpayer requesting the ruling), many activities have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service. Because the Obligated Group may conduct large-scale and diverse operations involving private parties, there can be no assurances that certain of their transactions would not be challenged by the Internal Revenue Service and jeopardize their tax-exempt status.

Additionally, the Internal Revenue Service has announced that it intends to closely scrutinize insider transactions and excess executive compensation for tax exempt nonprofit corporations. While the Obligated Issuers have stated conflicts of interests policies which they adhere to and believe that the compensation paid to their executives is reasonable for the services provided, these practices have not been addressed in any official opinion, interpretation or policy of the Internal Revenue Service. Therefore, there can be no assurances that these practices will not be challenged by the Internal Revenue Service, and any adverse finding by the Internal Revenue Service could jeopardize the tax-exempt status of the Obligated Issuers.

Tax-Exempt Status of the 2016 Bonds

The tax-exempt status of the 2016 Bonds is subject to continuing compliance by the Florida Authority, the Georgia Authority, and the Pennsylvania Authority, respectively, and by ACTS, with certain covenants contained in the Bond Indentures, the Loan Agreements, and tax agreements and certificates. These covenants relate generally to ownership, use and operation of the Facilities, arbitrage limitations related to bond proceeds, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the 2016 Bonds. Failure to comply with any of these covenants could result in the treatment of interest on the 2016 Bonds, in some cases, as taxable retroactive to the date of issuance. See “CERTAIN TAX MATTERS” herein.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the 2016 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2016 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2016 Bonds or the market value thereof would be impacted thereby. Purchasers of the 2016 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Bond Audits

The 2016 Bonds may be, from time to time, subject to audits by the Internal Revenue Service. The Obligated Group believes that the 2016 Bonds properly comply with the tax laws. In addition, at the time of issuance of the 2016 Bonds, bond counsel rendered opinions with respect to the tax-exempt status of the 2016 Bonds, as described under the caption “CERTAIN TAX MATTERS.” No ruling with respect to the tax-exempt status of interest on the 2016 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. There can be no assurance that an audit of the 2016 Bonds would not adversely affect the market for the 2016 Bonds.

Under current procedures, parties other than the applicable Authority and the Members of the Obligated Group, and their appointed counsel, including the Beneficial Owners of the 2016 Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the applicable Authority and the Members of the Obligated Group may legitimately disagree, may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the 2016 Bonds, and may cause the applicable Authority, the Members of the Obligated Group or the Beneficial Owners of the 2016 Bonds to incur significant expense.

The opinion of Bond Counsel represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the facts that it deems relevant to render such opinions. However, such opinion is not a guarantee of any result and is not binding on the Internal Revenue Service or the

courts. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the 2016 Bonds. None of the Authorities, the Underwriter, the Members of the Obligated Group or Bond Counsel is responsible to pay or reimburse the costs of any owner or Beneficial Owner with respect to any audit or relating to the 2016 Bonds. The tax-exempt status of the 2016 Bonds is subject to continuing compliance by each Authority and ACTS with certain covenants contained in the Bond Indentures and the Loan Agreements. These covenants relate generally to ownership, use and operation of the Facilities, arbitrage limitations related to bond proceeds, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the 2016 Bonds. Failure to comply with any of these covenants could result in the treatment of interest on the 2016 Bonds, in some cases, as taxable retroactive to the date of issuance. See “CERTAIN TAX MATTERS” herein.

Increases in Medical Costs

The cost of providing health care services may increase due to many reasons, including increases in salaries paid to nurses and other health care personnel and due to shortages in such personnel that may require use of employment agencies. In particular, recently the healthcare industry has experienced a shortage of nursing staff, which has resulted in increased costs for healthcare providers due to the need to hire agency nursing personnel at higher rates. If the nursing shortage continues, it could adversely affect the operations or financial condition of the Obligated Group.

Insurance

The Obligated Issuers maintain insurance policies with insurance companies for workers compensation, property and casualty coverage, flood insurance for applicable properties, general and professional liability, directors’ and officers’ coverage including employment practices, business interruption coverage and boiler and machinery coverage, among others. The Obligated Issuers also maintain certain self-insurance reserves which they consider appropriate and which are in accordance with the requirements under the Master Indenture.

While the Obligated Issuers believe that they maintain adequate insurance coverage and reserves, there can be no assurance that future claims will not exceed insurance limits and available reserves. If such situation arose, it could adversely affect the financial condition of the Obligated Issuers.

Earnings on Investments

A portion of the Obligated Group’s revenues available to pay debt services 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. The value of the Obligated Group’s investments is subject to decline in value and principal loss.

Interest Rate Hedge Transactions

The Obligated Issuers have entered into interest rate hedge and basis swap transactions in the past and may enter into similar transactions in the future (collectively, the “Hedge Agreements”) with various counterparties. For a description of existing Hedge Transactions, see “APPENDIX B —AUDITED SPECIAL-PURPOSE COMBINED FINANCIAL STATEMENTS OF ACTS RETIREMENT – LIFE COMMUNITIES, INC. OBLIGATED GROUP FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.” Under certain market conditions, an Obligated Issuer may owe a termination payment to the hedge counterparty. Such termination payment generally would be based upon the market value of the Hedge Agreement on the date of termination and could be substantial.

Credit Facilities

The Obligated Group has incurred Indebtedness in the form of variable rate demand bonds (the “Variable Rate Bonds”) secured by direct pay letters of credit (the “Letters of Credit”) from commercial banking institutions (the “Letter of Credit Banks”) and secured by bond insurance (“Bond Insurance”) and standby bond purchase agreements (“Standby BPAs”) issued by commercial banking institutions (the “Liquidity Providers”). See “ESTIMATED DEBT SERVICE SCHEDULE” herein for certain information about such Indebtedness. There can be no assurance that the interest rates on these variable rate demand bonds will not increase and such increase could

have a material adverse effect on the income of the Obligated Group. There can be no assurance that the Letter of Credit Banks, the issuers of Bond Insurance, or the Liquidity Providers will continue to maintain their present financial position. Any adverse change in the present financial condition of the Letter of Credit Banks, the issuers of Bond Insurance, or the Liquidity Providers may adversely affect the Obligated Group's ability to remarket the 2016 Bonds at current market interest rates. In addition, there can be no assurance that the Letter of Credit Banks will renew the Letters of Credit or the Liquidity Providers will renew the Standby BPAs upon their respective expiration dates or that the Obligated Group can secure replacement Letters of Credit or Standby BPAs, if necessary. A deterioration of the financial condition of the Letter of Credit Banks, the issuers of Bond Insurance, or the Liquidity Providers, the failure of Letter of Credit Banks to renew the respective Letters of Credit or the Liquidity Providers to renew their Standby BPAs, or the failure of the Obligated Group to find a replacement for a non-renewed Letter of Credit or Standby BPA could result in additional interest expense on the Variable Rate Bonds and/or a reduction of the liquidity of the Obligated Group which could have a material adverse effect on the Revenues of the Obligated Group.

Agreements with Letter of Credit Banks, the issuers of Bond Insurance, or the Liquidity Providers may provide for different and more restrictive financial covenants and default and remedies provisions than are customary for long-term, fixed rate bond financings.

Matters Relating to Security for the 2016 Bonds

Certain amendments to the Master Indenture may be made with the consent of the holders of a majority in aggregate principal amount of the Obligations then outstanding under the Master Indenture. Such amendments may adversely affect the security of the holders of the affected Bonds. Such percentage of holders of the Master Notes may be composed wholly or partially of the owners of Master Notes or Obligations other than the Master Notes.

The remedies available to either the Bond Trustee, the Master Trustee, the Authorities, or the Beneficial Owners of the 2016 Bonds upon an event of default under the Master Indenture, the Bond Indentures, the Loan Agreements or the Master Notes are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the "Bankruptcy Code"), the remedies provided in the Master Indenture, the Bond Indentures, the Loan Agreements and the Master Notes may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

ACTS enters into Resident Agreements with each resident. The current form of Resident Agreement gives each resident a contractual right to use space but no ownership rights in the Facilities. Pursuant to such Resident Agreement, a resident's possessory rights are subordinate to the rights of a holder of a mortgage or deed of trust. In the event of a proceeding against an Obligated Issuer upon the occurrence of an Event of Default, it is impossible to predict how a court might rule in the face of a claim for possession by residents.

Lack of Marketability for the 2016 Bonds

There can be no assurance that there will be a secondary market for the 2016 Bonds, and the absence of such a market for the 2016 Bonds could result in investors not being able to resell the 2016 Bonds should they need to or wish to do so. Additionally, even if there is a secondary market, there is no certainty of the price an investor could resell the 2016 Bonds and such price may be less than what an investor originally paid. Any rating downgrade of the Obligated Group would adversely affect the market for the 2016 Bonds.

Other Possible Risk Factors

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

- (i) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues from residents some of whose incomes may be fixed.

- (ii) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues.
- (iii) Adoption of federal, state or local legislation or regulations or the imposition of court or administrative orders or decisions concerning existing laws, rules, regulations or provisions under which the Obligated Group operates, any of which having an adverse effect on future operating or financial performance of the Obligated Group.
- (iv) A decline in the population, a change in the age composition of the population or a decline in economic, real estate market and/or other conditions of the Obligated Group's market areas.
- (v) The ability of, and cost to, the Obligated Group to continue to insure or otherwise protect itself against malpractice claims.
- (vi) The inability to control increased health care costs, which increased costs may be a result of a deviation from the anticipated mortality rate or health care requirements of the resident population or ability to collect funds from recipients or payment sources.
- (vii) Developments or events affecting the federal or state exemption of the Obligated Group's income from taxation or the Obligated Group's status as exclusively charitable organizations with no earnings accruing to any individual under federal tax or securities laws.
- (viii) Acts of terrorism or war or other conflict which could affect the Obligated Group, its properties, other assets, or residents.

CERTAIN TAX MATTERS

Federal Tax Exemption

Bond Counsel will deliver, concurrently with the delivery of the 2016 Bonds, its opinion to the effect that, under existing law, as enacted and construed on the date of such opinion, interest on the 2016 Bonds of each series is excluded from the gross income of the Beneficial Owners thereof for federal income tax purpose, and is not a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the 2016 Bonds of each series is included in "adjusted current earnings" for purposes of computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

Certain Federal Tax Considerations

Collateral Federal Tax Consequences. Ownership of the 2016 Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the 2016 Bonds. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the 2016 Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the 2016 Bonds will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the 2016 Bonds should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the 2016 Bonds.

Original Issue Premium. The initial public offering price of certain 2016 Bonds may be greater than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes, original issue premium is amortizable periodically over the term of a 2016 Bond through reductions in the Beneficial Owner's tax basis for such 2016 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the 2016 Bond rather than creating a deductible expense or loss. Purchasers of the 2016 Bonds should consult their tax advisors for an

explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of any 2016 Bonds with original issue premium.

Original Issue Discount. The initial public offering price of certain 2016 Bonds may be less than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such 2016 Bond and the stated redemption price at maturity is “original issue discount.” For federal income tax purposes, original issue discount on any 2016 Bond accrues to original Beneficial Owners of the 2016 Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the Beneficial Owner’s tax basis in any 2016 Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of such 2016 Bond. Purchasers of the 2016 Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of any 2016 Bonds with original issue discount.

Sale and Disposition of the 2016 Bonds. Beneficial Owners of any 2016 Bonds should consult their own tax advisors concerning the tax consequences of the sale, disposition or redemption thereof prior to maturity.

Continuing Compliance of ACTS and Authorities. The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2016 Bonds. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the 2016 Bonds are to be invested and which may require that certain excess earnings on investments made with the proceeds of the 2016 Bonds be rebated on a periodic basis to the United States. ACTS and each Authority will make certain representations and undertake certain agreements and covenants in each Indenture and Loan Agreement, and in one or more tax compliance agreements to be delivered concurrently with the original issuance of the 2016 Bonds, designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of ACTS to comply with such covenants and agreements could result in the interest on the 2016 Bonds being included in the gross income of the Beneficial Owners for federal income tax purposes, in certain cases retroactive to the date of original issue of the 2016 Bonds.

The opinion of Bond Counsel assumes the accuracy of these representations and the future compliance by ACTS and each Authority with their respective covenants and agreements. Moreover, Bond Counsel has not undertaken to evaluate, determine or inform any person, including any Beneficial Owner of the 2016 Bonds, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Bond Counsel, would adversely affect the value of, or tax status of the interest on, the 2016 Bonds.

Qualified 501(c)(3) Status of ACTS. In rendering its opinion as to the tax-status of the 2016 Bonds for federal income tax purposes, Bond Counsel will further rely upon representations of ACTS and the opinion of Saul Ewing LLP, counsel for ACTS, with respect to the qualification of ACTS as a charitable organization described in Section 501(c)(3) of the Code. The failure of ACTS to be organized and to remain qualified as a so-called “501(c)(3) organization,” and to conduct its activities (and, in particular, its activities with respect to the facilities financed or refinanced with the proceeds of the 2016 Bonds) in a manner that is substantially related to its charitable purpose could also result in the interest on Bonds issued for the benefit of ACTS being included in the gross income of the Beneficial Owners thereof for federal income tax purposes, in some cases retroactive to the date of their original issuance.

Florida Tax Matters

Concurrently with the issuance of the Florida 2016 Bonds, Haile, Shaw & Pfaffenberger, P.A., will deliver its opinion to the effect that, under the laws of the State of Florida as presently enacted and construed, the Florida 2016 Bonds, their transfer, and the income therefrom, including any profit made on the sale thereof, are exempt from taxation of every kind by the State of Florida, any Florida county, and municipalities and other political subdivisions in the State, except that such income shall be subject to the income and franchise taxes imposed pursuant to the provisions of Chapter 220, Florida Statutes, on corporations, banks and savings associations, as defined therein. Each purchaser of the Florida 2016 Bonds should consult its own tax advisor regarding the tax-exempt status of the Florida 2016 Bonds.

Georgia Tax Matters

Concurrently with the issuance of the Georgia 2016 Bonds, Stewart, Melvin & Frost, LLP will deliver its opinion to the effect that the interest on the Georgia 2016 Bonds is exempt from present State of Georgia income taxation. Such opinion is subject to, and assumes, the exemption of the interest on the Georgia 2016 Bonds from gross income for federal income tax purposes. Such firm has not opined as to whether interest on the Georgia 2016 Bonds is subject to state or local income taxation in jurisdictions other than Georgia; interest on the Georgia 2016 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Each purchaser of the Georgia 2016 Bonds should consult its own tax advisor regarding the tax-exempt status of the interest on the Georgia 2016 Bonds in a particular state or local jurisdiction other than Georgia.

Pennsylvania Tax Matters

Concurrently with the issuance of the Pennsylvania 2016 Bonds, Drinker Biddle & Reath LLP will deliver its opinion to the effect that the Pennsylvania 2016 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the Pennsylvania 2016 Bonds is exempt from Pennsylvania personal income taxes and the Pennsylvania corporation net income tax. Such firm has not opined as to whether interest on the Pennsylvania 2016 Bonds is subject to state or local income taxation in jurisdictions other than Pennsylvania; interest on the Pennsylvania 2016 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Pennsylvania under applicable state or local laws. Each purchaser of the Pennsylvania 2016 Bonds should consult its own tax advisor regarding the tax-exempt status of the interest on the Pennsylvania 2016 Bonds in a particular state or local jurisdiction other than Pennsylvania.

RATING

As noted on the cover page of this Official Statement, the 2016 Bonds have been assigned a long-term rating of "A-" from Fitch Ratings. This rating reflects only the view of such rating agency and is not a recommendation to buy, sell, or hold the 2016 Bonds. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely, if in the judgment of Fitch Ratings the circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the 2016 Bonds. A further explanation of the significance of the rating may be obtained from Fitch Ratings.

UNDERWRITING

The 2016 Bonds are being purchased by B.C. Ziegler and Company as Underwriter. The Underwriter has agreed to purchase or place the Pennsylvania 2016 Bonds at an aggregate purchase price of \$116,435,177.35 (which reflects a net original issue premium of \$19,790,010.10 and an underwriter's discount of \$529,832.75) pursuant to a bond purchase agreement entered into among ACTS, the Pennsylvania Authority, and the Underwriter. The Underwriter has agreed to purchase or place the proceeds of the Florida 2016 Bonds at an aggregate purchase price of \$125,349,104.95 (which reflects a net original issue premium of \$20,328,984.70 and an underwriter's discount of \$564,879.75) pursuant to a bond purchase agreement entered into among ACTS, the Florida Authority, and the Underwriter. The Underwriter has agreed to purchase or place the proceeds of the Georgia 2016 Bonds at an aggregate purchase price of \$8,679,569.90 (which reflects a net original issue premium of \$1,528,036.40 and an underwriter's discount of \$38,466.50) pursuant to a bond purchase agreement entered into among ACTS, the Georgia Authority, and the Underwriter. The Obligated Group will indemnify the Underwriter, the Pennsylvania Authority, the Florida Authority, and the Georgia Authority against certain losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Official Statement. The initial public offering prices set forth on the inside front cover page hereof may be changed by the Underwriter, and the Underwriter may offer to sell the 2016 Bonds to certain dealers and others at prices lower than such offering prices.

CERTAIN LEGAL MATTERS

On the date of delivery of the 2016 Bonds, Drinker Biddle & Reath LLP, Philadelphia, Pennsylvania, Bond Counsel, will issue its opinions substantially in the forms included herein as APPENDIX E. Certain legal matters related to the 2016 Bonds will be passed upon for ACTS by Saul Ewing LLP, Philadelphia, Pennsylvania, Berger

Singerman LLP, Boca Raton, Florida and Hulseley, Oliver & Mahar, LLP, Gainesville, Georgia, for the Pennsylvania Authority by its counsel Hamburg, Rubin, Mullin, Maxwell & Lupin, PC, Lansdale, Pennsylvania, for the Florida Authority by its counsel Haile, Shaw & Pfaffenberger, P.A., North Palm Beach, Florida, for the Georgia Authority by its counsel Stewart, Melvin & Frost LLP, Gainesville, Georgia, and for the Underwriter by its counsel, Butler Snow LLP, Atlanta, Georgia.

Drinker Biddle & Reath LLP, which is serving as Bond Counsel in connection with the issuance of the 2016 Bonds, from time to time provides, and may in the future provide, general legal services to ACTS and its affiliates.

INDEPENDENT AUDITORS

The combined special-purpose financial statements of the Obligated Group for the years ended December 31, 2015 and 2014 and for the years ended December 31, 2014 and 2013 included in APPENDIX B to this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, as stated in the report appearing therein.

LITIGATION

The Pennsylvania Authority

There is no litigation pending seeking to restrain or enjoin the purchase of the Pennsylvania 2016 Bonds or delivery of the Pennsylvania 2016 Bonds or questioning or affecting the legality of the Pennsylvania 2016 Bonds or the proceedings and authority under which the Pennsylvania 2016 Bonds are to be issued. There is no litigation pending which in any manner questions the right of the Pennsylvania Authority to enter into the Pennsylvania Bond Indenture or the Pennsylvania Loan Agreement, to assign its rights under the Pennsylvania Loan Agreement to the Bond Trustee or to issue the Pennsylvania 2016 Bonds.

The Georgia Authority

The Georgia Authority caused proceedings to be instituted in the Superior Court of Hall County, Georgia to validate the Georgia 2016 Bonds and the security therefor. The State of Georgia was the plaintiff in the proceeding, and the Georgia Authority and ACTS were the defendants. A final judgment confirming and validating the Georgia 2016 Bonds and the security therefor was entered on June 8, 2016.

There is no other litigation pending seeking to restrain or enjoin the purchase of the Georgia 2016 Bonds or delivery of the Georgia 2016 Bonds or questioning or affecting the legality of the Georgia 2016 Bonds or the proceedings and authority under which the Georgia 2016 Bonds are to be issued. There is no litigation pending which in any manner questions the right of the Georgia Authority to enter into the Georgia Bond Indenture or the Georgia Loan Agreement, to assign its rights under the Georgia Loan Agreement to the Bond Trustee or to issue the Georgia 2016 Bonds. Under Georgia law, the judgment of validation is forever conclusive with respect to the validity of the 2016 Bonds and the security therefor against the Georgia Authority and ACTS.

The Florida Authority

There is no litigation pending seeking to restrain or enjoin the purchase of the Florida Bonds or delivery of the Florida 2016 Bonds or questioning or affecting the legality of the Florida 2016 Bonds or the proceedings and authority under which the Florida 2016 Bonds are to be issued. There is no litigation pending which in any manner questions the right of the Florida Authority to enter into the Florida Bond Indenture or the Florida Loan Agreement, to assign its rights under the Florida Loan Agreement to the Bond Trustee or to issue the Florida 2016 Bonds.

The Obligated Group

There is no litigation pending that in any manner questions the right of the Obligated Group to operate its Facilities. There is no litigation pending which in any manner questions the right of the Obligated Group to enter into the Loan Agreements, the Master Indenture or the Mortgages or to issue the 2016 Master Notes. In addition, there is no litigation pending or, to the Obligated Group's knowledge, threatened against the Obligated Group, wherein an unfavorable decision would materially adversely affect the ability of the Obligated Group to

carry out its obligation under the Loan Agreements, the Master Indenture or the 2016 Master Notes or would have a material adverse effect on the operations or financial position of the Obligated Group.

CONTINUING DISCLOSURE REQUIREMENTS

The Obligated Group

ACTS has entered into a Master Continuing Disclosure Agreement dated as of December 1, 1996, as amended as of August 1, 2016 (the “Continuing Disclosure Agreement”) to provide to certain information repositories (i) certain financial information and operating data relating to the Obligated Group on an annual basis (the “Annual Report”) not later than the last day of the sixth calendar month after the end of each Fiscal Year that any Bonds are outstanding and (ii) notices (“Material Event Notices”) of the occurrence of certain enumerated events on a timely basis following their occurrence if the occurrence is material to the holders of the 2016 Bonds. Pursuant to the Continuing Disclosure Agreement, ACTS has designated the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended with respect to the 2016 Bonds. The financial information in the Annual Report will include audited special-purpose combined financial statements and the information under the captions “OBLIGATED GROUP HISTORICAL PRO FORMA DEBT SERVICE COVERAGE RATIO,” “RATIO OF CERTAIN ASSETS TO TOTAL HISTORICAL LONG TERM INDEBTEDNESS AND RATIO OF DAYS OF TOTAL CASH AND CASH EQUIVALENTS AND INVESTMENTS ON HAND,” and under the caption “FINANCIAL INFORMATION” and “THE OBLIGATED GROUP'S FACILITIES,” all as set forth in APPENDIX A.

The Continuing Disclosure Agreement defines “Material Events” with respect to the 2016 Bonds as follows: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) any unscheduled draw on any debt service reserves reflecting financial difficulties; (iv) any unscheduled draws on credit enhancements, if any, reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events adversely affecting the tax-exempt status of Related Bonds; (vii) modification of rights of Bondholders of Related Bonds, if material; (viii) redemption calls, if material and tender offers; (ix) defeasances; (x) the release, satisfaction or sale of property securing payment of Related Bonds, if material; (xi) any rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the obligated person; (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material.

As required by the Rule, the Continuing Disclosure Agreement provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. An MSRB rule change approved by the Securities and Exchange Commission establishes a continuing disclosure service of the MSRB's Electronic Municipal Market Access system (“EMMA”) for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted pursuant to continuing disclosure undertakings (such as the Continuing Disclosure Agreement) entered into on or after July 1, 2010, consistent with the Rule. In general, all continuing disclosure documents and related information are to be submitted to the MSRB's continuing disclosure service through an Internet-based electronic submitter interface (EMMA Dataport) or electronic computer-to-computer data connection, accompanied by certain identification information, in portable document format (PDF) files configured to permit document to be word-searchable, saved, viewed, printed and retransmitted by electronic means.

A default in furnishing the required information does not constitute a default with respect to the 2016 Bonds. The sole remedy for any such default is an action by the Bond Trustee or any holder of the 2016 Bonds for specific performance.

ACTS is solely responsible for providing the Annual Reports and any Material Event Notices. None of the Pennsylvania Authority, the Florida Authority, or the Georgia Authority will have responsibility or liability to the holders of the 2016 Bonds or any other person for the making, monitoring or content of any disclosure made by or on behalf of the Obligated Group and any members of the Obligated Group.

The Authorities

Because the 2016 Bonds are limited obligations of each of the Pennsylvania Authority, the Florida Authority, and the Georgia Authority, each such Authority does not intend to provide continuing disclosure regarding itself or the 2016 Bonds after the issuance of the 2016 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051 Florida Statutes and Rule 3E-400.003, Florida Administrative Code provide for the exemption from registration of certain governmental securities and require that, if an issuer or guarantor of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation issued or guaranteed by it, its securities may not be offered or sold in Florida except by means of an offering circular containing full and fair disclosure, as prescribed by rules of the Florida Department of Banking and Finance (the "Department of Banking and Finance"). Under the rules of the Department of Banking and Financing, the prescribed disclosure is not required if the information is not an appropriate disclosure in that the information would not be considered material by a reasonable investor.

As described above, the Florida Authority has the power to issue bonds for the purpose of financing other projects for other borrowers which are payable from the revenues of the particular project or borrower. Revenue bonds issued by the Florida Authority for other projects may be in default as to principal and interest. The source of payment, however, for any such defaulted bond is separate and distinct from the source of payment for the Florida 2016 Bonds and, therefore, any default on such bonds would not, in the judgment of the Florida Authority, be considered material by a potential purchaser of the Florida 2016 Bonds.

The Authority has not been in default at any time after December 31, 1975, as to principal or interest with respect to any obligation issued or guaranteed by the Authority for the benefit of the Obligated Group or any member of the Obligated Group. Neither the Obligated Group nor any member of the Obligated Group has been in default at any time after December 31, 1975 as to principal or interest with respect to any obligation issued or guaranteed by the Obligated Group or any member of the Obligated Group.

MISCELLANEOUS

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The foregoing and the following summaries or descriptions of provisions of the 2016 Bonds, the Bond Indentures, the Master Indenture, the 2016 Master Notes, the Loan Agreements, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. For a complete statement of the provisions of the 2016 Bonds, the Bond Indentures, the Loan Agreements, the Master Indenture, the 2016 Master Notes and the Continuing Disclosure Agreement, reference is made to the documents in their entireties, copies of which will be on file at the corporate trust office of the Bond Trustee.

The Pennsylvania Authority, the Florida Authority, and the Georgia Authority have each authorized the distribution of this Official Statement. The Official Statement is not to be construed as a contract or agreement among any of each Authority or the Obligated Issuer and the Beneficial Owners of any of the 2016 Bonds.

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP

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HISTORY, BACKGROUND AND ORGANIZATION

The ACTS Obligated Group

The ACTS Obligated Group consists of ACTS Retirement-Life Communities, Inc. (formerly known as Adult Communities Total Services, Inc.) (“ACTS”), ACTS Management Services, Inc. (“AMS”), and ACTS Signature Community Services, Inc. (“ASCS” and together with ACTS and AMS, the “Obligated Group”).

The Internal Revenue Service (the “IRS”) has determined that ACTS is an organization that is described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and is not a private foundation as defined in Section 509 of the Code. The IRS has determined that AMS and ASCS are organizations that are described in Section 501(c)(3) of the Code, and are not private foundations as defined in Section 509 of the Code pursuant to a group determination letter issued to ACTS Retirement Services, Inc. (“ARS”) (See “HISTORY, BACKGROUND AND ORGANIZATION – Corporate Structure” below).

ACTS, a Pennsylvania nonprofit corporation, was incorporated in 1971 originally under the name Open Door Estates, Inc. ACTS was founded to own and operate continuing care retirement communities that have been designed and developed specifically for use by senior adults. These facilities provide retirement living through a combination of housing facilities and services including supportive services and health care services.

ACTS originated from the concern of the members of a suburban Philadelphia, Pennsylvania church about the housing accommodations for the elderly. That concern resulted in the development of a small life care community in Upper Dublin Township, Montgomery County, Pennsylvania (now known as Fort Washington Estates). From that original concern, ACTS has grown to now include seven additional communities in Pennsylvania, four communities in Florida, three communities in Delaware, two communities in North Carolina, one community in Georgia, and one community in Alabama. The corporate headquarters of the Obligated Group are located in suburban Philadelphia in West Point, Upper Gwynedd Township, Montgomery County, Pennsylvania.

Effective January 1, 2012, AMS and ASCS became members of the Obligated Group as part of a corporate reorganization. Effective August 1, 2012, Lanier Village Estates, Inc. (“Lanier Village Estates”) and Azalea Trace, Inc. (“Azalea Trace”) each formally merged into ACTS as an operating division. Effective January 1, 2014, Magnolia Trace, an ACTS Retirement-Life Community, LLC (“Magnolia Trace”) formally merged into ACTS as an operating division. Effective July 1, 2014, Peninsula United Methodist Homes, Inc. (“PUMH”) formally merged into ACTS as an operating division. Prior to the mergers, Lanier Village Estates, Azalea Trace, Magnolia Trace and PUMH were first affiliates of ACTS and then were admitted as members of the Obligated Group. Lanier Village Estates was admitted on December 10, 2003, Azalea Trace was admitted on November 30, 2010, and both Magnolia Trace and PUMH were admitted on December 16, 2013.

Corporate Structure

ARS serves as the parent organization of ACTS and its affiliated entities, providing governance and control over all of ACTS and its affiliated entities, including the following affiliates for which ARS is the sole member:

AMS, a Pennsylvania nonprofit corporation that provides management, marketing, and development services to ACTS and affiliated entities.

ASCS, a Pennsylvania nonprofit corporation that provides home and community based services to ACTS and affiliated entities.

ACTS Legacy Foundation (“ALF”), a Delaware nonprofit corporation that provides fundraising, supports all charitable programs, and manages the donor-restricted funds for ACTS and affiliated entities.

AMS and ASCS are members of the Obligated Group. ARS and ALF are not members of the Obligated Group.

The IRS has determined that ARS is an organization that is described in Section 501(c)(3) of the Code, and determined not to be a private foundation as defined in Section 509 of the Code. The IRS has issued a group determination letter to ARS which currently provides that AMS and ASCS are organizations described in Section 501(C)(3) of the Code and are not private foundations as defined in Section 509 of the Code.

Affiliated Entities

On August 1, 2005, ACTS Acquisition Company, LLC (“ACTS LLC”), a Florida limited liability company of which ACTS is the sole member, became the sole member of Park Pointe Village, Inc. (formerly known as Carolina Village), a South Carolina nonprofit corporation (“PPV”). PPV owns and operates a continuing care retirement community in Rock Hill, York County, South Carolina.

On May 1, 2010, ACTS LLC became the sole member of Heron Point of Chestertown, Inc. (formerly known as PUMH of Maryland, Inc.), a Maryland nonprofit corporation (“HP”). HP owns and operates a continuing care retirement community in Chestertown, Maryland.

On January 1, 2016, ACTS Mission Foundation, Inc., previously a Pennsylvania nonprofit corporation and affiliate of ACTS, was merged by and into PUMH Foundation, Inc., a Delaware nonprofit corporation and affiliate of ACTS. Effective at the same time of the merger was the change of name from PUMH Foundation, Inc. to ACTS Legacy Foundation, Inc.

On January 1, 2016, Village Nursing Care, Inc., previously a Georgia for-profit corporation and affiliate of ACTS, was merged by and into ACTS Signature Community Services, Inc., a Pennsylvania nonprofit corporation and affiliate of ACTS.

ACTS LLC, ALF, ARS, HP AND PPV ARE NOT MEMBERS OF THE OBLIGATED GROUP. FURTHER, ACTS LLC, ALF, ARS, HP AND PPV ARE NOT GUARANTEEING ANY OF THE DEBT INCURRED BY THE OBLIGATED GROUP AS DESCRIBED IN THE FRONT PART OF THIS OFFICIAL STATEMENT.

ACTS is the holder of subordinated notes receivable from ACTS LLC in connection with the PPV affiliation transaction. In addition, ACTS has extended a line of credit to HP to be utilized for working capital needs. Additional information can be found in Appendix B.

AMS currently provides management, marketing and development services to ACTS, ALF, ASCS, HP and PPV. None of the entities is managed by a for-profit enterprise.

THE OBLIGATED GROUP’S COMMUNITIES

The major portion of the continuing care communities of the Obligated Group consists of residential units varying in size from studio to three bedroom apartments and cottages and villas. The residents of the Obligated Group’s communities live independently as long as they are able and receive gradually increasing levels of assistance and health care as needed. ACTS also maintains assisted living and/or special care units at most of its communities for residents requiring certain assistance in activities of daily living. When long-term care is necessary, including skilled nursing care and medical supervision, the residents are transferred to a skilled nursing facility on a permanent basis. In addition, several communities have special care/dementia units. Currently, one ACTS campus (Gwynedd Estates in Pennsylvania) does not have a skilled nursing facility because of its close proximity to other ACTS campuses with skilled nursing facilities. After a resident transfers permanently to assisted living or a skilled nursing facility or otherwise vacates a residential unit, the residential unit becomes available for resale, assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit. Other than as noted above, all three types of care are located on common grounds ranging from 12 to 104 acres per community.

Residents of the communities of the Obligated Group pay a one-time entrance fee, depending on the size, location and other attributes of the residential unit selected and number of occupants, which ranges from \$87,900 to \$550,900 (for the Capital Preservation Plan) that provides lifetime residency and care, in accordance with the resident contract. In addition, residents pay a monthly fee based upon the size and type of living unit and the

number of residents in each unit, which currently ranges from \$1,899 to \$6,195 (for the Capital Preservation Plan). These fees cover costs for items such as utilities, taxes, maintenance and repairs and other services as provided in the resident contract. Other items not covered by the resident contract are the responsibility of the resident. For the current range of entrance fees and monthly fees, see “RESIDENT CONTRACT AND LEVELS OF CARE – Resident Contracts – Entrance Fee and Monthly Fee Schedule” herein.

ACTS is committed to retaining in residence, to the extent reasonably possible, residents who (after admission) become unable to pay the monthly fees or other fees for its services. ACTS has created separate funds to handle such cases. Each case is addressed and considered independently of other cases. Absent extenuating circumstances, a resident who voluntarily divests himself or herself of his or her assets or income is not eligible for continued residence if such divestment results in his or her inability to pay required fees. Residents who suffer involuntary financial reversal may be permitted, if approved after review, to maintain continued residency, and their monthly fees and other charges are partially subsidized by restricted purpose funds that have been established for this reason.

The availability of the services and facilities is limited only by the prospective resident’s health and financial capabilities. Health-related admission criteria will be consistent with current policies, including age restriction (age 62 or older for life care residency), ambulatory physical condition and mental ability to manage his or her own affairs. Financial requirements are tested through a review of the prospective residents’ assets and income levels to insure that such residents can meet their financial obligations throughout their remaining expected lives.

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The following table sets forth each community and its unit complement as of March 31, 2016:

<u>Name</u>	<u>Location</u>	<u>Year Opened</u>	<u>Independent Living Units</u>	<u>Assisted Living Units</u>	<u>Skilled Nursing Beds</u>
Obligated Group Members:					
Fort Washington Estates	Fort Washington, PA	1972	98	18	40
Gwynedd Estates	Ambler, PA	1976	163	20	0
Spring House Estates	Lower Gwynedd, PA	1977	292	52	96
Lima Estates	Media, PA	1979	273	36	60
St. Andrews Estates (North & South)	Boca Raton, FL	1978	460	70	89
Southampton Estates	Southampton, PA	1979	304	36	120
Azalea Trace ¹	Pensacola, FL	1981	320	50	82
Edgewater Pointe Estates	Boca Raton, FL	1983	332	48	99
Normandy Farms Estates	Blue Bell, PA	1983	332	58	73
Granite Farms Estates	Media, PA	1986	242	40	82
Indian River Estates (East & West)	Vero Beach, FL	1986	538	70	120
Plantation Estates	Matthews, NC	1988	357	60	80
Tryon Estates	Columbus, NC	1992	271	44	47
Brittany Pointe Estates	Upper Gwynedd, PA	1994	279	37	92
Lanier Village Estates	Gainesville, GA	2001	334	40	64
Magnolia Trace ²	Huntsville, AL	2003	160	30	59
Cokesbury Village ³	Hockessin, DE	1978	236	48	45
Country House ³	Wilmington, DE	1960	135	36	48
Manor House ³	Seaford, DE	1966	117	56	60
AMS	West Point, PA	2012	n/a	n/a	n/a
ASCS	West Point, PA	2012	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
SUB-TOTAL			<u>5,243</u>	<u>849</u>	<u>1,356</u>
Non-Obligated Members:					
Park Pointe Village ⁴	Rock Hill, SC	2001	162	20	40
Heron Point of Chestertown ³	Chestertown, MD	1991	191	33	38
ACTS LLC	West Point, PA	2003	n/a	n/a	n/a
ARS	West Point, PA	2012	n/a	n/a	n/a
ALF	West Point, PA	2016	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
SUB-TOTAL			<u>353</u>	<u>53</u>	<u>78</u>
TOTAL:			<u>5,596</u>	<u>902</u>	<u>1,434</u>

¹ Became affiliated with ACTS in 2003

² Became affiliated with ACTS in 2008

³ Became affiliated with ACTS in 2010

⁴ Became affiliated with ACTS in 2005

For additional information about each community, see “INFORMATION CONCERNING THE OBLIGATED GROUP – Description of Communities and Operations” below.

CAPITAL IMPROVEMENTS AND RENOVATIONS

The capital projects to be financed by the proceeds of the Bonds are described with respect to each of the continuing care retirement communities and other facilities owned and operated by ACTS, as follows:

(1) Fort Washington Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 735 Susquehanna Rd., Ft. Washington (Upper Dublin Twp.), Montgomery Co., PA 19034.

Description of Existing Facility: 98 independent living units, 18 assisted living units, central facilities and a 40 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements.

(2) Gwynedd Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 301 Norristown Road, Ambler (Lower Gwynedd Twp.), Montgomery Co., PA 19002.

Description of Existing Facility: 163 independent living units, central facilities and 20 assisted living units.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements.

(3) Normandy Farms Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 9000 Twin Silo Drive, Blue Bell (Whitpain Twp.), Montgomery Co., PA 19422.

Description of Existing Facility: 332 independent living units, central facilities, 58 assisted living units and a 73 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including specifically renovation and expansion of the existing skilled nursing facility and the addition of independent living units/cottages.

(4) Spring House Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 728 Norristown Road, Lower Gwynedd (Lower Gwynedd Twp.), Montgomery Co., PA 19002.

Description of Existing Facility: 292 independent living units, central facilities, 52 assisted living units and a 96 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including specifically dining room renovations.

(5) Southampton Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 238 Street Road, Southampton (Southampton Twp.), Bucks Co., PA 18966.

Description of Existing Facility: 304 independent living units, central facilities, 36 assisted living units and a 120 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements.

(6) Brittany Pointe Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 1001 Valley Forge Road, Lansdale (Upper Gwynedd Twp.), Montgomery Co., PA 19446.

Description of Existing Facility: 279 independent living units, central facilities, 37 assisted living units, and a 92 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including specifically hallway renovations.

(7) Lima Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 411 N. Middletown Road, Media (Middletown Twp.), Delaware Co., PA 19063.

Description of Existing Facility: 273 independent living units, central facilities, 36 assisted living units and a 60 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements.

(8) Granite Farms Estates

Owner: ACTS Retirement-Life Communities, Inc.

Address: 1343 W. Baltimore Pike, Media (Middletown Twp.), Delaware Co., PA 19063.

Description of Existing Facility: 242 independent living units, central facilities, 40 assisted living units and an 82 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including specifically conversion of floors of existing independent living units to assisted living units and independent living units, renovation of existing assisted living units to skilled nursing facilities, renovation of existing skilled nursing facilities, renovations of common areas, including specifically the lobby, dining room, and café, and the addition of a pool.

(9) St. Andrews Estates

Address: *North Campus:* 6152 North Verde Trail, Boca Raton, FL 33433-2430

South Campus: 6045 Verde Trail South, Boca Raton, FL 33433-4476

Description of Existing Facility: 460 independent living units, central facilities, 72 assisted living units and an 89 bed medical care facility.

Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including exterior enhancements such as the renovation/replacement of carports and new perimeter privacy wall.

(10) Edgewater Pointe Estates

Address: 23315 Blue Water Circle, Boca Raton, FL 33433-7053

Description of Existing Facility: 332 independent living units, central facilities, 48 assisted living units and a 99 bed medical care facility.

- Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment, and other facility enhancements, including specifically central facility and auditorium renovations and dining/café enhancements and the addition of amenities in existing independent living building and exterior enhancements that include a pool and pool area renovation.
- (11) Indian River Estates
- Address: *East Campus:* 2250 Indian Creek Blvd West, Vero Beach, FL 32966-1395
- West Campus:* 7730 Indian Oaks Drive, Vero Beach, FL 32966-5178
- Description of Existing Facility: 537 independent living units, central facilities, 70 assisted living units and a 120 bed medical care facility.
- Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment, including, but not limited to, renovations and upgrades to residential living units, health care facilities and common areas, the acquisition of new plant equipment and other facility enhancement, including specifically the renovation of assisted living units and the conversion of a vacated skilled nursing facility to assisted living units, and exterior enhancements.
- (12) Corporate Headquarters
- Owner: ACTS Management Services, Inc.
- Address: 375 Morris Road, West Point (Upper Gwynedd Twp.), Montgomery Co., PA 19486.
- Description of Existing Facility: Approximately 45,000 square foot corporate headquarters building.
- Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment.
- (13) ACTS Support Services Center
- Owner: ACTS Management Services, Inc.
- Address: 812 North Bethlehem Pike, Ambler (Lower Gwynedd Twp.), Montgomery Co., PA 19002.
- Description of Existing Facility: Approximately 30,000 square foot corporate office building and staff training center.
- Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment.

- (14) ACTS Technology and Financial Services Center
- Owner: ACTS Management Services, Inc.
- Address: 1946 West Point Pike, West Point (Upper Gwynedd Twp.), Montgomery Co., PA 19486.
- Description of Existing Facility: Approximately 17,000 square foot corporate office building.
- Capital Projects to be Financed: Miscellaneous capital improvements and renovations and the acquisition of capital equipment.

GOVERNANCE AND MANAGEMENT

Boards of Directors and Executive Officers of ACTS, AMS and ASCS

Board of Directors of ACTS

The business and affairs of ACTS are managed by a Board of Directors (the “ACTS Board) whose numbers shall consist of at least six and no more than eighteen. Qualifications of those to be elected to the Board must be persons who are in sympathy with the doctrinal statement of ACTS.

At present, the ACTS Board consists of the following 18 members:

Susan B. Allmond: Ms. Allmond became a board member in 2015. She is the director of strategic planning and alignment with Catholic Health Initiatives in Exton, Pennsylvania. Ms. Allmond is a former board member of PUMH.

Thomas D. Clemens: Mr. Clemens became a board member in 2016. He is an officer of the Clemens Family Corporation where he serves as president of the real estate development group.

Donald L. Davis, CPA: Mr. Davis has been a board member since 1994. He is a retired shareholder in the accounting firm of Asher & Company Ltd. Mr. Davis is the Chairman of the ACTS Board and the Executive Committee and previously served as Treasurer of the ACTS Board and Chairman of the ACTS Board’s Finance and Audit Committees.

H. Bruce Detweiler, CPA: Mr. Detweiler became a board member in 2009. He is the past managing director of the accounting firm Detweiler, Hershey and Associates in Souderton, Pennsylvania. Mr. Detweiler serves as Chairman of the ACTS Board’s Audit Committee.

Annlouise Devenney: Ms. Devenney became a board member in 2010. She is a retired registered nurse, and spent her entire career in the nursing profession at Pennsylvania Hospital. She is a resident at Fort Washington Estates.

Thomas A. Dunn, III: Mr. Dunn was the Chief Operating Officer of Grace College and Seminary in Winona Lake, Indiana. He has served on the ACTS Board in many capacities, including previously as its Chairman and was reappointed to the ACTS Board in 1991. Mr. Dunn is the Vice Chairman of the ACTS Board and is the Chairman of the Committee on the Board.

John L. Esterhai, Jr., M.D.: Dr. Esterhai joined the ACTS Board in 1996. He is Professor of Orthopedic Surgery, Hospital of the University of Pennsylvania, University of Pennsylvania School of Medicine. He is also an author and lecturer around the world. He is Chairman of the ACTS Board’s Clinical Affairs Committee.

Robert B. Evans: Mr. Evans joined the ACTS Board in 2007. Mr. Evans is retired from Wachovia Corporation where he was a Senior Vice President. Mr. Evans has also served as Managing Director of Evergreen Investments. He retired from the United States Naval Reserve with the rank of Captain.

Rear Admiral George M. Furlong, Jr.: Mr. Furlong joined the ACTS Board in 2010. He retired from the United States Navy after 37 years of service, with his last active duty assignment as Deputy Chief of Naval Education and Training headquartered at the Naval Air Station Pensacola, Florida. Mr. Furlong is a resident at Azalea Trace.

Elric C. Gerner: Mr. Gerner joined the ACTS Board in 2009. He is the former Assistant Corporate Secretary of Sunoco, Inc. Mr. Gerner also previously served as the Mayor of the Borough of Swarthmore, Delaware County, Pennsylvania. Mr. Gerner serves as Secretary of the ACTS Board and is the Chairman of the ACTS Board's Policy and Planning Committee.

Rev. George R. Gunn, Jr.: Mr. Gunn re-joined the ACTS Board in 2012. He is the former Vice Chairman and Chief Executive Officer of ACTS and affiliates, having retired from that position in 2005. He is Chairman of the ACTS Board's Spiritual Life Committee. Mr. Gunn is a resident of Brittany Pointe Estates.

Donna J. Jacobi, MD: Dr. Jacobi joined the ACTS Board in 2010. She is a Geriatrics Clerkship Director at the College of Medicine, Florida State University located in Pensacola, Florida.

Dilip A. Kulathum: Mr. Kulathum joined the ACTS Board in 2016. He is a managing partner at Tru Capital Investments, a private equity firm located in Austin, Texas.

John J. Marcheschi: Mr. Marcheschi joined the ACTS Board in 1994. He is President of J&M Management & Consulting Company and is Vice President of Callanen International. He previously served as the Chairman of the ACTS Board's Policy and Planning Committee.

Marvin Mashner, CPA: Mr. Mashner joined ACTS in 1990 and has been a member of the ACTS Board since 1991. He is the former President and Chief Executive Officer of ACTS and affiliates. Mr. Mashner assumed the position of Chief Executive Officer in 2005 and retired in 2014.

Merrill S. Moyer: Mr. Moyer joined the ACTS Board in 1997. He is the former Chairman of Univest Corporation, Souderton, Pennsylvania, the holding company of Union National Bank and Trust Company and Pennview Savings and Loan. Mr. Moyer is the current Treasurer of ACTS and serves as the Chairman of the ACTS Board's Finance Committee.

Bonnie Pearson: Ms. Pearson became a board member in 2015, having previously served on the Magnolia Trace board since 2010. She was the Associate Professor Emeritus at University of Alabama-Huntsville, and a registered nurse for over 50 years. She is a resident at Magnolia Trace.

J. Mark Vanderbeck: Mr. Vanderbeck joined the ACTS Board in 2014 and is the Chief Executive Officer of ACTS and affiliates. A more detailed biography is contained below.

Board of Directors of AMS

Donald L. Davis, CPA: Mr. Davis joined the AMS Board in 2012 and serves as Chairman. He is also the Chairman of the ACTS Board. A more detailed biography is contained above.

Thomas A. Dunn, III: Mr. Dunn joined the AMS Board in 2012 and is also currently the Vice Chairman of the ACTS Board. A more detailed biography is contained above.

John J. Marcheschi: Mr. Marcheschi joined the AMS Board in 2012 and currently serves on the ACTS Board. A more detailed biography is contained above.

Marvin Mashner, CPA: Mr. Mashner joined the AMS Board in 2015 and currently serves on the ACTS Board. A more detailed biography is contained above.

J. Mark Vanderbeck: Mr. Vanderbeck joined the AMS Board in 2014. He is also a member of the ACTS Board and is the Chief Executive Officer for ACTS and affiliates. A more detailed biography is contained below.

Board of Directors of ASCS

Karen I. Christiansen, CMA: Ms. Christiansen joined the ASCS Board in 2016. She is Executive Vice President and Chief Financial Officer of ACTS and affiliates. A more detailed biography is contained below.

Donald L. Davis, CPA: Mr. Davis joined the ASCS Board in 2016 and currently serves as Chairman of the ACTS Board.

Annlouise Devenney: Ms. Devenney joined the ASCS Board in 2012 and currently serves on the ACTS Board. A more detailed biography is contained above.

John L. Esterhai, Jr., M.D.: Dr. Esterhai joined the ASCS Board in 2012 and currently serves on the ACTS Board. A more detailed biography is contained above.

Gerald T. Grant: Mr. Grant joined the ASCS Board in 2012. He is the President and Chief Operating Officer of ACTS and affiliates. A more detailed biography is contained below.

Donna J. Jacobi, MD: Dr. Jacobi joined the ASCS Board in 2012 and currently serves on the ACTS Board. A more detailed biography is contained above.

J. Mark Vanderbeck: Mr. Vanderbeck joined the ASCS Board in 2012 and currently serves as Chairman. He is a member of the ACTS Board and is the Chief Executive Officer for ACTS and affiliates. A more detailed biography is contained below.

Executive Officers of ACTS

The principal executive officers are the Chief Executive Officer, the President, the Secretary and the Treasurer. The following are the officers of ACTS:

J. Mark Vanderbeck serves as Chief Executive Officer: Mr. Vanderbeck also serves on the ACTS Board. A more detailed biography is contained below.

Gerald T. Grant serves as President and Assistant Secretary: Mr. Grant also serves as Chief Operating Officer of ACTS and affiliates. A more detailed biography is contained below.

Elric C. Gerner serves as Secretary: Mr. Gerner joined the ACTS Board in 2009. A more detailed biography is contained above.

Merrill S. Moyer, serves as Treasurer: Mr. Moyer joined the ACTS Board in 1997. A more detailed biography is contained above.

Karen I. Christiansen serves as Assistant Treasurer: Ms. Christiansen also serves as Executive Vice President, Chief Financial Officer of ACTS and affiliates. A more detailed biography is contained below.

Executive Officers of AMS

The principal executive officers are the Chief Executive Officer, the President, the Secretary and the Treasurer. The following are the officers of AMS:

J. Mark Vanderbeck serves as Chief Executive Officer: Mr. Vanderbeck also serves on the ACTS Board. A more detailed biography is contained below.

Gerald T. Grant serves as President and Secretary: Mr. Grant also serves as Chief Operating Officer of ACTS and affiliates. A more detailed biography is contained below.

Karen I. Christiansen serves as Treasurer: Ms. Christiansen also serves as Executive Vice President and Chief Financial Officer of ACTS and affiliates. A more detailed biography is contained below.

Executive Officers of ASCS

The principal executive officers are the Chief Executive Officer, President, the Secretary and the Treasurer. The following are the officers of ASCS:

J. Mark Vanderbeck serves as Chief Executive Officer: Mr. Vanderbeck also serves on the ACTS Board. A more detailed biography is contained below.

Gerald T. Grant serves as President and Secretary: Mr. Grant also serves as Chief Operating Officer of ACTS and affiliates. A more detailed biography is contained below.

Karen I. Christiansen serves as Treasurer: Ms. Christiansen also serves as Executive Vice President, Chief Financial Officer of ACTS and affiliates. A more detailed biography is contained below.

Holly S. Schade serves as Assistant Secretary: Ms. Schade also serves as Vice President, Health and Home Services of ACTS and affiliates. A more detailed biography is contained below.

Richard A. Winter serves as Assistant Treasurer: Mr. Winter also serves as Vice President and Controller for ACTS and affiliates. A more detailed biography is contained below.

Members of the Management Team

The management team of ACTS includes various individuals who are responsible for overseeing the overall operations of the Obligated Group facilities. These individuals include:

J. Mark Vanderbeck serves as Chief Executive Officer: Mr. Vanderbeck, age 61, has over 35 years of executive management experience in the senior living industry and joined ACTS in 1998, previously serving as Executive Vice President, Operations. Mr. Vanderbeck has served in a variety of officer, board and committee positions for LeadingAge FL and LeadingAge PA state trade associations, and LeadingAge, the national not-for-profit trade association. He has served as a surveyor with CARF International-Continuing Care Accreditation Commission (“CARF-CCAC”) and is currently a member of the LeadingAge CEMO (Chief Executives of Multi-site Organizations) Network. Mr. Vanderbeck serves as a board member for a local organization providing social and outreach services. Mr. Vanderbeck holds a Bachelor’s Degree in Business Administration from Bloomsburg State University and has completed post-graduate studies in Health Care Administration at the University of South Florida.

Gerald T. Grant serves as President and Chief Operating Officer: Mr. Grant, age 54, has been with ACTS since 1988 and previously served as Executive Vice President, Chief Financial Officer. He has been active in various healthcare industry and financial organizations, including currently serving as a member of LeadingAge COOMO Advisory Group and previously as a member of the Financial Advisory Panel of CARF-CCAC. Mr. Grant holds a Bachelor’s degree in Accounting from The Pennsylvania State University and a Master’s degree in Finance from LaSalle University.

Karen I. Christiansen, CMA, serves as Executive Vice President and Chief Financial Officer: Ms. Christiansen, age 45, has been with ACTS since 1996, previously serving in a variety of financial positions, most recently as Senior Vice President of Financial Services. She is a Certified Management Accountant and a member

of the Institute of Certified Management Accountants. Ms. Christiansen serves on the board of directors of a local social service organization serving individuals, families and communities throughout Montgomery County, Pennsylvania. She is a former surveyor for CARF-CCAC and member of its Financial Advisory Panel. She was previously nominated for Philadelphia Business Journal's Women of Distinction Award. Ms. Christiansen is a frequent speaker at regional and national conferences on topics including financial strategies, technology and mergers/affiliations. Ms. Christiansen holds a Bachelor of Science degree in Accounting from Gwynedd-Mercy University and a Masters of Business Administration degree in Finance from Temple University.

Charles W. Coxson, III serves as Senior Vice President, Community Operations: Mr. Coxson, age 59, has been with ACTS since 1998, previously serving as the Vice President of the Southeast Region. He has extensive management experience in the healthcare field and is a licensed nursing home administrator, and served as a trustee and executive board member of LeadingAge FL. Mr. Coxson is a graduate of Washington and Jefferson College of Pennsylvania and holds a Master of Business Administration degree from Florida Atlantic University.

Glenn D. Fox serves as Senior Vice President and General Counsel: Mr. Fox, age 59, joined ACTS in 2016 after having spent several years as its outside corporate counsel. Prior to joining ACTS, Mr. Fox was a partner in a major law firm located in Philadelphia, Pennsylvania. He has more than 30 years of experience representing numerous business and nonprofit organizations in corporate, transactional, tax and financial matters. Mr. Fox currently serves on the LeadingAge Legal Committee, as well as on the board of directors of a not-for-profit social service organization as well as its foundation, for which he also serves as its president. Mr. Fox earned a Bachelor of Business Administration degree in Accounting from Temple University, a Juris Doctorate degree from Temple University School of Law, and an LL.M. in Taxation degree from Villanova University. He is also a Certified Public Accountant.

Jefferson Kaighn serves as Senior Vice President, Legislative Affairs and Organizational Development: Mr. Kaighn, age 55, has over 25 years of executive management experience in the senior housing field, and is a licensed nursing home administrator. Mr. Kaighn has been with ACTS since 1994, having served as the Vice President of the Northeast Region and Executive Director at various ACTS communities. He is a member of LeadingAge, the LeadingAge Education Committee, and various state affiliates of LeadingAge. He is a past member of the LeadingAge PA Board of Directors and Budget & Finance Committee, and currently represents LeadingAge PA on the LeadingAge Public Policy Congress. He is also a member of the LeadingAge MD Public Policy Advisory Council, the IAHSA Global Ageing Task Force, and the Abington Health Systems – Lansdale Community Advisory Board. Mr. Kaighn holds a Bachelor of Arts degree from Bucknell University and a Master of Business Administration degree from Eastern University.

Lori M. Woodward serves as Senior Vice President, Sales, Marketing and Corporate Communications: Ms. Woodward, age 53, has been with ACTS since 2012. Ms. Woodward has held a series of leadership positions in the senior living industry, most recently serving as chief executive officer of Hamlyn Senior Marketing in Cherry Hill, New Jersey. She earned a bachelor's degree in English and Business from Millersville University, and a Masters of Business Administration in Marketing from LaSalle University.

George R. Bryan serves as Vice President, Operations - Southeast Region. Mr. Bryan, age 51, joined ACTS in 1996 and has served in various community leadership capacities such as Nursing Home Administrator, Executive Director, and Campus Executive Director. He serves as an At Large Trustee on the Board of Directors, and as a member of the CCRC Public Policy Committee and Member Committee of LeadingAge Florida. Mr. Bryan holds a Bachelor's degree in Health Service Administration from the University of Central Florida and a Master of Business Administration degree from Florida Atlantic University, and he is a licensed Nursing Home Administrator in Florida and Pennsylvania.

Stephen V. Eggles serves as Vice President, Dining Services and Wellness: Mr. Eggles, age 56, has been with ACTS since 1989. He previously served as the Vice President of the Mid-South Region and as Executive Director for various ACTS communities. Mr. Eggles is a member of the International Council on Active Aging. He also serves as a surveyor for CARF-CCAC. Mr. Eggles holds a Bachelor of Science degree from The Pennsylvania State University and a Masters of Business Administration degree from Eastern University. He is also a licensed nursing home administrator.

Gary J.N. Ginter serves as Vice President, Procurement and Contract Management: Mr. Ginter, age 59, has been with ACTS since 1989, previously serving as Corporate Director of Materials Management. He provides leadership and guidance to the procurement, transportation, security, print center, and distribution functions. He has over 34 years' experience in healthcare procurement and supply chain management. He is a member of the Association of the Healthcare Resource & Materials Management Society. Mr. Ginter holds a Bachelor of Science degree in Commerce from Rider University and a Master of Business Administration degree from Eastern University.

Jonathan D. Grant serves as Vice President, Operations – Mid-Atlantic Region. Mr. Grant, age 47, has over 30 years of experience in the retirement and health care environment. After joining the ACTS Culinary Department in 1984, Mr. Grant held various positions within the organization, including Culinary Director, Administrator, Director of Community Information Technologies, and Executive Director at Saint Andrews Estates and Tryon Estates. Mr. Grant holds Bachelor of Arts and Master of Business Administration degrees from Florida Atlantic University, and is a LeadingAge Leadership Fellow.

Claire E. Halton serves as Vice President, Human Resources. Ms. Halton, age 52, has been with ACTS since 1993, most recently serving as Corporate Director of Human Resources, and has 30 years of experience in the Human Resources field in the long-term care and retirement living industry. Ms. Halton holds a Bachelor's degree in Human Resources from Temple University, a Master's degree in Organization and Management from Capella University, and she has a Senior Professional in Human Resources (SPHR) certification. Ms. Halton is also a LeadingAge Leadership Fellow.

Kenneth J. Karmeris serves as Vice President, Real Estate Services. Mr. Karmeris, age 59, began his career with ACTS in 1995, and has served as Executive Director at various ACTS communities, and as Regional Director of Construction and Project Management. Mr. Karmeris is a state certified licensed building contractor and has a Community Association Managers License. He maintains his CASP (Certified Aging Services Professional) Certification through the University of North Texas, along with his ALF (Assisted Living Facilities) Administrator's Certification through the University of South Florida.

Peter J. Kress serves as Vice President, Chief Information Officer: Mr. Kress, age 56, has been with ACTS since 1996, serving initially as Director of Information Services. Prior to joining ACTS, Mr. Kress was President of his own software consulting company for over 10 years. He serves as a commissioner for the Center for Aging Services Technologies ("CAST") where he chairs the health information technology standards committee. Mr. Kress also serves on Florida's Health Information Exchange Coordinating Committee and as a co-founder and member of the Long Term and Post-Acute Care Health IT Collaborative. He holds a Bachelor of Arts degree from Covenant College, a Masters of Arts in Gerontology from the University of Southern California and completed graduate studies in divinity and theology at Westminster Theological Seminary.

Megan Longley serves as Vice President, Sales. Ms. Longley, age 56, joined ACTS in 2015 and has over 25 years' experience in sales and operations leadership in the housing and senior living services, most recently with Sage Senior Living. Ms. Longley has a Bachelor of Art degree in Gerontology from The Pennsylvania State University.

Jeremy O. Neely serves as Vice President, Operations – Northeast Region. Mr. Neely, age 44, has more than 20 years of healthcare management experience and is a licensed Nursing Home Administrator. He has served ACTS in a number of roles since 1999, most recently as Executive Director at Normandy Farms Estates. He is a member of the LeadingAge PA board of directors, currently serving as treasurer. He is also a Certified Aging Services Professional (CASP). Mr. Neely currently serves as a CARF-CCAC surveyor and is a LeadingAge Leadership Fellow. Mr. Neely has a Bachelor's degree in Accounting and Economics from Eastern Connecticut State University and a Master of Business Administration degree from Eastern University.

James H. Petty serves as Vice President, Operations – Mid-South Region. Mr. Petty, age 44, has 20 years' experience in the senior living industry. Mr. Petty has a varied background, which began at ACTS in 1996, and he previously served as the Executive Director at Park Pointe Village. Licensed as a Nursing Home and Assisted Living Administrator, his background also extends into development and marketing, where he served as the vice president of marketing services for a senior living development firm. Mr. Petty has a Bachelor's degree in

Business Administration from Gordon College and a Master of Business Administration degree from Augusta State University. Mr. Petty is also a LeadingAge Leadership Fellow.

Holly S. Schade serves as Vice President, Health and Home Services. Ms. Schade, age 48, has been with ACTS since 1993, previously serving as the Executive Director of Spring House Estates, the Director of Nursing and Administrator of Southampton Estates, and the Director of Quality Performance. She has over 25 years' experience in nursing and senior services. Ms. Schade is a licensed Nursing Home Administrator and a registered nurse certified in gerontology nursing. She earned a Bachelor of Science Degree from Philadelphia University, and has a Master of Business Administration Degree from Eastern University. Ms. Schade is also a Certified Aging Services Professional, a LeadingAge Leadership Fellow, and a surveyor for CARF-CCAC.

Robert A. Westervelt serves as Vice President, Operations Analysis and Compliance. Mr. Westervelt, age 54, has been with ACTS since 1991, previously serving as Corporate Director of Operations Analysis and Audit. He is a current member of the Association of Healthcare Internal Auditors (AHIA), Institute of Internal Auditors (IIA) and Health Ethics Trust (HET). He holds a Bachelor of Science degree in Health Planning and Administration from The Pennsylvania State University and a Master of Business Administration degree from Eastern University, and is a Certified Compliance Executive (CCE).

Richard A. Winter serves as Vice President and Controller. Mr. Winter, age 66, has served ACTS since 2002, starting in the Information Technology department before moving to the Financial Services department, where he has most recently served as Corporate Director and Controller. He has presented ACTS technology and business improvement initiatives at various national conferences such as Lawson's Inforum, CFO Rising and LeadingAge. Mr. Winter has a Bachelor of Arts degree in Philosophy from Wheaton College, a Master's degree in Accounting/Finance from Temple University and is a Certified Public Accountant.

INFORMATION CONCERNING THE OBLIGATED GROUP

Description of Communities and Operations

The Obligated Group includes nineteen (19) communities in six states, with 8 locations in Pennsylvania, 4 locations in Florida, 3 locations in Delaware, 2 locations in North Carolina, 1 location in Georgia, and 1 location in Alabama. For operating purposes, the facilities are organized into four geographic regions known as the Northeast Region (Pennsylvania), the Mid-Atlantic Region (Pennsylvania & Delaware), the Southeast Region (Florida) and the Mid-South Region (North Carolina, Georgia & Alabama), each of which is overseen by the President, Senior Vice President of Community Operations and a Regional Vice President.

The Pennsylvania communities are all located in the suburbs of Philadelphia, Pennsylvania, specifically Montgomery County (5), Delaware County (2, which are part of the Mid-Atlantic Region) and Bucks County (1). Its Delaware communities are located in Hockessin, Wilmington and Seaford. Its Florida communities are located in or near Boca Raton (2), Vero Beach (1), and Pensacola (1). Its North Carolina communities are located in Matthews and in Columbus. The Georgia community is located near Gainesville. The Alabama community is located in Huntsville. A summary of the communities follows:

Northeast Region

Brittany Pointe Estates. Located on 32 acres in Lansdale, Montgomery County, Pennsylvania, this community opened in 1994 and contains 279 independent living units, 37 assisted living units, and 92 skilled nursing beds and is approximately 689,000 square feet in size.

Fort Washington Estates. This community is approximately 175,000 square feet in size and is located on 12 acres in Fort Washington, Montgomery County, Pennsylvania. It opened in 1972 and includes 98 independent living units, an 18 unit assisted living facility and a 40 bed skilled nursing facility.

Gwynedd Estates. Located on 25 acres in Ambler, Montgomery County, Pennsylvania, this community began operations in 1976, and includes 163 independent living units and a 20 unit assisted living facility. Gwynedd

Estates does not include a skilled nursing facility because it is in close proximity to both Fort Washington Estates and Spring House Estates that provide skilled care services to Gwynedd Estates residents. The community is approximately 228,000 square feet in size.

Normandy Farms Estates. This community opened in 1983 in Blue Bell, Montgomery County, Pennsylvania. It is located on 104 acres and includes 332 independent living units, 58 assisted living units, and 73 skilled nursing beds. The community is approximately 486,000 square feet in size.

Spring House Estates. Located on 56 acres in Lower Gwynedd, Montgomery County, Pennsylvania, this community opened in 1977. It includes 292 independent living units, 52 assisted living units, and 96 skilled nursing beds. The community is approximately 465,000 square feet in size.

Southampton Estates. Southampton Estates opened in 1979 in Southampton, Bucks County, Pennsylvania. It is located on 75 acres and is approximately 505,000 square feet in size. The community currently has 304 independent living units, 36 assisted living units, and 120 skilled nursing beds.

Mid-Atlantic Region

Cokesbury Village. Cokesbury Village is approximately 527,000 square feet in size and located on 64 acres in Hockessin, Delaware. It contains 236 independent living units, 48 assisted living units, and 45 skilled nursing beds. The community opened in 1978 and became an ACTS community in 2010 with the affiliation of PUMH.

Country House. Country House is approximately 317,000 square feet in size and located on 60 acres in Wilmington, Delaware. It contains 135 independent living units, 36 assisted living units, and 48 skilled nursing beds. The community opened in 1960 and became an ACTS community in 2010 with the affiliation of PUMH.

Granite Farms Estates. Located on 26 acres in Media, Delaware County, Pennsylvania, this community opened in 1986. It contains 242 independent living units, 40 assisted living units, and 82 skilled nursing beds. The community is approximately 551,000 square feet in size.

Lima Estates. Lima Estates is approximately 369,000 square feet in size and located on 50 acres in Media, Delaware County, Pennsylvania. The community opened in 1979. It contains 273 independent living units, 36 assisted living units, and 60 skilled nursing beds.

Manor House. Manor House is approximately 259,000 square feet in size and located on 40 acres in Seaford, Delaware. It contains 117 independent living units, 56 assisted living units, and 60 skilled nursing beds. The community opened in 1966 and became an ACTS community in 2010 with the affiliation of PUMH.

Mid-South Region

Lanier Village Estates. Lanier Village Estates, which opened in 2001, is situated on approximately 86 acres in Gainesville, Georgia. The community consists of 334 independent living units, a 40 unit assisted living facility, a 64 unit skilled nursing facility and is approximately 823,000 square feet in size.

Magnolia Trace. Magnolia Trace is situated on approximately 43 acres in Huntsville, Alabama. The community consists of 160 independent living units, a 30 unit assisted living facility, a 59 unit skilled nursing facility and is approximately 396,000 square feet in size. The community opened in 2003 and became an ACTS community in 2008.

Plantation Estates. Plantation Estates opened in 1988 and is located on 50 acres in Matthews, North Carolina. It currently has 357 independent living units, 60 assisted living units, and 80 skilled nursing beds. The size of the community is approximately 568,000 square feet. There is an additional 42-acre tract of land recently purchased by ACTS, which is being utilized for an expansion of Plantation Estates. For additional information see "ADDITIONAL INFORMATION – Plans for Expansion" below.

Tryon Estates. Opened in 1992, Tryon Estates is located on 64 acres, in Columbus, North Carolina. Tryon Estates has 271 independent living units, 44 assisted living units, and 47 skilled nursing beds. Contiguous to the existing campus is an additional 152-acre tract of land owned by ACTS, which may be utilized in the future for expansion. The size of the community is approximately 661,000 square feet.

Southeast Region

Azalea Trace. Azalea Trace is situated on approximately 80 acres, located in Pensacola, Florida. The community consists of 320 independent living units, 50 assisted living units and 82 skilled nursing beds, and is approximately 511,000 square feet in size. The community opened in 1981 and became an ACTS community in 2003 through an affiliation.

Edgewater Pointe Estates. Located on 30 acres in Boca Raton, Florida, Edgewater Pointe Estates opened in 1983. The size of this community is approximately 589,000 square feet and it has 332 independent living units, 48 assisted living units, and 99 skilled nursing beds.

Indian River Estates (East and West). These two sister campuses are licensed and managed as one community - Indian River Estates. The community is located on 114 acres in Vero Beach, Florida, and opened in 1986. The size of this community is approximately 875,000 square feet. It currently includes 538 residential units, 70 assisted living units and 120 skilled nursing beds.

St. Andrews Estates (North and South). These two sister campuses are licensed and managed as one community – St. Andrews Estates. The community, located on 70 acres in Boca Raton, Florida, was the first constructed by ACTS outside of Pennsylvania and opened in 1978. The community includes 460 independent living units, 70 assisted living units and 89 skilled nursing beds. St. Andrews Estates is approximately 847,000 square feet in size.

RESIDENT CONTRACT AND LEVELS OF CARE

Overview

The Obligated Group’s communities are generally planned to provide a complete continuum of care from independent living through skilled nursing and include the following:

Independent Living Units (Residential). Independent living units are for residents functionally capable of independent living, requiring minimal assistance. In most instances, an entrance fee is charged prior to entering an independent living unit and monthly fees are charged thereafter. Basic services include the independent living accommodations containing a kitchen equipped with a microwave, stove and refrigerator (other furnishings supplied by each resident), utilities and maintenance, certain housekeeping and linen services, one meal per each day in the month, scheduled activities, chaplain services, health office, transportation, security and the use of common areas. In most units, a dishwasher and clothes washer/dryer are provided. Additionally, on a limited basis at a limited number of facilities, the Obligated Group provides for the rental of a limited number of independent living units under a specific rental program. The program provides for certain allowances on the conversion to the resident contract if desired by the individual. (For more information, see “Resident Contracts” below.)

Assisted Living Units. Assisted living units are for residents no longer capable of living independently. Residents are ambulatory and receive assistance with daily living, such as dressing and meals. Three meals are provided daily and 24-hour staffing is included in the basic charge at this level of care. Additional charges for personal supplies and/or services may be assessed. Residents in assisted living need only occasional nursing care. Assisted living beds are not eligible, at this time, for Medicaid or Medicare reimbursement.

Skilled and Intermediate Nursing Care Units. Skilled and intermediate nursing care units are for residents who require the daily attention of a professional nursing staff (RN or LPN) on duty 24-hours a day. Three meals are provided daily. Additional charges for pharmaceutical, personal and medical supplies and/or services may be assessed. Rehabilitation services are provided for residents as needed, and are not included in the monthly fee.

This level of care is eligible for Medicaid and/or Medicare reimbursement as applicable. Where possible and permitted, the Obligated Group will consider outside persons for occupancy under Medicaid or Medicare reimbursement. Revenue derived from Medicaid and Medicare historically constitutes approximately 8% of the revenue of the Obligated Group.

Special Care and/or Dementia Care Beds. Special care and/or dementia care beds are for residents who require the attention of a specially trained staff for the treatment of a degenerative condition. A safe, secure environment is provided within dedicated special care areas of certain skilled nursing facilities. Other facilities provide programs dealing specifically with Alzheimer’s disease. Three meals are provided daily.

The following table summarizes the utilization of the Obligated Group’s facilities by level of care for the fiscal years ended December 31, 2015, 2014, 2013, and three-month periods ended March 30, 2016 and 2015.

	<u>December 31,</u>			<u>March 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2016</u>	<u>2015</u>
Residential					
Average No. of Units Available	5,270	5,342	5,387	5,243	5,299
Average No. of Units Occupied	4,609	4,586	4,587	4,666	4,600
Percentage Occupied	87.5%	85.9%	85.1%	89.0%	86.8%
Assisted Living					
Average No. of Units	851	853	830	849	850
Average No. of Units Occupied	742	751	736	741	742
Percentage Occupied	87.2%	88.0%	88.7%	87.3%	87.3%
Skilled and Intermediate Nursing Care					
Average No. of Beds	1,361	1,361	1,357	1,356	1,361
Average No. of Beds Occupied	1,188	1,178	1,195	1,185	1,174
Percentage Occupied	87.3%	86.6%	88.1%	87.4%	86.3%

Resident Contracts

Entrance Fees; Monthly Fees; Deposits. ACTS requires a \$1,000 deposit in order for a single prospective resident or prospective resident couples to be included on the ACTS priority list. Approximately 10% of the entrance fee is due at the time a resident contract is signed, and the balance is due on the earlier of the occupancy date or the date the residential unit is available for occupancy. The priority list deposit is applied as a credit toward the payment of the entrance fee.

The amount of the entrance fee and the monthly fees are based on the size, location and other attributes of the independent living unit and the number of individuals that are expected to occupy the independent living unit. There is currently a \$25,000 additional entrance fee for a second occupant. The entrance fee and the monthly fees may be adjusted periodically to reflect such factors as the present market environment and the anticipated costs of lifecare (among others). Set forth below is a chart indicating the current range of entrance fees and monthly fees for units in the life care communities in the Obligated Group.

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Entrance Fee and Monthly Fee Schedule

	<u>Capital Preservation Plan</u>	<u>50% Refundable Plan</u>	<u>Modified Health Care Plan</u>
<u>Entrance Fee:</u>			
Studio	\$ 87,900 - \$169,900	\$126,900 -\$269,900	\$ 61,900 -\$118,900
One Bedroom	\$ 99,900 - \$307,900	\$144,900 -\$488,900	\$ 69,900 -\$215,900
Two Bedroom	\$153,900 - \$585,900	\$221,900 -\$931,900	\$107,900 -\$409,900
Three Bedroom	\$216,900 - \$515,900	\$313,900 -\$820,900	\$151,900 -\$361,900
Two Bedroom Villa/Cottage	\$255,900 - \$535,900	\$370,900 -\$852,900	\$178,900 -\$375,900
Three Bedroom Villa/Cottage	\$384,900 - \$550,900	\$556,900 -\$875,900	\$268,900 -\$385,900
<u>Monthly Fee:</u>			
Studio	\$ 1,899 - \$ 2,838	\$ 2,089 - \$ 3,122	\$ 1,709 - \$ 2,554
One Bedroom-Single	\$ 1,955 - \$ 4,342	\$ 2,151 - \$ 4,776	\$ 1,760 - \$ 3,908
One Bedroom-Double	\$ 3,104 - \$ 5,927	\$ 3,414 - \$ 6,520	\$ 2,909 - \$ 5,493
Two Bedroom-Single	\$ 2,311 - \$ 4,964	\$ 2,542 - \$ 5,460	\$ 2,080 - \$ 4,468
Two Bedroom-Double	\$ 3,447 - \$ 6,549	\$ 3,792 - \$ 7,204	\$ 3,216 - \$ 6,053
Three Bedroom-Single	\$ 2,854 - \$ 3,913	\$ 3,139 - \$ 4,304	\$ 2,569 - \$ 3,522
Three Bedroom-Double	\$ 4,439 - \$ 5,498	\$ 4,883 - \$ 6,048	\$ 4,154 - \$ 5,107
Two Bedroom Villa/Cottage-Single	\$ 2,644 - \$ 4,446	\$ 2,908 - \$ 4,891	\$ 2,380 - \$ 4,001
Two Bedroom Villa/Cottage -Double	\$ 3,793 - \$ 6,031	\$ 4,172 - \$ 6,634	\$ 3,529 - \$ 5,586
Three Bedroom Villa/Cottage -Single	\$ 3,182 - \$ 4,610	\$ 3,500 - \$ 5,071	\$ 2,864 - \$ 4,149
Three Bedroom Villa/Cottage -Double	\$ 4,767 - \$ 6,195	\$ 5,244 - \$ 6,815	\$ 4,449 - \$ 5,734

ACTS offers three different types of entrance fee payment plans. Under the Capital Preservation Plan and Modified Health Care Plan, a resident may receive a full refund of the entrance fee payment during a Transition Period (see “Termination of Resident Contract,” below). Subsequent to the Transition Period, residents who terminate residency will be entitled to a full refund less an administrative fee of up to 5% and less 2% of the entrance fee per month of residency. Under the Modified Health Care Plan, residents are liable for the private pay per diem rate for care in the assisted living residence and skilled nursing facility for the first 1,095 days that either level of care is utilized. Under the 50% Refundable Plan, a resident will receive a declining balance to a minimum refund of 50% of the entrance fee upon termination of their resident contract after the Transition Period (see “Termination of Resident Contract,” below). Currently, approximately 2% of the resident population in the Obligated Group communities are under the 50% Refundable Plan or the Modified Health Care Plan.

In various ACTS communities, a limited number of residents can enter the community on a rental basis under the terms of a Preview to Lifecare program. This program, which requires no entrance fee payment, offers only living accommodations and limited services. Access to additional services, including healthcare, is on a fee-for-service/per diem basis. Currently, 84 residents are renting under the Preview to Lifecare program, compared to approximately 100 units available to be rented under this program. Preview to Lifecare monthly fees are based on the number of occupants and unit type, and exceed comparable rates charged to life care residents.

If a resident is unable to live independently within the range of services provided in the independent living units, as determined by the utilization review committee of a particular community in conjunction with the resident’s physician, the resident is transferred to a skilled nursing facility or an assisted living facility, if and when such bed or room becomes available. If a resident is permanently transferred to a skilled nursing facility or assisted living facility, the resident’s independent living unit becomes available for occupancy by another resident, assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit. A refund of the entrance fee is not paid to the transferring resident until termination of the resident contract and is only paid in certain instances (see “Termination of Resident Contract,” below). If in the future the resident recovers sufficiently to resume independent living, a similar or alternate independent living unit is made available for the resident’s use, depending upon availability. When a resident dies or is moved permanently into an assisted living unit or a skilled nursing facility, the residential unit previously occupied by the resident is resold at an entrance fee that is adjusted to reflect current market conditions and the cost of life care, assuming that a second occupant, spouse or co-resident does not retain occupancy of the unit. The monthly fee may be adjusted without limitation upon 60 days advance written notice to residents.

Admission Policy

When a prospective resident applies for admission into a life care community, the prospective resident must submit a financial statement and medical record at the time of application. The decision whether to admit a resident is based on the resident's health and financial resources. Approximately 60 days prior to occupancy, inquiries are again made of the prospective resident's medical and financial condition. Prior to the time when an independent living unit becomes available, a medical form is sent to the resident for completion by his or her personal physician and a final interview is conducted by the admissions committee. If the resident's health and financial condition do not meet the requirements of the life care community, it may, at its discretion, decline the resident's application and refund the resident's entrance fee deposit.

Termination of Resident Contract

Prior to occupancy, a prospective resident may terminate the resident contract without penalty and receive a refund equal to 100% of the deposit without interest. The resident contract provides for a transition period of 120 days commencing on the earlier of the date of occupancy or the date of availability of the independent living unit (the "Transition Period"). If a resident voluntarily or involuntarily terminates the resident contract during the Transition Period, the resident is entitled to a full refund of the entrance fee.

Under the Capital Preservation Plan and the Modified Health Care Plan, after the Transition Period, if a resident contract is terminated, the refund policy for each life care community provides a declining refund plan. Upon completion of the Transition Period, the amount of refund due to a resident upon termination of the resident contract is reduced first by an administrative fee of up to 5% of the entrance fee, and then by 2% of the entrance fee less the administrative fee for each month, or a fraction thereof, of occupancy, starting on the first day of the month after the earlier of the date of occupancy or date of availability, and ending on the date of surrender. If the resident contract is terminated (including as a result of the death of a resident) after the fifty (50) month amortization period, the entrance fee is not refundable.

Under the 50% Refundable Plan, after the Transition Period, if a resident contract is terminated, the refund policy provides a declining refund plan. Upon completion of the Transition Period, the 50% amount of the amortizable portion due to a resident upon termination of the resident contract is reduced by 2% for each month, or a fraction thereof, of occupancy, including the Transition Period. In the event of death of a resident before occupying the independent living unit or during the Transition Period, the Entrance Fee will be refunded in full to the resident's estate.

Resident Care Assessment Process

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

FINANCIAL INFORMATION

Summary of Financial Information

The Special-Purpose Combined Statements of Operations for each year ended December 31, 2015, 2014 and 2013, have been derived from the audited special-purpose combined financial statements of the Obligated Group. Certain prior year amounts have been reclassified to conform to the current year presentation. This data should be read in conjunction with the audited special-purpose combined financial statements and related notes as of and for the periods ended December 31, 2015, 2014 and 2013, included in Appendix B to this Official Statement.

The following sets forth the Special-Purpose Combined Statements of Operations for the Obligated Group for the fiscal years ended December 31, 2015, 2014 and 2013 and for the fiscal quarters ended March 31, 2016 and 2015.

**ACTS Retirement-Life Communities,
Inc. Obligated Group⁽¹⁾
Special-Purpose Combined Statement of
Operations
(000's omitted)**

	FYE	FYE	FYE	FPE	FPE
	<u>12-31-2015</u>	<u>12-31-2014</u>	<u>12-31-2013</u>	<u>03-31-2016</u>	<u>03-31-2015</u>
OPERATING REVENUE:					
Resident Service Revenue	\$251,038	\$243,321	\$236,915	\$64,157	\$61,684
Amortization of Entrance Fees	73,253	72,614	69,899	19,132	18,586
Patient Revenue from Third Parties	30,365	28,410	28,793	7,564	7,619
Investment Income	7,584	8,090	7,339	1,712	1,770
Net Assets Released from Restriction to Provide Resident Services	1,793	1,836	1,843	438	397
Other Revenue	8,920	8,715	8,705	2,108	1,918
TOTAL OPERATING REVENUE	372,953	362,986	353,494	95,111	91,974
OPERATING EXPENSES:					
Salaries, Wages and Benefits	186,023	176,735	171,975	47,856	45,710
Contracted Services	22,790	22,841	23,123	5,201	5,387
Utilities	19,838	20,646	19,310	5,576	5,832
Food	19,670	18,966	18,145	4,913	4,624
Supplies	14,408	13,747	12,811	3,624	3,395
Real Estate Taxes	9,566	9,094	8,850	2,436	2,298
Insurance	4,883	6,161	6,358	1,274	1,271
Other	13,467	13,992	14,097	3,328	2,925
Depreciation and Amortization	58,703	54,780	51,928	14,809	14,310
Interest, Net	20,278	20,900	20,865	4,865	5,165
TOTAL OPERATING EXPENSES	369,626	357,862	347,462	93,882	90,917
OPERATING INCOME	3,327	5,124	6,032	1,229	1,057
UNREALIZED GAIN (LOSS) ON INVESTMENTS AND INVESTMENT CONTRACTS	(4,019)	1,279	1,167	2,121	364
LOSS ON EARLY EXTINGUISHMENT OF DEBT	-	-	(154)	-	-
NET OPERATING INCOME	(692)	6,403	7,045	3,350	1,421
CONTRIBUTION OF PROPERTY AND EQUIPMENT	1,325	-	-	-	-
NET ASSETS RELEASED FROM RESTRICTION TO ACQUIRE PROPERTY AND EQUIPMENT	1,358	654	1,090	42	26
INCREASE IN UNRESTRICTED NET ASSETS	\$1,991	\$7,057	\$8,135	\$3,392	\$1,447

⁽¹⁾Intercompany transactions have been eliminated.

Management's Discussion of Special-Purpose Combined Statements of Operations

Analysis of Financial Condition

The Obligated Group continually evaluates its financial performance by closely monitoring its operating and cash flow results in support of maintaining a consistent, conservative balance sheet position. The Obligated Group has implemented strategies to maximize existing revenue sources, create additional revenue producing services, control the growth of operating expenses and build its cash reserve levels to address future cash flow needs. For several years the Obligated Group focused on increasing resale entrance fee proceeds and developing operational efficiencies to reduce the reliance on resale entrance fee proceeds to fund net operating expenses. These improvements enhanced the Obligated Group's liquidity position, which has positioned the Obligated Group well to respond to recent economic challenges, which have caused a decline in average occupancy levels compared to historical averages (consistent with industry trends).

In addition, the Obligated Group has maintained stability in its capital structure while historically achieving consistent asset growth. A commitment to maintain conservative results in key metrics such as debt to assets, cash to debt and debt service coverage has successfully governed the pace of growth and assured consistent stability.

Revenue Strategies

The Obligated Group remains focused on continuing to improve independent living occupancy. In response to recent economic and real estate market conditions, the Obligated Group has developed certain marketing incentives that are used in varying ways at the Obligated Group communities. The incentives may include, but are not limited to, reductions in entrance fees, a specified amount of apartment upgrades at no additional charge, waiving monthly fee payments for no longer than three months, and assistance with relocation expenses. The type of incentive program(s) and the amount of an incentive is partially determined by the length of time an independent living unit has been vacant; with larger incentives applied to units that have been vacant the longest. These tools have been effective in transitioning prospective residents from the priority list to a resident of a community. As occupancy improves the use and amount of incentives has reduced, with some communities offering little or no incentives.

Strategic capital investments continue to be made and are directed towards enhancing the salability of independent living units. These capital investments include, but are not limited to, combining smaller apartments (such as studios and one bedroom apartments) into larger apartments with open floor plans; modifying the layout of independent living units to address current market demands (larger kitchens and more open space), enhancing common area space (adding amenities beyond the central facility); and creating more privacy within the skilled nursing facility rooms.

Prior to the economic recession and real estate market decline, historical occupancy of the independent living units for the Obligated Group had averaged 95%. The Obligated Group's independent living unit occupancy at the end of 2015 was 90.6%, an improvement compared to the ending occupancy for 2014 of 88.6%. The Obligated Group achieved a record number of resident move-ins (633) during the fiscal year ended December 31, 2015. Further, including units under contract by future residents, occupancy at the end of 2015 improved to 92.5%.

To offset growth in expenses the Obligated Group has the ability to increase monthly fees at any time upon sixty days written notice to residents. Traditionally the increases are effective each January 1st.

The Obligated Group's annual monthly fee rate increases for the past five years were as follows:

<u>Effective for:</u>	<u>Fee Rate Increases</u>
2012	3.40%
2013	2.90%
2014	3.25%
2015	3.25%
2016	2.25%

In addition, the Obligated Group has continued its conservative management of investments; while taking additional steps to limit the impact of the current volatility in the financial markets. The Obligated Group has limited exposure to the equities market, and partners with its investment managers in making liquidation decisions.

Expense Strategies

The Obligated Group continuously monitors all expense categories. Special attention is paid to the staffing levels for all resident care. Monitoring of market rates for all professional staff and strict adherence to budgeted staffing levels are important tools for successful staffing. The Obligated Group takes advantage of operational efficiencies through the economies of scale that exist as a result of its size and geographic clusters of communities. The procurement of the majority of its goods and services is accomplished through national or regional contracts that provide for volume discounts.

In response to the economic challenges, the Obligated Group had taken actions to reduce expenses over the past few years, including a limited reduction in staff, a hiring freeze for non-essential positions, the postponement and reduction in employee wage increases, reductions in employee benefit programs, and numerous reductions in discretionary spending. Commensurate with the improvement in occupancy, management has strategically added back certain staffing positions, primarily in the areas of culinary and environmental services.

Actual operating performance is compared to budget and is reviewed no less than monthly by community management as well as the Obligated Group's senior management.

Results of Operations

Comparison of Fiscal Years Ended December 31, 2015, 2014 and 2013:

Revenues: Operating revenue increased in 2015 compared to 2014 by \$9,967,000 (2.7%). The increase in revenue during 2015 was primarily due to a \$7,717,000 increase in resident services revenue as a result of monthly fee adjustments effective January 1, 2015 and increased occupancy. In addition, amortization of entrance fees increased \$639,000 reflective of the growth in deferred revenue. In addition, there was a \$1,955,000 increase in third party revenue due to greater Medicare and Medicaid utilization.

Operating revenue increased in 2014 compared to 2013 by \$9,492,000 (2.7%). The increase in revenue during 2014 was primarily due to a \$6,406,000 increase in resident services revenue as a result of monthly fee adjustments effective January 1, 2014. In addition, investment income increased \$751,000, and amortization of entrance fees increased \$2,715,000 reflective of the growth in deferred revenue. These increases were offset by a \$383,000 decrease in third party revenue due to lower Medicare and Medicaid utilization.

Expenses: Operating Expenses increased in 2015 compared to 2014 by \$11,764,000 (3.3%). The increase in expenses was primarily related to a \$9,288,000 increase in salary, wages and benefits, attributable to a wage increase of 3% and increased benefit costs; and \$3,923,000 growth in depreciation expense reflective of capital investment. In addition, there were increases in supplies (\$661,000), food expense (\$704,000), and real estate taxes (\$472,000) mainly due to modest inflationary increases. These increases were offset by a decrease of \$808,000 in utilities due to reductions in rates and usage, and a decrease of \$1,278,000 in insurance expense due to lower premiums.

Operating Expenses increased in 2014 compared to 2013 by \$10,400,000 (3.0%). The increase in expenses was primarily related to a \$4,760,000 increase in salary, wages and benefits, attributable to a wage increase of 3% and increased benefit costs; and \$2,694,000 growth in depreciation expense reflective of capital investment. In addition, there were increases in utilities (\$1,336,000) reflective of increased usage and rates, supplies (\$936,000), food expense (\$821,000), and real estate taxes (\$244,000) mainly due to modest inflationary increases. These increases were offset by a decrease of \$282,000 in contracted services reflected in the reduction in third party revenue, and a decrease of \$197,000 in insurance expense due to lower premiums.

Comparison of Fiscal Quarters Ended March 31, 2016 and 2015:

Revenues: Operating revenue increased in 2016 compared to 2015 by \$3,137,000 (3.4%). The increase in revenue during 2016 was primarily due to a \$2,473,000 increase in resident services revenue as a result of monthly fee adjustments effective January 1, 2016 and increased occupancy. In addition, amortization of entrance fees increased \$546,000 reflective of the growth in deferred revenue. These were slightly offset by a modest decrease in patient revenue from third parties due to lower Medicare and Medicaid utilization.

Expenses: Operating Expenses increased in 2016 compared to 2015 by \$2,965,000 (3.3%). The increase in expenses was primarily related to a \$2,146,000 increase in salary, wages and benefits, attributable to a wage increase of 3% and increased benefit costs; and \$499,000 growth in depreciation expense reflective of capital investment. In addition, there were increases in other expense (\$403,000), food expense (\$289,000), supplies (\$229,000), and real estate taxes (\$138,000) mainly due to modest inflationary increases. These increases were offset by a decrease of \$186,000 in contracted services reflected in the reduction in third party revenue, a decrease of \$256,000 in utilities due to reductions in rates and usage, and a decrease of \$300,000 in interest expense.

Obligated Group Historical Pro Forma Debt Service Coverage Ratio

The following table shows the Historical Pro Forma Debt Service Coverage Ratios (as defined in the Master Indenture) of the Obligated Group for the last three fiscal years ending December 31, 2015, 2014 and 2013.

(000's Omitted)	FYE 12-31-2015	FYE 12-31-2014	FYE 12-31-2013
Increase (Decrease) in Unrestricted Net Assets	\$1,991	\$7,057	\$8,135
Add:			
Loss on Extinguishment of Debt	-	-	154
Interest Expense (net)	19,270	19,710	19,663
Depreciation & Amortization	58,703	54,780	51,928
Entrance Fees Received, Net of Refunds	101,960	90,485	82,990
Net Entrance Fees from New Apartments (30% of all initial sales, excluding entrance fees related to Qualifying Intermediate Term Indebtedness)	-	-	98
Subtract/(Add):			
Amortization of Entrance Fees	73,253	72,614	69,899
Unrealized Gains	(4,019)	1,279	1,167
Net assets released from restriction to provide fixed assets	1,358	654	1,090
Contribution of Property and Equipment	1,325	-	-
Cash Flow Available for Debt Service	110,007	97,485	90,812
Historical Debt Service Requirements	35,494	35,552	35,552
Historical Debt Service Coverage	3.1	2.7	2.6
Pro Forma Debt Service Requirements ⁽¹⁾	36,775	36,775	36,775
Pro Forma Debt Service Coverage	3.0	2.7	2.5

⁽¹⁾Based on the issuance of \$232,215,000 of 2016 Bonds and 2016 ACTS Notes and the refunding of the Prior Bonds in the aggregate principal amount of \$195,455,000.

The pro forma long-term debt of the Obligated Group consists of 85% fixed rate (including bank loans and direct purchases) and 15% variable rate debt. The Obligated Group maintains a portfolio of interest rate swaps. Including these swap agreements, the pro forma long-term debt portfolio consists of 85% fixed rate, 15% synthetic fixed rate and 0% unhedged variable rate debt. Further information is provided in Appendix B.

Pro Forma Ratio Of Certain Assets To Total Pro Forma Long-Term Indebtedness And Pro Forma Ratio Of Days Of Total Cash & Cash Equivalents And Investments On Hand

The following table shows the Pro Forma Ratio of Cash and Investments to Historical Pro Forma Long-Term Indebtedness for the Obligated Group's last three Fiscal Years ending December 31, 2015, 2014, and 2013 and also shows the Pro Forma Ratio for Days of Total Cash and Cash Equivalents and Investments on Hand.

(000's Omitted)	FYE December 2015	FYE December 2014	FYE December 2013
Cash & Cash Equivalents	\$11,102	\$17,549	\$19,149
Unrestricted Investments	217,811	204,163	195,261
Total Unrestricted Cash and Investments	228,913	221,712	214,410
Historical Long-Term Indebtedness, including net unamortized premiums	474,685	490,828	506,488
Historical Cash to Debt Ratio	48%	45%	42%
Historical Daily Cash Expenses	851	830	809
Historical Days Cash on Hand	269	267	265
Pro Forma Long-Term Indebtedness ⁽¹⁾	553,103	560,635	567,538
Pro Forma Cash to Debt Ratio	41%	40%	38%
Pro Forma Daily Cash Expenses ⁽²⁾	854	831	810
Pro Forma Days Cash on Hand	268	267	265

Third Party Payors

In addition to residents deriving services as a result of life care contracts, payments on behalf of certain residents of the Obligated Group's communities are made to the Obligated Group by private commercial insurance companies and by the federal and state governments under the Medicare, Medicaid and Supplemental Security Income programs. Third party payors do not make payments for the independent living/residential facilities.

In the assisted living and skilled nursing facilities, the following table indicates the number and percentage of resident days that are not covered by life care contracts and fall into the private pay, Medicaid or Medicare categories:

⁽¹⁾Debt is calculated by the sum of Long Term Indebtedness and includes net unamortized original issue discounts and premiums outstanding as of each respective period end, adjusted for the issuance of the 2016 Bonds and refunding of the Prior Bonds. The net unamortized original issue discounts and (premiums) on Long Term Indebtedness for fiscal years ended December 31, 2015, 2014, and 2013 as adjusted for the issuance of the 2016 Bonds and refunding of the Prior Bonds are (\$47,988,000), (\$48,558,000), and (\$49,108,000), respectively. Long Term Indebtedness excludes Qualified Intermediate Term Indebtedness that is currently being used to fund an independent living expansion (see "ADDITIONAL INFORMATION – Plans for Additional Expansion" below).

⁽²⁾Based on the issuance of \$232,215,000 of 2016 Bonds and 2016 ACTS Notes and the refunding of the Prior Bonds in the aggregate principal amount of \$195,455,000.

<u>Skilled Nursing</u>	<u>Private Pay Days</u>	<u>% of Total</u>	<u>Medicaid Days</u>	<u>% of Total</u>	<u>Medicare Days</u>	<u>% of Total</u>
FY 2013	44,285	10.2%	15,947	3.7%	38,452	8.8%
FY 2014	42,776	9.9%	14,813	3.4%	43,049	10.0%
FY 2015	43,001	9.9%	15,260	3.5%	44,231	10.2%
YTD 03/31/2016	10,542	9.8%	3,332	3.1%	11,889	11.0%

<u>Assisted Living</u>	<u>Private Pay Average Occupancy</u>	<u>% Mix</u>
FY 2013	48	6.5%
FY 2014	52	6.9%
FY 2015	51	6.9%
YTD 03/31/2016	50	6.7%

ADDITIONAL INFORMATION

Fund Raising

The Obligated Group actively solicits contributions to assist in the care of its residents. In doing so, a specific fund has been established to help subsidize operating expenses for those individuals whose personal resources no longer afford them the ability to pay full monthly fees. Additionally, an Alzheimer fund and other funds have been established to receive contributions for special care unit programs and other purposes. Each fund is a restricted fund and receives contributions for specifically donor-designated purposes. A summary of the funds and their balances (excluding valuation adjustments) benefiting the Obligated Group is as follows (000s omitted):

	<u>03/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Financial Assistance to Residents	\$8,315	\$8,459	\$8,188	\$7,662
Purchase of Property & Equipment	3,437	3,411	3,422	3,080
Resident Services	566	578	707	627
All Other Funds	2,779	2,445	3,568	2,830

THE ABOVE FUNDS BENEFITING THE OBLIGATED GROUP HAVE NOT BEEN PLEDGED UNDER THE MASTER INDENTURE FOR THE BENEFIT OF THE BONDHOLDERS AND WOULD NOT BE AVAILABLE IN A FORECLOSURE ACTION OR ACCELERATION OF THE BONDS.

Employees and Staffing

The Obligated Group currently employs 5,898 full and part-time employees. Management believes its salaries and benefits package is competitive with other comparable institutions in the service areas in which it operates. The Obligated Group believes its employee relations are satisfactory, enhanced by emphasis on communications at all levels. Management conducts regular employee town halls, surveys and training programs for managers and staff. The Vice President, Human Resources and human resources department are on staff at the corporate headquarters and the regional offices and serve as a resource to all Obligated Group locations. There is currently no known union organizing activity.

Summary of Insurance Information

The Obligated Group carries building, contents, business interruption and extra expense insurance on all facilities. This is an all-risk policy with blanket limits of \$200 million per occurrence and includes boiler and machinery coverage. The deductible is \$50,000 for most perils; a named storm deductible for Florida facilities is 3% of facility value, except St. Andrews Estates and Edgewater Pointe Estates which is 5%. In addition, the Obligated

Group maintains flood non-critical insurance of \$150 million and flood zone A insurance of \$100 million for all locations.

Under the comprehensive general/professional liability coverage, the Obligated Group carries \$1 million per occurrence, \$3 million per location aggregate with a \$100,000 deductible for all Obligated Group locations. Under automobile liability, coverage is \$2 million per occurrence and aggregate with no deductible. Umbrella liability is also maintained in the amount of \$24 million in excess of the primary policies with no deductible. The general/professional liability policies are claims made.

Other insurance coverage maintained by the Obligated Group include: (1) crime coverage with limits of \$10 million; (2) director's and officer's coverage in the amount of \$20 million with a \$75,000 deductible and (3) fiduciary liability coverage of \$3 million with a \$0 deductible.

The Obligated Group maintains worker's compensation coverage with a \$500,000 per claim deductible.

Operating and Capital Plan Process

Annually, each executive director at each community is charged with assisting in the preparation of an Operating Budget for his or her respective community. In this process, operating expenditures are planned for salaries and benefits and non-salary areas such as insurance, supplies, food, utilities and other items. Rates are then determined which exceed these expenses and provide a reasonable operating margin. A Capital Budget is prepared each year as part of the planning process by each executive director including a ranking by priority. The various officers of ACTS then review both the Operating Budget and Capital Budget. The final community plans are reviewed by the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer and all Vice Presidents prior to presentation of each plan to ACTS' Board of Directors, for final approval. The Operating and Capital Budgets are monitored on a regular basis. Each month, the executive director is provided with a budget variance report that compares actual performance with budgeted performance. Additionally, each executive director has electronic access to the general ledger detail that supports the budget variance report. The executive director reviews the information with the department managers. Since these managers are also included in the budget preparation process, they are held accountable for explaining any budget variances. The capital budget is monitored by senior management no less than monthly and each regional vice president reviews community specific projects with the executive director on a regular basis.

Insurance Coverage Required by Residents; Medical Costs Containment

Each resident is required to maintain medical insurance. Each resident must have Medicare Parts A and B coverage and carry Medigap policies or the equivalent to defray the cost of medical expenses. If a resident fails to remain insured, each life care community reserves the right to terminate the resident contract.

In order to reduce costs of skilled nursing care, and to keep costs of services to all residents of each life care community to a minimum, residents are required, in cooperation with each life care community, to take every step possible through federal, state, municipal or private plans or programs of medical, surgical and/or hospitalization insurance to reimburse each life care community for services to the extent the resident's stated insurance plans or government programs provide. The medical insurance plan of each resident is reviewed annually by each respective life care community.

Accreditation

Currently, 18 of the Obligated Group's 19 communities have been accredited by CARF-CCAC.

Licensure and Memberships

All of the Obligated Group's facilities are licensed by the individual states to provide the levels of care offered and all such licenses are current. ACTS is a member of LeadingAge and the operating communities are members of their respective state associations of LeadingAge.

Plans for Additional Expansion

ACTS always reviews carefully the commencement of any major new development or capital undertaking. Because of the economic challenges in the United States generally, there has been limited major development activity in recent years.

ACTS, however, continues to review opportunities for potential future development and is currently reviewing a number of additional opportunities to develop, acquire, become involved in, and/or provide services to, additional retirement communities and other types of senior living arrangements in the future. These opportunities involve both new and/or existing facilities. ACTS will continue to explore both the current opportunities as well as others that may arise in the future.

ACTS recently moved forward with one such opportunity that involves the expansion of ACTS' Plantation Estates, located in Matthews, North Carolina, on previously acquired land of approximately 42 acres contiguous to the Plantation Estates community. In June, 2015, upon reaching a specific pre-sale level, construction began on this expansion project, which currently includes 146 independent living units, and an additional clubhouse that will include dining venues, a pool, fitness area and other multi-purpose space. In addition, a 100 bed replacement skilled nursing facility will be constructed after the completion of the independent living units. Currently, 82% of the independent living units are reserved. Construction is being funded by a revolving construction line of credit, that has a maximum outstanding amount of \$65 million. As of December 31, 2015, \$11.3 million was outstanding on the construction line of credit. Ten percent deposits on the reserved units totaled \$4.1 million at December 31, 2015, which is included in restricted cash and reserves.

Granite Farms Estates is currently renovating an existing four story building that previously contained 72 independent living units. Upon completion the building will be converted to large independent living units on floors 3 and 4 and assisted living units on floors 1 and 2. The final campus inventory is expected to be 300 independent living units, 60 assisted living units and 60 skilled nursing beds. Construction is being initially funded by a bank line of credit and will be permanently financed with the proceeds of the 2016 financing. The estimated completion date of the project is late 2017.

Furthermore, ACTS owns an additional 20 acres of land adjacent to Lanier Village Estates. The additional land may be used in the future to add additional carriage homes/cottages, which is currently in the planning/design phase. It is anticipated that the construction costs would be fully funded by the associated entrance fees.

There is opportunity to add carriage homes/cottages at Normandy Farms Estates. This project is also in the planning/design phase, and will likely include up to 21 single and/or duplex units. It is anticipated that the entrance fees for these new units would approximate the construction costs.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF ACTS RETIREMENT – LIFE COMMUNITIES, INC.
OBLIGATED GROUP FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**ACTS Retirement-Life Communities, Inc.
(Obligated Group)**

Special-Purpose Combined
Financial Statements

December 31, 2015 and 2014



Candor. Insight. Results.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
ACTS Retirement-Life Communities, Inc.

We have audited the accompanying special-purpose combined financial statements of ACTS Retirement-Life Communities, Inc. Obligated Group, which comprise the special-purpose combined balance sheet as of December 31, 2015 and 2014, and the related special-purpose combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the special-purpose combined financial statements.

Management's Responsibility for the Special-Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose combined financial statements in accordance with the financial reporting provisions of the Master Trust Indenture dated December 1, 1996, as supplemented; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose combined 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 special-purpose combined 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 special-purpose combined financial statements.

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

Opinion

In our opinion, the special-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of ACTS Retirement-Life Communities, Inc. Obligated Group as of December 31, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended, in accordance with the financial reporting provisions of the Master Trust Indenture.

Basis of Accounting

We draw attention to Note 1 to the special-purpose combined financial statements, which describes the basis of accounting. The special-purpose combined financial statements are prepared by ACTS Retirement-Life Communities, Inc. Obligated Group in accordance with the financial reporting provisions of the Master Trust Indenture, which is a basis other than accounting principles generally accepted in the United States of America to meet the Master Trust Indenture's requirements. Our opinion is not modified with respect to this matter.

Intended Use

Our report is intended solely for the information and use of the boards of directors and management of ACTS Retirement-Life Communities, Inc. Obligated Group, the Master Trustee under the Master Trust Indenture dated December 1, 1996, as supplemented, and other parties as required under the related Master Continuing Disclosure Agreement. It is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
April 29, 2016

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Balance Sheet

December 31, 2015 and 2014

(In Thousands)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 11,102	\$ 17,549
Investments	274,588	259,109
Accounts receivable and entrance fee receivables, net	19,882	18,326
Subordinated note receivable	6,082	6,082
Prepaid expenses, inventory, and deposits	7,613	6,337
Property and equipment, net	855,929	818,706
Deferred costs, net	10,479	10,724
Due from affiliated organizations	2,261	2,189
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,187,936</u>	<u>\$ 1,139,022</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 67,744	\$ 55,097
Short-term indebtedness	15,900	1,900
Construction loan payable	11,298	5,000
Long-term indebtedness	474,685	490,828
Entrance fee deposits	10,531	6,778
Refundable portion of entrance fees	22,742	26,687
Deferred revenue from entrance fees	498,349	466,697
Accumulated loss on investment contracts	13,212	13,564
	<u> </u>	<u> </u>
Total liabilities	<u>1,114,461</u>	<u>1,066,551</u>
Net Assets		
Unrestricted	55,968	53,977
Temporarily restricted	14,893	15,885
Permanently restricted	2,614	2,609
	<u> </u>	<u> </u>
Total net assets	<u>73,475</u>	<u>72,471</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 1,187,936</u>	<u>\$ 1,139,022</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Operations

Years Ended December 31, 2015 and 2014

(In Thousands)

	<u>2015</u>	<u>2014</u>
Operating Revenue		
Resident services revenue, net of amortization of entrance fees	\$ 251,038	\$ 243,321
Patient revenue from third-party payors	30,365	28,410
Investment income	7,584	8,090
Net assets released from restrictions to provide resident services	1,793	1,836
Other revenue	8,920	8,715
	<u>299,700</u>	<u>290,372</u>
Total operating revenue before amortization of entrance fees	299,700	290,372
Amortization of entrance fees	73,253	72,614
	<u>372,953</u>	<u>362,986</u>
Total operating revenue	372,953	362,986
Operating Expenses		
Salaries, wages, and benefits	186,023	176,735
Contracted services	22,790	22,841
Utilities	19,838	20,646
Food	19,670	18,966
Supplies	14,408	13,747
Real estate taxes	9,566	9,094
Insurance	4,883	6,161
Other	13,467	13,992
	<u>290,645</u>	<u>282,182</u>
Total operating expenses before depreciation, amortization, and interest	290,645	282,182
Depreciation and amortization	58,703	54,780
Interest, net	20,278	20,900
	<u>369,626</u>	<u>357,862</u>
Total operating expenses	369,626	357,862
Operating Income	3,327	5,124
Net Unrealized (Loss) Gain on Investments and Investment Contracts	(4,019)	1,279
Net Operating (Loss) Income	(692)	6,403
Net Assets Released from Restrictions to Acquire Property and Equipment	1,358	654
Contribution of Property and Equipment	1,325	-
Increase in Unrestricted Net Assets	<u>\$ 1,991</u>	<u>\$ 7,057</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Changes in Net Assets

Years Ended December 31, 2015 and 2014

(In Thousands)

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Total operating revenue	\$ 372,953	\$ 362,986
Total operating expenses	(369,626)	(357,862)
Net unrealized (loss) gain on investments and investment contracts	(4,019)	1,279
Net assets released from restrictions to acquire property and equipment	1,358	654
Contribution of property and equipment	1,325	-
	<u>1,991</u>	<u>7,057</u>
Increase in unrestricted net assets	1,991	7,057
Increase in Temporarily Restricted Net Assets		
Change in beneficial interest in the investments of ACTS Mission Foundation and PUMH Foundation, Inc.	(992)	1,686
Increase in Permanently Restricted Net Assets		
Change in beneficial interest in the investments of ACTS Mission Foundation and PUMH Foundation, Inc.	5	228
	<u>1,004</u>	<u>8,971</u>
Increase in Net Assets	1,004	8,971
Net Assets, Beginning	<u>72,471</u>	<u>63,500</u>
Net Assets, Ending	<u>\$ 73,475</u>	<u>\$ 72,471</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Cash Flows

Years Ended December 31, 2015 and 2014

(In Thousands)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,004	\$ 8,971
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	58,703	54,780
Loss on disposal of assets	180	316
Amortization of entrance fees	(73,253)	(72,614)
Amortization of bond discount and premium, net	(946)	(972)
Entrance fees and deposits from non-refundable resale contracts	118,964	106,888
Refunds of entrance fees and deposits from non-refundable resale contracts	(8,155)	(6,624)
Administrative fee included in gross entrance fees	(5,790)	(5,645)
Net realized and unrealized loss (gain) on investments	3,939	(5,347)
Change in fair value of investment contracts	(352)	3,256
Contribution of property and equipment	(1,325)	-
Change in beneficial interest in the investments of ACTS Mission Foundation and PUMH Foundation, Inc.	987	(1,914)
Net change in due from affiliated organizations	(72)	657
Changes in assets and liabilities:		
Increase in accounts receivable	(1,160)	(901)
Increase in prepaid expenses, inventory, and deposits	(1,276)	(146)
Increase in accounts payable and accrued expenses	1,914	1,231
Net cash provided by operating activities	<u>93,362</u>	<u>81,936</u>
Cash Flows from Investing Activities		
Net proceeds from sale of land	3,402	5,305
Purchase of property and equipment	(80,754)	(77,994)
(Increase) decrease in investments	<u>(20,405)</u>	<u>8,261</u>
Net cash used in investing activities	<u>(97,757)</u>	<u>(64,428)</u>
Cash Flows from Financing Activities		
Entrance fee deposits from initial sale contracts, net	3,074	1,076
Entrance fees from refundable contracts	-	167
Refunds of refundable entrance fees	(3,059)	(4,301)
Payment of accounts payable, construction	(6,358)	(5,695)
Proceeds from short-term indebtedness	14,000	7,250
Proceeds from construction loan payable	6,298	5,000
Increase in deferred costs	(810)	(667)
Payments on long-term indebtedness	(15,197)	(14,688)
Payments on short-term indebtedness	-	(7,250)
Net cash used in financing activities	<u>(2,052)</u>	<u>(19,108)</u>
Net decrease in cash and cash equivalents	(6,447)	(1,600)
Cash and Cash Equivalents, Beginning	<u>17,549</u>	<u>19,149</u>
Cash and Cash Equivalents, Ending	<u>\$ 11,102</u>	<u>\$ 17,549</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 21,291</u>	<u>\$ 21,906</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	<u>\$ 16,374</u>	<u>\$ 6,358</u>
Contribution of property and equipment	<u>\$ 1,325</u>	<u>\$ -</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

1. Organization

ACTS Retirement Services, Inc. ("ARS") is a not-for-profit Pennsylvania corporation that serves as the parent organization providing the highest level of governance and control over all of its controlled entities.

The following is a listing of ARS' controlled entities:

ACTS Management Services, Inc. ("AMS"), a not-for-profit Pennsylvania corporation providing management, marketing, and development services to ACTS and affiliated entities.

ACTS Signature Community Services, Inc. ("ASCS"), a not-for-profit Pennsylvania corporation providing home and community based services to ACTS and affiliated entities. ASCS has one wholly-owned subsidiary, Village Nursing Care, Inc. ("VNC"), a for-profit Georgia corporation that provides home health services in Gainesville, Georgia (Note 17).

ACTS Mission Foundation ("AMF"), a not-for-profit Pennsylvania corporation that provides fundraising, supports all charitable programs, and manages the donor restricted funds for ACTS and affiliated entities, with the exception of the 3 continuing care retirement communities ("CCRCs") that ACTS operates in Delaware. AMF is the sole member of PUMH Foundation, Inc. ("PUMH-F"), a not-for-profit Delaware corporation that provides fundraising, supports all charitable programs, and manages the donor restricted funds for the exclusive benefit of the 3 CCRCs that ACTS operates in Delaware (Note 17).

ACTS Retirement-Life Communities, Inc. ("ACTS"), a not-for-profit Pennsylvania corporation that, along with the affiliates, as herein defined, provides residential, assisted living, and skilled care services to senior adults in its 21 CCRCs, located in Alabama (1), Delaware (3), Florida (4), Georgia (1), Maryland (1), North Carolina (2), Pennsylvania (8), and South Carolina (1). ACTS operates 19 CCRCs as divisions within the legal entity of ACTS, and 2 CCRCs within separate, related legal entities (the "Affiliates"). ACTS is also the sole member of ACTS Acquisition Company, LLC ("AAC"), a Florida limited liability company that engages in acquisition related activity on behalf of ACTS. The Affiliates are as follows:

Heron Point of Chestertown, Inc. ("HP"), a not-for-profit Maryland corporation which operates a CCRC located in Chestertown, Maryland.

Park Pointe Village, Inc. ("PPV"), a not-for-profit South Carolina corporation which operates a CCRC located in Rock Hill, South Carolina.

The ACTS Obligated Group includes ACTS, AMS, and ASCS under the terms of a Master Trust Indenture (Note 9).

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

ARS, AMS, ASCS, AMF, PUMH-F, ACTS, HP, and PPV are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on their exempt income under Section 501(a) of the Code. AAC, as a single member limited liability company, is considered a "disregarded entity" for federal tax purposes. Because ACTS is exempt from federal income tax under Section 501(a) of the Code, as a charitable organization described in Section 501(c)(3) of the Code, and because AAC is a disregarded entity for federal tax purposes, AAC is considered exempt under Section 501(a) of the Code as a charitable organization described in Section 501(c)(3) of the Code.

Basis of Presentation and Principles of Combination

The ACTS Obligated Group (the "Company") prepares special-purpose combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying special-purpose combined financial statements include only the accounts of the Obligated Group members and exclude the accounts of ARS, AMF, HP, PPV, PUMH-F, AAC, and VNC. The combination of financial statements for only certain controlled organizations differs from accounting principles generally accepted in the United States of America.

All inter-affiliate transactions between the members of the Company have been eliminated in combination.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the special-purpose combined statement of cash flows, cash and cash equivalents include working capital accounts invested in highly liquid instruments purchased with an original maturity of three months or less.

Investments and Investment Risk

Investments with readily determinable fair values are measured at fair value in the special-purpose combined balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net operating (loss) income in the special-purpose combined statement of operations unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Company's investments are comprised of a variety of financial instruments. The fair values reported in the special-purpose combined balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the special-purpose combined balance sheet could materially change in the near term.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Investments include unrestricted assets and restricted assets. Unrestricted assets represent assets that are available for the general use and purposes of the Company. Restricted assets include amounts held in trust to meet statutory and debt reserve requirements and amounts restricted by donors for specific purposes or time periods.

Accounts Receivable and Entrance Fee Receivables

The Company establishes an allowance for uncollectible accounts to reduce its accounts receivable to net realizable value. The allowance is estimated by management based on general factors such as payor mix, aging of the accounts receivable, and historical collection experience. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed uncollectible.

Entrance fee receivables are evaluated for collectability based on specific identification. The terms and conditions of each receivable are determined when a resident agreement is executed.

Subordinated Note Receivable

Subordinated note receivable of \$6,082,000 at December 31, 2015 and 2014 consists of an amount advanced to AAC related to the affiliation with PPV. As the sole corporate member, AAC used the proceeds to provide an investment in PPV. This note is satisfied upon AAC transferring its sole corporate membership to another entity, or PPV making a payment to AAC as a return on investment.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10 to 25 years
Building and improvements	8 to 50 years
Furniture, fixtures, and equipment	3 to 10 years

When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from the accounts and any gain or loss is included in the special-purpose combined statement of operations. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

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

Depreciation expense was \$57,648,000 in 2015 and \$53,601,000 in 2014.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. The amount of interest capitalized was \$542,000 in 2015 and \$308,000 in 2014.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Deferred Costs

Deferred costs include certain sales and marketing costs associated with selling resident agreements that provide for the occupancy of independent living units that have not been previously occupied. These are amortized using the straight-line method over the average life expectancy of the residents.

Deferred costs also include costs incurred in connection with the issuance of long-term debt. These costs are amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method.

Deferred costs are net of accumulated amortization of \$10,738,000 as of December 31, 2015 and \$13,228,000 as of December 31, 2014. Amortization expense was \$1,055,000 in 2015 and \$1,179,000 in 2014.

Derivative Financial Instruments

The Company uses interest rate swap agreements which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the special-purpose combined balance sheet and related changes in fair value are reported on the special-purpose combined statement of operations as a component of net unrealized (loss) gain on investments and investment contracts.

Deferred Revenue from Entrance Fees

Under a continuing care contract ("resident agreement") for a residential living unit, the Company receives entrance fee payments in advance. The Company offers both nonrefundable and refundable resident agreements. As of December 31, 2015 and 2014, the majority of the Company's resident agreements are nonrefundable.

Under the majority of nonrefundable resident agreements, residents who terminate residency generally will be entitled to a full refund less an administrative fee of up to 5% and less 1%-2% (based on the resident agreement) of the remaining entrance fee per month of residency. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Company after a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method and is classified as deferred revenue from entrance fees on the special-purpose combined balance sheet. The guaranteed refundable portion of entrance fees is classified as refundable portion of entrance fees on the special-purpose combined balance sheet and is not amortized to revenue.

The gross contractual refund obligations under existing resident agreements were approximately \$270,914,000 and \$270,696,000 at December 31, 2015 and 2014, respectively.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Under the majority of existing resident agreements, residential living residents are entitled to assisted living or skilled care services, as needed, with no increases in the current monthly service fees as a result of transferring to a higher level of care.

Obligation to Provide Future Services

The Company engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2014), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, and the analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2015 and 2014.

Donor-Restricted Contributions

The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported on the special-purpose combined statement of operations as net assets released from restrictions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of contributions whose use by the Company is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Company pursuant to those stipulations.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is temporarily restricted.

Resident Services and Patient Revenues

Resident services and patient revenues are reported at the estimated net realizable amounts from residents and third-party payors. Patient revenues are recorded at rates established by the respective third-party in the period during which the service is provided. The Company records appropriate contractual allowances for Medicare and Medicaid revenue.

Income Taxes

AMS, ASCS, and ACTS are not-for-profit corporations. Each is exempt from federal income taxes on exempt income under Section 501(a) of the Code and other income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the special-purpose combined financial statements.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2015 and 2014.

Net Operating (Loss) Income

The performance indicator is identified on the special-purpose combined statement of operations as net operating (loss) income. Changes in unrealized gains and losses on investments and investment contracts are included in net operating (loss) income and contributions of long-lived assets are included in changes in unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with the basis of accounting described in Note 1 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 special-purpose combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through April 29, 2016, the date the special-purpose combined financial statements were issued.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

3. Investments

The composition of investments at December 31, 2015 and 2014 is set forth in the following table:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
U.S. government securities	\$ 75,336	\$ 76,248
Corporate debt securities	70,920	66,214
Cash and cash equivalents	39,674	26,484
Mutual and exchange traded funds - fixed income	29,682	29,445
Guaranteed investment contracts	20,909	21,565
Beneficial interest in the investments of AMF and PUMH-F	17,507	18,494
Other	9,270	9,381
Equities	8,200	7,939
Municipal bonds	1,835	1,658
Alternative investments	1,255	1,681
Total	<u>\$ 274,588</u>	<u>\$ 259,109</u>

The Company's alternative investments represent ownership interests in three funds that invest primarily in limited partnerships. The limited partnerships invest in hedge funds, real estate funds, private equity/venture capital funds, and distressed debt funds. These investments represent less than 3% ownership in the limited partnerships and are recorded at cost. As part of these alternative investments, ACTS has committed additional capital of \$619,000 to the funds. The capital can be called at any time, and is expected to be funded by future distributions from the funds.

The classification of the Company's investments as of December 31, 2015 and 2014 is set forth in the following table:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Unrestricted assets	\$ 174,579	\$ 162,499
State required liquid reserves	45,888	41,192
Debt service reserve funds	31,655	31,655
Other debt related reserves	4,959	5,269
Beneficial interest in the investments of AMF and PUMH-F	17,507	18,494
Total	<u>\$ 274,588</u>	<u>\$ 259,109</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Investment performance is as follows:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Unrestricted:		
Interest and dividend income	\$ 7,152	\$ 7,278
Net realized gain on investments	432	812
	<u>\$ 7,584</u>	<u>\$ 8,090</u>
Total		
	<u>\$ (4,371)</u>	<u>\$ 4,535</u>

4. Fair Value of Financial Instruments

Fair Value Measurements

The Company measures its investments and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
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The fair value of the Company's cash and cash equivalents, investments (including alternative investments at cost), short-term indebtedness, construction loan payable, long-term indebtedness, and derivative financial instruments was measured using the following inputs at December 31, 2015 and 2014:

	2015			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Instruments measured and reported at fair value:				
Investments:				
U.S. government securities	\$ 75,336	\$ -	\$ 75,336	\$ -
Corporate debt securities	70,920	-	70,920	-
Cash and cash equivalents	39,674	39,674	-	-
Mutual and exchange traded funds - fixed income	29,682	29,682	-	-
Guaranteed investment contracts	20,909	-	-	20,909
Beneficial interest in the investments of AMF and PUMH-F	17,507	-	17,507	-
Other	9,270	-	9,270	-
Equities	8,200	8,200	-	-
Municipal bonds	1,835	-	1,835	-
Alternative investments	1,255	-	-	1,255
Total	\$ 274,588	\$ 77,556	\$ 174,868	\$ 22,164
Liabilities,				
Accumulated loss on investment contracts	\$ 13,212	\$ -	\$ 13,212	\$ -
Instruments disclosed at fair value:				
Assets,				
Cash and cash equivalents	\$ 11,102	\$ 11,102	\$ -	\$ -
Liabilities:				
Short-term indebtedness	\$ 15,900	\$ -	\$ 15,900	\$ -
Construction loan payable	11,298	-	11,298	-
Long-term indebtedness	488,769	-	488,769	-
Total	\$ 515,967	\$ -	\$ 515,967	\$ -

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

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	2014			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
(In Thousands)				
Instruments measured and reported at fair value:				
Investments:				
U.S. government securities	\$ 76,248	\$ -	\$ 76,248	\$ -
Corporate debt securities	66,214	-	66,214	-
Cash and cash equivalents	26,484	26,484	-	-
Mutual and exchange traded funds – fixed income	29,445	29,445	-	-
Guaranteed investment contracts	21,565	-	-	21,565
Beneficial interest in the investments of AMF and PUMH-F	18,494	-	18,494	-
Other	9,381	-	9,381	-
Equities	7,939	7,939	-	-
Municipal bonds	1,658	-	1,658	-
Alternative investments	1,681	-	-	1,681
Total	<u>\$ 259,109</u>	<u>\$ 63,868</u>	<u>\$ 171,995</u>	<u>\$ 23,246</u>
Liabilities,				
Accumulated loss on investment contracts	<u>\$ 13,564</u>	<u>\$ -</u>	<u>\$ 13,564</u>	<u>\$ -</u>
Instruments disclosed at fair value:				
Assets,				
Cash and cash equivalents	<u>\$ 17,549</u>	<u>\$ 17,549</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Short-term indebtedness	\$ 1,900	\$ -	\$ 1,900	\$ -
Construction loan payable	5,000	-	5,000	-
Long-term indebtedness	<u>507,047</u>	<u>-</u>	<u>507,047</u>	<u>-</u>
Total	<u>\$ 513,947</u>	<u>\$ -</u>	<u>\$ 513,947</u>	<u>\$ -</u>

The Company's guaranteed investment contracts decreased \$656,000 in 2015 and \$12,926,000 in 2014, due to deposits and withdrawals, net.

The Company's alternative investments decreased \$426,000 in 2015 and \$568,000 in 2014 due to distributions received, net of additional capital contributions made.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

Mutual and exchange traded funds and equities are valued based on quoted market prices in active markets which are considered Level 1 inputs. U.S. government securities, corporate debt securities, other investments, and municipal bonds are generally valued using quoted market prices of similar securities, which are considered Level 2 inputs. The Company has a beneficial interest in the investments of AMF and PUMH-F. Since AMF and PUMH-F generally invest the Company's funds in U.S. government securities, corporate debt securities, other investments, and municipal bonds, the fair value of the beneficial interest in the investments of AMF and PUMH-F was deemed to be determined using Level 2 inputs.

The fair values of the Company's short-term indebtedness and construction loan payable approximate the carrying amounts as reported in the special-purpose combined balance sheet. The carrying amount of the short-term indebtedness was \$15,900,000 and \$1,900,000 at December 31, 2015 and 2014, respectively. The carrying amount of the construction loan payable was \$11,298,000 and \$5,000,000 at December 31, 2015 and 2014, respectively. The fair values are based on quoted market prices for the same or similar issues.

The fair value of the Company's variable rate long-term indebtedness (including variable rate demand revenue bonds and taxable term loans) approximates the carrying amount as reported in the special-purpose combined balance sheet; the carrying amount of this long-term indebtedness was \$183,375,000 and \$190,087,000 at December 31, 2015 and 2014, respectively. The carrying amount of the Company's fixed rate long-term indebtedness was \$284,980,000 and \$293,465,000 at December 31, 2015 and 2014, respectively. The estimated fair value of the Company's fixed rate long-term indebtedness was \$305,394,000 and \$316,960,000 at December 31, 2015 and 2014, respectively. The fair values are based on quoted market prices for the same or similar issues.

The guaranteed investment contracts are reported at contract value, which approximates fair value, based on the ability of the counterparties to pay the guaranteed claims in accordance with the terms of the contracts. The credit ratings of the counterparties as of the measurement date uphold the guaranteed investment contracts ability to meet obligations set forth in the contracts. Contract value is the aggregation of contributions, plus interest, less withdrawals. Contract value approximates a discounted cash flow value calculated using an appropriate risk-adjusted market discount rate which correlates closely with the counterparties historical crediting rates. The guaranteed investment contracts have redemption restrictions based on the terms of the underlying contracts. The redemption restrictions do not have a material impact on the contract value of the guaranteed investment contracts.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
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The Company measures its accumulated loss on investment contracts at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and considers the credit risk of the counterparty to the agreements and the Company. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Company would pay to terminate the agreements.

5. Accounts Receivable and Entrance Fee Receivables

Accounts receivable and entrance fee receivables are comprised of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Resident monthly fees	\$ 2,799	\$ 2,473
Resident entrance fees	7,831	7,435
Third party accounts	8,168	6,741
Other	<u>1,599</u>	<u>2,198</u>
Total receivables	20,397	18,847
Allowance for uncollectible accounts	<u>(515)</u>	<u>(521)</u>
Accounts receivable and entrance fee receivables, net	<u>\$ 19,882</u>	<u>\$ 18,326</u>

6. Property and Equipment

Property and equipment is comprised of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Land and improvements	\$ 83,696	\$ 85,632
Building and improvements	1,241,517	1,190,497
Furniture, fixtures, and equipment	120,766	125,218
Construction in progress	<u>45,781</u>	<u>18,321</u>
Total property and equipment	1,491,760	1,419,668
Accumulated depreciation	<u>(635,831)</u>	<u>(600,962)</u>
Property and equipment, net	<u>\$ 855,929</u>	<u>\$ 818,706</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

7. Short-Term Indebtedness

ACTS has an available \$15,000,000 revolving line of credit with a financial institution allowing for cash advances and providing support for the issuance of direct pay letters of credit. Interest on amounts outstanding on the line of credit was 1.74% at December 31, 2015. Interest is calculated monthly based on changes to the LIBOR Flex Rate, as defined. Borrowings were \$1,900,000 at December 31, 2015 and 2014. Letters of credit issued in connection with the line of credit were \$8,579,000 at December 31, 2015 and 2014.

ACTS also has an available \$50,000,000 revolving line of credit with a financial institution allowing for cash advances. Interest on amounts outstanding on the line of credit was 1.53% at December 31, 2015. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were \$14,000,000 at December 31, 2015. There were no borrowings at December 31, 2014.

The Company's obligations under the line of credit agreements are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined.

8. Construction Loan Payable

ACTS has an available \$65,000,000 revolving construction loan with a financial institution to fund construction of an expansion project at one of its CCRCs. The expansion project primarily consists of independent living units and skilled care beds. Construction began in June 2015 upon achieving a predetermined level of pre-sales for the independent living units. Principal payments will be made monthly from the collection of the related initial sale entrance fees upon occupancy of the expansion units. Any remaining outstanding principal is payable in full in December 2019. Interest on the amounts outstanding on the loan was 1.71% at December 31, 2015. Interest is calculated monthly based on changes to One-Month LIBOR. The amount outstanding on the loan was \$11,298,000 and \$5,000,000 at December 31, 2015 and 2014, respectively.

The Company's obligations under the construction loan are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

9. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under a Master Trust Indenture dated December 1, 1996, as supplemented, which secures the obligations of the Company and includes a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined. The Company is required to maintain certain reserves with a trustee. Such reserves are included in investments. The Company is also required to meet certain financial covenants. As of December 31, 2015 and 2014, the Company was in compliance with all financial covenants.

The Company's long-term indebtedness consists of the following:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Taxable Term Loan dated December 19, 2013. The interest rate is 2.56%. Principal is anticipated to mature in varying amounts through November 2038. However, the Company must request an extension of the initial maturity date (December 2018) to formally extend the term loan. The initial maturity date will be considered extended only if the bank provides written notice of the extension.	\$ 23,995	\$ 24,762
Taxable Term Loan dated December 19, 2013. The interest rate is 3.20% and resets in December 2018 and every five years thereafter. Principal matures in varying amounts through 2038.	14,415	14,710
Taxable Term Loan dated December 16, 2013. The interest rate is 2.54% at December 31, 2015 and may be adjusted annually, as defined. Principal matures in varying amounts through 2020.	12,180	14,515
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal matures in varying amounts from 2023 through 2029 (yield to maturity 4.19% at December 31, 2015).	80,465	80,465
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal of \$5,735,000 and \$7,595,000 matures in 2022 and 2023, respectively (yield to maturity 3.48% at December 31, 2015).	13,330	13,330

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
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	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2012. The interest rates range from 4% to 5% and principal matures in varying amounts through 2022 (yield to maturity 2.67% at December 31, 2015).	\$ 10,535	\$ 11,375
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2010. The interest rate is 5.5% and principal matures in varying amounts from 2030 through 2033 (yield to maturity 5.65% at December 31, 2015).	54,630	54,630
Gainesville and Hall County Development Authority (GA) Retirement Communities Revenue Bonds Series 2009. The interest rates range from 5% to 6.625% and principal matures in varying amounts through 2039 (yield to maturity 6.54% at December 31, 2015).	14,855	15,125
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2009. The interest rates range from 5% to 6.25% and principal matures in varying amounts through 2029 (yield to maturity 6.22% at December 31, 2015).	10,100	11,220
Delaware Economic Development Authority Variable Rate Demand Revenue Bonds Series 2007A. The interest rate is fixed at 1.87% and resets in December 2018 on \$33,675,000 of the bonds, and variable at 1.02% at December 31, 2015 on \$14,000,000 of the bonds. Principal matures in varying amounts from 2021 through 2037.	47,675	47,675
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2006A. The interest rate is 4.5% and principal matures in varying amounts from 2030 through 2036 (yield to maturity 4.61% at December 31, 2015).	25,000	25,000
Montgomery County Industrial Development Authority (PA) Retirement Communities Refunding Revenue Bonds Series 2006B. The interest rate is 5% and principal matures in varying amounts through 2022 (yield to maturity 3.20% at December 31, 2015).	32,240	38,495
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2006A. The interest rate is 4.5% and principal matures in varying amounts from 2030 through 2036 (yield to maturity 4.63% at December 31, 2015).	20,620	20,620

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Palm Beach County Health Facilities Authority (FL) Retirement Communities Refunding Revenue Bonds Series 2006B. The interest rate is 5% and principal matures in varying amounts from 2017 through 2020 (yield to maturity 3.17% at December 31, 2015).	\$ 23,205	\$ 23,205
Variable Rate Demand Revenue Bonds Series 2003A, Taxable. The interest rate was 1.53% at December 31, 2015. Principal matures in varying amounts through 2029. Additional security is provided through a letter of credit agreement expiring January 30, 2018.	14,805	15,395
Gainesville and Hall County Development Authority (GA) Senior Living Facility Variable Rate Demand Revenue Bonds Series 2003B. The interest rate was 0.72% at December 31, 2015. Principal matures in varying amounts through 2033. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	33,025	34,020
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003A; paid during 2015.	-	1,250
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003B. The interest rate was 0.72% at December 31, 2015. Principal matures in varying amounts from 2016 through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	25,395	25,395
Montgomery County Industrial Development Authority (PA) Retirement Community Variable Rate Demand Revenue Bonds Series 2002. The interest rate was 0.72% at December 31, 2015. Principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	11,885	12,365
Total	468,355	483,552
Unamortized bond premiums and discounts, net	6,330	7,276
Total long-term indebtedness	<u>\$ 474,685</u>	<u>\$ 490,828</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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Variable rates are determined based on prevailing market rates and general financial conditions. The variable interest rates above include letter of credit and remarketing fees. The letter of credit fees are subject to change if the rating for the Company changes in the future. Certain debt provisions require the maintenance of the letters of credit.

Anticipated principal repayments on long-term indebtedness are as follows (in thousands):

Years ending December 31:	
2016	\$ 15,772
2017	16,426
2018	17,032
2019	17,815
2020	18,560
2021 - 2025	117,245
2026 - 2030	127,960
2031 - 2035	112,085
Thereafter	<u>25,460</u>
Total	<u>\$ 468,355</u>

10. Derivative Instruments and Hedging Activities

The Company has interest rate swap agreements with financial institutions that are considered derivative financial instruments. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote and that the swap agreements are continuing to function as intended.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Company does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Changes in fair value of the interest rate swap agreements are recorded as a component of net unrealized (loss) gain on investments and investment contracts. The change in unrealized gain (loss) was \$352,000 in 2015 and \$(3,256,000) in 2014.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

At December 31, 2015, the Company had the following interest rate swaps in effect:

<u>Debt Series</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Accumulated Unrealized Loss</u>
Series 2002 (PA)	\$ 11,885,000	2029	3.64%	\$ 2,102,000
Series 2003B (GA)	33,025,000	2033	3.54%	6,767,000
Series 2003B (FL)	25,395,000	2029	3.35%	3,597,000
Series 2007A (DE)	12,966,000	2018	3.31%	746,000

The fair value of the interest rate swap agreements was (\$13,212,000) and (\$13,564,000) at December 31, 2015 and 2014, respectively, and was obtained from an independent third party valuation specialist.

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Financial assistance to residents	\$ 8,459	\$ 8,188
Purchase of property and equipment	3,411	3,422
Resident services	578	707
Other	<u>2,445</u>	<u>3,568</u>
Total	<u>\$ 14,893</u>	<u>\$ 15,885</u>

Net assets were released from donor restrictions by incurring costs satisfying the restricted purpose or by occurrence of other events specified by donors.

The income distributions from permanently restricted net assets are available to fund financial assistance to residents and other temporarily restricted purposes.

12. Retirement Plans

The Company participates in a 401(k) Plan (the "ACTS 401(k) Plan") covering substantially all full-time employees. The ACTS 401(k) Plan allows for qualified employees to voluntarily contribute up to the IRS maximum (\$18,000 for 2015). In accordance with the terms of the ACTS 401(k) Plan, the Company matches up to 100% of the first 3% of the employee's contribution, plus an additional 50% of the next 2% of the employee's contribution. Plan expense, net of forfeitures and changes in estimated accruals, was \$3,062,000 in 2015 and \$2,897,000 in 2014.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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AMS provides a nonqualified Supplemental Executive Retirement Plan (“SERP”) to certain members of senior executive management in addition to those benefits available under the ACTS 401(k) Plan. Retirement benefits, as defined in the plan document and amendments, are based on age, years of service, and average compensation during the last five years of employment. SERP expense was \$446,000 in 2015 and \$550,000 in 2014. The SERP liability is included in accounts payable and accrued expenses on the special-purpose combined balance sheet and was \$2,472,000 and \$5,150,000 at December 31, 2015 and 2014, respectively.

13. Concentrations of Credit Risk

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily related to providing residential and healthcare related services.

The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses resulting from this, and management believes it is not subject to any significant credit risk related to cash accounts.

14. Commitments and Contingencies

Senior Living Services Industry

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

Workers Compensation

The Company maintains a self-insured workers compensation program with a per occurrence retention limit of \$500,000. As of December 31, 2015 and 2014, the reserve for workers compensation liability claims was \$3,853,000 and \$3,967,000, respectively, and is included in accounts payable and accrued expenses on the special-purpose combined balance sheet. Self-insurance reserves are based upon fully developed case reserves that are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as changes in actual loss experience could cause these estimates to change in the near term.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

Construction Agreements

The Company entered into construction agreements for certain development and renovation activities at various communities. Commitments were approximately \$52,437,000 as of December 31, 2015.

Litigation

The Company operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the special-purpose combined financial statements.

15. Related-Party Transactions

Management Agreements

AMS entered into Management, Marketing, and Development Agreements (the "Agreements") with HP, PPV, and VNC, which are automatically renewable for one year on each anniversary date. Management fees are equal to 4% of gross revenues, plus any out-of-pocket expenses. Marketing fees are equal to 4% of gross entrance fee proceeds, plus any out-of-pocket expenses. Development fees are equal to 4% of project costs for qualified capital projects. AMS is also reimbursed for the costs related to certain key employees.

AMS also has management agreements with AMF and PUMH-F. The agreements terminate on December 31, 2016. Management fees are equal to 5% of gross program receipts (excluding investment income), plus any out-of-pocket expenses.

Total fees earned by AMS were \$2,245,000 in 2015 and \$2,446,000 in 2014. These balances are generally settled currently in the normal course of business.

Beneficial Interest in Investments

As of December 31, 2015 and 2014, the Company has a beneficial interest in the investments of AMF and PUMH-F of \$17,507,000 and \$18,494,000, respectively, related to donor restricted funds. These amounts are included in investments on the special-purpose combined balance sheet.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2015 and 2014

16. Functional Expenses

The Company provides housing, healthcare, and other related services to residents within its geographic locations. Expenses related to providing these services are as follows:

	<u>2015</u>	<u>2014</u>
	(In Thousands)	
Program service	\$ 339,466	\$ 329,940
Management and general	29,290	27,250
Fundraising	<u>870</u>	<u>672</u>
Total operating expenses	<u>\$ 369,626</u>	<u>\$ 357,862</u>

17. Subsequent Events

Effective in January 2016, AMF merged with and into PUMH-F (with PUMH-F as the surviving corporation) and PUMH-F changed its name to ACTS Legacy Foundation, Inc. ("ALF"). ARS is the sole member of ALF.

Effective in January 2016, VNC merged with and into ASCS and is now operating as one of the home and community based divisions within the legal entity of ASCS.

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**ACTS Retirement-Life Communities, Inc.
(Obligated Group)**

Special-Purpose Combined
Financial Statements

December 31, 2014 and 2013



Candor. Insight. Results.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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Independent Auditors' Report

Board of Directors
ACTS Retirement-Life Communities, Inc.

We have audited the accompanying special-purpose combined financial statements of ACTS Retirement-Life Communities, Inc. Obligated Group, which comprise the special-purpose combined balance sheet as of December 31, 2014 and 2013, and the related special-purpose combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Special-Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose combined financial statements in accordance with the financial reporting provisions of the Master Trust Indenture dated December 1, 1996, as supplemented; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose combined 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 special-purpose combined 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 special-purpose combined financial statements.

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

Opinion

In our opinion, the special-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of ACTS Retirement-Life Communities, Inc. Obligated Group as of December 31, 2014 and 2013, and the results of their operations, changes in net assets, and cash flows for the years then ended, in accordance with the financial reporting provisions of the Master Trust Indenture.

Basis of Accounting

We draw attention to Note 1 to the special-purpose combined financial statements, which describes the basis of accounting. The special-purpose combined financial statements are prepared by ACTS Retirement-Life Communities, Inc. Obligated Group in accordance with the financial reporting provisions of the Master Trust Indenture, which is a basis other than accounting principles generally accepted in the United States of America to meet the Master Trust Indenture's requirements. Our opinion is not modified with respect to this matter.

Intended Use

Our report is intended solely for the information and use of the boards of directors and management of ACTS Retirement-Life Communities, Inc. Obligated Group, the Master Trustee under the Master Trust Indenture dated December 1, 1996, as supplemented, and other parties as required under the related Master Continuing Disclosure Agreement. It is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
April 30, 2015

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Balance Sheet

December 31, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 17,549	\$ 19,149
Investments	259,109	260,109
Accounts receivable and entrance fee receivables, net	18,326	16,131
Subordinated note receivable	6,082	6,082
Prepaid expenses, inventory, and deposits	8,938	8,950
Property and equipment, net	818,706	793,576
Deferred costs, net	8,123	8,477
Due from affiliated organizations	2,189	2,846
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,139,022</u>	<u>\$ 1,115,320</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 55,097	\$ 54,120
Short-term indebtedness	1,900	1,900
Construction loan payable	5,000	-
Long-term indebtedness	490,828	506,488
Entrance fee deposits	6,778	6,358
Refundable portion of entrance fees	26,687	29,128
Deferred revenue from entrance fees	466,697	443,518
Accumulated loss on investment contracts	13,564	10,308
	<u> </u>	<u> </u>
Total liabilities	<u>1,066,551</u>	<u>1,051,820</u>
Net Assets		
Unrestricted	53,977	46,920
Temporarily restricted	15,885	14,199
Permanently restricted	2,609	2,381
	<u> </u>	<u> </u>
Total net assets	<u>72,471</u>	<u>63,500</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 1,139,022</u>	<u>\$ 1,115,320</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Operations

Years Ended December 31, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Operating Revenue		
Resident services revenue, net of amortization of entrance fees	\$ 243,321	\$ 236,915
Patient revenue from third-party payors	28,410	28,793
Investment income	8,090	7,339
Net assets released from restriction to provide resident services	1,836	1,843
Other revenue	8,715	8,705
	<u>290,372</u>	<u>283,595</u>
Total operating revenue before amortization of entrance fees	290,372	283,595
Amortization of entrance fees	72,614	69,899
	<u>362,986</u>	<u>353,494</u>
Total operating revenue	362,986	353,494
Operating Expenses		
Salaries, wages, and benefits	176,735	171,975
Contracted services	22,841	23,123
Utilities	20,646	19,310
Food	18,966	18,145
Supplies	13,747	12,811
Real estate taxes	9,094	8,850
Insurance	6,161	6,358
Other	13,992	14,097
	<u>282,182</u>	<u>274,669</u>
Total operating expenses before depreciation, amortization, and interest	282,182	274,669
Depreciation and amortization	54,622	51,928
Interest, net	21,058	20,865
	<u>357,862</u>	<u>347,462</u>
Total operating expenses	357,862	347,462
Operating Income	5,124	6,032
Net Unrealized Gain on Investments and Investment Contracts	1,279	1,167
Loss on Early Extinguishment of Debt	-	(154)
	<u>6,403</u>	<u>7,045</u>
Net Operating Income	6,403	7,045
Net Assets Released from Restriction to Acquire Property and Equipment	654	1,090
	<u>7,057</u>	<u>8,135</u>
Increase in Unrestricted Net Assets	\$ 7,057	\$ 8,135

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Changes in Net Assets

Years Ended December 31, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Unrestricted Net Assets		
Total operating revenue	\$ 362,986	\$ 353,494
Total operating expenses	(357,862)	(347,462)
Net unrealized gain on investments and investment contracts	1,279	1,167
Loss on early extinguishment of debt	-	(154)
Net assets released from restriction to acquire property and equipment	<u>654</u>	<u>1,090</u>
Increase in unrestricted net assets	7,057	8,135
Increase in Temporarily Restricted Net Assets		
Change in beneficial interest in investments of ACTS Mission Foundation and PUMH Foundation, Inc.	1,686	375
Increase in Permanently Restricted Net Assets		
Change in beneficial interest in investments of ACTS Mission Foundation and PUMH Foundation, Inc.	<u>228</u>	<u>7</u>
Increase in Net Assets	8,971	8,517
Net Assets, Beginning	<u>63,500</u>	<u>54,983</u>
Net Assets, Ending	<u><u>\$ 72,471</u></u>	<u><u>\$ 63,500</u></u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Special-Purpose Combined Statement of Cash Flows

Years Ended December 31, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 8,971	\$ 8,517
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,622	51,928
Loss on disposal of assets	316	164
Amortization of entrance fees	(72,614)	(69,899)
Amortization of bond discount and premium, net	(972)	(996)
Entrance fees from non-refundable resale contracts	106,888	97,293
Refunds of entrance fees and deposits from non-refundable resale contracts	(6,624)	(6,673)
Administrative fee included in gross entrance fees	(5,645)	(4,899)
Net realized and unrealized (gain) loss on investments	(5,347)	7,118
Change in fair value of investment contracts	3,256	(8,598)
Loss on early extinguishment of debt	-	154
Change in beneficial interest in investments of ACTS Mission Foundation and PUMH Foundation, Inc.	(1,914)	(382)
Net change in due from/to affiliated organizations	657	(159)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(901)	1,086
Decrease in prepaid expenses, inventory, and deposits	12	298
Increase in accounts payable and accrued expenses	1,894	34
Net cash provided by operating activities	<u>82,599</u>	<u>74,986</u>
Cash Flows from Investing Activities		
Decrease in notes receivable	-	6,988
Net proceeds from sale of land	5,305	-
Purchase of property and equipment	(84,352)	(73,962)
Decrease in investments	8,261	6,106
Net cash used in investing activities	<u>(70,786)</u>	<u>(60,868)</u>
Cash Flows from Financing Activities		
Entrance fees from initial sale contracts	1,076	326
Entrance fees from refundable contracts	167	-
Refunds of refundable entrance fees	(4,301)	(2,731)
Proceeds from short-term indebtedness	7,250	8,702
Proceeds from construction loan payable	5,000	-
Net proceeds from long-term indebtedness	-	30,778
Increase in deferred costs	(667)	(557)
Payments on short-term indebtedness	(7,250)	(38,702)
Payments on long-term indebtedness	(14,688)	(12,385)
Net cash used in financing activities	<u>(13,413)</u>	<u>(14,569)</u>
Net decrease in cash and cash equivalents	(1,600)	(451)
Cash and Cash Equivalents, Beginning	<u>19,149</u>	<u>19,600</u>
Cash and Cash Equivalents, Ending	<u>\$ 17,549</u>	<u>\$ 19,149</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 21,906</u>	<u>\$ 22,006</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Proceeds from long-term indebtedness used to repay short-term indebtedness	<u>\$ -</u>	<u>\$ 10,000</u>
Proceeds from long-term indebtedness used to repay long-term indebtedness	<u>\$ -</u>	<u>\$ 13,210</u>
Proceeds from long-term indebtedness used for interest rate swap agreement termination payment	<u>\$ -</u>	<u>\$ 3,387</u>

See notes to special-purpose combined financial statements

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

1. Organization

ACTS Retirement Services, Inc. ("ARS") is a not-for-profit Pennsylvania corporation that serves as the parent organization providing the highest level of governance and control over all of its controlled entities.

The following is a listing of ARS' controlled entities:

ACTS Management Services, Inc. ("AMS"), a not-for-profit Pennsylvania corporation providing management, marketing, and development services to ACTS and affiliated entities.

ACTS Signature Community Services, Inc. ("ASCS"), a not-for-profit Pennsylvania corporation providing home and community based services to ACTS and affiliated entities. ASCS has one wholly-owned subsidiary, Village Nursing Care, Inc. ("VNC"), a for-profit Georgia corporation that provides home health services in Gainesville, Georgia.

ACTS Mission Foundation ("AMF"), a not-for-profit Pennsylvania corporation that provides fundraising, supports all charitable programs, and manages the donor restricted funds for ACTS and affiliated entities, with the exception of the 3 continuing care retirement communities ("CCRCs") that ACTS operates in Delaware. AMF is the sole member of PUMH Foundation, Inc. ("PUMH-F"), a not-for-profit Delaware corporation that provides fundraising, supports all charitable programs, and manages the donor restricted funds for the exclusive benefit of the 3 CCRCs that ACTS operates in Delaware.

ACTS Retirement-Life Communities, Inc. ("ACTS"), a not-for-profit Pennsylvania corporation that, along with the affiliates, as herein defined, provides residential, assisted living, and skilled care services to senior adults in its 23 CCRCs, located in Alabama (1), Delaware (3), Florida (6), Georgia (1), Maryland (1), North Carolina (2), Pennsylvania (8), and South Carolina (1). ACTS operates 21 CCRCs as divisions within the legal entity of ACTS, and 2 CCRCs within separate, related legal entities (the "Affiliates"). ACTS is also the sole member of ACTS Acquisition Company, LLC ("AAC"), a Florida limited liability company that engages in acquisition related activity on behalf of ACTS. The Affiliates are as follows:

Heron Point of Chestertown, Inc. ("HP"), a not-for-profit Maryland corporation which operates a CCRC located in Chestertown, Maryland. ACTS is the sole member of HP.

Park Pointe Village, Inc. ("PPV"), a not-for-profit South Carolina corporation which operates a CCRC located in Rock Hill, South Carolina. AAC is the sole member of PPV.

The ACTS Obligated Group includes ACTS, AMS, and ASCS under the terms of a Master Trust Indenture (Note 9).

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

ARS, AMS, ASCS, AMF, PUMH-F, ACTS, HP, and PPV are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on their exempt income under Section 501(a) of the Code. AAC, as a single member limited liability company, is considered a "disregarded entity" for federal tax purposes. Because ACTS is exempt from federal income tax under Section 501(a) of the Code, as a charitable organization described in Section 501(c)(3) of the Code, and because AAC is a disregarded entity for federal tax purposes, AAC is considered exempt under Section 501(a) of the Code as a charitable organization described in Section 501(c)(3) of the Code.

Basis of Presentation and Principles of Combination

The ACTS Obligated Group (the "Company") prepares special-purpose combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying special-purpose combined financial statements include only the accounts of the Obligated Group members and exclude the accounts of ARS, AMF, HP, PPV, PUMH-F, AAC, and VNC. The combination of financial statements for only certain controlled organizations differs from accounting principles generally accepted in the United States of America.

All inter-affiliate transactions between the members of the Company have been eliminated in combination.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the special-purpose combined statement of cash flows, cash and cash equivalents include working capital accounts invested in highly liquid instruments purchased with an original maturity of three months or less.

Investments and Investment Risk

Investments with readily determinable fair values are measured at fair value in the special-purpose combined balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net operating income in the special-purpose combined statement of operations unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Company's investments are comprised of a variety of financial instruments. The fair values reported in the special-purpose combined balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported on the special-purpose combined balance sheet could materially change in the near term.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

Investments include unrestricted assets and restricted assets. Unrestricted assets represent assets that are available for the general use and purposes of the Company. Restricted assets include amounts held in trust to meet statutory and debt reserve requirements and amounts restricted by donors for specific purposes or time periods.

Accounts Receivable and Entrance Fee Receivables

The Company establishes an allowance for uncollectible accounts to reduce its accounts receivable to net realizable value. The allowance is estimated by management based on general factors such as payor mix, aging of the accounts receivable, and historical collection experience. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed uncollectible.

Entrance fee receivables are evaluated for collectability based on specific identification. The terms and conditions of each receivable are determined when a resident agreement is executed.

Subordinated Notes Receivable

Subordinated note receivable of \$6,082,000 at December 31, 2014 and 2013 consists of an amount advanced to AAC related to the affiliation with PPV. As the sole corporate member, AAC used the proceeds to provide an investment in PPV. This note is satisfied upon AAC transferring its sole corporate membership to another entity, or PPV making a payment to AAC as a return on investment.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10 to 25 years
Building and improvements	8 to 50 years
Furniture, fixtures, and equipment	3 to 10 years

When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from the accounts and any gain or loss is included in the special-purpose combined statement of operations. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

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

Depreciation expense was \$53,601,000 in 2014 and \$50,904,000 in 2013.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. The amount of interest capitalized was \$308,000 in 2014 and \$1,131,000 in 2013.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

Deferred Costs

Deferred costs include certain sales and marketing costs associated with selling resident agreements that provide for the occupancy of independent living units that have not been previously occupied. These are amortized using the straight-line method over the average life expectancy of the residents.

Deferred costs also include costs incurred in connection with the issuance of long-term debt. These costs are amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method.

Deferred costs are net of accumulated amortization of \$11,453,000 as of December 31, 2014 and \$10,432,000 as of December 31, 2013. Amortization expense was \$1,021,000 in 2014 and \$1,024,000 in 2013.

Derivative Financial Instruments

The Company uses interest rate swap agreements which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the special-purpose combined balance sheet and related changes in fair value are reported on the special-purpose combined statement of operations as a component of net unrealized gain on investments and investment contracts.

Deferred Revenue from Entrance Fees

Under a continuing care contract ("resident agreement") for a residential living unit, the Company receives entrance fee payments in advance. The Company offers both nonrefundable and refundable resident agreements. As of December 31, 2014 and 2013, the majority of the Company's resident agreements are nonrefundable.

Under the majority of nonrefundable resident agreements, residents who terminate residency generally will be entitled to a full refund less an administrative fee of up to 5% and less 1%-2% (based on the resident agreement) of the remaining entrance fee per month of residency. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Company after a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method and is classified as deferred revenue from entrance fees on the special-purpose combined balance sheet. The guaranteed refundable portion of entrance fees is classified as refundable portion of entrance fees on the special-purpose combined balance sheet and is not amortized to revenue.

The gross contractual refund obligations under existing resident agreements were approximately \$270,696,000 and \$272,215,000 at December 31, 2014 and 2013, respectively.

Under the majority of existing resident agreements, residential living residents are entitled to assisted living or skilled care services, as needed, with no increases in the current monthly service fees as a result of transferring to a higher level of care.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

Obligation to Provide Future Services

The Company engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2014), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, and the analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2014 and 2013.

Donor-Restricted Contributions

The Company reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported on the special-purpose combined statement of operations as net assets released from restrictions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of contributions whose use by the Company is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Company pursuant to those stipulations.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is temporarily restricted.

Resident Services and Patient Revenues

Resident services and patient revenues are reported at the estimated net realizable amounts from residents and third-party payors. Patient revenues are recorded at rates established by the respective third-party in the period during which the service is provided. The Company records appropriate contractual allowances for Medicare and Medicaid revenue.

Income Taxes

AMS, ASCS, and ACTS are not-for-profit corporations. Each is exempt from federal income taxes on exempt income under Section 501(a) of the Code and other income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the special-purpose combined financial statements.

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2014 and 2013.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

The federal Exempt Organization Business Income Tax Returns for the Company for the years ended December 31, 2013, 2012 and 2011 have been filed timely but remain subject to examination by the Internal Revenue Service.

Net Operating Income

The performance indicator is identified on the special-purpose combined statement of operations as net operating income. Changes in unrealized gains and losses on investments and investment contracts are included in net operating income and contributions of long-lived assets are included in changes in unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with the basis of accounting described in Note 1 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 special-purpose combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through April 30, 2015, the date the special-purpose combined financial statements were issued.

3. Investments

The composition of investments at December 31, 2014 and 2013 is set forth in the following table:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
U.S. government securities	\$ 76,248	\$ 71,463
Corporate debt securities	66,214	61,739
Mutual and exchange traded funds - fixed income	29,445	25,559
Cash and cash equivalents	26,484	30,705
Guaranteed investment contracts	21,565	34,491
Beneficial interest in the investments of AMF and PUMH-F	18,494	16,580
Other	9,381	8,240
Equities	7,939	7,707
Alternative investments	1,681	2,249
Municipal bonds	1,658	1,376
Total	<u>\$ 259,109</u>	<u>\$ 260,109</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

The Company's alternative investments represent ownership interests in three funds that invest primarily in limited partnerships. The limited partnerships invest in hedge funds, real estate funds, private equity/venture capital funds, and distressed debt funds. These investments represent less than 3% ownership in the limited partnerships and are recorded at cost. As part of these alternative investments, ACTS has committed additional capital of \$637,000 to the funds. The capital can be called at any time, and is expected to be funded by future distributions from the funds.

The classification of the Company's investments as of December 31, 2014 and 2013 is set forth in the following table:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Unrestricted assets	\$ 162,499	\$ 151,775
State required liquid reserves	41,192	41,962
Debt service reserve funds	31,655	31,589
Other debt related reserves	5,269	18,203
Beneficial interest in the investments of AMF and PUMH-F	<u>18,494</u>	<u>16,580</u>
Total	<u>\$ 259,109</u>	<u>\$ 260,109</u>

Investment performance is as follows:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Unrestricted:		
Interest and dividend income	\$ 7,278	\$ 7,026
Net realized gain on investments	<u>812</u>	<u>313</u>
Total	<u>\$ 8,090</u>	<u>\$ 7,339</u>
Net unrealized gain (loss) on investments	<u>\$ 4,535</u>	<u>\$ (7,431)</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
December 31, 2014 and 2013

4. Fair Value of Financial Instruments

Fair Value Measurements

The Company measures its investments and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements

December 31, 2014 and 2013

The fair value of the Company's cash and cash equivalents, investments (including alternative investments at cost), short-term indebtedness, construction loan payable, long-term indebtedness, and derivative financial instruments was measured using the following inputs at December 31, 2014 and 2013:

	2014			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
(In Thousands)				
Instruments measured and reported at fair value:				
Investments:				
U.S. government securities	\$ 76,248	\$ -	\$ 76,248	\$ -
Corporate debt securities	66,214	-	66,214	-
Mutual and exchange traded funds - fixed income	29,445	29,445	-	-
Cash and cash equivalents	26,484	26,484	-	-
Guaranteed investment contracts	21,565	-	-	21,565
Beneficial interest in the investments of AMF and PUMH-F	18,494	-	18,494	-
Other	9,381	-	9,381	-
Equities	7,939	7,939	-	-
Alternative investments	1,681	-	-	1,681
Municipal bonds	1,658	-	1,658	-
Total	<u>\$ 259,109</u>	<u>\$ 63,868</u>	<u>\$ 171,995</u>	<u>\$ 23,246</u>
Liabilities,				
Accumulated loss on investment contracts	<u>\$ 13,564</u>	<u>\$ -</u>	<u>\$ 13,564</u>	<u>\$ -</u>
Instruments disclosed at fair value:				
Assets,				
Cash and cash equivalents	<u>\$ 17,549</u>	<u>\$ 17,549</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Short-term indebtedness	\$ 1,900	\$ -	\$ 1,900	\$ -
Construction loan payable	5,000	-	5,000	-
Long-term indebtedness	<u>507,047</u>	<u>-</u>	<u>507,047</u>	<u>-</u>
Total	<u>\$ 513,947</u>	<u>\$ -</u>	<u>\$ 513,947</u>	<u>\$ -</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

Notes to Special-Purpose Combined Financial Statements
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	2013			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
(In Thousands)				
Instruments measured and reported at fair value:				
Investments:				
U.S. government securities	\$ 71,463	\$ -	\$ 71,463	\$ -
Corporate debt securities	61,739	-	61,739	-
Mutual and exchange traded funds – fixed income	25,559	25,559	-	-
Cash and cash equivalents	30,705	30,705	-	-
Guaranteed investment contracts	34,491	-	-	34,491
Beneficial interest in the investments of AMF and PUMH-F	16,580	-	16,580	-
Other	8,240	-	8,240	-
Equities	7,707	7,707	-	-
Alternative investments	2,249	-	-	2,249
Municipal bonds	1,376	-	1,376	-
Total	<u>\$ 260,109</u>	<u>\$ 63,971</u>	<u>\$ 159,398</u>	<u>\$ 36,740</u>
Liabilities,				
Accumulated loss on investment contracts	<u>\$ 10,308</u>	<u>\$ -</u>	<u>\$ 10,308</u>	<u>\$ -</u>
Instruments disclosed at fair value:				
Assets,				
Cash and cash equivalents	<u>\$ 19,149</u>	<u>\$ 19,149</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Short-term indebtedness	\$ 1,900	\$ -	\$ 1,900	\$ -
Long-term indebtedness	<u>496,811</u>	<u>-</u>	<u>496,811</u>	<u>-</u>
Total	<u>\$ 498,711</u>	<u>\$ -</u>	<u>\$ 498,711</u>	<u>\$ -</u>

The Company's guaranteed investment contracts decreased \$12,926,000 in 2014 and \$3,104,000 in 2013, due to deposits and withdrawals, net.

The Company's alternative investments decreased \$568,000 in 2014 and \$166,000 in 2013 due to distributions received, net of additional capital contributions made.

Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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Mutual and exchange traded funds and equities are valued based on quoted market prices in active markets which are considered Level 1 inputs. U.S. government securities, corporate debt securities, other investments, and municipal bonds are generally valued using quoted market prices of similar securities, which are considered Level 2 inputs. The Company has a beneficial interest in the investments of AMF and PUMH-F. Since AMF and PUMH-F generally invest the Company's funds in U.S. government securities, corporate debt securities, other investments, and municipal bonds, the fair value of the beneficial interest in the investments of AMF and PUMH-F was deemed to be determined using Level 2 inputs.

The fair values of the Company's short-term indebtedness and construction loan payable approximate the carrying amounts as reported in the special-purpose combined balance sheet. The carrying amount of the short-term indebtedness was \$1,900,000 at December 31, 2014 and 2013. The carrying amount of the construction loan payable was \$5,000,000 at December 31, 2014. The fair values are based on quoted market prices for the same or similar issues.

The fair value of the Company's variable rate long-term indebtedness (including variable rate demand revenue bonds and taxable term loans) approximates the carrying amount as reported in the special-purpose combined balance sheet; the carrying amount of this long-term indebtedness was \$190,087,000 and \$196,650,000 at December 31, 2014 and 2013, respectively. The carrying amount of the Company's fixed rate long-term indebtedness was \$293,465,000 and \$301,590,000 at December 31, 2014 and 2013, respectively. The estimated fair value of the Company's fixed rate long-term indebtedness was \$316,960,000 and \$300,161,000 at December 31, 2014 and 2013, respectively. The fair values are based on quoted market prices for the same or similar issues.

The guaranteed investment contracts are reported at contract value, which approximates fair value, based on the ability of the counterparties to pay the guaranteed claims in accordance with the terms of the contracts. The credit ratings of the counterparties as of the measurement date uphold the guaranteed investment contracts ability to meet obligations set forth in the contracts. Contract value is the aggregation of contributions, plus interest, less withdrawals. Contract value approximates a discounted cash flow value calculated using an appropriate risk-adjusted market discount rate which correlates closely with the counterparties historical crediting rates. The guaranteed investment contracts have redemption restrictions based on the terms of the underlying contracts. The redemption restrictions do not have a material impact on the contract value of the guaranteed investment contracts.

The Company measures its accumulated loss on investment contracts at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and considers the credit risk of the counterparty to the agreements and the Company. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Company would pay to terminate the agreements.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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5. Accounts Receivable and Entrance Fee Receivables

Accounts receivable and entrance fee receivables are comprised of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Resident monthly fees	\$ 2,473	\$ 3,028
Resident entrance fees	7,435	6,141
Third party accounts	6,741	5,392
Other	<u>2,198</u>	<u>2,006</u>
Total receivables	18,847	16,567
Allowance for uncollectible accounts	<u>(521)</u>	<u>(436)</u>
Accounts receivable and entrance fee receivables, net	<u>\$ 18,326</u>	<u>\$ 16,131</u>

6. Property and Equipment

Property and equipment is comprised of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Land and improvements	\$ 85,632	\$ 88,876
Building and improvements	1,190,497	1,115,583
Furniture, fixtures, and equipment	125,218	121,712
Construction in progress	<u>18,321</u>	<u>30,566</u>
Total property and equipment	1,419,668	1,356,737
Accumulated depreciation	<u>(600,962)</u>	<u>(563,161)</u>
Property and equipment, net	<u>\$ 818,706</u>	<u>\$ 793,576</u>

7. Short-Term Indebtedness

ACTS has an available \$15,000,000 revolving line of credit with a financial institution allowing for cash advances and providing support for the issuance of direct pay letters of credit. Interest on amounts outstanding on the line of credit was 1.66% at December 31, 2014. Interest is calculated monthly based on changes to the LIBOR Flex Rate, as defined. Borrowings were \$1,900,000 at December 31, 2014 and 2013. Letters of credit issued in connection with the line of credit were \$8,579,000 and \$8,587,000 at December 31, 2014 and 2013, respectively.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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ACTS also has an available \$50,000,000 revolving line of credit with a financial institution allowing for cash advances. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. There were no borrowings at December 31, 2014 and 2013.

The Company's obligations under the line of credit agreements are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined.

8. Construction Loan Payable

ACTS has an available \$65,000,000 revolving construction loan with a financial institution to fund construction of an expansion project at one of its CCRCs. The expansion project primarily consists of independent living units and skilled care beds. Construction will begin upon achieving a predetermined level of pre-sales for the independent living units, which is estimated to occur by June 1, 2015. Principal payments will be made monthly from the collection of the related initial sale entrance fees upon occupancy of the expansion units. Any remaining outstanding principal is payable in full on December 18, 2019. Interest on the amounts outstanding on the loan was 1.51% at December 31, 2014. Interest is calculated monthly based on changes to One-Month LIBOR. Interest on the unused portion of the loan was 0.10% at December 31, 2014. The amount outstanding on the loan was \$5,000,000 at December 31, 2014.

9. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under a Master Trust Indenture dated December 1, 1996, as supplemented, which secures the obligations of the Company and includes a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens, and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest on its facilities to the Master Trustee if certain events occur, as defined. The Company is required to maintain certain reserves with a trustee. Such reserves are included in investments. The Company is also required to meet certain financial covenants. As of December 31, 2014 and 2013, the Company was in compliance with all financial covenants.

The Company's long-term indebtedness consists of the following:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Taxable Term Loan dated December 19, 2013. The interest rate is 2.56%. Principal is anticipated to mature in varying amounts through November 2038. However, the Company must request an extension of the initial maturity date (December 2018) to formally extend the term loan. The initial maturity date will be considered extended only if the bank provides written notice of the extension.	\$ 24,762	\$ 25,500

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Taxable Term Loan dated December 19, 2013. The interest rate is 3.20% and resets in December 2018 and every five years thereafter. Principal matures in varying amounts through 2038.	\$ 14,710	\$ 15,000
Taxable Term Loan dated December 16, 2013. The interest rate is 2.54% at December 31, 2014 and may be adjusted annually, as defined. Principal matures in varying amounts through 2020.	14,515	16,875
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal matures in varying amounts from 2023 through 2029.	80,465	80,465
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal of \$5,735,000 and \$7,595,000 matures in 2022 and 2023, respectively.	13,330	13,330
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2012. The interest rates range from 4% to 5% and principal matures in varying amounts through 2022.	11,375	11,720
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2010. The interest rate is 5.5% and principal matures in varying amounts from 2030 through 2033.	54,630	54,630
Gainesville and Hall County Development Authority (GA) Retirement Communities Revenue Bonds Series 2009. The interest rates range from 5% to 6.625% and principal matures in varying amounts through 2039.	15,125	15,380
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2009. The interest rates range from 5% to 6.25% and principal matures in varying amounts through 2029.	11,220	12,790
Delaware Economic Development Authority Variable Rate Demand Revenue Bonds Series 2007A. The interest rate is fixed at 1.87% and resets in December 2018 on \$33,675,000 of the bonds, and variable at 0.96% at December 31, 2014 on \$14,000,000 of the bonds. Principal matures in varying amounts from 2021 through 2037.	47,675	47,675

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	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2006A. The interest rate is 4.5% and principal matures in varying amounts from 2030 through 2036.	\$ 25,000	\$ 25,000
Montgomery County Industrial Development Authority (PA) Retirement Communities Refunding Revenue Bonds Series 2006B. The interest rate is 5% and principal matures in varying amounts through 2022.	38,495	44,450
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2006A. The interest rate is 4.5% and principal matures in varying amounts from 2030 through 2036.	20,620	20,620
Palm Beach County Health Facilities Authority (FL) Retirement Communities Refunding Revenue Bonds Series 2006B. The interest rate is 5% and principal matures in varying amounts from 2017 through 2020.	23,205	23,205
Variable Rate Demand Revenue Bonds Series 2003A, Taxable. The interest rate was 1.27% at December 31, 2014. Principal matures in varying amounts through 2029. Additional security is provided through a letter of credit agreement expiring January 30, 2018.	15,395	15,950
Gainesville and Hall County Development Authority (GA) Senior Living Facility Variable Rate Demand Revenue Bonds Series 2003B. The interest rate was 1.20% at December 31, 2014. Principal matures in varying amounts through 2033. Security is provided through a direct pay letter of credit expiring November 30, 2017. Further security is provided by a bond insurance policy.	34,020	34,980
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003A. The interest rate was 1.20% at December 31, 2014. Principal matures in varying amounts through 2015. Security is provided through a direct pay letter of credit expiring November 30, 2015. Further security is provided by a bond insurance policy.	1,250	2,455

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	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003B. The interest rate was 1.20% at December 31, 2014. Principal matures in varying amounts from 2016 through 2029. Security is provided through a direct pay letter of credit expiring November 30, 2017. Further security is provided by a bond insurance policy.	\$ 25,395	\$ 25,395
Montgomery County Industrial Development Authority (PA) Retirement Community Variable Rate Demand Revenue Bonds Series 2002. The interest rate was 1.20% at December 31, 2014. Principal matures in varying amounts through 2029. Security is provided through a direct pay letter of credit expiring November 30, 2017. Further security is provided through a bond insurance policy.	<u>12,365</u>	<u>12,820</u>
Total	483,552	498,240
Unamortized bond premiums and discounts, net	<u>7,276</u>	<u>8,248</u>
Total long-term indebtedness	<u>\$ 490,828</u>	<u>\$ 506,488</u>

Variable rates are determined based on prevailing market rates and general financial conditions. The variable interest rates above include letter of credit and remarketing fees. The letter of credit fees are subject to change if the rating for the Company changes in the future. Certain debt provisions require the maintenance of the letters of credit.

Anticipated principal repayments on long-term indebtedness are as follows (in thousands):

Years ending December 31:	
2015	\$ 15,197
2016	15,772
2017	16,426
2018	17,032
2019	17,815
2020 - 2024	112,445
2025 - 2029	120,535
2030 - 2034	129,370
Thereafter	<u>38,960</u>
Total	<u>\$ 483,552</u>

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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Loss on Early Extinguishment of Debt

During 2013, the Company used the proceeds from the 2013 Taxable Term Loan dated December 16, 2013 to refinance a 2012 Taxable Term Loan and to terminate an interest rate swap agreement. In conjunction with this transaction, the Company recorded a loss on early extinguishment of debt that is included on the special-purpose combined statement of operations. The loss consisted of \$154,000 in unamortized deferred financing costs.

10. Derivative Instruments and Hedging Activities

The Company has interest rate swap agreements with financial institutions that are considered derivative financial instruments. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote and that the swap agreements are continuing to function as intended.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Company does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Changes in fair value of the interest rate swap agreements are recorded as a component of net unrealized gain on investments and investment contracts. The change in unrealized loss was \$(3,256,000) in 2014 and \$8,598,000 in 2013.

At December 31, 2014, the Company had the following interest rate swaps in effect:

Debt Series	Notional Amount	Maturity Date	Effective Interest Rate	Accumulated Unrealized Loss
Series 2002 (PA)	\$ 12,365,000	2029	3.64%	\$ 2,164,000
Series 2003B (GA)	34,020,000	2033	3.54%	6,691,000
Series 2003B (FL)	25,395,000	2029	3.35%	3,700,000
Series 2007A (DE)	13,306,000	2018	3.31%	1,009,000

The fair value of the interest rate swap agreements was (\$13,564,000) and (\$10,308,000) at December 31, 2014 and 2013, respectively, and was obtained from an independent third party valuation specialist.

ACTS Retirement-Life Communities, Inc. (Obligated Group)

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11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Financial assistance to residents	\$ 8,188	\$ 7,662
Purchase of property and equipment	3,422	3,080
Resident services	707	627
Other	<u>3,568</u>	<u>2,830</u>
Total	<u>\$ 15,885</u>	<u>\$ 14,199</u>

Net assets were released from donor restrictions by incurring costs satisfying the restricted purpose or by occurrence of other events specified by donors.

The income distributions from permanently restricted net assets are available to fund financial assistance to residents and other temporarily restricted purposes.

12. Retirement Plans

The Company participates in a 401(k) Plan (the "ACTS 401(k) Plan") covering substantially all full-time employees. The ACTS 401(k) Plan allows for qualified employees to voluntarily contribute up to the IRS maximum (\$17,500 for 2014). In accordance with the terms of the ACTS 401(k) Plan, the Company matches up to 100% of the first 3% of the employee's contribution, plus an additional 50% of the next 2% of the employee's contribution. Plan contributions related to the 2014 and 2013 plan years were \$2,897,000 and \$2,649,000, respectively. Plan expense, net of forfeitures and changes in estimated accruals, was \$2,897,000 in 2014 and \$1,744,000 in 2013.

AMS provides a nonqualified Supplemental Executive Retirement Plan ("SERP") to certain members of senior executive management in addition to those benefits available under the ACTS 401(k) Plan. Retirement benefits, as defined in the plan document and amendments, are based on age, years of service, and average compensation during the last five years of employment. SERP expense was \$550,000 in 2014 and \$328,000 in 2013. The SERP liability is included in accounts payable and accrued expenses on the special-purpose combined balance sheet and was \$5,150,000 and \$4,600,000 at December 31, 2014 and 2013, respectively.

13. Concentrations of Credit Risk

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily related to providing residential and healthcare related services.

The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses resulting from this, and management believes it is not subject to any significant credit risk related to cash accounts.

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14. Commitments and Contingencies

Senior Living Services Industry

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

Workers Compensation

The Company maintains a self-insured workers compensation program with a per occurrence retention limit of \$500,000. As of December 31, 2014 and 2013, the reserve for workers compensation liability claims was \$3,967,000 and \$5,121,000, respectively, and is included in accounts payable and accrued expenses on the special-purpose combined balance sheet. Self-insurance reserves are based upon fully developed case reserves that are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as changes in actual loss experience could cause these estimates to change in the near term.

Construction Agreements

The Company entered into construction agreements for certain development and renovation activities at various communities. Commitments were approximately \$18,566,000 as of December 31, 2014.

Litigation

The Company operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the special-purpose combined financial statements.

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15. Related-Party Transactions

Management Agreements

AMS entered into Management, Marketing, and Development Agreements (the "Agreements") with HP, PPV, and VNC, which are automatically renewable for one year on each anniversary date. Management fees are equal to 4% of gross revenues, plus any out-of-pocket expenses. Marketing fees are equal to 4% of gross entrance fee proceeds, plus any out-of-pocket expenses. Development fees are equal to 4% of project costs for qualified capital projects. AMS is also reimbursed for the costs related to certain key employees.

AMS also has management agreements with AMF and PUMH-F. The agreements terminate on December 31, 2016. Management fees are equal to 5% of gross program receipts (excluding investment income), plus any out-of-pocket expenses.

Total fees earned by AMS were \$2,446,000 in 2014 and \$2,483,000 in 2013. These balances are generally settled currently in the normal course of business.

Beneficial Interest in Investments

As of December 31, 2014 and 2013, the Company has a beneficial interest in the investments of AMF and PUMH-F of \$18,494,000 and \$16,580,000, respectively, related to donor restricted funds. These amounts are included in investments on the special-purpose combined balance sheet.

16. Functional Expenses

The Company provides housing, healthcare, and other related services to residents within its geographic locations. Expenses related to providing these services are as follows:

	<u>2014</u>	<u>2013</u>
	(In Thousands)	
Program service	\$ 329,940	\$ 319,297
Management and general	27,250	27,433
Fundraising	<u>672</u>	<u>732</u>
Total operating expenses	<u>\$ 357,862</u>	<u>\$ 347,462</u>

APPENDIX C

SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND INDENTURES AND LOAN AGREEMENTS

The following are definitions of certain terms used in, and summaries of certain provisions of, each Bond Indenture and Loan Agreement. The summaries set forth below should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entireties for the complete statements of the provisions thereof. Copies of each Bond Indenture and Loan Agreement will be on file at the principal corporate trust office of the Bond Trustee.

The principal terms of the 2016 Bonds, including provisions for payment and redemption (including the option granted to the Borrower to purchase any 2016 Bonds in lieu of optional redemption), are described under the description of “DESCRIPTION OF THE 2016 BONDS” in the front portion of the Official Statement. Except where specifically indicated otherwise, the descriptions set forth herein or certain provisions of the “Bond Indenture,” the “Loan Agreement,” or the “2016 Bonds” apply similarly to each Bond Indenture, each Loan Agreement and each series of the 2016 Bonds, respectively. Certain additional terms used herein are defined in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

“*2016 Bonds*” means the Pennsylvania 2016 Bonds, the Florida 2016 Bonds and the Georgia 2016 Bonds, as applicable.

“*2016 Capital Projects*” means the capital projects of the Borrower to be financed or refinanced with a portion of the proceeds of the Pennsylvania 2016 Bonds as more particularly described in the Pennsylvania Loan Agreement and the proceeds of the Florida 2016 Bonds as more particularly described in the Florida Loan Agreement.

“*2016 Master Note*” means each of the Pennsylvania 2016 Master Note, the Florida 2016 Master Note and the Georgia 2016 Master Note, as applicable, as described in the front portion of this Official Statement.

“*2016 Project*” means the project for the financing or refinancing of which the Pennsylvania 2016 Bonds, the Florida 2016 Bonds or the Georgia 2016 Bonds, as applicable, are being issued, as described under the heading “PLAN OF FINANCE” in the front portion of this Official Statement.

“*2016 Term Bonds*” means those Pennsylvania 2016 Bonds, Florida 2016 Bonds or Georgia 2016 Bonds, as applicable, that are subject to mandatory sinking fund redemption, as described under “DESCRIPTION OF THE 2016 BONDS—Redemption of the 2016 Bonds—Mandatory Sinking Fund Redemption” in the front portion of this Official Statement.

“*Act*” means the principal governing statutes of each Authority, which are (i) in the case of the Pennsylvania Authority, the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, 73 P.S. §§ 371-386, as amended, (ii) in the case of the Florida Authority, the Constitution of the State of Florida and the provisions of Part III, Chapter 154, Florida Statutes and Part II, Chapter 159, Florida Statutes, in each case as amended, and (iii) in the case of the Georgia Authority, the provisions of an amendment to the Constitution of the State of Georgia (Ga. Laws 1964, page 866 *et seq.*, as continued by Ga. Laws 1986, page 4328 *et seq.*), ratified and proclaimed, and an act of the General Assembly of the State

of Georgia (Ga. Laws 1964, page 2282 *et seq.*, as amended by Ga. Laws 1982, page 4300 *et seq.*, which grants to the Authority all powers granted to authorities under O.C.G.A. Section 36-62-1 *et seq.*, as amended (the “Development Authorities Law”), including the power to finance any “project” and “cost of project” as defined in the Development Authorities Law), and as may be further amended.

“*Administrative Expenses*” means all expenses of the Authority which are properly chargeable as administrative expenses, including, without limitation, the fees and expenses of the Authority, including the Authority’s employees, if any, and any professional advisors to the Authority reasonably necessary and fairly attributable, directly or indirectly, to any 2016 Project or the 2016 Bonds, and such other expenses as may be incurred by the Authority for such items as maintenance, rent, overhead and the like or in respect of liabilities for which the Borrower is obligated to provide indemnification under the Loan Agreement.

“*Authority*” means each of the Pennsylvania Authority (i.e., the Montgomery County Industrial Development Authority), the Florida Authority (i.e., the Palm Beach County Health Facilities Authority) and the Georgia Authority (i.e., the Gainesville and Hall County Development Authority).

“*Authority Board*” means the governing body of the Authority.

“*Authorized Denominations*” means \$5,000 or any integral multiple thereof.

“*Authorized Officer of the Authority*” means the applicable officer or officers, or other representative, of each Authority specified in each Bond Indenture, or any other person or persons authorized by resolution of the Authority, a certified copy of which has been delivered to the Bond Trustee, in each case, to perform any act or execute any document on behalf of such Authority.

“*Authorized Officer of the Borrower*” means officers designated to act for the Borrower in the applicable Bond Indenture, any other person authorized by resolution of the Board of Directors (or an authorized committee thereof) of the Borrower, a certified copy of which has been delivered to the Bond Trustee or any person designated to act on behalf of the Borrower (or any authorized committee thereof) of the Borrower, as evidenced by a written certificate furnished to the Bond Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its Secretary or Assistant Secretary. Such resolutions and certificates may designate more than one person, each of whom shall be entitled to perform all duties of the Authorized Officer of the Borrower.

“*Bond Counsel*” means an attorney or firm of attorneys, selected by the Borrower, having favorable skill and reputation and who shall be nationally recognized as having expertise in tax-exempt and governmental financings, including financings by or on behalf of nonprofit corporations.

“*Bond Indenture*” means the Pennsylvania Bond Indenture, the Florida Bond Indenture or the Georgia Bond Indenture, as applicable, pursuant to which the 2016 Bonds are issued, as each may be amended or supplemented from time to time.

“*Bond Register*” means a register, to be kept by the Bond Trustee, subject to such reasonable regulations as it may prescribe, in which the applicable Authority shall provide for the registration and the transfer of 2016 Bonds.

“*Bond Registrar*” means the Bond Trustee, which shall serve as Bond Registrar for the Bonds.

“*Bond Trustee*” means U.S. Bank National Association, as trustee under each Bond Indenture or its successor in the trust created thereunder.

“*Book Entry Bonds*” means all 2016 Bonds for which the Securities Depository or its nominee is the Owner.

“*Borrower*” means (i) with respect to the Pennsylvania 2016 Bonds, the Florida 2016 Bonds and the proceeds thereof, ACTS Retirement-Life Communities, Inc., a Pennsylvania nonprofit corporation (“ACTS”), and (ii) with respect to the Georgia 2016 Bonds and the proceeds thereof, Lanier Village Estates, Inc., a Georgia nonprofit corporation.

“*Borrower Representative*” means the Person appointed to act on behalf of the Borrower as the “Obligated Group Agent” under the Master Indenture, as evidenced by a Certified Corporate Resolution of the Borrower delivered to the Master Trustee under the Master Indenture.

“*Business Day*” means any day other than a Saturday, Sunday or other day on which banks in New York, New York or the jurisdiction of the Designated Office of the Bond Trustee, the Master Trustee, Bond Registrar or payment office of the paying agent are required or permitted by law or executive order to close or the New York Stock Exchange is closed.

“*Certificate*” means a written statement signed by or on behalf of the Person charged with responsibility therefor.

“*Certified Authority Resolution*” means a copy of one or more resolutions certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Board of the Authority and to be in effect on the date of such certification.

“*Clearing Fund*” means a special fund established by the Bond Trustee under the Bond Indenture into which there shall be deposited the proceeds of the sale of the 2016 Bonds.

“*Closing Statement*” means the closing statement delivered at the time of settlement of the 2016 Bonds, signed on behalf of the Authority and approved by the Borrower, specifying the deposits to be made with the proceeds of the 2016 Bonds and the payments to be made with such proceeds, including the Persons to which each payment is to be made and the amount of each such payment.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“*Cost*” or “*Costs*” in connection with the 2016 Project, means all expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the 2016 Project, including, but without limiting the generality of the foregoing (but subject in all cases to the provisions of the Act):

- (a) Amounts payable to contractors and costs incidental to the award of contracts;
- (b) Cost of labor, facilities and services furnished by or for the Borrower or the Authority and their employees or others, materials and supplies purchased by the Borrower or the Authority or others, and permits and licenses obtained by the Borrower, the Authority or others;
- (c) Engineering, legal, accounting and other professional and advisory fees;
- (d) Premiums for surety bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

- (e) Interest expense during construction;
- (f) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (g) Cost of acquisition or refurbishment of capital equipment;
- (h) Cost of acquisition of real estate, construction and prior construction and/or site costs and improvements performed by the Borrower in anticipation of the 2016 Project; and
- (i) Amounts due in respect of the financing of any prior indebtedness incurred to finance the 2016 Project or to refund any 2016 Bonds.

Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Bond Indenture, such payment may be made by way of reimbursement to the Borrower, the Authority or others who have paid the same.

“Counsel” means an attorney-at-law or law firm (which may be counsel to the Authority, the Borrower, the Bond Trustee or any other applicable party) admitted to practice before the highest court of any state (or the District of Columbia) and not unsatisfactory to the Authority or the Bond Trustee.

“Debt Service Fund” means each of the funds established for the payment of the 2016 Bonds of each series established pursuant to the Bond Indenture.

“Designated Office” means, with respect to the Bond Trustee, the office specified in the Bond Indenture, or such other address as may be specified in writing by the Bond Trustee, for purpose of notices to be given and actions to be taken under the Bond Indenture.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the New York Banking Law, and any successor company. References to DTC herein may include, as the context may require, its nominee, Cede & Co.

“Eastern Time” means the time given on any given day in Eastern Standard Time or Eastern Daylight Savings Time, as applicable.

“Event of Default” means, (i) with respect to the Bond Indenture, any of the events described under “THE BOND INDENTURES -- Default and Remedies” herein, or (ii) with respect to the Loan Agreement, any of the events described under “THE LOAN AGREEMENTS -- Events of Default and Remedies” herein.

“Facilities” means the land, buildings, acquisition, construction, renovation and/or improvements, equipment and other property of the Borrower, the acquisition and/or construction of which is to be financed or refinanced in whole or in part with the proceeds of the 2016 Bonds.

“Favorable Opinion of Bond Counsel” means a written opinion of Bond Counsel to the effect that the facts or circumstances in question (i) are authorized under the Bond Indenture and (ii) will not adversely affect the validity of the 2016 Bonds or the exclusion from gross income for federal tax purposes of the interest on the 2016 Bonds.

“*Fiscal Year*” means the fiscal year of the Obligated Group which shall be the period commencing on January 1 of any year and ending on December 31 of such year, unless the Bond Trustee is notified in writing by the Obligated Group Agent of a change in such period, in which case, the Fiscal Year shall be the period set forth in such notice; provided, however, that each Obligated Issuer shall have the same Fiscal Year.

“*Government Obligations*” means (1) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or (2) evidences of ownership in specified direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized under the laws of the United States of America or any state thereof as custodian.

“*Interest Payment Date*” means for each series of the 2016 Bonds, May 15 and November 15 of each year, commencing November 15, 2016.

“*Investment Securities*” means, if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture, dollar denominated investments in any of the following:

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest Rating Categories by any Rating Agency;
- (c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation or the Federal Farm Credit Bank) which is either (i) at the time of purchase, rated in one of the two highest Rating Categories by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or the Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term Rating Categories by any Rating Agency, and which mature not more than 365 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in one of the two highest short-term Rating Categories by any Rating Agency, and which matures not more than 270 days after the date of purchase;
- (f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest Rating Categories;
- (g) asset-backed securities, commercial mortgage-backed securities, or mortgage-backed securities which are, at the time of purchase, rated by any Rating Agency in any of the two highest Rating Categories;
- (h) investment agreements with banks that at the time the agreement is executed are at the time of purchase rated in one of the two highest Rating Categories by any Rating Agency or investment

agreements with non-bank financial institutions, provided that (i) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest Rating Categories for obligations of that nature; or (ii) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is at the time of purchase rated by any Rating Agency in one of the two highest Rating Categories assigned to short-term indebtedness by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest Rating Categories, then investment agreements with the non-bank financial institution will be permitted;

(i) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Bond Trustee or its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or the Bond Trustee's agent;

(j) investments in 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 Agency; 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 Investment Securities as defined in paragraphs (a) through (i) 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 Investment Security remains an Investment Security thereafter, absent receipt of written notice or information to the contrary.

For the purposes of this definition, obligations issued or held in the name of the Bond Trustee (or in the name of Issuer and payable to the Bond Trustee) in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee.

“Loan Agreement” means the Pennsylvania Loan Agreement, the Florida Loan Agreement or the Georgia Loan Agreement, as applicable, whereby the Authority will loan the proceeds of the 2016 Bonds to the applicable Borrower, as each may be amended or supplemented from time to time as provided therein.

“Loan Payments” means all amounts payable by the Borrower to the applicable Authority (except those representing the Administrative Expenses of the Authority) or to the Bond Trustee, as the assignee of the Authority's interests in the Loan Agreement and the 2016 Master Notes, under the Loan Agreement and the 2016 Master Notes.

“*Master Indenture*” means a Master Trust Indenture dated as of December 1, 1996, by and among the Borrower, ACTS Management Services, Inc., and ACTS Signature Community Services, Inc., as the current Obligated Issuers thereunder, and the Master Trustee, as heretofore supplemented and as further supplemented and amended by Supplement No. 35 thereto, and as hereinafter amended or supplemented as provided therein.

“*Master Trustee*” means U.S. Bank National Association, acting as master trustee under the Master Indenture, and its successors and assigns.

“*New Master Trustee*” means an independent corporate bond trustee meeting the eligibility standards set forth in the Master Indenture.

“*New Obligated Group*” means the issuer of any Substitute Obligation and any other parties to a Replacement Indenture named therein, including any or all of the then current Obligated Issuers under the Master Indenture.

“*Obligated Group*” or “*Obligated Issuers*” mean, initially, the Borrower, ACTS Management Services, Inc. and ACTS Signature Community Services, Inc., as the current Obligated Issuers under the Master Indenture, together with those additional Persons from time becoming Obligated Issuers under the Master Indenture.

“*Obligated Group Agent*” means the Borrower, as the Obligated Group Agent under the Master Indenture, or such other Obligated Issuer that may be acting as the Obligated Group Agent under the Master Indenture.

“*Outstanding,*” means, as to the 2016 Bonds, all 2016 Bonds authenticated and delivered under the Bond Indenture except:

- (a) any 2016 Bonds theretofore cancelled or required to be cancelled under the Bond Indenture;
- (b) any 2016 Bonds for the payment, redemption, or purchase of which cash or non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient money to fully pay such 2016 Bonds or any portion thereof in accordance with the terms thereof, shall have been or shall be concurrently deposited with the Bond Trustee; provided that, if such 2016 Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Bond Trustee or other appropriate party shall have been made therefor, and that if such 2016 Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; or
- (c) any 2016 Bonds in substitution for which other 2016 Bonds have been authenticated and delivered pursuant to the Bond Indenture.

“*Owner*” means each Registered Owner.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

“*Project Fund*” means each of the funds established under the Pennsylvania Bond Indenture and the Florida Bond Indenture for the payment by the Bond Trustee of the costs of the 2016 Capital Projects as

described herein under “THE BOND INDENTURES -- Project Fund (Pennsylvania Bond Indenture and Florida Bond Indenture Only).”

“*Rating Agency*” means each of the following: (a) Moody’s Investors Service, Inc.; (b) Standard and Poor’s Ratings Group, a Division of the McGraw Hill Companies; (c) Fitch Ratings; and (d) if any of the foregoing shall not, at the particular time, provide rating services, any nationally recognized rating agency designated by the Obligated Group Agent and acceptable to the Bond Trustee.

“*Rating Category*” means any of the principal rating categories assigned to investment securities or credit facilities by any Rating Agency, without regard to any gradation or distinction within any Rating Category (such as may be identified by numerical symbols or the symbols “+” or “-”).

“*Redemption Price*” where used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Bond Indenture.

“*Registered Owner*” means the Person or Persons in whose name or names the Bond is registered on the Bond Register kept in accordance with the Bond Indenture and the 2016 Bonds.

“*Regular Record Date*” means the first day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date (i.e., each May 1 and November 1); provided, however, that the Regular Record Date for all Book Entry Bonds shall be the Bond Trustee’s close of business on the Business Day preceding each Interest Payment Date.

“*Replacement Master Indenture*” means a master trust indenture entered into by or for the benefit of the New Obligated Group, pursuant to which a Substitute Obligation is issued, as more particularly described under “SECURITY FOR THE 2016 BONDS -- Replacement of Master Indenture and Substitution of Master Notes” in the front portion of this Official Statement.

“*Reserved Rights*” means the retained rights of the Authority under the Bond Indenture (i) to give all approvals and consents permitted or required under the Loan Agreement to be given by the Authority; (ii) to execute supplements and amendments to the Loan Agreement to the extent and in the manner permitted by the Bond Indenture and by the Loan Agreement; (iii) to receive all notices required to be given to the Authority under the Loan Agreement; (iv) concurrently with the Bond Trustee, to pursue the remedies described in the Loan Agreement; and (v) to receive all amounts payable to the Authority constituting fees, reimbursement of expenses and indemnification due to it under the Loan Agreement.

“*Securities Depository*” means DTC or other Person registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934, as amended, or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for purposes of Section 17A thereof.

“*Sinking Fund Account*” means each Sinking Fund Account established as part of each Debt Service Fund for the retirement of the 2016 Term Bonds as provided in the Bond Indenture.

“*Sinking Fund Date*” means each date on which the 2016 Bonds are subject to mandatory sinking fund redemption in accordance with the terms thereof and as described in the front portion of this Official Statement.

“*Special Record Date*” for the payment of any defaulted interest means a date fixed by the Bond Trustee in accordance with the provisions of the Bond Indenture.

“*Substitute Obligation*” means an original replacement note or other obligation issued by or on behalf of the Borrower under a Replacement Master Indenture in replacement of a 2016 Master Note in accordance with the provisions of the Loan Agreement as described below under “THE LOAN AGREEMENTS -- Replacement Master Indenture.”

“*Supplemental Indenture*” means any supplement to the Bond Indenture authorized pursuant to the terms thereof.

“*Trust Estate*” means (a) the Loan Agreement, including, but not limited to, the present and continuing right to make claim for, collect and receive all sums of money payable or receivable thereunder or under the Bond Indenture, the exclusive right to bring action and proceeding thereunder or for the enforcement thereof, the exclusive right to grant consents, approvals and waivers and enter into amendments and to do any and all other things which the Authority is or may become entitled to do thereunder; and (b) the Loan Payments, together with, all right, title and interest of the Authority in and to the 2016 Master Notes and all its rights under the Master Indenture as holder of the 2016 Master Notes; and (c) all moneys and investments in the funds and accounts created under the Bond Indenture (including all income and receipts earned on the funds and accounts held by the Bond Trustee under the Bond Indenture except as otherwise set forth in the Bond Indenture), other than the Rebate Fund which shall be held in accordance with the provisions of the Bond Indenture; and (d) any and all other property rights and interests of any kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged or pledged to the Bond Trustee, or otherwise subject to the Bond Indenture, as and for additional security with the Bond Indenture, by the Borrower or any other Person on its behalf or with its written consent or by the Authority or any other Person on its behalf or with its written consent, and the Bond Trustee is hereby authorized to receive any and all property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

THE BOND INDENTURES

The 2016 Bonds of each series will be issued under and are subject to the provisions of the applicable Bond Indenture, to which reference is made for complete details of the terms of the 2016 Bonds. The following summarizes certain provisions of each Bond Indenture but is not to be regarded as a full statement thereof.

Pledge and Assignment

Under the Bond Indenture, the Authority pledges to the Bond Trustee all right, title and interest of the Authority in and to the Trust Estate (subject to the Reserved Rights) for the equal and ratable benefit of the Owners of the 2016 Bonds Outstanding thereunder, except as expressly provided in the Bond Indenture.

Disposition of the Proceeds of the Sale of the 2016 Bonds

Upon issuance of the 2016 Bonds, the Bond Trustee will deposit the proceeds of the 2016 Bonds received by it in a Clearing Fund established under each Bond Indenture. The Bond Trustee is directed to make transfers and payments from the settlement fund as instructed by the Borrower and each Authority.

Place and Manner of Payment; Persons Entitled Thereto.

Interest on the 2016 Bonds will accrue at the rates described in this Official Statement, calculated on the basis of a 360-day year consisting of twelve 30-day months, and shall be paid as follows:

(i) Except as otherwise provided below, the interest payable on any Interest Payment Date will be paid to the Person in whose name such 2016 Bond is registered in the Bond Register as of the close of business of the Regular Record Date for such Interest Payment Date.

(ii) Interest shall be paid by check or draft mailed on the applicable Interest Payment Date to each Owner at the address shown on the Bond Register maintained by the Bond Registrar.

(iii) Interest on any 2016 Bonds that is not paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Registered Owner on such Regular Record Date as provided in (i) above and will be paid instead to the Person in whose name the 2016 Bond is registered at the close of business on a Special Record Date established for the payment of such defaulted interest pursuant to the terms of such 2016 Bonds, such date to be not less than 10 days (whether or not a Business Day) prior to the date of proposed payment. The Bond Trustee shall, at the expense of the Borrower, cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner as of the Business Day preceding the mailing date, at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date (but in no event more than 30 days prior to the proposed payment date).

(iv) Interest on each 2016 Bond (or portion thereof) shall cease to accrue on the maturity date thereof or date fixed for the redemption thereof, provided in the case of redemption that proper notice thereof has been given and provided in each case that there has been irrevocably deposited with the Bond Trustee an amount sufficient to pay the principal or Redemption Price thereof, as applicable, plus all unpaid interest accrued thereon to such date.

The principal or Redemption Price of the 2016 Bonds shall be payable in lawful money of the United States of America at the Designated Office of the Bond Trustee. No payment of principal or Redemption Price shall be made on any 2016 Bond, unless and until such 2016 Bond is delivered to the Bond Trustee for cancellation. Notwithstanding the foregoing, interest on any 2016 Bonds and the Redemption Price of any 2016 Bonds redeemed by mandatory sinking fund redemption may be paid by wire transfer in immediately available funds to an account in any member bank of the Federal Reserve System designated in writing by the Owner thereof in an aggregate principal amount of \$1,000,000 or more not less than 20 days prior to the applicable Interest Payment Date or redemption date; provided, however, that in the case of the payment of the Redemption Price, any 2016 Bonds to be redeemed are presented to the Bond Trustee for cancellation and that the Bond Trustee's records with respect to such payment of the principal of any 2016 Bond shall be conclusive and binding on the Owner of any 2016 Bond so paid and each successive Owner thereof. Any such notice provided by an Owner in accordance with the preceding sentence may provide that it shall be effective for any and all future payment dates until otherwise specified in writing.

So long as the 2016 Bonds are issued as Book Entry Bonds, as described under "BOOK-ENTRY ONLY SYSTEM" in the front portion of this Official Statement, payment of the principal or Redemption Price of, and interest on, any series shall be paid in accordance with the depository procedures of the Securities Depository.

Project Fund (Pennsylvania Bond Indenture and Florida Bond Indenture Only)

The Bond Trustee is required to establish a Project Fund under the Pennsylvania Bond Indenture for the payment of the costs of the 2016 Capital Projects financed by the Pennsylvania 2016 Bonds issued thereunder and the Florida Bond Indenture for the payment of the costs of the 2016 Capital Projects financed by the Florida 2016 Bonds issued thereunder. Payment of the costs of the 2016 Capital Projects will be

made from the Project Fund only upon receipt by the Bond Trustee of the requisitions, certifications and approvals required by the Bond Indenture or the Loan Agreement. The Project Fund will be funded initially in the amount described under “SOURCES AND USES OF FUNDS” in the forepart of this Official Statement.

Upon completion of each of the 2016 Capital Projects to be funded under the Pennsylvania Bond Indenture and the Florida Bond Indenture, any moneys remaining in the applicable Project Fund are required to be (a) transferred into the Debt Service Fund to the extent of (but not in excess of) amounts which may be applied to pay the principal or Redemption Price of, and interest on, the 2016 Bonds due within one year of the completion date of the 2016 Capital Projects (as set forth in the certificate of an Authorized Officer of the Borrower), or (b) otherwise be retained in the Project Fund or transferred to another fund or account established under the Bond Indenture as directed in writing by an Authorized Officer of the Borrower, which direction are required to be accompanied by a Favorable Opinion of Bond Counsel.

Debt Service Fund; Sinking Fund

The Bond Trustee shall establish a Debt Service Fund under each Bond Indenture for the purpose of providing for the payment of the principal and Redemption Price of, and interest on, such 2016 Bonds issued thereunder when the same shall be due and payable. The Bond Trustee shall make deposits into each Debt Service Fund corresponding to the applicable series of the 2016 Bonds of: (A) all payments made by the Borrower for deposit therein with respect to such 2016 Bonds pursuant to the Loan Agreement and the 2016 Master Note; and (B) all other amounts with respect to such 2016 Bonds required under the Bond Indenture or pursuant to the Loan Agreement to be deposited therein. Subject to the terms of the Bond Indenture, moneys on deposit in each Debt Service Fund shall be applied to the payment of principal or Redemption Price of, and interest on, the applicable series of 2016 Bonds.

The Bond Trustee shall establish, as part of the Debt Service Fund, a Sinking Fund Account for the retirement of the Term 2016 Bonds of the series to which such Debt Service Fund applies. There shall be transferred from the Debt Service Fund to the Sinking Fund Account the amount required to retire such 2016 Term Bonds on each Sinking Fund Date in accordance with the terms provided in the Bond Indenture. Before the 60th day prior to each Sinking Fund Date, the Authority, through (or at the direction of) the Obligated Group Agent, may do any one or more of the following: (a) deliver to the Bond Trustee for cancellation 2016 Term Bonds of the applicable series, (b) direct the Bond Trustee in writing to apply a credit for the Authority’s sinking fund redemption obligation for any 2016 Term Bonds of the applicable series which prior to said date have been redeemed or purchased (otherwise than through the operation of the Sinking Fund Account) and cancelled by the Bond Trustee and not theretofore applied as a credit against such sinking fund redemption obligations, or (c) cause funds to be delivered to the Bond Trustee, with instructions for deposit in the Sinking Fund Account, together with written instructions from the Obligated Group Agent directing the Bond Trustee to apply such funds on or before said 60th day to the purchase of 2016 Term Bonds of the applicable series. Each 2016 Term Bond so delivered, redeemed, or purchased shall be credited by the Bond Trustee at 100% of the principal amount thereof to the obligation of the Authority with respect to the Sinking Fund Account; any excess over such amount shall be credited to such future obligations with respect to the Sinking Fund Account in accordance with the written instructions of the Obligated Group Agent.

If at any time all the 2016 Term Bonds shall have been purchased, redeemed or paid, the Bond Trustee shall make no further transfers to the Sinking Fund Account and shall transfer any balance then in such account to the corresponding Debt Service Fund.

Rebate Fund

The Bond Indenture establishes a Rebate Fund to be held and applied by the Bond Trustee in accordance with the Bond Indenture. Pursuant to the Loan Agreement, the Borrower has covenanted to calculate and pay directly to the government of the United States of America all amounts due for payment of “arbitrage rebate” under Section 148(f) of the Code with respect to the 2016 Bonds. Accordingly, no amounts are expected to be deposited into the Rebate Fund, provided, however, that the Authority may in the future deposit with the Bond Trustee or direct the Bond Trustee to deposit in the Rebate Fund amounts held in any fund under the Bond Indenture (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to Section 148(f) of the Code, (b) the Borrower fails to make any required arbitrage rebate payments to the government of the United States of America, or (c) the Authority and the Borrower otherwise agree that the funding of the Rebate Fund is desirable and appropriate. All amounts in the Rebate Fund, including income earned from investment of moneys held in the Rebate Fund, shall be held by the Bond Trustee solely for the purposes specified in the Bond Indenture, free and clear of the lien and pledge of the Bond Indenture, and the Bond Trustee, at the written direction of the Obligated Group Agent (or of the Authority in the absence of such direction), shall pay said amounts over to the United States of America.

Investment of Funds

All moneys received by the Bond Trustee under the Bond Indenture for deposit in any fund established thereunder shall be considered trust funds, shall not be subject to lien or attachment (except as otherwise provided in the Bond Indenture) and shall, except as therein provided, be deposited with the Bond Trustee, and all such deposits shall, to the extent not insured and to the extent permitted by law, be fully secured by full faith and credit obligations of the United States of America or secured as otherwise provided by law for such trust deposits. Under certain conditions the Bond Trustee may deposit such moneys in other authorized depositories, where they shall be fully secured, to the extent not insured and to the extent permitted by law, by full faith and credit obligations of the United States of America or secured as otherwise provided by law for such trust deposits.

Moneys on deposit in the funds established pursuant to the Bond Indenture shall be invested and reinvested by the Bond Trustee as follows:

(a) All investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the Bond Trustee, on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Bond Indenture.

(b) All investments shall be made at the written direction of the Obligated Group Agent. In the absence of any direction from the Obligated Group Agent as to the investment of any moneys held under the Bond Indenture, such funds shall be held uninvested. With respect to any funds received by the Bond Trustee after eleven o'clock, a.m., Eastern Standard Time, the Bond Trustee shall not be required to invest such funds or to effect any investment instruction until the next day upon which banks in St. Paul, Minnesota and the New York Stock Exchange are open for business. The Bond Trustee shall be entitled to rely on any written direction of the Obligated Group Representative as to the suitability and legality of the directed investments. Any deposit or investment directed by the Obligated Group Agent shall constitute a certification by Obligated Group Agent to the Bond Trustee that the assets so deposited or to be purchased pursuant to such directions are Investment Securities. The Bond Trustee shall have no responsibility whatsoever to determine whether any investments made pursuant to this Indenture are or continue to be Investment Securities. The Bond Trustee shall have no liability whatsoever for any loss, fee, tax or other

charge incurred in connection with any investment, reinvestment, sale or liquidation of an investment hereunder. In no event shall the Bond Trustee be deemed an investment manager or adviser in respect of any selection of investments hereunder. In the event of a loss on the sale of such investments, the Bond Trustee shall have no responsibility in respect of such loss except that the Bond Trustee shall notify the Borrower of the amount of such loss and the Borrower shall promptly pay such amount to the Bond Trustee to be credited as part of the monies originally invested if and to the extent such loss shall have caused the balance of any fund or account mentioned hereunder to be less than the balance (if any) required to be maintained under the Bond Indenture. The Bond Trustee shall not make any representation as to the accuracy of any quotation of market price of any security or investment (or the accrued interest thereon) in any fund or account, and the Borrower shall further be obligated to indemnify and hold harmless the Bond Trustee, its officers and employees, from and against any and all liabilities, claims and charges, etc. in connection with or resulting from the Bond Trustee's valuation of the investments in any funds or accounts as provided in the Bond Indenture.

(c) All interest, income and gains received in respect of Investment Securities in the Debt Service Fund for each series shall be retained and credited against subsequent deposit requirements as provided in the Bond Indenture. Whenever any other transfer or payment is required to be made from any particular fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Bond Trustee deems appropriate for such purpose.

(d) All interest, income and gains received in respect of Investment Securities in the Project Fund shall be retained therein.

(e) Neither the Authority nor the Bond Trustee shall be accountable for any depreciation in the value of any Investment Securities or any losses incurred upon any authorized disposition thereof.

Valuation of Funds

The Bond Trustee shall determine the value of the assets in each of the funds established under the Bond Indenture as of each Interest Payment Date. As soon as practicable after each such valuation date, the Bond Trustee shall furnish to the Authority, the Borrower and the Obligated Group Agent a report of the status of each fund as of such date. The Bond Trustee shall also advise the Borrower and the Obligated Group Agent at such time of the amount then available in the Debt Service Fund for each series as a credit against future deposits, prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any fund or account, investments shall be valued at the market value thereof (except as otherwise provided in the Bond Indenture), and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such funds and accounts. The Bond Trustee shall provide the Borrower and the Obligated Group Agent with monthly or other periodic statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund, and the investment income received from such investments. The Authority shall also receive copies of any such statements upon its written request. The Obligated Issuer and the Borrower acknowledge that regulations of the Comptroller of the Currency grant the Obligated Issuer and the Borrower the right to receive brokerage confirmations of security transactions as they occur. The Obligated Issuer and the Borrower specifically waive such right to notification to the extent permitted by law and acknowledge that they will receive statements as described in this paragraph.

Covenants of Authority

The Authority shall cause to be paid the principal of (whether at maturity, by acceleration, by call for redemption or otherwise), the Redemption Price, if any, and the interest on every 2016 Bond issued under the Bond Indenture, but shall be required to make such payment only out of the Trust Estate. In addition, the Authority shall maintain its existence as a body corporate and politic and public instrumentality under the Act, and shall not sell, lease, encumber or otherwise transfer any of its interest in and to the Trust Estate other than as provided in the Bond Indenture. The Authority shall (i) take, or use its best efforts to require to be taken, all actions that may be required by the Authority for the interest on the 2016 Bonds to be and remain excluded from gross income for Federal income tax purpose, and (ii) not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

Default and Remedies

Events of Default, as defined in the Bond Indenture, include, among other things, the following:

(a) the failure to pay any installment of interest on any Bond when it becomes due and payable;
or

(b) the failure to pay the principal or Redemption Price of any 2016 Bonds when it becomes due and payable at maturity, upon redemption or otherwise; or

(c) the failure by Borrower to pay when due any sum due under the Loan Agreement within any applicable grace period; or

(d) the occurrence and continuance of any Event of Default under the Loan Agreement (other than an Event of Default resulting from an occurrence described in clauses (a) through (c) above); or

(e) the default by the Authority in the due and punctual performance of any other covenant in the 2016 Bonds or in the Bond Indenture or in the Loan Agreement (other than as specified in clauses (a) or (b) above); or

(f) the failure by the Authority to comply with any provision of the Act, which renders it incapable of fulfilling its obligations hereunder or thereunder; or

(g) the receipt of notice by the Bond Trustee from the Master Trustee that an event of default has occurred and is continuing under the Master Indenture.

If any Event of Default has occurred and is continuing under a Bond Indenture, the Bond Trustee may, and upon written request of the Owners of 25% in principal amount of the 2016 Bonds then Outstanding thereunder and affected thereby shall, by notice in writing to the Authority, the Borrower and the Obligated Group Agent, declare the principal of all 2016 Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided, unless the Borrower cures such default prior to the date of the declaration.

If, after the principal of the 2016 Bonds has been so declared to be due and payable, all arrears of interest upon the 2016 Bonds and the principal of all 2016 Bonds then Outstanding which have matured, except the principal of any 2016 Bonds due solely because of such declaration, and the interest accrued on the 2016 Bonds since the last interest payment date are paid by the Authority, and the Authority also

performs all other things in respect to which it may have been in default hereunder and pays the reasonable charges of the Bond Trustee, the Owners of 2016 Bonds, and any trustee appointed under the Act, including reasonable attorney's fees, then, and in every such case, the Owners of a majority in principal amount of the 2016 Bonds then Outstanding, by written notice to the Authority and to the Bond Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Bond Trustee and upon all Owners of 2016 Bonds issued under the Bond Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

If any Event of Default has occurred and is continuing, then and in every such case, the Bond Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the 2016 Bonds then Outstanding under the Bond Indenture and the provision of indemnity satisfactory to the Bond Trustee shall proceed to protect and enforce its rights and the rights of the Owners under the laws of the Commonwealth of Pennsylvania, the State of Florida or the State of Georgia, as applicable, the Loan Agreement and the Bond Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement or in aid of execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

For a more complete statement of rights and remedies of the Owners of 2016 Bonds and of the limitations thereon, reference is made to the Bond Indenture.

Owners of 2016 Bonds May Direct Proceedings

The Owner or Owners of a majority in principal amount of the 2016 Bonds then Outstanding under each Bond Indenture and affected thereby shall have the right to direct the method and place of conducting all remedial proceedings by the Bond Trustee under the Bond Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Bond Indenture, and provided that the Bond Trustee shall have been given indemnity satisfactory to it against costs, expenses and liabilities, and that the Bond Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitations on Actions by Owners of 2016 Bonds

Owners shall have no right to pursue any remedy under each Bond Indenture unless (a) the Bond Trustee shall have been given written notice of an Event of Default, (b) the Owners of at least 25% in principal amount of the 2016 Bonds then Outstanding shall have requested the Bond Trustee, in writing, to exercise the powers granted under the Bond Indenture or to pursue such remedy in its or their name or names, (c) the Bond Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Bond Trustee shall have failed to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in each case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the Bond Indenture or to any other remedy thereunder.

Application of Moneys in Event of Default

All moneys received by the Bond Trustee or by any receiver under each Bond Indenture shall, and all moneys and funds held by the Bond Trustee in the funds and accounts established under the Bond Indenture (except the Rebate Fund and except moneys and funds which shall theretofore have been set aside for the payment or purchase of particular 2016 Bonds) shall, after the payment of current administration,

operating and management expenses incurred by the Bond Trustee or receiver, be applied by the Bond Trustee or receiver in the following order of priority:

(a) To the payment of all fees and expenses owing to the Bond Trustee under the Bond Indenture, including without limitation, fees, costs, expenses and liabilities reasonably incurred by the Bond Trustee (including reasonable compensation to the Bond Trustee, its agents, attorneys and counsel) and to the repayment of all advances made by the Bond Trustee;

(b) To the payment of the reasonable costs of the Authority including counsel fees and expenses, any disbursements of the Authority with interest thereon and its reasonable compensation;

(c) Unless the principal of all the 2016 Bonds Outstanding under the Bond Indenture has become due, whether at the due dates expressed therein, by proceedings for redemption, or by declaration as herein provided or otherwise, then:

(i) To the payment of any overdue installments of interest on the Outstanding 2016 Bonds in the order of the expressed maturity of the installments of such interest, with interest on overdue installments of interest (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the 2016 Bonds; and, if the amount to be applied to the payment of any installment of interest shall not be sufficient to pay such installment in full, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or preference; and

(ii) After the payment of all such overdue installments of interest with the interest thereon, then to the payment of the principal of all of the 2016 Bonds which shall have become due by their express terms, not including 2016 Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Bonds Indenture, with interest on such 2016 Bonds at the rate or rates provided for in such 2016 Bonds from the respective dates upon which they became due in the order of maturity dates expressed in the 2016 Bonds, and if the amount to be distributed at any particular time shall not be sufficient to pay in full all of the 2016 Bonds due on any particular date, to the payment thereof ratably according to the amounts due thereon; and

(iii) then to the payment of the principal of and the interest on the 2016 Bonds thereafter becoming due in accordance with the provisions of the Bond Indenture.

(d) In case the principal of all of the 2016 Bonds shall have become due, whether at the due dates expressed therein, by proceedings for redemption, by declaration or otherwise, then:

(i) To the payment of the full amount then owing and unpaid upon all 2016 Bonds Outstanding for principal and interest together with interest on such unpaid amounts (to the extent that the payment of such interest is enforceable under applicable law) at the respective rates provided in the 2016 Bonds then Outstanding, and in case such moneys shall be insufficient to pay the same in full, then to the payment of such principal and interest without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest ratably to the aggregate of such principal and interest; and

(ii) Any surplus thereof remaining after the payment of the full principal of and interest on all Outstanding 2016 Bonds together with interest thereon, to the Borrower or to whomsoever may be lawfully entitled to receive the same.

Whenever moneys are to be applied by the Bond Trustee or by any receiver pursuant to the provisions of the Bond Indenture as described above, such moneys shall be applied by the Bond Trustee or receiver at such times, and from time to time, as the Bond Trustee or receiver in its sole discretion shall determine, having due regard to the amount of such moneys available for application in the future. The deposit of such moneys with the bank or trust company at which the 2016 Bonds shall be payable, or otherwise setting aside of such moneys, in trust for the proper purpose, shall constitute proper application by the Bond Trustee or receiver; and the Bond Trustee or receiver shall incur no liability whatsoever to the Authority, to any Owner or to any other Person for any delay in applying any such moneys, so long as the Bond Trustee or receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Bond Indenture as may be applicable at the time of application by the Bond Trustee or receiver. Whenever the Bond Trustee or receiver shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made, including determination of a Special Record Date and the provision of notice thereof as provided in the form of the 2016 Bond, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee or receiver shall give notice of any Special Record Date as provided in the Bond Indenture and shall give such other notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payments to the Owner of any 2016 Bond until such 2016 Bond shall be surrendered to the Bond Trustee or receiver for cancellation or stamping with reference to such payment.

Amendments and Supplements

The Bond Indenture may be amended or supplemented at any time, without the consent of the Owners, by a Supplemental Indenture, for one or more of the following purposes: (a) to set forth such matters as are specifically required or permitted under the Bond Indenture or such other matters as will not materially and adversely affect the Owners of the 2016 Bonds Outstanding, (b) to add additional covenants of the Authority or to surrender any right or power in the Bond Indenture conferred upon the Authority, (c) to make appropriate provisions for the issuance of 2016 Bonds in bearer form with coupons should such issuance be available without causing the interest on such 2016 Bonds to become taxable for Federal income tax purposes, (d) to comply with any provision of the Code affecting the exclusion of interest on the 2016 Bonds from gross income for Federal tax purposes, (e) to make conforming changes in connection with any changes to the Loan Agreement otherwise permitted under the Bond Indenture, (f) to obtain or maintain any credit rating or ratings on any series of 2016 Bonds, (g) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provisions hereof or otherwise) provision of the Bond Indenture in such manner as shall not be inconsistent with the Bond Indenture and shall not impair the security thereof or materially or adversely affect the Owners of 2016 Bonds, and (h) in connection with the delivery to the Bond Trustee of any Substitute Obligation. Notwithstanding the foregoing, the Bond Indenture shall not be amended to affect the rights or liabilities of the Bond Trustee without its written consent.

The Bond Indenture may be amended from time to time, except with respect to (a) the interest payable upon any 2016 Bond, (b) the dates of maturity, sinking fund and redemption provisions of any 2016 Bonds, (c) the amendment provisions of the Bond Indenture, and (d) the security provisions under the Bond Indenture, by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Series 2016 Bonds then Outstanding and affected thereby; provided, that no amendment shall be made which adversely affects the rights of some but less than all of the 2016 Bonds without the consent of the Owners of at least a majority of the then Outstanding 2016 Bonds so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Series 2016 Bonds without the consent of the Owners of a majority of the 2016 Bonds so affected. Amendments with respect to matters described in clauses (a), (b), (c) or (d) above shall be effected only with the consent of Owners of all Series 2016 Bonds then Outstanding and affected by such amendments.

The Bond Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by the above, and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Indenture or amendment is permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

The Loan Agreement may be amended without the consent of the Owners (a) to set forth such other matters as will not materially or adversely affect the Owners of the 2016 Bonds then Outstanding, (b) to add additional covenants of the Borrower or to surrender any right of power conferred upon the Borrower, (c) in connection with any merger or consolidation of a Borrower, provided such merger or consolidation would not materially adversely affect the Owners, (d) to make conforming changes in connection with any amendment of the Bond Indenture otherwise permitted under the Bond Indenture, (e) to obtain or maintain any credit rating (or ratings) on any series of 2016 Bonds, or (f) to cure any ambiguity, inconsistency or formal defect or omission in any Loan Agreement or to make any other change in a Loan Agreement which, in the judgment of the Bond Trustee (which judgment may be made in reliance upon an opinion of counsel), does not materially adversely affect the rights of the Owners of any 2016 Bonds. No prior notice to the Owners of any proposed changes pursuant to this paragraph shall be required.

The Bond Trustee, as the holder of the 2016 Master Notes, is authorized to consent to any amendments, change or modification to, or waiver of any requirement of, the Master Indenture (if such consent is required under the Master Indenture), and no prior notice to or consent of the Registered Owners shall be required for any such amendment which does not materially adversely affect the rights of the Registered Owners. In the case of any amendment, change or modification to, or waiver of any requirement of, the Master Indenture, which, in the judgment of the Bond Trustee may materially adversely affect the rights of the Registered Owners of the 2016 Bonds (which judgment may be in reliance of an opinion of Counsel), the Bond Trustee shall consent thereto only after notice to the Registered Owners of the 2016 Bonds then Outstanding and the approval thereof by the Owners of not less than a majority in aggregate principal amount of the 2016 Bonds then Outstanding (or 100% in aggregate principal amount thereof in the case of any amendment, change or modification to any provision of, or waiver of any requirement of, the Master Indenture which requires the consent of the holders of 100% of the Obligations outstanding thereunder and affected thereby). The Bond Trustee is expressly authorized, if required, to consent to the execution and delivery of any Replacement Master Indenture and to the issuance thereunder of any Substitute Obligations, without further notice to, or approval of, any Owners of any 2016 Bonds, upon compliance by the Borrower with the provisions of the Loan Agreement (see "THE LOAN AGREEMENTS -- Replacement Master Indenture" below).

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of, all 2016 Bonds issued under the Bond Indenture have been paid, or there shall have been deposited with the Bond Trustee an amount, evidenced by cash or non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient moneys to fully pay all 2016 Bonds issued under the Bond Indenture, as well as all other sums payable thereunder by the Authority or the Borrower, including all fees and expenses of the Bond Trustee and the Authority, all right, title and interest of the Bond Trustee shall thereupon cease and the Bond Trustee, on demand of the Authority, shall release the Bond Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person, body or authority as may be entitled to receive the same, all balances remaining in any funds thereunder.

Provision for the payment of any 2016 Bonds shall be deemed to have been made when the Bond Trustee holds in the Debt Service Fund or other fund established for such purpose (i) cash in an amount sufficient to make all payments (including the principal or Redemption Price of and interest on the 2016 Bonds) specified in the preceding paragraph with respect to such 2016 Bonds, or (ii) non-callable Government Obligations maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments provided that (A) the Bond Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such deposit of obligations described in clause (i) or (ii) above and (B) provision for payment of 2016 Bonds shall be deemed to be made only if the Bond Trustee holds in the Debt Service Fund or other fund established for such purpose cash and/or such obligations for payment of such 2016 Bonds in amounts sufficient to make all payments specified above with respect to such 2016 Bonds, as verified by an accountant's certification in form and by an accountant acceptable to the Bond Trustee and each Rating Agency.

Neither the moneys nor the obligations deposited with the Bond Trustee pursuant to the above shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or Redemption Price and interest on, the 2016 Bonds (or portions thereof).

Whenever moneys or obligations shall be deposited with the Bond Trustee for the payment or redemption of 2016 Bonds more than 60 days prior to the date that such 2016 Bonds are to mature or be redeemed, the Bond Trustee shall mail a notice to the Registered Owners of the 2016 Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Such notice shall also be sent by the Bond Trustee to the Rating Agencies. Notwithstanding the foregoing, no delivery to the Bond Trustee under the provisions of the Bond Indenture shall be deemed a payment of any 2016 Bonds which are to be redeemed prior to their stated maturity until such 2016 Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such 2016 Bonds may be redeemed in accordance with the provisions of the Bond Indenture and proper notice of such redemption shall have been given in accordance with the Bond Indenture, or the Authority shall have given the Bond Trustee, in form satisfactory to the Bond Trustee, irrevocable instructions to give, in the manner and at the times prescribed by the Bond Indenture, notice of redemption.

If the Authority, its successors or assigns, shall pay or cause to be paid unto the Owners of all 2016 Bonds Outstanding the principal and interest to become due thereon and the premium thereon, if any, at the times and in the manner stipulated therein, or if the Authority, its successors or assigns, shall deliver or cause to be delivered to the Bond Trustee for cancellation all 2016 Bonds Outstanding, then the Bond Indenture and the estate, title, interest and rights thereby granted shall cease, determine and be void and thereupon the Bond Trustee shall, upon the written request of the Authority, which request shall be made at the written request of the Obligated Group Agent, release, cancel and discharge the lien of the Bond Indenture, and execute and deliver to the Authority such instruments as shall be requisite to satisfy the lien thereof, shall discharge the Bond Indenture and the Loan Agreement and reconvey to the Authority the estate, title, interest and rights thereby conveyed, and assign and deliver to the Borrower any money and other property at the time subject to the lien of the Bond Indenture which may then be in the possession of the Bond Trustee.

The Bond Trustee

The Bond Trustee will undertake only those obligations and duties which are expressly set out in the Bond Indenture. Under the terms of the Bond Indenture, the Bond Trustee is liable only for those damages caused by its gross negligence or willful misconduct.

The Bond Trustee may execute any of the trusts or powers and perform the duties required either directly or through attorneys, agents, receivers or employees. The Bond Trustee is entitled in good faith to rely conclusively and be free from all liability for acting or refraining from acting upon the advice of counsel. Unless otherwise provided by law, the Bond Trustee is under no obligation to take any action in respect to any default or otherwise, or toward the execution or enforcement of any of the trusts created under the Bond Indenture, or to institute, appear in or defend any suit or other proceeding, unless requested to do so in writing by the Owners owning at least 25% in aggregate principal amount of the 2016 Bonds then Outstanding.

The Bond Trustee may be provided a reasonable compensation for all services rendered and for all reasonable expenses, charges and other disbursements of the Bond Trustee and those of its attorneys, agents, and employees, incurred in the administration and execution of the trusts created and the performance of its powers and duties. The Bond Trustee may at any time make advances to effect performance of any covenant or agreements contained in the Bond Indenture or Loan Agreement on behalf of the Authority or the Borrower if they fail to perform such.

The Bond Trustee may resign and be discharged of the trusts created by the Bond Indenture. To resign, the Bond Trustee must execute a written instrument resigning such trusts and specifying the date when such resignation would be in effect, by filing the same with the Secretary of the Authority, the Borrower and the Owners of all 2016 Bonds. Concurrently with the giving of such notice, the Bond Trustee will also mail copies thereof to the Owners at their addresses as shown in the bond register. Such resignation will take effect on the resignation date specified in such instrument and notice, unless (a) no successor has been appointed and qualified, in which case such resignation not be effective until such a successor Bond Trustee has so accepted and qualified or (b) a successor Bond Trustee has previously been appointed, in which event such resignation will be effective immediately on the appointment and acceptance of such successor Bond Trustee.

If no Event of Default has occurred and is continuing, the Bond Trustee may be removed by the Authority at the direction of the Borrower. If an Event of Default has occurred and is continuing, the Bond Trustee may be removed only by written direction of any Owner or Owners owning, in the aggregate, a majority in principal amount of the 2016 Bonds then Outstanding.

THE LOAN AGREEMENTS

The Loan

Upon the issuance of the 2016 Bonds, the Authority will lend the proceeds thereof to the Borrower for application toward the costs of the 2016 Project. The loan will be made by depositing the proceeds of the 2016 Bonds with the Bond Trustee in the manner and for the purposes set forth in the Bond Indenture.

The Loan Agreement will remain in effect until such time as all 2016 Bonds and all other expenses payable by the Borrower under the Loan Agreement have been paid or provisions for such payment has been made as described under the heading "THE BOND INDENTURES -- Defeasance" herein, and all other conditions of the Loan Agreement and the Bond Indenture shall have been fully satisfied.

Repayment of Loan

As repayment of the loan of the proceeds of the 2016 Bonds, the Borrower will be required to pay to the Bond Trustee, as the assignee of the Authority, the following aggregate sums:

(a) On or before each May 1 and November 1, commencing November 1, 2016, an amount equal to the interest on the 2016 Bonds becoming due on the immediately succeeding May 15 or November 15, as applicable, subject to credit for other available funds in the manner provided in the Bond Indenture; and

(b) On or before November 1 of each year in which the principal of any 2016 Bonds shall be due, an amount sufficient to pay the principal of the 2016 Bonds becoming due, whether at maturity or by mandatory sinking fund redemption, on the immediately succeeding November 15, subject to credit for other available funds in the manner provided in the Bond Indenture.

Payments received by the Bond Trustee under the 2016 Master Notes shall be credited against the foregoing. Further, notwithstanding anything to the contrary in the Loan Agreement, the amount payable shall be sufficient in the aggregate to pay in full, when and as the same becomes due, the principal (whether by maturity, redemption, acceleration, or otherwise) and Redemption Price of, and all interest accrued on, all 2016 Bonds issued under the Bond Indenture.

Prepayments and Payment with 2016 Bonds in Lieu of Cash

The Borrower is permitted, at any time, to prepay all or any part of the amounts payable to redeem or defease all or any portion of the 2016 Bonds in accordance with the provisions of the Bond Indenture. Additionally, in lieu of the portion of the loan payments payable with respect to principal of any 2016 Bonds becoming due, the Borrower or the Authority may purchase on the open market 2016 Bonds of the series and maturity becoming due, and present such 2016 Bonds to the Bond Trustee for cancellation. These 2016 Bonds presented to the Bond Trustee shall be credited to the principal amount of the next payment due at 100% of the principal amount of such 2016 Bonds.

Additional Payments

The Borrower will be required to pay to the Authority, upon requisition therefor, its initial issuance fee and all reasonable amounts required to reimburse the Authority's Administrative Expenses incurred in connection with the Authority's loan of the proceeds of the 2016 Bonds to the Borrower and other related services in connection with the Loan Agreement and Bond Indenture, and shall pay to the Bond Trustee its reasonable fees and expenses incurred in connection with the Loan Agreement and the Bond Indenture as agreed below by the Borrower and the Bond Trustee. The Borrower shall also pay all of the Authority's legal fees and expenses incurred in connection with the issuance of the 2016 Bonds and the loan of the proceeds thereof to the Borrower.

Nature of Obligations

The obligations of the Borrower under the Loan Agreement are general obligations to which its full faith and credit are pledged. The Borrower's payment obligations in respect of the 2016 Bonds under the Loan Agreement are evidenced and secured by the respective 2016 Master Notes issued in favor of the Bond Trustee.

Replacement Master Indenture

The Borrower may deliver to the Bond Trustee, and the Bond Trustee shall accept, in exchange for the 2016 Master Notes evidencing and securing all or a portion of their payment obligations under the Loan Agreement, Substitute Obligations issued and executed by the Borrower or other party and issued under and pursuant to, and secured by, the Replacement Master Indenture executed by or on behalf of the members of the New Obligated Group and the New Master Trustee, which Substitute Obligation shall be authenticated

by the New Master Trustee, shall evidence the joint and several obligation of the members of the New Obligated Group to pay or guaranty payment of all amounts due from the Borrower under the Loan Agreement in respect of the principal or redemption price of, and interest on, the 2016 Bonds. Concurrently with the delivery to the Bond Trustee of a Substitute Obligation, the Obligated Group Agent shall deliver, or cause to be delivered to the Bond Trustee those items described under “SOURCES OF PAYMENT AND SECURITY FOR THE 2016 BONDS -- Replacement of Master Indenture and Substitution of Master Notes” in the front portion of this Official Statement.

2016 Capital Projects (Pennsylvania Loan Agreement and Florida Loan Agreement Only)

The Borrower shall cause the 2016 Capital Projects to be undertaken and completed in compliance in all material respects with all laws, acts, rules, regulations, orders and requirements lawfully made and applicable thereto.

The Borrower further agrees as follows with respect to the 2016 Capital Projects:

(i) The Borrower shall: (A) enter into such construction contracts and other agreements (each, a “Construction Contract”) with third parties (each, a “General Contractor”) as it deems necessary or advisable for any acquiring, installing, equipping or constructing renovations and conversions relating to the 2016 Capital Projects; and (B) cause the 2016 Capital Projects to be completed in accordance with the Construction Contracts therefor (if any).

(ii) Amendments, modifications, changes and deletions relating to the 2016 Capital Projects or to any Construction Contract, project budget or plans and specifications therefor may be made at the discretion of the Borrower, provided that such changes are in compliance with all applicable laws, acts, rules, regulations, orders and requirements as aforesaid and with the Loan Agreement.

(iii) The Costs of the 2016 Capital Projects (including costs of issuance) shall be paid by the Bond Trustee from available moneys held in the Clearing Fund and the Project Fund established under the applicable Bond Indenture in accordance with the provisions thereof, and, to the extent such available moneys are not sufficient for such purpose, from other available moneys of the Borrower.

In the event the moneys in the Project Fund available for payment of the costs of the 2016 Capital Projects are not sufficient to pay all costs of the 2016 Capital Projects in full, the Borrower agrees to complete the 2016 Capital Projects and to pay that portion of the costs in excess of the moneys available therefor in the Project Fund. The Authority and the Bond Trustee make no warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the costs of the 2016 Capital Projects will be sufficient to pay all of such costs. The Borrower agrees that if, after disbursement of all the money in the Project Fund available for payment of costs of the 2016 Capital Projects, the Borrower should pay any portion of the costs of the 2016 Capital Projects pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority or the Bond Trustee.

The Borrower shall undertake to construct the Facilities in accordance with the plans and specifications for the 2016 Capital Projects and shall proceed to complete the 2016 Capital Projects with due diligence. Contracts for carrying out the 2016 Capital Projects shall be made by or on behalf of the Borrower in the name of the Borrower or its agents or designees.

The Borrower may, at its option and at its own cost and expense, at any time and from time to time, make such improvements, additions and changes to the Facilities as it may deem to be desirable for its uses and purposes, provided that such improvements, additions and changes shall constitute part of the Facilities.

Financial and Other Reports

The Borrower shall cause to be delivered to the Authority, the Bond Trustee, each Rating Agency, B.C. Ziegler and Company, as the initial underwriter of the 2016 Bonds, and to each Owner of 2016 Bonds who requests the same in writing to the Borrower: (a) copies of each of the financial reports and certificates described in the Master Indenture as described under “SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER INDENTURE – Filing of Financial Statements; Certificate of Default, Other Information” in APPENDIX D to this Official Statement, and (b) copies of each notice provided to any nationally recognized municipal securities information repository (either directly or through any dissemination agent) of any of the events described in Rule 15c2-12(b)(5)(i)(C) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Insurance

The Borrower covenants to provide and maintain continuously insurance covering such risks, in such amounts and with such deductibles as shall be required by the terms and provisions of the Master Indenture. A written report of the Insurance Consultant (as defined in the Master Indenture) evidencing the types and amounts of insurance maintained by the Borrower and the compliance by the Borrower with the terms of the Master Indenture shall be delivered to the Bond Trustee and the Authority concurrently with the issuance and delivery of the 2016 Bonds and thereafter not less frequently than as required by the Master Indenture.

Additional Covenants

In addition to the foregoing, the Loan Agreement will contain covenants which will require the Borrower, among other things (and subject to the further provisions of the Loan Agreement), to: (a) maintain its corporate existence; (b) keep and maintain its facilities in good order, repair and condition; (c) pay any taxes or other impositions when due; (d) take whatever actions are necessary to continue to be organized and operated in a manner which will preserve and maintain its status as an organization which is (i) described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, including refraining from participating in any unrelated trade or business which may cause the interest paid by the Authority on the 2016 Bonds to be includable in the gross income of the Owners; (e) pay to or for the account of the Authority all amounts needed to comply with the requirements of Section 148 of the Code; (f) take or omit to take any other action which would cause the 2016 Bonds to be “arbitrage bonds” under Section 148 of the Code; and (g) prepare a written statement of the amount, if any, determined to be payable to the United States government with respect to 2016 Bonds pursuant to Section 148 of the Code not later than 45 days after each computation date.

Events of Default and Remedies

Each of the following shall constitute an Event of Default under the Loan Agreement:

(a) If the Borrower fails to make any payment to the Bond Trustee when due pursuant to the Loan Agreement, as described under paragraphs (a) and (b) under “Repayment of Loan” above;

(b) If the Borrower fails to make any other payment or to perform any other covenant, condition or agreement to be performed by it under the Loan Agreement;

(c) If the Borrower proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a Bond Trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Borrower or any of its assets or revenue, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Borrower and if such is not vacated, dismissed or stayed on appeal within 60 days;

(d) If the Bond Trustee, as the holder of any 2016 Master Note, receives notice from the Master Trustee that an Event of Default under the Master Indenture has occurred and is continuing; or

(e) If for any reason any 2016 Bonds are declared due and payable by acceleration in accordance with the Bond Indenture.

provided, however, that (i) no default under paragraph (a) above shall constitute an Event of Default if the Borrower's failure to make any payment due under the Loan Agreement is cured within 10 days after the due date of the payment; provided, however, that in no event shall such cure period extend beyond the date the payment is due to the Owners) and (ii) no default under paragraph (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Borrower by the Authority or the Bond Trustee and the Borrower shall have had 60 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Borrower within the period and diligently pursued until the default is corrected.

If any Event of Default occurs and is continuing, the Authority (or the Bond Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the Borrower to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Act or the Loan Agreement; or (b) by action or suit in equity require the Borrower to account as if they were the Bond Trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority; or (d) upon the filing of a suit or other commencement of judicial proceeding to enforce the rights of the Bond Trustee and the Owners, have appointed a receiver or receivers with respect to the Borrower and its respective Facilities, with such powers as the court making such appointment shall confer; or (e) upon notice to the Borrower, accelerate the due dates of all sums due or to become due under the Loan Agreement, if and to the extent that the 2016 Bonds have been accelerated under the Bond Indenture and such acceleration has not been annulled; or (f) enforce all rights and remedies as the holder of any or all 2016 Master Notes under the Master Indenture.

Exculpation and Indemnity

Neither the Authority nor its past, present or future members, officers, employees or agents, in the exercise of its power, shall be accountable to the Borrower or any Owner of the 2016 Bonds or to the Bond Trustee for any action taken or omitted in the Event of Default by the Borrower. In addition, the Borrower covenants to indemnify and hold harmless the Authority and its past, present and future officers, employees or agents against any and all claims, losses, damages or liabilities insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of any Facilities or the issuance of the 2016 Bonds or are based upon any other alleged act or omission in connection with any Facilities or the issuance of the 2016 Bonds by the Authority unless the losses, damages or liabilities arise from willful misconduct, fraud or

deceit of an officer, employee or agent of the Authority, and (ii) arise out of or are based upon any untrue or misleading statement or alleged untrue or misleading statement of any material fact contained in any preliminary or final official statement relating to any 2016 Bonds, to the extent such information does not relate to the Authority, or upon the omission or alleged omission to state a material fact required to be stated in any such disclosure documents or offering circular in order to make the statement not relating to the Authority not misleading. The Borrower will also indemnify and hold harmless the Bond Trustee and each director, officer, employee and agent of the Bond Trustee against any and all claims, fees, suits, actions, demands, penalties, costs, expenses (including attorneys fees and the reasonably allocated costs of in-house counsel), losses, damages, or liabilities, insofar as they arise from any direction or instruction upon which the Bond Trustee is authorized to act under the Bond Indenture or the Loan Agreement, the Facilities or the issuance of any 2016 Bonds or the performance by the Bond Trustee of its duties, unless and to the extent that such losses result from gross negligence, willful misconduct, fraud or deceit of an officer or employee of the Bond Trustee. These indemnification provisions survive the termination of the Loan Agreement and the Bond Indenture and the resignation or removal of the Bond Trustee for any reason.

Amendments

The Loan Agreement may be amended from time to time in accordance with the provisions described under “THE BOND INDENTURES -- Amendments and Supplements” herein.

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APPENDIX D

SUMMARY OF PRINCIPAL PROVISIONS OF THE MASTER TRUST INDENTURE

The following are definitions of certain terms used in, and summaries of certain provisions of, the Master Trust Indenture. The summaries set forth below should not be regarded as full statements of the document itself, or of the portions summarized. Reference is made to the document in its entirety for the complete statements of the provisions thereof. Copies of the Master Trust Indenture will be on file with the Master Trustee and the Bond Trustee.

Certain additional terms used herein are defined in the forepart of this Official Statement.

Definitions of Certain Terms

“*2016 Master Note*” means the Florida 2016 Master Note, the Georgia 2016 Master Note and the Pennsylvania 2016 Master Note.

“*Accountant*” means an independent certified public accountant or firm of public accountants appointed by an Obligated Issuer for the purpose of examining and reporting on the financial statements of one or more Obligated Issuers or the entire Obligated Group, has all certifications necessary for the performance of such services, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors and is not unsatisfactory to the Master Trustee.

“*ACTS*” means ACTS Retirement-Life Communities, Inc., a Pennsylvania nonprofit corporation, organized and existing under the laws of the Commonwealth of Pennsylvania.

“*AMS*” means ACTS Management Services, Inc., a Pennsylvania nonprofit corporation.

“*ASCS*” means ACTS Signature Community Services, Inc., a Pennsylvania nonprofit corporation.

“*Authorized Officer*” means, with respect to any particular action to be taken by or on behalf of an Obligated Issuer, any officer of such Obligated Issuer who is authorized to take such action pursuant to the Obligated Issuer’s articles of incorporation or by-laws or a resolution duly adopted by its Board.

“*Balloon Indebtedness*” means any Long Term Indebtedness having a term greater than four (4) years and more than 25% of the original principal amount of which is payable in the same period of twelve consecutive calendar months (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of the indebtedness).

“*Balloon Payment Year*” means any period of twelve consecutive months in which more than 25% of the original principal amount of any Balloon Indebtedness shall be due and payable.

“*Board*” when used in connection with an Obligated Issuer, means its board of directors, board of trustees, board of governors or other board, committee or group of individuals in which the Obligated Issuer has vested powers for its governance generally or for specific matters under consideration.

“*Certificate*” means a certificate or report, in form and substance satisfactory to the Master Trustee, executed: (a) in the case of an Obligated Issuer’s Certificate, by an Authorized Officer of the

appropriate Obligated Issuer (or Issuers) or by an Authorized Officer of the Obligated Group Agent on behalf of such Obligated Issuer (or Issuers); and (b) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person.

“*Commitment Indebtedness*” means the obligation of any Obligated Issuer to repay amounts disbursed pursuant to a Credit Facility issued to secure or repay amounts due in respect of any Indebtedness of such Obligated Issuer.

“*Completion Indebtedness*” means any Long Term Indebtedness incurred for the purpose of financing the completion of constructing and equipping any Facilities with respect to which Long Term Indebtedness was previously incurred in accordance with the provisions of the Master Indenture.

“*Consultant*” means an Independent consulting firm which is appointed by an Obligated Issuer for the purpose of passing on questions relating to the financial affairs, management or operations of one or more Obligated Issuers or the entire Obligated Group, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors and is not unsatisfactory to the Master Trustee. If any Consultant’s Certificate is required to be given with respect to matters partly within and partly without the expertise of any Consultant, such Consultant may rely upon the report or opinion of another Consultant possessing the necessary expertise.

“*Counsel*” means an attorney-at-law or law firm (which may include counsel to an Obligated Issuer).

“*Credit Facility*” means any irrevocable letter of credit, a line of credit which is revocable only upon the occurrence of commercially reasonable contingencies, a guaranty or an indemnity or surety insurance policy or bond which is issued for the benefit of the holder of any Indebtedness in order to provide a source of funds for the payment of all or any portion of an Obligated Issuer’s payment obligations under such Indebtedness.

“*Debt Service Requirements*” means, for any specified period, (a) the amounts payable as lease rentals in respect of any Long Term Indebtedness in the form of capitalized leases, (b) the amounts payable to the Holders of Obligations (or to any trustee or paying agent for such Holders) in respect of the principal of any Obligations issued as Long Term Indebtedness under the Master Indenture (including scheduled mandatory redemptions of principal) and the interest on such Obligations, and (c) the amounts payable to any or all holders of Long Term Indebtedness other than capitalized leases and Obligations under the Master Indenture (or to any trustee or paying agent for such holders) in respect of the principal of such Long Term Indebtedness (including scheduled mandatory redemptions or prepayments of principal) and the interest on such Long Term Indebtedness. Notwithstanding the foregoing, the amounts deemed payable in respect of any Long Term Indebtedness shall not include interest which is funded from the proceeds thereof or any amounts payable from funds available (without reinvestment) in a Qualified Escrow (other than amounts so payable solely by reason of an Obligated Issuer’s failure to make payments from other sources). In addition, calculations of Debt Service Requirements shall be subject to adjustment as and to the extent permitted or required by the Master Indenture as described under “Additional Provisions Concerning Certain Forms of Long Term Indebtedness” in this Appendix.

“*Debt Service Reserve Fund*” means any Debt Service Reserve Fund as described under “Debt Service Reserve Funds -- General” in this Appendix.

“*Debt Service Reserve Requirement*” means, for each Debt Service Reserve Fund, the amount (if any) required to be maintained therein as set forth in the Supplemental Indenture establishing such Debt Service Reserve Fund.

“*Demand Obligation*” means any Indebtedness which (a) has a stated maturity later than 365 days after the date of incurrence, (b) is incurred as Long Term Indebtedness pursuant to the provisions of the Master Indenture described in “Additional Long Term Indebtedness” and “Additional Provisions Concerning Certain Forms of Long Term Indebtedness” in this Appendix, and (c) is subject to repurchase or repayment as to principal on specified dates, upon the occurrence of specified events or upon demand by the holder thereof (including any Indebtedness which is subject to such repurchase or repayment within 365 days from the date of incurrence).

“*Entrance Fees*” means (i) all initial admission fees received by any Obligated Issuer pursuant to any agreement with respect to the granting of rights to the exclusive use of a residential unit in its Facilities; provided, however, that deposits for admission to the Facilities shall not be “Entrance Fees” until the prospective resident has a right to take possession of such unit pursuant to such agreement; and (ii) all admission fees received by any Obligated Issuer pursuant to any agreement with respect to the granting of rights to the exclusive use of any unit that has been previously occupied by another resident and which comprised a part of the Facilities.

“*Event of Default*” means any event of default under the Master Indenture, as described in “Defaults and Remedies” in this Appendix.

“*Facilities*” means, with respect to any Obligated Issuer, any or all of such Obligated Issuer’s land, buildings, fixtures, equipment, furnishings and other physical assets and facilities, including any of the foregoing which is now or hereafter owned by such Obligated Issuer or is now or hereafter otherwise operated by such Obligated Issuer under a lease, license, operating agreement or other comparable contractual arrangement.

“*Financial Advisor*” means an Independent investment banking or financial advisory firm which is appointed by an Obligated Issuer for the purpose of passing on questions relating to the availability and terms of Long Term Indebtedness for an Obligated Issuer, is actively engaged in and has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of Long Term Indebtedness incurred by entities engaged in reasonably comparable endeavors, and is not unsatisfactory to the Master Trustee.

“*Fiscal Year*” means the fiscal year of each Obligated Issuer, which is initially the period of twelve consecutive months ending on December 31 of each year, and may thereafter be such period of twelve consecutive months ending on such other date as may be specified in an Obligated Issuer’s Certificate delivered to the Master Trustee; provided, however, that each Obligated Issuer shall have the same Fiscal Year.

“*Florida 2016 Master Note*” means the Master Note issued under the Master Indenture in a principal amount equal to the principal amount of the Florida 2016 Bonds to evidence and secure the payment obligations of ACTS under the Florida Loan Agreement in respect thereof.

“*Forecast*” means any report, financial forecast or feasibility study with respect to forecasted financial matters of the Obligated Group prepared, reviewed, examined or reported upon by a Consultant or Independent Public Accountant in accordance with applicable standards.

“Forecasted Debt Service Coverage Ratio” means for any future period of time the number determined by dividing (A) the forecasted Revenues Available for Debt Service (but less the amount of any Entrance Fees other than Resale Entrance Fees included in such Revenues Available for Debt Service) of the Obligated Group for the specified future period, by (B) the forecasted Maximum Annual Debt Service Requirements calculated with respect to all Long Term Indebtedness of the Obligated Group forecasted to be Outstanding as of the last day of the specified future period.

“Georgia 2016 Master Note” means the Master Note issued under the Master Indenture in a principal amount equal to the principal amount of the Georgia 2016 Bonds to evidence and secure the payment obligations of ACTS under the Georgia Loan Agreement in respect thereof.

“Government Obligations” means (i) direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America; and (ii) evidences of ownership of proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

“Guaranty” means any obligation of an Obligated Issuer, whether or not issued under the Master Indenture as an Indenture Guaranty, under the terms of which the Obligated Issuer guarantees in any manner (including by reason of its status as a general partner of a partnership), whether directly or indirectly, any obligation in the nature of Long Term Indebtedness or Short Term Indebtedness of any Person other than another Obligated Issuer.

“Historical Debt Service Coverage Ratio” means for any period of time the number determined by dividing (A) the Revenues Available for Debt Service of the Obligated Group for the specified period, (B) the Maximum Annual Debt Service Requirements for the Obligated Group calculated with respect to all Long Term Indebtedness Outstanding as of the date of calculation.

“Holder” means, as the context requires, any Noteholder or any Person in whose name any Indenture Guaranty is issued, and shall include successors or assigns. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, the term holder means the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the bonds, notes or other obligations in proportion to their respective interests therein.

“Indebtedness” means and includes: (a) all Obligations; and (b) any additional obligation for the payment of money to a Person other than an Obligated Issuer, which obligation is incurred, assumed or guaranteed by an Obligated Issuer and is in the form of (i) a loan, (ii) a capitalized lease, installment sale agreement or other comparable arrangement to provide for the acquisition, renovation or construction of capital assets, (iii) a Guaranty, or (iv) any other extension of credit by a third party which is properly treated as indebtedness under generally accepted accounting principles. Indebtedness shall not include, and nothing herein shall be deemed to restrict, the incurrence by Obligated Issuer of current liabilities in the ordinary course of business.

“Indenture Guaranty” means any Obligation issued under the Master Indenture by an Obligated Issuer, under the terms of which the Obligated Issuer guarantees in any manner, whether directly or indirectly, any obligation in the nature of Long Term Indebtedness or Short Term Indebtedness of any Person other than another Obligated Issuer.

“Independent” means, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder (each, a “controlling person”) who is a member of the Board of any Obligated Issuer or “affiliate” (as defined below), or an officer or employee of an Obligated Issuer or affiliate. A Person which is or has a controlling Person who is an officer or member of the Board of an Obligated Issuer or affiliate (but not an employee of either) may nevertheless be deemed Independent, provided that such Person and the Obligated Issuer or affiliate have each determined, with due regard to the nature and scope of the services required to be performed by such Person and any standards of professional conduct applicable thereto, that the relationship in question will not prevent such Person from performing the required services in a fair and reasonable manner. For the purposes of the foregoing, a Person shall be deemed to be an “affiliate” if it controls or is controlled by an Obligated Issuer or if both are controlled by the same third party, as set forth below: (a) one Person shall be deemed to control another if it owns more than 50% of the outstanding voting stock of or other equity interests in the other, or it has the power to elect more than 50% of the governing body of the other; and (b) such control may be exercised by one Person over another directly, indirectly through control over a third party, or jointly with one or more controlled third parties.

“Insurance Consultant” means an Independent firm of insurance agents, brokers or consultants which is appointed by an Obligated Issuer for the purpose of reviewing and recommending insurance coverage’s for the Facilities and operations of one or more Obligated Issuers or of the entire Obligated Group, has a favorable reputation for skill and experience in performing such services in respect of Facilities and operations of a comparable size and nature.

“Investment Grade Rating” means a rating issued by a Rating Agency in one of such Rating Agency’s four highest Rating Categories.

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on any Property of an Obligated Issuer in favor of, or which secures any Indebtedness or any other obligation of such Obligated Issuer to, another Person.

“Long Term Indebtedness” means all Indebtedness other than Short Term Indebtedness, Non-Recourse Indebtedness and Subordinated Indebtedness.

“Master Indenture” means the Master Trust Indenture, dated as of December 1, 1996 originally by and between ACTS (for itself and as successor by merger to Brittany Pointe Estates, an ACTS Community, Inc., Lanier Village Estates, Inc., Azalea Trace, Inc., Magnolia Trace, an ACTS-Retirement Life Community, LLC, and Peninsula United Methodist Homes, Inc.) and the Master Trustee as it may be supplemented or amended from time to time.

“Master Trustee” means U.S. Bank National Association, acting as master trustee under the Master Indenture, and all successors and assigns.

“Maximum Annual Debt Service Requirement” means, as of the date of calculation, the highest annual Debt Service Requirements for the Obligated Group payable during the then current or any succeeding Fiscal Year over the remaining term of all Long Term Indebtedness outstanding as of such date; provided that (i) there shall be excluded from the calculation of Maximum Annual Debt Service Requirement, the Debt Service Requirements on all Qualifying Intermediate Term Indebtedness, and (ii) for the purpose of determining compliance for any Fiscal Year with the rate covenant described under “Rate Covenant” in this Appendix, there shall be excluded from the calculation of Maximum Annual Debt Service Requirement, the Debt Service Requirements on any Long Term Indebtedness to the extent that the Debt Service Requirements thereon are funded for the current period from the proceeds thereof.

“*Mortgages*” is defined under “Delivery and Recording of Mortgages” in this Appendix.

“*Non-Recourse Indebtedness*” means any Indebtedness secured by a lien on the Property of an Obligated Issuer, the liability for which is effectively limited to such Property, the purchase, acquisition or improvement of substantially all of which was financed with the proceeds of such Non-Recourse Indebtedness and which is subject to such Lien, with no recourse, directly or indirectly, to any Obligated Issuer or any other Property of any Obligated Issuer.

“*Note*” or “*Master Note*” means any Note issued under the Master Indenture by an Obligated Issuer to evidence Long Term Indebtedness or Short Term Indebtedness incurred pursuant to the terms of the Master Indenture.

“*Noteholder*” means (a) in the case of a Note in fully registered form, the Person in whose name the Note is registered pursuant to the Master Indenture and (b) in the case of a coupon Note, the bearer of the Note or the Person in whose name the Note may be registered as to principal pursuant to the Master Indenture.

“*Obligated Group*” means, collectively, all of the Obligated Issuers.

“*Obligated Group Agent*” means (a) initially, ACTS, as designated agent of the Obligated Issuers for the purposes of the Master Indenture, or (b) from time to time, such other Obligated Issuer (if any) as shall have been designated by the Obligated Issuers (upon written notice to the Master Trustee) to act in such capacity.

“*Obligated Issuer*” means (a) as the context requires, ACTS, AMS, ASCS and/or any other Person which has become an Obligated Issuer as described in “Persons Becoming Obligated Issuers” in this Appendix, whether or not such Person has issued any Obligations under the Master Indenture, and (b) when used in respect of any particular Obligation or other Indebtedness, means the obligor thereunder.

“*Obligations*” means Notes and Indenture Guaranties issued under the Master Indenture and any additional forms of obligations created pursuant to the Master Indenture.

“*Outstanding*” means (a) in the case of Notes, all Notes issued, authenticated and delivered under the Master Indenture other than (i) Notes as to which all required payments of principal, premium and interest have been fully paid or have been duly provided for pursuant to the Master Indenture, and (ii) Notes surrendered to and required to be cancelled by the Master Trustee or otherwise replaced, as provided in the Master Indenture, and (b) in the case of Indenture Guaranties, all Indenture Guaranties issued under the Master Indenture unless the Master Trustee has received from the Holder thereof a written release of all claims thereunder against the signer and all other Obligated Issuers.

“*Pennsylvania 2016 Master Note*” means the Master Note issued under the Master Indenture in a principal amount equal to the principal amount of the Pennsylvania 2016 Bonds to evidence and secure the payment obligations of ACTS under the Pennsylvania Loan Agreement in respect thereof.

“*PP&E*” means all Property of the Obligated Group classified as property, plant and equipment in accordance with generally accepted accounting principles.

“*Permitted Investments*” means and includes any of the following, to the extent permitted under applicable law:

- (a) Government Obligations;

(b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, and (ii) at the time of purchase, rated by a Rating Agency in either of its two highest Rating Categories;

(c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued by the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation or the Student Loan Marketing Association, or (ii) backed by the full faith and credit of the United States of America;

(d) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, trust company or national banking association (including the Master Trustee), provided that, unless issued by a Qualified Financial Institution, such certificates of deposit must be (i) continuously and fully insured by the Federal Deposit Insurance Corporation and (ii) continuously and fully secured, to the extent not insured by the Federal Deposit Insurance Corporation, by Government Obligations having a market value (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at all times at least equal to the principal amount of such certificates of deposit (or portion thereof not insured as aforesaid), which securities shall be lodged with the Master Trustee, or any federal reserve bank or depository, as custodian, by the issuer of such certificates of deposit;

(e) bonds, notes, debentures, investment agreements or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of its two highest Rating Categories;

(f) investments in money market funds which are registered under the Investment Company Act of 1940, including any fund underwritten by the Master Trustee (in its individual capacity and not as Master Trustee under the Master Indenture) or any affiliate of the Master Trustee or for which the Master Trustee or any affiliate of the Master Trustee performs services for a fee, whose shares are registered under the Securities Act of 1933 and which, at the time of purchase, are rated by a Rating Agency in either of its two highest Rating Categories;

(g) repurchase agreements with respect to and secured by Government Obligations, which agreements may be entered into with any Qualified Financial Institution or with primary government securities dealers which report to, trade with and are recognized as primary dealers by a federal reserve bank and are members of the Securities Investors Protection Corporation, provided the Master Trustee has a perfected first security interest in the collateral, that the Master Trustee or an agent has possession of the collateral and that the collateral is, to the knowledge of the Master Trustee, free and clear of third party claims;

(h) investment agreements with any Qualified Financial Institution;

(i) commercial paper rated in the highest Rating Category by any Rating Agency; and

(j) such other interests as shall be permitted as investments of funds held under the terms of any Related Financing Documents.

“*Permitted Liens*” means the Master Indenture and, as of any particular time, the following:

(a) Liens arising by reason of good faith deposits with any Obligated Issuer in connection with tenders, leases of real estate, residency agreements, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Issuer to secure public or statutory obligations, or to

secure or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(b) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any 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 pensions or other social security, or to share in the privileges or benefits required for institutions participating in such arrangements;

(c) any judgment lien or notice of pending action against any Obligated Issuer so long as (i) the finality of such judgment is being contested in good faith and execution thereon is stayed, or (ii) in the absence of such a contest and stay, neither the pledge and security interest of the Master Indenture nor any Property of the Obligated Issuer will be materially impaired or subject to material loss or forfeiture;

(d) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (i) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such property for its intended purpose or materially and adversely affect the value thereof, or (ii) purchase, condemn, appropriate or recapture, or designate a purchaser of such Property;

(e) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with such property which are not due and payable or which are not delinquent, or the amount or validity of which are being contested in good faith and on which execution is stayed;

(f) any lease (including any residency agreement) relating to the Property of an Obligated Issuer which, in the judgment of such Obligated Issuer is reasonably necessary or appropriate for, or incidental to the proper and economical operation of such Property, taking into account the nature and terms of the lease and the nature and purposes of the Property subject thereto, provided that the terms of any Lien granted pursuant to this clause shall not prohibit or otherwise impair the right of the Master Trustee to receive and record any Mortgage as described in "Delivery and Recording of Mortgages" in this Appendix or otherwise limit or impair the effectiveness or enforceability of any such Mortgage;

(g) utility, access and other easements, rights-of-way, restrictions and other minor-defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property for its intended purpose or materially and adversely affect the value thereof;

(h) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights have not been violated and do not materially impair the use of such Property for its intended purposes or materially and adversely affect the value thereof;

(i) any Lien described in Exhibit A to the Master Indenture which was existing on the date of the original execution of the Master Indenture; provided that no such Lien (or the amount of Indebtedness secured thereby) shall be increased, extended, renewed, or modified to apply to any Property of any Obligated Issuer not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified otherwise constitutes a Permitted Lien under the Master Indenture;

(j) any Lien securing Indebtedness of an Obligated Issuer provided that such Lien also secures all Obligations (other than Obligations constituting Non-Recourse Indebtedness or Subordinated Indebtedness) on a parity basis;

(k) any Lien granted by an Obligated Issuer prior to its entry into the Obligated Group, provided that, if granted to secure Indebtedness incurred in anticipation of such entry, the lien shall be permitted only if it otherwise satisfies the requirements of the Master Indenture as of the date of the Obligated Issuer's entry into the Obligated Group;

(l) any preexisting Liens on Facilities acquired by an Obligated Issuer other than any such lien established in anticipation of the transaction by which an Obligated Issuer acquired such facilities or otherwise established with the intention of evading the restrictions established in the Master Indenture;

(m) any Lien on moneys deposited by any Person (including any resident under a residency agreement) as security for or in prepayment of the cost of services;

(n) any Lien on third party reimbursement arising in favor of the payor as recoupment of previous overpayments to an Obligated Issuer;

(o) any Lien or encumbrance granted by one Obligated Issuer in favor of another Obligated Issuer;

(p) any Lien in favor of a trustee or the Holder of a Note on the proceeds of the Indebtedness or cash or investments deposited with such trustee or Holder prior to the application of such proceeds or cash or investments;

(q) any Lien on Property received by an Obligated Issuer through gifts, grants or bequests, or on the income therefrom, as a result of restrictions arising as a result of the terms of such gift, grant or bequest;

(r) any Lien in the form of a purchase money mortgage or security interest in Property the acquisition of which is financed with the proceeds of the Indebtedness secured thereby;

(s) any Lien on any funds or accounts established pursuant to the Master Indenture or any Related Financing Documents;

(t) Liens on any Property of any Obligated Issuer securing Indebtedness of the Obligated Issuer; provided that the Value of all Property of the Obligated Issuers subject to Liens permitted under this clause does not exceed, in the aggregate, an amount equal to 10% of the Value of all PP&E of the Obligated Issuers (excluding any portion thereof which secures Non-Recourse Indebtedness and any Property which is subject to any Lien permitted under clauses (i), (k), (l) and (r) above), provided that the terms of any Lien granted pursuant to this clause shall not prohibit or otherwise impair the right of the Master Trustee to receive and record any Mortgage as described in "Delivery and Recording of Mortgages" in this Appendix or otherwise limit or impair the effectiveness or enforceability of any such Mortgage;

(u) any Lien on Property securing Non-Recourse Indebtedness or Subordinated Indebtedness; and

(v) any Lien in favor of the Commissioner of Insurance of the Commonwealth of Pennsylvania pursuant to the provisions of the Pennsylvania Continuing-Care Provider Registration and

Disclosure Act, or any Lien in favor of any other governmental agency under the provisions of any similar law in any jurisdiction in which any of the Facilities of any Obligated Issuer are located.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a joint venture, a trust, an estate, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

“*Pledged Revenues*” means (a) all revenues of the Obligated Issuers from whatever source derived, (b) all accounts, general intangibles, documents, instruments and chattel paper (as each such term is defined under the Uniform Commercial Code of each applicable jurisdiction) of each Obligated Issuer, now owned or hereafter acquired, and (c) all proceeds of the foregoing; provided, however, that the Pledged Revenues shall not include (i) any Property the use of which is restricted by reason of the terms of any law or any gift, grant or bequest to purposes which do not include the payment of the Debt Service Requirements on any Obligations; (ii) any Property securing, or which is derived from the operation of Facilities which secure, Non-Recourse Indebtedness; or (iii) revenues derived from the use or operation of any Property subject to a Permitted Lien described in (i) of the definition thereof to the extent a security interest in or lien on such revenues would be prohibited by the terms of such Permitted Lien.

“*Pro Forma Historical Debt Service Coverage Ratio*” means for any period of time the number determined by dividing (A) the Revenues Available for Debt Service (but less the amount of any Entrance Fees other than Resale Entrance Fees included in such Revenues Available for Debt Service) of the Obligated Group for the specified period, by (B) the Maximum Annual Debt Service Requirements for the Obligated Group calculated with respect to all Long Term Indebtedness Outstanding as of the date of calculation, together with the Long Term Indebtedness proposed to be Outstanding.

“*Property*” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible, including cash, and wherever located.

“*Qualified Escrow*” means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long Term Indebtedness previously incurred and then Outstanding (herein referred to as “prior Indebtedness”) or for Refunding Indebtedness, if any, then to be incurred to refund Outstanding prior Indebtedness, is held by the holder of the prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder and is subject to a perfected security interest in favor of such holder, trustee or agent, (b) is held in cash or invested in obligations described in subparagraph (a), (b), (c) or (d) of the definition of Permitted Investments, and (c) is required by the documents establishing such fund or account to be applied toward an Obligated Issuer’s payment obligations in respect of the prior Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the refunding Indebtedness to be made from the fund or account prior to the date on which the prior Indebtedness is repaid in full.

“*Qualified Financial Institution*” means a bank, trust company, national banking association, insurance company or other financial services company whose unsecured long term debt obligations or insurance claims paying abilities (as applicable) are rated by a Rating Agency in either of its two highest Rating Categories.

“*Qualifying Intermediate Term Indebtedness*” means any (i) Indebtedness that (a) matures not more than seven years from its date of issuance or incurrence and (b) is issued or incurred to finance capital improvements which are forecasted to generate Entrance Fees other than Resale Entrance Fees in

an amount not less than 100% of the principal amount of such Qualifying Intermediate Term Indebtedness and for which 10% deposits have been received pursuant to executed residency and care agreements obligating the prospective resident or some other Person, which prospective resident or other Person shall have met the financial criteria established by the Governing Body of the applicable Obligated Issuer to pay the balance.

“*Rating Agency*” means any of the following organizations (or their respective successor organizations, if applicable) if such organization maintains a rating on any Obligations (or Indebtedness secured by Obligations) at the time in question: (a) Moody’s Investors Service, Inc.; (b) Standard & Poor’s Ratings Group, a Division of the McGraw Hill Companies; (c) Fitch Ratings; or (d) such other nationally recognized credit rating organization as may be designated by the Obligated Group Agent and acceptable to the Master Trustee.

“*Rating Category*” means, with respect to a particular investment or Credit Facility or to the provider thereof, any of the principal Rating Categories which are assigned by a Rating Agency to investments, credit facilities or providers of the type in question; provided that distinctions within any such principal Rating Category (including distinctions identified by numerical symbols or symbols such as “+” or “-”) shall be disregarded for purposes of any specific Rating Category or minimum Rating Category required under the Master Indenture.

“*Refunding Indebtedness*” means Long Term Indebtedness incurred for the purpose of refinancing, repurchasing, replacing, refunding or otherwise retiring other Long Term Indebtedness and in connection with which, upon the issuance thereof, the Master Trustee shall have received an opinion of Counsel to the effect that such refunded Long Term Indebtedness is no longer Outstanding.

“*Regulatory Body*” means any federal, state or local government, department, agency, authority or instrumentality and any other public or private organization, including accrediting bodies, having regulatory jurisdiction and authority over any Obligated Issuer or the Facilities or operations of any Obligated Issuer.

“*Related Financing Documents*” means:

(a) in the case of any Note, (i) all documents pursuant to which the proceeds of the Note (or of any debt evidenced or secured thereby) are made available to an Obligated Issuer, the payment obligations evidenced by the Note are created and any security for the Note (if permitted under the Master Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Noteholder in consideration of the proceeds of the Note (or of any debt evidenced or secured thereby) being loaned or otherwise made available to the Obligated Issuer or, in the case of Commitment Indebtedness, executed in favor of the issuer of the applicable Credit Facility;

(b) in the case of any Indenture Guaranty, all documents creating the Indebtedness being guaranteed pursuant to the Indenture Guaranty and providing for the loan or other disposition of the proceeds of the Indebtedness and all documents pursuant to which any security for the Indenture Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of any Indebtedness other than Notes or Indenture Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

“*Resale Entrance Fees*” means the amounts described in clause (ii) of the definition of “Entrance Fees.”

“*Revenue Fund*” means the fund established under the Master Indenture as described under “Revenue Fund” below.

“*Revenues Available for Debt Service*” means for any Fiscal Year and for any one or more Obligated Issuers or for the Obligated Group, as the context requires, the net increase in unrestricted assets (or in the case of any for-profit entity, net income after tax), as determined in accordance with generally accepted accounting principles during the period under consideration: (a) from which there shall be deducted the amount of any revenues or gains: (i) which are extraordinary; or (ii) which result from the disposition of Property other than in the ordinary course; or (iii) which result from the extinguishment of Indebtedness of the Obligated Issuer; or (iv) which result from the valuation of investment securities at market value, or (v) which constitute the income on any special trust fund created in respect of any Qualifying Intermediate Term Indebtedness; and (b) to which there shall be added any expenses or losses: (i) for depreciation and other non-cash charges attributable to the ownership of any Facilities (other than Facilities securing Non-Recourse Indebtedness); or (ii) for amortization of financing charges attributable to Long Term Indebtedness; or (iii) for interest on Long Term Indebtedness (other than interest payable from Qualified Escrows); or (iv) resulting from the disposition of Property other than in the ordinary course; or (v) resulting from the valuation of investment securities at market value; and (c) to which there shall be added the amount of any Entrance Fees actually received (i.e. on a cash rather than an accrual basis) in the period, less (x) the amount of any amortization included in such period in respect of Entrance Fees received in a prior period, (y) the amount of any Entrance Fees received in such period which are set aside in a special trust fund created in respect of Qualifying Intermediate Term Indebtedness, and (z) the amount of any Entrance Fees refunded to residents in such period.

“*Short Term Indebtedness*” means any Indebtedness which (a) matures not later than 365 consecutive days-after it is incurred or is payable upon demand within such period at the option of the holder and (b) is not subject to extension at the option of the borrower for a term extending beyond the initial 365 day period; provided that the term Short Term Indebtedness shall not include (i) any Non-Recourse Indebtedness, (ii) any Subordinated Indebtedness, (iii) any Demand Obligation, or (iv) the current portion of any Long Term Indebtedness. For the purposes of clause (a) above, Indebtedness shall be deemed to have a stated maturity in excess of 365 days if issued in the form of commercial paper or other similar instruments under a program which has an expected term in excess of 365 days and which provides for the periodic issuance of debt obligations to repurchase, redeem or otherwise retire debt obligations previously issued under the program.

“*Subordinated Indebtedness*” means Indebtedness which is expressly made subordinate and junior to all Obligations as to right of payment and the priority of any Liens (if any), with the effect that (i) no payment shall be made under any Subordinated Indebtedness if, at the time of such payment, any sums then due under any Obligations (including sums due by acceleration) remain unpaid, and (ii) no Subordinated Indebtedness may be accelerated until such time as no Obligations remain Outstanding, and (iii) the holder of such Subordinated Indebtedness shall have no right to exercise remedies with respect to any Liens on any Property of the Obligated Issuer or Issuers securing such Subordinated Indebtedness unless and until the Master Trustee shall have exercised remedies with respect to Liens on such Property securing any Obligations.

“*Supplement No. 35*” means Supplement No. 35 to the Master Indenture providing for the issuance of the 2016 Master Notes.

“*Supplemental Indenture*” means an indenture supplemental to, and authorized and executed pursuant to the terms of the Master Indenture.

“*Total Operating Revenues*” means, for any one or more of the Obligated Issuers or the entire Obligated Group (as the context requires), all amounts constituting operating revenues for the period in question under generally accepted accounting principles, less (to the extent included in the calculation of operating revenues) (i) contractual allowances and discounts, (ii) provision for free care, (iii) operating revenues properly attributable to Facilities securing Non-Recourse Indebtedness, (iv) any extraordinary gains, and (v) any Entrance Fees.

“*Value*” means with respect to any Property the net book value of such Property as reflected on the financial statements of the Obligated Group in accordance with generally accepted accounting principles; provided, however, that with respect to any real property or tangible personal property of an Obligated Issuer, at the option of such Obligated Issuer as evidenced by a Certificate of the Obligated Group Agent, the Value of any Property shall be the fair market value thereof as reflected in a report dated not earlier than two (2) years prior to the date of such Certificate of a reputable appraiser not unsatisfactory to the Master Trustee and which, in the case of any real property, shall be a member of the American Institute of Real Estate Appraisers (MAI), to which fair market value shall be added the cost of any additional Property comprising a part of the Property appraised since the date of such appraisal and from which shall be deducted the fair market value of any such Property disposed of since the date of such appraisal.

“*Variable Rate Indebtedness*” means any Long Term Indebtedness the rate of interest on which is subject to change on a periodic basis prior to maturity.

Accounting Principles

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles at the time in effect, consistently applied, provided that intercompany balances and liabilities among the Obligated Issuers shall be disregarded and that the requirements set forth herein shall prevail, if inconsistent with generally accepted accounting principles.

Authorization of Obligations

Each Obligation will be issued pursuant to the Master Indenture and will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon each Obligated Issuer by the Master Indenture. Such Obligations will be general obligations of each Obligated Issuer, secured by the Pledged Revenues and any amounts on deposit in the Revenue Fund established pursuant to the Master Indenture, as described under “Revenue Fund” in this Appendix.

Additional Long Term Indebtedness

General Provisions

Except as otherwise provided in the Master Indenture, no Obligated Issuer shall incur Long Term Indebtedness unless, as of the date of such incurrence, the Master Trustee shall have received one of the following:

(a) a Certificate of the Obligated Group Agent demonstrating and concluding that, for each of the two most recently completed Fiscal Years of the Obligated Group, the Pro Forma Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.25; or

(b) a Certificate of the Obligated Group Agent demonstrating and concluding that, for the most recently completed Fiscal Year of the Obligated Group, the Pro Forma Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.50; or

(c) both (i) a Certificate of the Obligated Group Agent demonstrating and concluding that, for the most recently completed Fiscal Year of the Obligated Group, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.25, and (ii) a Forecast demonstrating and concluding that, for each of the first two full Fiscal Years immediately following the incurrence of the Long Term Indebtedness (or following completion of any construction to be financed, if applicable), the Forecasted Debt Service Coverage Ratio of the Obligated Group is not less than 1.25.

Compliance with these provisions above shall not be required:

(a) in the case of Completion Indebtedness, if the Master Trustee receives a Certificate of the Obligated Group Agent to the effect that (i) the construction or renovations to be completed are of substantially the same type and scope as was contemplated at the time of the previous incurrence, (ii) the proposed incurrence is reasonably necessary due to cost overruns or other circumstances not foreseen at the time of the previous incurrence, (iii) the proceeds of the Long Term Indebtedness to be incurred and other available moneys are expected to be sufficient to pay the estimated cost of completing such construction or renovations, and (iv) the amount of the Completion Indebtedness does not exceed 15% of the Long Term Indebtedness originally incurred to finance the project; or

(b) in the case of Refunding Indebtedness, if the Master Trustee receives a Certificate of the Obligated Group Agent demonstrating and concluding that, immediately following the incurrence of such Long Term Indebtedness, the Maximum Annual Debt Service Requirements of the Obligated Group will not exceed 110% of the Maximum Annual Debt Service Requirements of the Obligated Group immediately preceding such incurrence; or

(c) in the case of Commitment Indebtedness; or

(d) in the case of any conversion of Variable Rate Indebtedness to bear interest at a fixed rate or rates or to bear interest at variable rates determined at different intervals or on the basis of a different methodology; or

(e) in the case of any conversion of Demand Obligations resulting in the termination of the holders' rights to require such Demand Obligations to be repaid, repurchased or otherwise retired or resulting in a change in the terms under which such rights may be exercised; or

(f) in the case of Non-Recourse Indebtedness; or

(g) in the case of Subordinated Indebtedness; or

(h) in the case of Long Term Indebtedness not otherwise permitted, if the principal amount of such Long Term Indebtedness at the time incurred, together with the aggregate principal amount of all other Long Term Indebtedness then Outstanding and not otherwise permitted, does not exceed 12.5% of the Total Operating Revenues of the Obligated Group for the most recently completed Fiscal Year for which audited financial statements are then available. If any Obligated Issuer incurs such Long Term

Indebtedness without compliance with these and such Long Term Indebtedness (or any portion thereof) is later included in any Certificate or Forecast then such Long Term Indebtedness (or portion thereof) shall no longer be deemed incurred under this subsection; or

(i) in the case of Qualifying Intermediate Term Indebtedness if, and only to the extent that, the Entrance Fees (other than Resale Entrance Fees) derived or to be derived from the Facilities financed, in whole or in part, with the proceeds of such Qualifying Intermediate Term Indebtedness shall be set aside in a special trust fund or account for the benefit of, or paid directly to, the holder or holders of such Qualifying Intermediate Term Indebtedness; provided, however, that such Entrance Fees shall, in all respects, be subject to the Lien of this Indenture and the Obligated Group shall, in all events, be permitted to use such Entrance Fees to avoid a default in the timely payment of the principal of and interest on any Obligation or other Indebtedness.

Notwithstanding the foregoing provisions, the following provisions shall apply to the incurrence by any Obligated Issuer of Long Term Indebtedness in the form of Balloon Indebtedness or Guaranties:

(a) No Obligated Issuer shall incur any Long Term Indebtedness in the form of Balloon Indebtedness unless either: (i) the aggregate principal amount of all Balloon Indebtedness outstanding at the time of incurrence does not exceed 10% of the Total Operating Revenues of the Obligated Group for the most recently completed Fiscal Year for which audited financial statements are available; or (ii) the Obligated Issuer shall have secured at the time of incurrence a Credit Facility from a Qualified Financial Institution pursuant to which funds for the repayment of the principal of such Balloon Indebtedness in any Balloon Payment Year shall be available; or (iii) one of the tests for the incurrence of such Indebtedness is otherwise met taking into account the actual Debt Service Requirements for such Balloon Indebtedness.

(b) In the case of the incurrence by an Obligated Issuer of Long Term Indebtedness in the form of a Guaranty:

(i) if there shall be delivered a Certificate of the Obligated Group Agent to the effect that, for the most recently completed fiscal year of the primary obligor, the Pro Forma Historical Debt Service Coverage Ratio of the primary obligor was not less than 1.00, then the Obligated Issuer shall be permitted to incur the Long Term Indebtedness evidenced by such Guaranty if the percentage of the principal amount thereof set forth below could be incurred as additional Long Term Indebtedness, taking into account where applicable such percentage of the annual Debt Service Requirements on such guaranteed Indebtedness:

<u>Pro Forma Historical Debt Service Coverage Ratio for Primary Obligor</u>	<u>Applicable Percentage of Long Term Indebtedness</u>
1.25 or greater	0%
1.10 to but not including 1.25	25%
1.00 to but not including 1.10	50%

(ii) in all other cases, the Obligated Issuer shall be permitted to incur the Long Term Indebtedness evidenced by such Guaranty if 100% of the principal amount thereof could be incurred as additional Long Term Indebtedness under the provisions of subsections (a) or (b) above, taking into account where applicable 100% of the annual Debt Service Requirements on such guaranteed Indebtedness.

For the above calculation, the Pro Forma Historical Debt Service Coverage Ratio for the primary obligor in respect of any guaranteed Indebtedness shall be determined as if the primary obligor were the sole Obligated Issuer under the Master Indenture or, in the case of guaranteed Indebtedness issued by or on behalf of any group of Persons who are jointly and severally obligated with respect to such Indebtedness, as if such obligors were the sole Obligated Issuers under the Master Indenture.

Additional Provisions Concerning Certain Forms of Long Term Indebtedness

For the purposes of the Master Indenture, the Debt Service Requirements on any Balloon Indebtedness, Demand Obligation, Variable Rate Indebtedness or any Long Term Indebtedness in the form of a Guaranty shall be calculated as follows:

Balloon Indebtedness. The Debt Service Requirements on Balloon Indebtedness shall be calculated on the basis of the actual repayment provisions thereof, including all payments due in any Balloon Payment Year, except as provided in subparagraphs (a) and (b) below:

(a) At the election of the Obligated Issuer incurring the same, the Debt Service Requirements on Balloon Indebtedness may be deemed equal to the estimated Debt Service Requirements on an equal amount of Long Term Indebtedness (other than Balloon Indebtedness) payable on a level debt service basis over a term equal to the stated term of such Indebtedness (but not to exceed 25 years), at an interest rate determined by a Financial Advisor to be reasonably available to the Obligated Issuer at the time of each calculation of Debt Service Requirements on the Balloon Indebtedness (and set forth in a Certificate delivered by the Financial Advisor to the Master Trustee in connection with such calculation).

(b) Alternatively, the Obligated Issuer incurring any Balloon Indebtedness may elect to establish a segregated sinking fund for payment of the principal thereof and to make scheduled annual (or more frequent) deposits into such fund so as to accumulate sufficient funds to pay the principal of the Balloon Indebtedness when due. In such case, and for so long as the Obligated Issuer continues to make all scheduled deposits and to maintain the fund at required levels, the principal of the Balloon Indebtedness shall be deemed payable in accordance with the schedule of deposits into the sinking fund for purposes of determining the Debt Service Requirements on such Indebtedness.

Any election pursuant to the foregoing shall be made in writing and filed with the Master Trustee.

Demand Obligations. The Debt Service Requirements on Demand Obligations shall be calculated on the basis of the actual repayment provisions thereof (including provisions for payment of principal upon demand by the holder), except that, at the election of the Obligated Issuer incurring the same, the Debt Service Requirements on Demand Obligations may be calculated on the basis of a Financial Advisor's Certificate in the manner, and subject to the limitations specified, for Balloon Indebtedness.

Variable Rate Indebtedness. For the purposes of determining the Debt Service Requirements on any Variable Rate Indebtedness, such Indebtedness shall be deemed to bear interest (a) in respect of any Outstanding Indebtedness, at a rate equal to the average interest rate on such Indebtedness for the twelve (12) months immediately preceding the month prior to such calculation, or, if such Indebtedness shall have had a variable rate for less than a twelve (12) month period, the average interest rate for such lesser period, or (b) in respect of any proposed Indebtedness, at a rate equal to the initial rate established for such Indebtedness, in each case as set forth in a Certificate of the Obligated Group Agent.

Guaranties. The Debt Service Requirements on any Long Term Indebtedness in the form of a Guaranty shall be deemed equal to the percentage of the Debt Service Requirements for each Fiscal Year

in respect of the Indebtedness or portion thereof being guaranteed specified below, where the Historical Debt Service Coverage Ratio for the primary obligor with respect to the guaranteed Indebtedness is within the applicable ranges specified below:

<u>Debt Service Coverage Ratio for Primary Obligor</u>	<u>Included Percentage of Debt Service Requirements</u>
1.25 or greater	0%
1.10 to but not including 1.25	25%
1.00 to but not including 1.10	50%
Less than 1:00	100%

For the purposes of this subsection, the Debt Service Requirements in respect of any guaranteed Indebtedness shall be calculated in accordance with the provisions of the Master Indenture as if the primary obligor were the sole Obligated Issuer under the Master Indenture.

Short Term Indebtedness

Each Obligated Issuer may incur Short Term Indebtedness in a principal amount which, when added to the then outstanding principal amount of all Short Term Indebtedness previously incurred, does not exceed 12.5% of the Total Operating Revenues of the Obligated Group for the most recently completed Fiscal Year immediately preceding such incurrence.

For a period of not less than 20 consecutive days within each Fiscal Year, the Obligated Group shall reduce the aggregate principal amount of all outstanding Short Term Indebtedness to less than 2% of the Total Operating Revenues of the Obligated Group for the most recently completed Fiscal Year. If the Obligated Group fails to reduce the principal amount of Short Term Indebtedness in this manner, such failure shall not constitute an Event of Default under the Master Indenture if the Obligated Group (a) delivers to the Master Trustee an Obligated Issuer's Certificate to the effect that such failure has resulted from a delay or interruption in reimbursement by third party payors to Obligated Issuers which are health care providers and that the delay or interruption was not reasonably within the control of the Obligated Issuers affected thereby, and (b) makes good faith efforts to cure the failure as soon as reasonably practicable thereafter.

Any Indebtedness which would constitute Short Term Indebtedness by reason of its repayment terms may nevertheless be treated as if incurred as a Demand Obligation at the election of the Obligated Issuer incurring the same; provided that the Indebtedness is secured by a Credit Facility issued by a Qualified Financial Institution under which funds are available to pay the principal thereof when due, and that the applicable provisions for the incurrence of the Indebtedness are satisfied as if the same were incurred as Long Term Indebtedness in the form of a Demand Obligation.

Obligations Created Under The Master Indenture; Security Therefor

The Master Indenture and the Obligations it creates are the joint and several general obligations of each Obligated Issuer, and each Obligated Issuer has unconditionally and irrevocably, jointly and severally, guaranteed and promised to pay any and all payments on each Obligation Outstanding under the Master Indenture, according to the terms thereof, when due. If for any reason any payment required pursuant to the terms of any Obligation has not been timely paid by the Obligated Issuer which issued such Obligation, all other Obligated Issuers, and each of them, shall be obligated under the Master Indenture to make such payments.

To secure the performance of such Obligations, the Obligated Issuers have sold, assigned, transferred, set over and pledged unto the Master Trustee and granted a security interest in (a) the Revenue Fund, including all moneys and investments therein and all income derived from the investment thereof, and (b) all of the rights, titles and interests of the Obligated Issuers (and each of them) in and to the Pledged Revenues, to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided, in each case subject only to Permitted Liens.

Delivery and Recording of Mortgages

If, at any time, (1) the ratings from all Rating Agencies on any Long Term Indebtedness of the Obligated Group which is rated by any Rating Agency or Rating Agencies (or the rating on Long Term Indebtedness created under any Related Financing Documents and secured by an Obligation issued under the Master Indenture) do not constitute Investment Grade Ratings, or (2) the aggregate Historical Debt Service Coverage Ratio for the Obligated Group for any Fiscal Year shall be less than 1.20, each Obligated Issuer shall, within 30 days after the occurrence of either of such conditions, deliver to the Master Trustee the following:

(a) mortgages and/or deeds of trust (each a “Mortgage” and, collectively, the “Mortgages”) pledging and assigning in favor or for the benefit of the Master Trustee, and granting a lien upon and security interest in, each of its Facilities, including all land, improvements and fixtures constituting any part thereof, except as otherwise provided, as security for all Obligations Outstanding;

(b) a report of title of a reputable title abstract company or title attorney evidencing the state of title to each of the Facilities upon which a lien is granted pursuant to the Mortgages;

(c) an opinion or opinions of Counsel to the effect that (i) each of the Mortgages has been duly authorized, executed and delivered by the applicable Obligated Issuer and constitutes the legal, valid and binding obligation of such Obligated Issuer, enforceable against it in accordance with its respective terms, except as the enforceability thereof may be affected by bankruptcy, insolvency, moratorium, fraudulent conveyance and other laws and equitable principles (whether considered at law or in equity) generally affecting the rights and remedies of creditors; (ii) each Mortgage is in a form suitable for recording in the appropriate governmental office (which shall be specified in such Opinion); (iii) upon the recording of each Mortgage in the appropriate governmental office such Mortgage will create a valid and enforceable mortgage lien and security interest in favor or for the benefit of the Master Trustee in the real property comprising the applicable Facilities under the laws of the applicable jurisdiction; and (iv) based solely upon a review by such Counsel of the report or reports of title described in (b) above and any appropriate Certificates of the Obligated Issuers, without independent investigation or review, the title of each Obligated Issuer in and to the real property comprising its respective Facilities is subject only to Permitted Liens.

Upon the receipt by the Master Trustee of each of the items described above, the Master Trustee shall forthwith deliver to each governmental office specified in the opinion or opinions of Counsel described in (c) above the applicable instruments described in (a) above for recording. The Obligated Issuers shall be responsible for the payment of all fees, taxes and other amounts required in connection with such recording.

Notwithstanding the foregoing, no Obligated Issuer shall be required to deliver any Mortgage to or in favor of the Master Trustee: (1) granting any mortgage lien upon or security interest in any of its Facilities or any portion thereof which are the subject of a Permitted Lien granted (A) pursuant to clause

(i), (k) or (l), or with respect to Non-Recourse Indebtedness pursuant to clause (u), of the definition of “Permitted Lien,” if and to the extent that the delivery of such Mortgage is prohibited by the terms of such Permitted Lien, or (B) pursuant to clause (r) of the definition of “Permitted Lien,” but only if and to the extent the delivery and recording of any Mortgage in favor of the Master Trustee with respect to such Facilities would, in the opinion of Counsel, violate the provisions of any law; or (2) granting any mortgage lien upon the existing corporate headquarters building of the Obligated Group; or (3) upon any unimproved land or other non-revenue producing Property unless the Value of such unimproved land or other non-revenue producing Property exceeds 5% of the Value of all PP&E of the Obligated Group, or (4) if such delivery or recording would violate any provision of then applicable law.

The Master Trustee shall, at the request and expense of the Obligated Group, cause all of the Mortgages to be released and terminated, promptly following the delivery to the Master Trustee of (1) written evidence from each Rating Agency that the rating on any Long Term Indebtedness rated by such Rating Agency constitutes an Investment Grade Rating, and (2) a Certificate of the Obligated Group Agent to the effect that the Historical Debt Service Coverage Ratio for the Obligated Group for the most recent Fiscal Year for which audited financial statements are available was not less than 1.20.

During any period in which Mortgages are delivered to the Master Trustee and recorded as described in the Master Indenture, the Master Trustee shall not authenticate any Obligation to be issued under the Master Indenture unless, prior to the authentication thereof, the Master Trustee shall have received an opinion of Counsel to the effect that the Mortgages (as they may be amended or supplemented in connection with the issuance of such Obligations) are effective to secure the Indebtedness evidenced by such Obligations. The Master Trustee shall have no duty to take action to enforce the above provisions unless and until it receives from the Obligated Group Agent written notice, or otherwise has actual knowledge, of the occurrence of the conditions to the delivery and recording of the Mortgages as described herein.

Revenue Fund

The Master Trustee shall establish and maintain a Revenue Fund. Deposits therein shall be made as follows:

(a) On or before the first day of each month, the Obligated Issuers shall deposit in the Revenue Fund the following amounts in respect of the principal (including scheduled mandatory redemptions) and interest payable under the terms of each Note and each Indenture Guaranty as to which the Master Trustee shall have been notified of any payment required: (i) in the case of payments due on a monthly basis, an amount equal to the payment becoming due on or before the first day of the next succeeding month; (ii) in the case of payments due more frequently than on a monthly basis, an amount equal to the sum of the payments becoming due on or before the first day of the next succeeding month; and (iii) in the case of payments due less frequently than on a monthly basis, equal amounts which are necessary to accumulate the payment next becoming due prior to the due date thereof, provided that the period during which deposits are to be accumulated pursuant to this clause shall not exceed 12 months. The foregoing deposits shall not be required if the applicable Supplemental Indenture provides for the making of such payments directly to the Holder and shall be subject to credit for investment income and for interest funded from the proceeds of any Note or the indebtedness guaranteed pursuant to any Guaranty.

(b) On or before the date of any redemption of Obligations (other than scheduled mandatory redemptions), the Obligated Issuers shall deposit in the Revenue Fund the amount necessary to provide for the payment of the redemption or prepayment price then becoming due

or deliver to the Master Trustee evidence satisfactory to the Master Trustee that the same has been paid.

(c) In the case of any Indenture Guaranty in respect of which the Master Trustee has received a notice required by the Master Indenture, the Obligated Issuers shall deposit in the Revenue Fund the amount due thereunder on or before the due date thereof.

(d) As otherwise set forth in any Supplemental Indenture with respect to any particular Obligations.

For the purposes of the foregoing, the Master Trustee shall provide each Obligated Issuer with such periodic reports as are reasonably necessary to keep the Obligated Issuers advised of other deposit requirements of the Revenue Fund, taking into account all available credits and required payments from the Revenue Fund.

All amounts deposited into the Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplemental Indenture for application to the payment of the principal (or redemption or prepayment price) of and interest on all Obligations in accordance with their respective terms. Pending such application, and except as may be provided in a Supplemental Indenture with respect to amounts deposited in the Revenue Fund for the payment of any particular Obligations, shall be held for the equal and ratable benefit of the Holders of all Obligations issued and Outstanding under the Master Indenture; provided that, on and after the due date for any payment in respect of any such Obligation the amount held in the Revenue Fund for the making of such payment shall be reserved and set aside solely for the purpose of making such payment.

Notwithstanding the foregoing, and except as otherwise provided in a Supplemental Indenture with respect to any particular Obligations, deposits into and payments from the Revenue Fund shall not be required to be made in respect of the principal or redemption price of and interest on any Obligation if the applicable Supplemental Indenture provides for the making of such payments directly to the Holder or if the Related Financing Documents provide for payments directly to the Holder, which payments are credited, in accordance with the applicable Supplemental Indenture, against amounts due under the corresponding Obligation; provided that such deposits and payments shall be required if any Obligated Issuer shall fail to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure continues to exist upon the expiration of any applicable grace period.

Notwithstanding anything herein to the contrary, if on any payment date with respect to any Obligations Outstanding under the Master Indenture, there exists a surplus in the Revenue Fund by reason of the application to the payment of such Obligations of amounts on deposit in any Debt Service Reserve Fund established in respect of such Obligations, the Master Trustee shall apply the amount of such surplus, at the direction of the Obligated Group Agent, to the satisfaction of any obligation of the Obligated Issuers to replenish such Debt Service Reserve Fund or otherwise to make any deposit on such date to any Debt Service Reserve Fund, or, in the absence of such direction, shall retain such amount in the Revenue Fund to be credited against the future obligations of the Obligated Issuers to deposit funds in the Revenue Fund in respect of any Obligations.

Accumulation of Payments in Respect of 2016 Master Notes

Under Supplement No. 35, the Obligated Issuers are required to make payments to the Master Trustee, for deposit in the Revenue Fund established under the Master Indenture, to accumulate in equal monthly installments the amounts due in each year under the Florida 2016 Master Note, the Georgia 2016 Master Note and the Pennsylvania 2016 Master Note in respect of the principal or redemption price of,

and the interest on, the Florida 2016 Master Note, the Georgia 2016 Master Note and the Pennsylvania 2016 Master Note. Amounts so deposited in the Revenue Fund by the Master Trustee will be held by the Master Trustee solely for the benefit and security of the Bond Trustee, as the Holder of the Florida 2016 Master Note, the Georgia 2016 Master Note and the Pennsylvania 2016 Master Note and shall be applied by the Master Trustee to the payment of amounts due on each of the Florida 2016 Master Note, the Georgia 2016 Master Note and the Pennsylvania 2016 Master Note on the dates each such payment shall be due thereunder.

Debt Service Reserve Funds -- General

The Master Trustee shall establish under the Master Indenture one or more Debt Service Reserve Funds for the benefit and security of the Holders of any one or more series of Obligations issued under the Master Indenture, as shall be set forth in a Supplemental Indenture providing for the issuance of such Obligations. Each Debt Service Reserve Fund shall be funded, in the manner set forth in the Supplemental Indenture, in an amount equal to the Debt Service Reserve Requirement applicable thereto. *No Debt Service Reserve Fund will be created under the Master Indenture with respect to the 2016 Master Notes.*

If on any payment date for the payment of the interest on, or principal of, any Obligations secured by a Debt Service Reserve Fund, the amount on deposit in the Revenue Fund or otherwise available to the Holder of such Obligations to pay the principal of or interest then due on such Obligations is less than the amount then required for such purpose, the Master Trustee, without further direction, shall immediately withdraw moneys from the applicable Debt Service Reserve Fund for such purpose to the extent of such deficiency and shall deposit such amounts in the Revenue Fund for such purpose or shall otherwise apply such amount to the payment of amounts due in respect of the applicable Obligations as directed by the Holder or Holders thereof. Amounts on deposit in any Debt Service Reserve Fund shall not be applied to pay the principal of or interest on any other series of Obligations other than the applicable series of Obligations secured thereby. The Master Trustee shall promptly thereupon provide written notice to the Obligated Group Agent of any such withdrawal from any Debt Service Reserve Fund.

Unless otherwise required in a Supplemental Indenture with respect to the establishment of a particular Debt Service Reserve Fund, the amount of any withdrawal from any Debt Service Reserve Fund which reduces the value of any Debt Service Reserve Fund to an amount less than the Debt Service Reserve Requirement established therefor shall be restored by the Obligated Issuers in no more than 12 equal, consecutive monthly installments payable on the last Business Day of each month, commencing with the seventh month after such withdrawal occurs and the Master Trustee shall have notified the Obligated Group Agent thereof in writing. If an additional withdrawal is made or an additional decline occurs prior to the restoration of any prior withdrawal or decline, such additional withdrawal shall be restored by the Obligated Issuers in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

The amount of any decline in the value of any Debt Service Reserve Fund as of any valuation date to an amount less than the applicable Debt Service Reserve Requirement shall be restored by the Obligated Issuer or Issuers within 120 days following notice to the Obligated Group Agent by the Master Trustee of such decline.

If at any time, the amount on deposit in any Debt Service Reserve Fund shall exceed the applicable Debt Service Reserve Requirement, the amount of any excess may be transferred by the Master Trustee, upon the direction of the Obligated Group Agent, to the Revenue Fund and applied to the payment of the principal of and/or interest on the applicable Obligations on the next payment date with respect thereto. Earnings on any Permitted Investments held as part of any Debt Service Reserve Fund

shall be retained therein to the extent required to restore any deficiency in such Debt Service Reserve Fund, and, to the extent not so required, shall be transferred to the Revenue Fund to be applied to the payment of the principal of or interest on the applicable Obligations on the next payment date therefor.

If on any payment date with respect to any Obligations Outstanding, there exists a surplus in the Revenue Fund by reason of the application to the payment of such Obligations of amounts on deposit in any Debt Service Reserve Fund established in respect of such Obligations, the Master Trustee shall apply the amount of such surplus, at the direction of the Obligated Group Agent, to the satisfaction of any obligation of the Obligated Issuers to replenish such Debt Service Reserve Fund or otherwise to make any deposit on such date to any Debt Service Reserve Fund, or, in the absence of such direction, shall retain such amount in the Revenue Fund to be credited against the future obligations of the Obligated Issuers to deposit funds in the Revenue Fund in respect of any Obligations

To the extent required pursuant to the terms of any Related Financing Document, or otherwise upon the request of the Obligated Group Agent, all or any part of any Debt Service Reserve Fund may be held by any other bank or trust company meeting the requirements for a Successor Master Trustee set forth in the Master Indenture, as agent for the Master Trustee pursuant to a custody or other agreement in form and substance reasonably satisfactory to the Master Trustee.

Prior Reserve Funds

Debt Service Reserve Funds have been established under the Master Indenture to secure the payment obligations of ACTS with respect to certain Master Notes previously issued to evidence and secure the Long-Term Indebtedness of ACTS incurred in connection with the financing of various capital projects through the issuance of revenue bonds issued on behalf of ACTS by various governmental financing authorities. Amounts on deposit in the Debt Service Reserve Funds previously established under the Master Indenture are available only to pay amounts due in respect of the Master Notes in respect of which such Debt Service Reserve Funds were created, and will not be available to pay any amounts dues in respect of other Master Notes or Obligations issued under the Master Indenture.

Covenants as to Corporate Existence, Maintenance of Properties, etc.

Each Obligated Issuer shall:

(a) preserve its corporate existence (except as otherwise permitted under the Master Indenture) and all its rights and licenses to the extent necessary or desirable in the operation of its business affairs and be qualified to do business in each jurisdiction where required and at all times cause its business to be carried on and conducted in an efficient manner and its Facilities to be maintained, preserved and kept in good repair, working order and condition;

(b) conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties, unless the validity thereof shall be contested in good faith;

(c) promptly pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or any of its properties, unless, they are contested in good faith by appropriate proceedings; provided that, if by non-payment of any such sums, the pledge and security interest of the Master Indenture will be impaired or any Facilities of the Obligated Issuer will be subject to imminent loss or forfeiture, then such sums shall be paid immediately;

(d) promptly pay or otherwise satisfy and discharge all of its Obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations issued and Outstanding under the Master Indenture) whose validity, amount or collectibility is being contested in good faith by appropriate proceedings; provided that, if by non-payment of any such sums, the pledge and security interest of the Master Indenture will be impaired (except as otherwise permitted under the Master Indenture) or any Property of the Obligated Issuer will be subject to imminent loss or forfeiture, then such sums shall be paid immediately;

(e) at all times comply with all terms, covenants and provisions contained in any instrument creating (or providing for the creation of) any Lien at such time existing upon its Facilities or any part thereof or securing any of its Indebtedness and pay or cause to be paid, or to be renewed, refunded or extended, or to be taken up, by it, all of its Indebtedness secured by a Permitted Lien, as and when the same shall become due and payable;

(f) procure and maintain all licenses, permits, approvals, certifications and accreditations issued by any Regulatory Bodies which are material to the maintenance of its properties, conduct of its operations and performance of its Obligations under the Master Indenture; and

(g) take no action or suffer any action to be taken by others which will adversely affect any applicable exemption from federal income taxation of the interest on any bonds issued pursuant to and secured by the Related Financing Documents for any Obligations or other Indebtedness incurred or permitted to be incurred under the Master Indenture.

Rate Covenant

Each Obligated Issuer shall conduct and maintain its operations in such manner as is necessary in each Fiscal Year to achieve for each Fiscal Year an aggregate Historical Debt Service Coverage Ratio for the Obligated Group of not less than 1.20.

If for any Fiscal Year the Obligated Group shall fail to achieve an Historical Debt Service Coverage Ratio of at least 1.20, the Obligated Group shall, within 30 days after receipt of the audited financial statements disclosing such deficiency, engage the services of a Consultant for the purpose of examining and reporting on the revenues and expenses, methods of operation and other factors affecting the financial condition of the Obligated Group; provided that, the Obligated Group shall not be required to engage the services of a Consultant for such purpose more than once during each period of two consecutive Fiscal Years. Each report so prepared shall contain recommendations as to such actions as the Consultant deems to be reasonably necessary in order to increase the Revenues Available for Debt Service of the Obligated Group to the above-required levels in the future, taking into account the extent to which any particular Obligated Issuer or Issuers may be prevented from increasing its Revenues Available for Debt Service under any existing contracts or applicable laws or regulations. No Event of Default shall be deemed to have occurred under the Master Indenture as a result of a failure to realize Revenues Available for Debt Service in the amounts required in any Fiscal Year, provided that (a) the Historical Debt Service Coverage Ratio during such Fiscal Year was at least 1.00, and (b) either, (i) a Consultant has been engaged as required above and the report of such Consultant is delivered to the Master Trustee upon receipt from the Consultant and the Obligated Group makes good faith efforts to implement such recommendations of the Consultant as are applicable to their operations and financial affairs, or (ii) the Obligated Group shall deliver to the Master Trustee the Certificate of a Consultant to the effect that the required ratio may not lawfully be achieved under applicable federal or state law.

Insurance

Each Obligated Issuer will (a) maintain, or cause to be maintained, general and professional liability insurance and casualty insurance covering such risks and in such amounts as, in its judgment, is adequate to insure it and its Facilities and operations, (b) cause such coverages to be reviewed and reported on as to adequacy and acceptability of the insurance carrier by an Insurance Consultant, such reports to be issued within 90 days after the end of every second Fiscal Year which commences after the execution of the Master Indenture, (c) deliver the same to the Master Trustee, and (d) obtain or cause to be obtained such additional, alternative or increased coverages as may be recommended therein by the Insurance Consultant. Such coverages shall be obtained and maintained through commercial insurance carriers or captive insurance companies acceptable to the Insurance Consultant or through self-insurance plans which are funded in accordance with actuarial principles, approved as to adequacy by the Insurance Consultant at the time of their implementation and thereafter reviewed as to adequacy and reported on by the Insurance Consultant within 90 days after the end of each Fiscal Year.

Liens and Encumbrances

No Obligated Issuer will create or suffer to be created or exist upon any Property now owned or hereafter acquired by it any Liens other than Permitted Liens.

Sale, Lease or Other Disposition of Assets

Each Obligated Issuer shall be permitted to transfer Property to other Obligated Issuers without limitation under the Master Indenture, but shall not otherwise sell, lease or otherwise dispose of or transfer (hereafter “transfer”) Property to any other Person, unless:

- (a) the transfer is made pursuant to the provisions described in “Consolidation, Merger, Sale or Conveyance” in this Appendix; or
- (b) the transfer involves only Property which secures Non-Recourse Indebtedness; or
- (c) the transfer involves only Property which is retired, replaced or otherwise disposed of in the ordinary course of business; or
- (d) the transfer is made in exchange for other Property having a fair market value equal to or in excess of the property being transferred; or
- (e) the transfer involves Property received as restricted gifts, grants, bequests or other similar sums or the income thereon to the extent such Property may not be used for the payment of any Debt Service Requirements or operating expenses generally as a result of restrictions imposed by the donor or maker of the gift, grant, bequest or other sums in question; or
- (f) prior to such transfer, there is delivered to the Master Trustee a Certificate of the Obligated Group Agent to the effect that all Property transferred by all Obligated Issuers pursuant to this clause in the then current Fiscal Year does not exceed 5% of an amount equal to the Value of all PP&E of the Obligated Group for the most recently completed preceding Fiscal Year for which audited financial statements are available; or
- (g) prior to such transfer, there is delivered to the Master Trustee a Certificate of the Obligated Group Agent to the effect that, immediately after such transfer, (1) either: (A) the Obligated Group would meet the test providing for the incurrence of One Dollar (\$1.00) of additional Long Term

Indebtedness, or (B) such disposition will increase the Forecasted Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year in which such transfer occurs over what such ratio would have been in such Fiscal Year had such transfer not occurred; and (2) no Event of Default shall exist nor, to the knowledge of the officer of the Obligated Group Agent signing such Certificate, shall there exist any event with which the passage of time or the giving of notice or both, would become an Event of Default.

Except for any transfer referred to in subsection (a) above, any transfer of Property pursuant to the foregoing provisions may be made free and clear of any Liens previously placed on and security interests previously granted in such Property to secure Obligations issued under the Master Indenture. Upon request of the Obligated Issuer making any such transfer, the Master Trustee shall execute and deliver such instruments as may be appropriate to effectuate such release.

Consolidation, Merger, Sale or Conveyance

No Obligated Issuer will merge or consolidate with or sell or convey all or substantially all of its assets to any Person not an Obligated Issuer unless:

(a) The successor corporation (if other than the Obligated Issuer) shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall expressly assume the due and punctual payment of the principal of, premium, if any, interest on and all other amounts payable in respect of all Outstanding Obligations and other indebtedness incurred or permitted to be incurred under the Master Indenture, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed or observed by the Obligated Issuer;

(b) The Master Trustee shall have received an opinion of Counsel stating whether the merger, consolidation, sale or conveyance will adversely affect the tax-exempt status, if any, of the Obligated Issuer or successor corporation or of any other member of the Obligated Group under the income tax laws of the United States of America or any jurisdiction or jurisdictions within which it is organized or conducts business;

(c) The Obligated Issuer or such successor corporation, as the case may be, immediately after such merger or consolidation, or such sale or conveyance, would not be in default in the performance or observance of any covenant or condition under the Master Indenture;

(d) There shall have been delivered to the Master Trustee any of the items which would be required for the incurrence of One Dollar (\$1.00) of Long Term Indebtedness, taking into account the effect of proposed merger, consolidation, sale or conveyance upon the projected or forecasted Revenues Available for Debt Service and Maximum Annual Debt Service Requirements for the Obligated Group; and

(e) There shall have been delivered to the Master Trustee an opinion of nationally recognized bond counsel to the effect that the consummation of such merger, consolidation, sale or conveyance will not adversely affect any applicable exemption from federal income taxation of the interest payable on any outstanding bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other indebtedness incurred or permitted to be incurred under the Master Indenture or any similar indebtedness of any successor corporation.

Any corporation which succeeds to and assumes any or all of the obligations of an Obligated Issuer shall be required to execute and deliver to the Master Trustee such documents and instruments as are, in the opinion of Counsel, necessary or appropriate for the purpose of effectuating such succession

and assumption. Thereafter, the successor corporation shall be deemed an Obligated Issuer for all purposes under the Master Indenture.

Filing of Financial Statements; Certificate of Default, Other Information

As soon as practicable but in no event later than 120 days after the end of each Fiscal Year, the Obligated Group shall file with the Master Trustee (a) combined or consolidated financial statements of the Obligated Group for such Fiscal Year, prepared in accordance with generally accepted accounting principles and examined and reported on by an Independent Public Accountant, and (b) a Certificate of the Obligated Group Agent setting forth the calculation of the rate covenant and stating whether or not, to the best knowledge of such officer, the Obligated Group is in default (or, with the giving of notice or the passage of time or both, would be in default) in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge. In addition, the Obligated Group shall file with the Master Trustee, as soon as practicable after each fiscal quarter (but in no event later than 45 days following each such quarter), unaudited quarterly balance sheets and statements of revenues and expenses for the Obligated Group.

Each Obligated Issuer shall (a) file with the Master Trustee such other financial statements and information concerning the operations and financial affairs of such Obligated Issuer (or of any consolidated group of companies of which such Obligated Issuer is a member) as the Master Trustee may from time to time reasonably request, and (b) provide access to the facilities of such Obligated Issuer for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

The combined or consolidated financial statements may include financial information of any affiliates of the Obligated Issuers which are not Obligated Issuers, or may be comprised of separate financial statements of the Obligated Issuers (which may include financial information of any affiliates of such Obligated Issuers which are not Obligated Issuers), provided that in each case, there shall be included with such financial statements, as additional or supplemental information, unaudited combining or consolidating financial statements for the period in question for the Obligated Issuers from which the financial information for all affiliates of any Obligated Issuer which are not Obligated Issuers has been eliminated.

The Master Trustee is authorized by the Obligated Issuers to furnish information received to Holders of Obligations requesting the same in writing.

Defaults and Remedies

“Event of Default”, as used herein, shall mean any of the following events, whatever the circumstances:

(a) if any Obligated Issuer shall fail to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure continues to exist upon the expiration of any applicable period of grace or notice; or

(b) if any Obligated Issuer shall fail to observe or perform any covenant or agreement contained in the Master Indenture for a period of 30 days after written notice of such failure, requiring the same to be remedied, shall have been given by the Master Trustee to the Obligated Group Agent, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the Holders of at least 25% in aggregate principal amount of all Outstanding Obligations, in which event such notice shall be given; provided, however, that if such

observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(c) if any Event of Default shall occur under any Related Financing Document secured by one or more Obligations (subject to applicable periods of grace and notice);

(d) if any Obligated Issuer shall default in the payment of any Indebtedness (other than Notes or Indenture Guaranties issued and Outstanding under the Master Indenture) in a principal amount which exceeds 5% of the Value of all Property of the Obligated Group (“Material Indebtedness”) (subject to applicable periods of grace and notice), whether such Material Indebtedness now exists or shall hereafter be created, or an event of default as defined in any Related Financing Documents under which any such Material Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default shall result in such Material Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided, however, that such default shall not constitute an Event of Default if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the indebtedness under the laws governing such proceeding (i) the applicable Obligated Issuer in good faith commences proceedings to contest the existence or payment of such Material Indebtedness, and sufficient moneys are escrowed with a bank or trust company for the payment of such Material Indebtedness, or (ii) in the absence of such contest, the Obligated Group Agent certifies to the Master Trustee that neither the pledge and lien of the Master Indenture nor any Property of any Obligated Issuer will be materially impaired or subject to material loss or forfeiture; or

(e) if a decree or order by a court having jurisdiction shall have been entered adjudging any Obligated Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Obligated Issuer or of its property, or for the winding-up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(f) if any Obligated Issuer shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by any Obligated Issuer in furtherance of any of the aforesaid purposes.

Upon the occurrence of an Event of Default, then and in each and every such case, the Master Trustee may, but shall not be required, by notice in writing to the Obligated Group Agent declare the principal of all (but not less than all) Outstanding Obligations to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Master Indenture or in such Outstanding Obligations contained to the contrary notwithstanding; provided that the Master Trustee shall be required to make such a declaration (a) if an Event of Default has occurred under subsection (a) above or (b) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all Outstanding Obligations. In addition, such declaration shall be made with respect to any particular Obligation or

series of Obligations (but not all Obligations) if an Event of Default has occurred and is continuing and if the Master Trustee is requested to do so by the Holder of such Obligation or series of Obligations (or by the requisite percentage of such Holders specified in the Related Financing Documents); provided that the Master Trustee shall give 30 days' notice of such declaration to the Holders of all other Obligations and that such declaration shall also apply to any other Obligations as to which a similar request is received within such 30-day period.

Any declaration shall be subject to the condition that if, at any time after the principal of any Outstanding Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered: (a) the Obligated Issuers shall deposit with the Master Trustee a sum sufficient to pay (i) all matured installments of interest upon all Notes and the principal and premium, if any, of all such Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (ii) all amounts due on any such Indenture Guaranty other than by reason of acceleration and (iii) the reasonable expenses and fees of the Master Trustee; and (b) any and all Events of Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee may and, if requested by the Holders of a majority in aggregate principal amount of all Obligations then Outstanding, shall waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default.

Upon the occurrence of an Event of Default and upon demand of the Master Trustee, each Obligated Issuer will pay to the Master Trustee, for the benefit of the Holders of all Obligations then Outstanding, (a) the whole amount that then shall have become due and payable on all such Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as provided in the applicable Supplemental Indenture, and (b) such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any reasonable expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

In case any Obligated Issuer shall fail forthwith to pay these amounts upon such demand, the Master Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against each Obligated Issuer, and collect in the manner provided by law out of the property of the Obligated Group wherever situated the moneys adjudged or decreed to be payable. The Master Trustee, upon the bringing of any such action or proceeding at law, as a matter of right, without notice and without giving bond to any Obligated Issuer, may, to the extent permitted by law, have a receiver appointed of all of the Property of the Obligated Group pending such action or proceeding, with such powers as the court making such appointment shall confer.

In case there shall be pending proceedings for the bankruptcy or for the reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for its property, the Master Trustee, irrespective of whether the principal of Notes of any series shall then be due and payable as therein expressed or any amount in respect of any Indenture Guaranty is then payable or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand, shall be entitled

and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Notes of all series and amounts owing and unpaid in respect of Indenture Guaranties, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such member of the Obligated Group, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is authorized by each of such Holders to make such payments to the Master Trustee, and, in the event that the Master Trustee shall consent to the making of such payments directly to such Holders, to pay to the Master Trustee any amount due it for reasonable compensation and expenses, including reasonable counsel fees incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation on any trial or other proceedings instituted by the Master Trustee. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected

Any amounts collected by the Master Trustee pursuant to the exercise of the remedies described under “Events of Default” in this Appendix and all moneys on deposit in the Revenue Fund shall be applied, for the equal and ratable benefit of the Holders of Obligations in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of reasonable costs and expenses of collection, including, but not limited to, the reasonable fees of Counsel and reasonable compensation to the Master Trustee; and

(b) whether or not the principal of all Outstanding Notes and amounts under all Indenture Guaranties shall have become or have been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on any Obligations in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due on such date, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal installments which shall have become due, whether at maturity or upon acceleration or call for redemption, and on any Obligations in order of their due dates and, if the amounts available shall not be sufficient to pay in full all principal installments due on the same date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, without any discrimination or preference; and

THIRD: To the payment to the Persons entitled thereto of any additional amounts due and unpaid in respect of Obligations, in the order of the due dates of such amounts, and if the moneys available therefor shall not be sufficient to pay in full any such additional amounts due on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference;

provided that for the purpose of determining the amount of unpaid principal in respect of any such Obligation, there shall be deducted (i) the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens granted in favor of such Holder in respect of such Obligations or deposits in any fund established pursuant to any Related Financing Documents for such Obligation (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligation) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder, and (ii) the amount paid to any Holder from a Debt Service Reserve Fund established for the benefit and security of such Holder in accordance with the provisions of a Supplemental Indenture; and

(c) to the payment of the remainder, if any, to the Obligated Issuers, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Actions by Holders

No Holder of an Obligation shall have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Holders of Obligations.

The Holder of an Obligation instituting a suit, action or proceeding in compliance with these provisions shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the reasonable costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its attorneys.

Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Note or Indenture Guaranty and any other amounts payable thereunder, on or after the respective due dates expressed in such Note or Indenture Guaranty, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Direction of Proceedings by Holders

The Holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Supplemental Indentures Without Consent of Holders

Each Obligated Issuer, when authorized by a resolution of its Board, and the Master Trustee may from time to time and at any time enter into an indenture or indentures supplemental or amendatory to the Master Indenture for one or more of the following purposes:

(a) to provide for the issuance of any Notes or Indenture Guaranties under the Master Indenture;

(b) to evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, or successive successions, and the assumption by the new Obligated Issuer or successor corporation of the covenants, agreements and obligations of an Obligated Issuer pursuant to the Master Indenture;

(c) to add to the covenants of any Obligated Issuer such further covenants, restrictions or conditions as its Board and the Master Trustee shall consider to be for the protection of the Holders of Obligations, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture; provided, however, that in respect of any such additional covenant, restriction or condition such Supplemental Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(d) to cure any ambiguity or to correct or supplement any provision contained therein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained therein or in any Supplemental Indenture, or to make such other amendments to the Master Indenture or any Supplemental Indenture as shall not materially impair the security of the Master Indenture or materially adversely affect the interests of the Holders of any particular Notes or series of Notes or of any Indenture Guaranty issued under the Master Indenture;

(e) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal statute hereafter enacted, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and each Obligated Issuer undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture;

(f) to provide for the establishment of additional funds and accounts under the Master Indenture and for the proper administration of and transfers of moneys between any such funds and accounts, provided that, except as otherwise provided, all such funds and accounts shall be established for the equal and ratable benefit of the Holders of all Outstanding Obligations; and

(g) to permit the issuance of Obligations in a form other than Notes and Indenture Guaranties, if appropriate, to evidence or secure an Obligated Issuer's payment obligations in respect of any indebtedness, provided that such obligations are equally and ratably secured with all other Obligations issued under the Master Indenture (except as otherwise provided therein).

The Master Trustee is authorized to join with each Obligated Issuer in the execution of any such Supplemental Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any property thereunder, but the Master Trustee shall not be obligated to enter into any such Supplemental Indenture that affects the Master Trustee's rights, duties or immunities under the Master Indenture or otherwise.

Any Supplemental Indenture may, without the consent of the Holders of then Outstanding Obligations issued under the Master Indenture, be executed by each Obligated Issuer and the Master Trustee.

Modification of Indenture with Consent of Holders

With the written consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, each Obligated Issuer, when authorized by resolution of its Board, and the Master Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Master Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (a) without the consent of the Holders of all Obligations then Outstanding, no such Supplemental Indenture shall (i) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Note or any Indenture Guaranty or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon, (ii) reduce the aforesaid percentage of Obligations, the Holders of which are required to consent to any such Supplemental Indenture, or (iii) permit the preference or priority of any Note or Notes or Indenture Guaranty over any other Note or Notes or Indenture Guaranty.

Upon the written request of each Obligated Issuer, accompanied by a copy of a resolution of its Board certified by the Secretary or an Assistant Secretary of such Obligated Issuer authorizing the execution of any such Supplemental Indenture, and upon the filing with the Master Trustee of evidence of the consent of Holders as aforesaid, the Master Trustee shall join with each Obligated Issuer in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Master Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Master Trustee may in its discretion, but shall not be obligated, to enter into such Supplemental Indenture.

It shall not be necessary for the consent of the Holders to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve, in writing, the substance thereof.

Persons Becoming Obligated Issuers

If at any time the then existing Obligated Issuers and any other Person shall determine that such Person should become an Obligated Issuer under the Master Indenture, the existing Obligated Issuers and

such new Obligated Issuer may execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such new Obligated Issuer (a) to become an Obligated Issuer under the Master Indenture and thereby subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and Obligations of an Obligated Issuer, and (b) to be jointly and severally liable for the payment of all Obligations in accordance with the terms thereof and of the Master Indenture, when due.

Each of such instrument executed and delivered to the Master Trustee shall be accompanied by an opinion of Counsel (a) to the effect that each such instrument has been duly authorized, executed and delivered by the existing Obligated Issuers and such new Obligated Issuer and constitutes a valid and binding obligation enforceable in accordance with its terms, except as limited by applicable fraudulent conveyance statutes (the potential effects of which shall be set forth in reasonable detail), bankruptcy laws, insolvency laws and other similar laws and equitable principles affecting creditors' rights generally, and (b) stating whether such authorization, execution and delivery of instruments by the new Obligated Issuer will adversely affect the tax exempt status, if any, of any Obligated Issuer (including the new Obligated Issuer) under the income tax laws of the United States of America or the jurisdiction or jurisdictions within which it is organized or conducts business.

It shall be a condition precedent to the consummation of any transaction involving such an instrument to be executed and delivered to the Master Trustee that:

(a) immediately upon becoming an Obligated Issuer, the new Obligated Issuer would not be in default in the performance or observance of a covenant or condition under the Master Indenture;

(b) the Master Trustee receives such Certificate or Certificates as would be required for a merger, consolidation, sale or conveyance, adjusted as appropriate to reflect the addition of the new Obligated Issuer; and

(c) the Master Trustee receives an opinion of nationally recognized bond counsel to the effect that the consummation of such transaction would not adversely affect any applicable exemption from federal income taxation of the interest payable on any bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other indebtedness incurred or permitted to be incurred under the Master Indenture or any similar indebtedness of the new Obligated Issuer.

Release of Obligated Issuers

Any Obligated Issuer may withdraw from the Obligated Group and be released from its obligations under the Master Indenture, provided that (a) such Obligated Issuer has either (i) paid the principal of and premium, if any, and interest on all Obligations (or portions thereof) issued by or on behalf of such Obligated Issuer or (ii) provided for such payment as described in "Satisfaction and Discharge of Indenture" in this Appendix and paid or provided for the payment of all related costs and expenses of the Master Trustee; (b) the Master Trustee receives such Certificate or Certificates as would be required for a merger, consolidation, sale or conveyance, adjusted as appropriate to reflect the withdrawal of the Obligated Issuer; and (c) immediately upon such withdrawal, as reflected in a Certificate of the Obligated Group Agent delivered to the Master Trustee in connection therewith, no Event of Default (or event which, with the passage of time or the giving of notice or both, would be an Event of Default under the Master Indenture) shall be continuing under the Master Indenture. Upon compliance with the foregoing, the Master Trustee shall execute and deliver such instruments as may be necessary or appropriate to effectuate or evidence the release of the Obligated Issuer from its Obligations under the Master Indenture. Thereafter, such Obligated Issuer shall not be bound by or entitled to any

benefits under the Master Indenture, and all Facilities, Pledged Revenues and other Property of the Obligated Issuer shall be released from any and all Liens previously granted under the Master Indenture.

Satisfaction and Discharge of Indenture

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, to provide for the payment of the principal of and premium, if any, and interest on all Outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable under the Master Indenture by the Obligated Issuers or any thereof, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on written demand of the Obligated Group Agent or any thereof, and at the cost and expense of the members of the Obligated Group or any thereof, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as may be requested by the Obligated Group Agent. Each Obligated Issuer agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture.

In like manner, the Obligated Issuer of any particular Obligation may provide for the payment thereof (or of a portion thereof) at or prior to maturity and the Obligation (or portion thereof) so provided for shall thereupon cease to be Outstanding under the Master Indenture.

In determining whether such amounts received are sufficient to provide for the payment of the principal of and premium, if any, and interest on any Obligations, as provided above, the Master Trustee shall be entitled to request, and to rely upon, a verification thereof prepared or reviewed and reported on by an Accountant reasonably satisfactory to the Master Trustee.

In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, redemption premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed Outstanding under the Master Indenture.

Repayment of Moneys Held by Master Trustee

Any moneys deposited with the Master Trustee for the payment of the principal of or interest on Notes or Indenture Guaranties and not applied but remaining unclaimed by the Holders of such Obligations for four (4) years after the date upon which such payment shall have become due, shall, to the extent permitted by applicable law, be repaid to the appropriate members of the Obligated Group or any thereof by the Master Trustee on demand; and, upon such repayment, the Holder of any of such Obligations entitled to receive such payment shall look only to the members of the Obligated Group for the payment thereof; provided that, before being required to make any such repayment, the Master Trustee may notify the Holders of such unpaid Obligations that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the members of the Obligated Group or any thereof. Any such notice shall be given in such manner as may be specified in the applicable Supplemental Indenture and the cost thereof shall be paid by the Obligated Group.

Additional Covenants

ACTS has agreed to additional operating covenants and restrictions under the Master Indenture for the sole and exclusive benefit of certain bond insurers, banks, and certain other lenders. Such additional covenants and agreements, which may be more restrictive to the Obligated Group than those applicable for the benefit for the Holder of the Bonds, are made for the sole and exclusive benefit of such parties and compliance by ACTS with the terms thereof may be enforced or waived at the sole discretion of such parties.

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APPENDIX E

(Florida 2016 Bonds)

PROPOSED FORM OF OPINION OF DRINKER BIDDLE & REATH LLP

<Closing Date>

Palm Beach County Health Facilities Authority
660 U.S. Highway One, Third Floor
North Palm Beach, Florida 33408

U.S. Bank National Association, as Bond Trustee
225 Water Street, Suite 700
Jacksonville, Florida 32202

RE: \$105,585,000 Palm Beach County Health Facilities Authority Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Palm Beach County Health Facilities Authority (the "Authority") of the revenue bonds described in the caption above (the "Florida 2016 Bonds"). The 2016 Bonds are issued pursuant to the Constitution of the State of Florida and the provisions of Part III, Chapter 154, Florida Statutes, as amended, and Part II, Chapter 159, Florida Statutes, as amended (collectively, the "Act"), resolutions of the Authority adopted on May 25, 2016, and June 30, 2016 (collectively, the "Bond Resolutions"), and a Trust Indenture dated as of August 1, 2016 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

Capitalized terms used but not otherwise defined herein have the meanings set forth in the Bond Indenture.

The Florida 2016 Bonds are being issued for the purpose of undertaking a project on behalf of ACTS Retirement-Life Communities, Inc., a Pennsylvania nonprofit corporation (the "Corporation"), consisting generally of: (i) the current refunding of the Authority's Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A, issued in the original aggregate principal amount of \$20,620,000, and Retirement Communities Refunding Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B, issued in the original aggregate principal amount of \$23,205,000; (ii) the advance refunding of all or a portion of the Authority's Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2010, issued in the original aggregate principal amount of \$54,630,000; (iii) the financing or refinancing (including reimbursement therefor to the Corporation) of the costs of acquisition, construction, equipping and improvement of existing and additional facilities at the properties of the Corporation as described in the Loan Agreement (hereinafter defined); and (iv) the financing of some or all of the costs of issuance of the Bonds.

In connection with the issuance of the Florida 2016 Bonds, the Authority and the Corporation have entered into a Loan Agreement dated as of August 1, 2016 (the "Loan Agreement"), pursuant to which the Authority has lent to the Corporation the proceeds of the Florida 2016 Bonds, and the Corporation has agreed to make loan payments to the Authority in amounts and at times sufficient, among other things, to pay the principal of and interest on the Florida 2016 Bonds when due. To evidence and

secure its payment obligations under the Loan Agreement with respect to the payment of the principal and redemption price of, and interest on, the Florida 2016 Bonds, the Corporation has delivered or caused to be delivered to the Authority its Master Note (Palm Beach County Health Facilities Authority), Series 2016A, in the principal amount equal to the initial aggregate principal amount of the Florida 2016 Bonds (the “Master Note”). The Master Note is issued by or on behalf of the Corporation under a Master Trust Indenture dated as of December 1, 1996, as previously amended and supplemented and as further supplemented by Supplement No. 35 thereto dated as of August 1, 2016 (collectively, the “Master Indenture”), among the Corporation, ACTS Management Services, Inc. and ACTS Signature Community Services, Inc., as the Obligated Issuers thereunder, and U.S. Bank National Association (the “Master Trustee”), as successor trustee to LaSalle Bank National Association. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, among other things, all of its right, title and interest in and to the Loan Agreement and the Master Note and all payments from the Corporation or Obligated Issuers (as applicable) thereunder for the equal and ratable benefit and security of the Florida 2016 Bonds, subject, however, to certain Reserved Rights of the Authority described therein, which include the right of the Authority to receive payment of its administrative fees and expenses and indemnification.

The Authority and the Corporation have made certain factual representations in the Bond Indenture and Loan Agreement and in certain Tax Compliance Agreements delivered on the date hereof that are material to the opinions expressed herein, including representations as to their reasonable expectations on the date hereof regarding the use of the proceeds of the Florida 2016 Bonds. We have relied upon these representations of the Corporation and the Authority without undertaking to verify the same by independent investigation. We have also relied, without independent investigation, upon the opinion of Saul Ewing LLP, counsel for the Corporation, with respect to the status of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and other matters described therein. We note that such opinion is subject to certain qualifications and limitations.

In our capacity as Bond Counsel, we have examined such documents, records, proceedings, statutes (including the Act) and decisions as we have deemed necessary to enable us to express our opinion set forth below, including original counterparts or certified copies of the Bond Resolutions, the Bond Indenture, the Loan Agreement, the Master Indenture (including Supplement No. 35 thereto), and the Master Note. We have also examined a specimen of a fully executed Florida 2016 Bond and the certification of the Bond Trustee, upon which we have relied, as to the due authentication by the Bond Trustee of the Florida 2016 Bonds. In rendering our opinion, we have assumed the genuineness, authenticity, truthfulness and completeness of all documents, records, and other instruments examined (whether as originals or as copies). We have further assumed the genuineness of the signatures of all persons executing any of the agreements examined by us and the due authorization, execution and delivery by, and enforceability against, each other party thereto other than the Authority. We have not undertaken to verify the factual matters set forth therein by independent investigation.

Except as set forth in paragraph 5 below, our opinion is given only with respect to the laws of the State of Florida (the “State”) as enacted and construed on the date hereof.

Based on the foregoing, and subject to the assumptions and qualifications stated herein, it is our opinion that:

1. The Authority is body corporate and politic constituting a public corporation and public instrumentality organized and validly existing under the laws of the State, with all requisite power and authority to enter into the Bond Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Florida 2016 Bonds.

2. Each of the Bond Indenture and the Loan Agreement has been duly authorized, executed, and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

3. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, subject to the Reserved Rights of the Authority described therein, all of its rights and interests in the Loan Agreement and the Master Note, as security for the payment of the Florida 2016 Bonds.

4. The Florida 2016 Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Bond Indenture, as applicable, except as enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

5. Under existing law as enacted and construed on the date hereof, interest on the Florida 2016 Bonds is excluded from gross income for Federal income tax purposes, will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Florida 2016 Bonds will be included in the “adjusted current earnings” in computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

The opinion expressed in paragraph 5 above is subject to continuous compliance by the Authority and the Corporation with their covenants in the Bond Indenture and Loan Agreement to satisfy certain provisions of the Code. Failure to comply with such covenants could cause the interest on the Florida 2016 Bonds to be included in gross income of the owners thereof, in certain cases retroactive to the date of issue of the Florida 2016 Bonds regardless of the date at which such non-compliance occurs or is ascertained.

Ownership of the Florida 2016 Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations receiving substantial passive income and Subchapter C earnings and profits, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Florida 2016 Bonds. We express no opinion with respect to these or other collateral tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Florida 2016 Bonds.

We express no opinion herein with respect to, and assume no responsibility for the accuracy or completeness of, any offering materials prepared in respect of the Florida 2016 Bonds.

We call your attention to the fact that the Florida 2016 Bonds are limited obligations of the Authority payable only out of the property pledged by the Authority and certain other moneys available therefor as provided in the Bond Indenture and that the Florida 2016 Bonds do not pledge the credit or taxing power of the State or any political subdivision thereof, including Palm Beach County. The Authority has no taxing power.

Very truly yours,

PROPOSED FORM OF OPINION OF DRINKER BIDDLE & REATH LLP

<Closing Date>

Gainesville and Hall County Development
Authority
P.O. Box 3280
Hunt Tower – Suite 600
Gainesville, Georgia 30503

U.S. Bank National Association, as Bond Trustee
EX-FL-WWSJ
225 Water Street, Suite 700
Jacksonville, Florida 32202

RE: \$7,190,000 Gainesville and Hall County Development Authority Retirement Community
Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Gainesville and Hall County Development Authority (the “Authority”) of the revenue bonds described in the caption above (the “Georgia 2016 Bonds”). The Georgia 2016 Bonds are issued pursuant to the amendment to the Constitution of the State of Georgia (Ga. Laws 1964, page 866 et seq., as continued by Ga. Laws 1986, page 4328 et seq.), ratified and proclaimed, and an act of the General Assembly of the State of Georgia (Ga. Laws 1964, page 2282 et seq., as amended by Ga. Laws 1982, page 4300 et seq. which grants to the Authority all powers granted to authorities under O.C.G.A. Section 36-62-1 et seq., as amended (the “Development Authorities Law”), including the power to finance any “project” and “cost of project” as defined in the Development Authorities Law), and as may be further amended (collectively, the “Act”), resolutions of the Authority adopted on May 24, 2016, and June 29, 2016 (collectively, the “Bond Resolutions”), and a Trust Indenture dated as of August 1, 2016 (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

Capitalized terms used but not otherwise defined herein have the meanings set forth in the Bond Indenture.

The Georgia 2016 Bonds are being issued for the purpose of advance refunding the Authority’s outstanding Retirement Community Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2009A-2, originally issued in the aggregate principal amount of \$16,285,000, and paying all or a portion of the costs of issuing the Georgia 2016 Bonds.

In connection with the issuance of the Georgia 2016 Bonds, the Authority and ACTS Retirement-Life Communities, Inc. (the “Borrower”) have entered into a Loan Agreement dated as of August 1, 2016 (the “Loan Agreement”), pursuant to which the Authority has lent to the Borrower the proceeds of the Georgia 2016 Bonds, and the Borrower has agreed to make loan payments to the Authority in amounts and at times sufficient, among other things, to pay the principal of and interest on the Georgia 2016 Bonds when due. To evidence and secure its payment obligations under the Loan Agreement with respect to the payment of the principal and redemption price of, and interest on, the Georgia 2016 Bonds, the Borrower has delivered or caused to be delivered to the Authority its Master Note (Gainesville and Hall County Development Authority), Series 2016B, in the principal amount equal to the initial aggregate

principal amount of the Georgia 2016 Bonds (the “Master Note”). The Master Note is issued by or on behalf of the Borrower under a Master Trust Indenture dated as of December 1, 1996, as previously amended and supplemented and as further supplemented by Supplement No. 35 thereto dated as of August 1, 2016 (collectively, the “Master Indenture”), among the Borrower, ACTS Management Services, Inc. and ACTS Signature Community Services, Inc., as the Obligated Issuers thereunder, and U.S. Bank National Association (the “Master Trustee”), as successor trustee to LaSalle Bank National Association. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, among other things, all of its right, title and interest in and to the Loan Agreement and the Master Note and all payments from the Borrower or Obligated Issuers (as applicable) thereunder for the equal and ratable benefit and security of the Georgia 2016 Bonds, subject, however, to certain Reserved Rights of the Authority described therein, which include the right of the Authority to receive payment of its administrative fees and expenses and indemnification.

The Authority and the Borrower have made certain factual representations in the Bond Indenture and Loan Agreement and in certain Tax Compliance Agreements delivered on the date hereof that are material to the opinions expressed herein, including representations as to their reasonable expectations on the date hereof regarding the use of the proceeds of the Georgia 2016 Bonds. We have relied upon these representations of the Borrower and the Authority without undertaking to verify the same by independent investigation. We have also relied, without independent investigation, upon the opinion of Saul Ewing LLP, counsel for the Borrower, with respect to the status of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and other matters described therein. We note that such opinion is subject to certain qualifications and limitations.

In our capacity as Bond Counsel, we have examined such documents, records, proceedings, statutes (including the Act) and decisions as we have deemed necessary to enable us to express our opinion set forth below, including original counterparts or certified copies of the Bond Resolutions, the Bond Indenture, the Loan Agreement, the Master Indenture (including Supplement No. 35 thereto), and the Master Note. We have also examined a specimen of a fully executed Georgia 2016 Bond and the certification of the Bond Trustee, upon which we have relied, as to the due authentication by the Bond Trustee of the Georgia 2016 Bonds. In rendering our opinion, we have assumed the genuineness, authenticity, truthfulness and completeness of all documents, records, and other instruments examined (whether as originals or as copies). We have further assumed the genuineness of the signatures of all persons executing any of the agreements examined by us and the due authorization, execution and delivery by, and enforceability against, each other party thereto other than the Authority. We have not undertaken to verify the factual matters set forth therein by independent investigation.

Except as set forth in paragraph 5 below, our opinion is given only with respect to the laws of the State of Georgia (the “State”) as enacted and construed on the date hereof.

Based on the foregoing, and subject to the assumptions and qualifications stated herein, it is our opinion that:

6. The Authority is public body corporate and politic validly existing under the laws of the State, with all requisite power and authority to enter into the Bond Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Georgia 2016 Bonds.

7. Each of the Bond Indenture and the Loan Agreement has been duly authorized, executed, and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable in accordance with their terms, except as such enforcement may be limited

by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

8. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, subject to the Reserved Rights of the Authority described therein, all of its rights and interests in the Loan Agreement and the Master Note, as security for the payment of the Georgia 2016 Bonds.

9. The Georgia 2016 Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Bond Indenture, as applicable, except as enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

10. Under existing law as enacted and construed on the date hereof, interest on the Georgia 2016 Bonds is excluded from gross income for Federal income tax purposes and will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Georgia 2016 Bonds will be included in the "adjusted current earnings" in computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

The opinion expressed in paragraph 5 above is subject to continuous compliance by the Authority and the Borrower with their covenants in the Bond Indenture and Loan Agreement to satisfy certain provisions of the Code. Failure to comply with such covenants could cause the interest on the Georgia 2016 Bonds to be included in gross income of the owners thereof, in certain cases retroactive to the date of issue of the Georgia 2016 Bonds regardless of the date at which such non-compliance occurs or is ascertained.

Ownership of the Georgia 2016 Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations receiving substantial passive income and Subchapter C earnings and profits, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Georgia 2016 Bonds. We express no opinion with respect to these or other collateral tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Georgia 2016 Bonds.

We express no opinion herein with respect to, and assume no responsibility for the accuracy or completeness of, any offering materials prepared in respect of the Georgia 2016 Bonds.

We call your attention to the fact that the Georgia 2016 Bonds are limited obligations of the Authority payable only out of the property pledged by the Authority and certain other moneys available therefor as provided in the Bond Indenture and that the Georgia 2016 Bonds do not pledge the credit or taxing power of the State or any political subdivision thereof, including the City of Gainesville or Hall County. The Authority has no taxing power.

Very truly yours,

PROPOSED FORM OF OPINION OF DRINKER BIDDLE & REATH LLP

<Closing Date>

Montgomery County Industrial Development Authority
104 W. Main Street, Suite 2
Norristown, Pennsylvania 19401

U.S. Bank National Association, as Bond Trustee
225 Water Street, Suite 700
Jacksonville, Florida 32202

RE: \$97,165,000 Montgomery County Industrial Development Authority Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Montgomery County Industrial Development Authority (the “Authority”) of the revenue bonds described in the caption above (the “Pennsylvania 2016 Bonds”). The Pennsylvania 2016 Bonds are issued pursuant to the pursuant to the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, 73 P.S. §§ 371-386, as amended (the “Act”), a resolution of the Authority adopted on May 25, 2016 (the “Bond Resolution”), and a Trust Indenture dated as of August 1, 2016 (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

Capitalized terms used but not otherwise defined herein have the meanings set forth in the Bond Indenture.

The Pennsylvania 2016 Bonds are being issued for the purpose of undertaking a project on behalf of ACTS Retirement-Life Communities, Inc., a Pennsylvania nonprofit corporation (the “Corporation”), project consisting generally of: (i) the current refunding of the Authority’s Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006A, issued in the original aggregate principal amount of \$25,000,000, and Retirement Communities Refunding Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2006B, issued in the original aggregate principal amount of \$68,165,000; (ii) the advance refunding of all or a portion of the Authority’s Retirement Communities Revenue Bonds (ACTS Retirement-Life Communities, Inc. Obligated Group), Series 2009A-1, issued in the original aggregate principal amount of \$18,165,000; (iii) the financing or refinancing (including reimbursement therefor to the Corporation) of the costs of acquisition, construction, equipping and improvement of existing and additional facilities at the properties of the Corporation and its affiliate, ACTS Management Services, Inc., as described in the Loan Agreement (hereinafter defined); and (iv) the financing of some or all of the costs of issuance of the Bonds.

In connection with the issuance of the Pennsylvania 2016 Bonds, the Authority and the Corporation have entered into a Loan Agreement dated as of August 1, 2016 (the “Loan Agreement”), pursuant to which the Authority has lent to the Corporation the proceeds of the Pennsylvania 2016 Bonds, and the Corporation has agreed to make loan payments to the Authority in amounts and at times sufficient, among other things, to pay the principal of and interest on the Pennsylvania 2016 Bonds when due. To evidence and secure its payment obligations under the Loan Agreement with respect to the payment of the principal and redemption price of, and interest on, the Pennsylvania 2016 Bonds, the

Corporation has delivered or caused to be delivered to the Authority its Master Note (Montgomery County Industrial Development Authority), Series 2016C, in the principal amount equal to the initial aggregate principal amount of the Pennsylvania 2016 Bonds (the “Master Note”). The Master Note is issued by or on behalf of the Corporation under a Master Trust Indenture dated as of December 1, 1996, as previously amended and supplemented and as further supplemented by Supplement No. 35 thereto dated as of August 1, 2016 (collectively, the “Master Indenture”), among the Corporation, ACTS Management Services, Inc. and ACTS Signature Community Services, Inc., as the Obligated Issuers thereunder, and U.S. Bank National Association (the “Master Trustee”), as successor trustee to LaSalle Bank National Association. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, among other things, all of its right, title and interest in and to the Loan Agreement and the Master Note and all payments from the Corporation or Obligated Issuers (as applicable) thereunder for the equal and ratable benefit and security of the Pennsylvania 2016 Bonds, subject, however, to certain Reserved Rights of the Authority described therein, which include the right of the Authority to receive payment of its administrative fees and expenses and indemnification.

The Authority and the Corporation have made certain factual representations in the Bond Indenture and Loan Agreement and in certain Tax Compliance Agreements delivered on the date hereof that are material to the opinions expressed herein, including representations as to their reasonable expectations on the date hereof regarding the use of the proceeds of the Pennsylvania 2016 Bonds. We have relied upon these representations of the Corporation and the Authority without undertaking to verify the same by independent investigation. We have also relied, without independent investigation, upon the opinion of Saul Ewing LLP, counsel for the Corporation, with respect to the status of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and other matters described therein. We note that such opinion is subject to certain qualifications and limitations.

In our capacity as Bond Counsel, we have examined such documents, records, proceedings, statutes (including the Act) and decisions as we have deemed necessary to enable us to express our opinion set forth below, including original counterparts or certified copies of the Bond Resolution, the Bond Indenture, the Loan Agreement, the Master Indenture (including Supplement No. 35 thereto), and the Master Note. We have also examined a specimen of a fully executed Pennsylvania 2016 Bond and the certification of the Bond Trustee, upon which we have relied, as to the due authentication by the Bond Trustee of the Pennsylvania 2016 Bonds. In rendering our opinion, we have assumed the genuineness, authenticity, truthfulness and completeness of all documents, records, and other instruments examined (whether as originals or as copies). We have further assumed the genuineness of the signatures of all persons executing any of the agreements examined by us and the due authorization, execution and delivery by, and enforceability against, each other party thereto other than the Authority. We have not undertaken to verify the factual matters set forth therein by independent investigation.

Except as set forth in paragraph 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) as enacted and construed on the date hereof.

Based on the foregoing, and subject to the assumptions and qualifications stated herein, it is our opinion that:

11. The Authority is body corporate and politic constituting a public corporation and public instrumentality organized and validly existing under the laws of the Commonwealth, with all requisite power and authority to enter into the Bond Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Pennsylvania 2016 Bonds.

12. Each of the Bond Indenture and the Loan Agreement has been duly authorized, executed, and delivered by the Authority and constitutes the valid and binding obligation of the Authority, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

13. Under the Bond Indenture, the Authority has assigned to the Bond Trustee, subject to the Reserved Rights of the Authority described therein, all of its rights and interests in the Loan Agreement and the Master Note, as security for the payment of the Pennsylvania 2016 Bonds.

14. The Pennsylvania 2016 Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Bond Indenture, as applicable, except as enforcement may be limited by bankruptcy, insolvency, moratorium, and other laws and equitable principles affecting the rights of creditors.

15. Under existing law as enacted and construed on the date hereof, interest on the Pennsylvania 2016 Bonds is excluded from gross income for Federal income tax purposes, will not be a specific item of tax preference for purposes of the individual and corporate federal alternative minimum tax; but interest on the Pennsylvania 2016 Bonds will be included in the “adjusted current earnings” in computing alternative minimum taxable income with respect to certain corporations and, accordingly, may be indirectly subject to the corporate federal alternative minimum tax.

The opinion expressed in paragraph 5 above is subject to continuous compliance by the Authority and the Corporation with their covenants in the Bond Indenture and Loan Agreement to satisfy certain provisions of the Code. Failure to comply with such covenants could cause the interest on the Pennsylvania 2016 Bonds to be included in gross income of the owners thereof, in certain cases retroactive to the date of issue of the Pennsylvania 2016 Bonds regardless of the date at which such non-compliance occurs or is ascertained.

Ownership of the Pennsylvania 2016 Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations receiving substantial passive income and Subchapter C earnings and profits, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Pennsylvania 2016 Bonds. We express no opinion with respect to these or other collateral tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Pennsylvania 2016 Bonds.

We express no opinion herein with respect to, and assume no responsibility for the accuracy or completeness of, any offering materials prepared in respect of the Pennsylvania 2016 Bonds.

We call your attention to the fact that the Pennsylvania 2016 Bonds are limited obligations of the Authority payable only out of the property pledged by the Authority and certain other moneys available therefor as provided in the Bond Indenture and that the Pennsylvania 2016 Bonds do not pledge the credit or taxing power of the Commonwealth or any political subdivision thereof, including Montgomery County. The Authority has no taxing power.

Very truly yours,

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