

Bond Covenant Letter

Buckingham Senior Living Community, Inc. (dba The Buckingham)

For the year ended December 31, 2017





LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditors' Report

The Board of Directors
Buckingham Senior Living Community, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Buckingham Senior Living Community, Inc. (a Texas not-for-profit corporation) (the "Organization"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and changes in net deficit, and cash flows for the year then ended, and have issued our report thereon, dated June 7, 2019.

In connection with our audit, we noted that the Organization failed to comply with the provisions contained in the amended and restated Master Trust Indenture Agreement, dated September 15, 2005 and Supplemental Indenture Number Three, dated August 1, 2015, between Buckingham Senior Living Community, Inc. and The Bank of New York Mellon Trust Company, N.A., prior trustee, UMB Bank, N.A. as successor trustee, insofar as they relate to the requirement to maintain an historical debt service coverage ratio greater than 1.20 to 1.00. The Organization's historical debt service coverage ratio at December 31, 2017 is 0.21 to 1.00. An historical debt service coverage ratio less than 1.00 to 1.00 represents an event of default under the provisions contained in the Master Trust Indenture Agreement. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Boards of Directors and management of Buckingham Senior Living Community, Inc. and UMB Bank, N.A. and is not intended to be and should not be used by anyone other than these specified parties.

Lane Gorman Trubitt, LLC

Dallas, Texas
June 7, 2019

Buckingham Senior Living Community, Inc.
(dba The Buckingham)
CALCULATION OF THE HISTORICAL DEBT SERVICE COVERAGE RATIO
CONTAINED IN THE
MASTER TRUST INDENTURE AGREEMENT
Year Ended December 31, 2017

Change in unrestricted net deficit	\$	(25,076,266)
Turnover from entrance fees		2,651,980
Amortization of entrance fees		(1,030,792)
Unrealized appreciation (depreciation) of investments		(158,239)
Interest expense		4,150,481
Depreciation and amortization		3,808,361
Future service obligation adjustment		16,859,000
Expansion related working capital		<u>455,110</u>
Income available for debt service	a	<u>\$ 1,659,635</u>
Debt service requirement		
Interest expense	\$	4,150,481
Amortization of bond premium and bond issuance costs		(212,022)
Capitalized interest expense		5,708,649
Funded interest		(3,306,824)
Required principal payments		<u>1,600,000</u>
Total debt service requirement	b	<u>\$ 7,940,284</u>
Historical debt service coverage ratio	a/b	0.21
Requirement		1.20

Buckingham Senior Living Community, Inc.
(dba The Buckingham)
CALCULATION OF THE DAYS CASH ON HAND RATIO
CONTAINED IN THE
MASTER TRUST INDENTURE AGREEMENT
Year Ended December 31, 2017

Unrestricted cash		\$	-
Unrestricted investments and deposits, net of refunds due			11,334,971
Total unrestricted cash and investments	a	\$	<u>11,334,971</u>
Total program services expenses		\$	18,548,463
Total general and administrative expenses			8,534,512
Interest expense			4,150,481
Long-term debt expenses			47,635
Total expenses			<u>31,281,091</u>
Add/subtract:			
Amortization of bond premium and bond issuance costs			(212,022)
Depreciation and amortization			<u>(3,808,361)</u>
			27,260,708
Divided by		÷	<u>365</u>
Daily expenses	b	\$	<u>74,687</u>
Days cash on hand	a/b		152
Requirement of days on hand			180