

JACKSON WALKER LLP
Michael S. Held (State Bar No. 09388150)
Jennifer F. Wertz (State Bar No. 24072822)
J. Machir Stull (State Bar No. 24070697)
2323 Ross Ave., Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6000
Facsimile: (214) 953-5822

LEVENFELD PEARLSTEIN, LLC
Eileen M. Sethna (admitted *pro hac vice*)
Harold D. Israel (admitted *pro hac vice*)
Elizabeth B. Vandesteeg (admitted *pro hac vice*)
120 S. Riverside Plaza, Suite 1800
Chicago, Illinois 60606
Telephone: (312) 346-8380

Counsel for Intercity Investment Properties, Inc.

Local counsel for Intercity Investment Properties, Inc.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:)	
)	
Northwest Senior Housing Corporation, <i>et al.</i> ,)	Chapter 11
)	
Debtors ¹)	Case No. 22-30659 (MVL)
)	

**INTERCITY INVESTMENT PROPERTIES, INC. WITNESS AND EXHIBIT
LIST FOR HEARING SCHEDULED TO COMMENCE ON MARCH 7, 2023**

Intercity Investment Properties, Inc. ("Landlord") files its Witness and Exhibit List for the hearing scheduled to commence on March 7, 2023 (the "Hearing") as follows²:

WITNESSES

Landlord may call the following witnesses at the Hearing:

1. Nick Hannon, Executive Vice President, Intercity Investment Properties, Inc.;

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Northwest Senior Housing Corporation (1278) and Senior Quality Lifestyles Corporation ("SQLC") (2669). The Debtors' mailing address is 8523 Thackery Street, Dallas, Texas 75225.

² This Witness and Exhibit List is maintained from Landlord's Witness and Exhibit List filed on February 17, 2023 at Dkt. No. 1240 ("Landlord's February 17 List"), and thus those exhibits will not be refiled. Exhibits to Landlord's February 17 List can be located at Dkt. No. 1227, 1228 (sealed), 1239 (sealed), and 1240. Any exhibits additional to Landlord's February 17 List will be bolded in the below index and filed on the docket herewith.

Additionally, the complete list of witnesses from Landlord's February 17 List is maintained below, with the addition of Andres A. Estrada of Kurtzman Carson Consultants and David Fields of RBC Capital Markets, LLC. For clarity, any witness that Landlord currently intends to call at the upcoming Hearing is bolded below. Landlord reserves its right to call any witness, listed below, unbolded, or otherwise, for rebuttal testimony if necessary.



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2. Michael Hull, Group Manager, Facility Services, Terracon Consultants, Inc.;
3. **Daniel Polsky, Getzler Henrich & Associates, LLC;**
4. Kyle DeHenau, Vice President, Plante & Moran CRESA, LLC d/b/a Plante Moran Living Forward (by deposition,³ unavailable witness);
5. **Nick Harshfield, Chief Financial Officer, Litespace Communities, Inc., and Vice Chair and Treasurer, Northwest Senior Housing Corporation;**
6. **Andres A. Estrada, Managing Director of Corporate Restructuring Services, Kurtzman Carson Consultants;**
7. **David Fields, Managing Director, RBC Capital Markets, LLC⁴**
8. Timothy Winnecke, Senior Project Manager, ARCH Consultants, Ltd;
9. David Lawlor, President & CEO, The Long Hill Company, and representative of Long Hill at Edgemere, LLC;
10. Kjerstin Hatch, as each of:
 - a. Managing Member, Lapis - GP LLC, as general partner of Lapis Municipal Opportunities Fund IV, LP;
 - b. President, Bay 9 Holdings, LLC;
 - c. President, Grenelle Holdings LLC; and
 - d. Managing Principal, Lapis Advisers, LP;
11. Any witness designated by any other party;
12. Rebuttal witnesses as necessary;
13. Any witness necessary to authenticate a document or evidence; and
14. Landlord reserves the right to cross-examine any witness called by any other party.

³ Landlord has provided and admitted into evidence Mr. DeHenau's deposition testimony in full, including any and all objections on the record and the questioning conducted by counsel for Bay 9 Holdings, LLC.

⁴ On March 2, 2023, Landlord noticed and then served a subpoena on RBC Capital Markets, LLC for trial testimony and production of documents related to confirmation issues. Counsel for Initial Plan Sponsors objected to the subpoena as procedurally improper due to the geographic limitations on subpoena range and has refused to make Mr. Fields otherwise available.

EXHIBITS AND DEMONSTRATIVES

EXHIBIT	DESCRIPTION	MARK	OFFER	OBJECT	ADMIT	W/D	DISPOSITION AFTER TRIAL
1	Property Conditions Report dated January 4, 2023, prepared by Arch Consultants, Ltd. and attached to Appendix A of Landlord's Objection to Plan [Dkt. No. 1203] (Unsealed)						
2	Edgemere Project Business Planning Analysis dated January 6, 2023, prepared by The Long Hill Company and attached to Appendix A of Landlord's Objection to Plan [Dkt. No. 1203] (Sealed)						
3	Amended Declaration ⁵ of Daniel Polsky with exhibits (Sealed)						
Exhibits attached to Amended Polsky Declaration (All Sealed)							
3-A	Polsky Report (redacted), dated September 9, 2022						
3-B	Edgemere Project Business Planning Analysis, produced by Bay 9 at BAY000029						
3-C	Getzler Henrich Sensitivity Analysis dated as of February 17, 2023						
3-D	Getzler Henrich Business Planning Analysis dated as of February 17, 2023						
4	Bay 9 Holdings LLC Operating Agreement, attached to Appendix A of Landlord's Objection to Plan [Dkt. No. 1203] (Sealed)						
5	Declaration of Nick Hannon with exhibits, attached as Exhibit A to Landlord's Objection to Plan [Dkt. No. 1202-1] (Unsealed)						
Exhibits to Hannon Declaration (All Unsealed)							
5-A	June 9, 1997 Letter of Intent between Intercity Investment Properties, Inc. and						

⁵ The Original Declaration of Daniel Polsky with exhibits, attached to Appendix A of Landlord's Objection to Plan, is available at Dkt. No. 1203 (Sealed).

EXHIBIT	DESCRIPTION	MARK	OFFER	OBJECT	ADMIT	W/D	DISPOSITION AFTER TRIAL
	Northwest Lifecare Joint Venture, produced by ICI at ICI0000023 ⁶						
5-B	Ground Lease Option Agreement between Intercity Investment Properties, Inc. and Northwest Lifecare Joint Venture						
5-C	Assignment of Ground Lease Option Agreement between Northwest Senior Housing Corporation and Northwest Lifecare Joint Venture						
5-D	Amendment to Ground Lease Option Agreement between Intercity Investment Properties, Inc. and Northwest Senior Housing Corporation, produced by ICI at ICI0000133						
5-E	Ground Lease between Intercity Investment Properties, Inc. and Northwest Senior Housing Corporation						
5-F	Property Condition Report dated January 6, 2023, prepared by Terracon Consultants, Inc. ⁷						
5-G	Facilities Assessment Report dated October 15, 2021, prepared by Plante Moran Living Forward						
5-H	December 16, 2022 Communication re Adequate Assurance of Future Performance from Bay 9 Holdings LLC to Trustee and Edgemere, with exhibits						
6	Transcript of February 6, 2023 Hearing (Unsealed)						
7	Lapis IV Capital Commitment Letter dated February 13, 2023, attached as Exhibit C to Landlord's Objection to Plan [Dkt. No. 1202-3] (Unsealed)						

⁶ The Landlord hereby waives any Confidentiality markings on all exhibits listed in this filing that have a Bates stamp beginning with "ICI." These exhibits are therefore not filed under seal.

⁷ The portion of Exhibit 5-F that was admitted into evidence at the hearing held February 21-24, 2023 can be located at Dkt. No. 1310.

EXHIBIT	DESCRIPTION	MARK	OFFER	OBJECT	ADMIT	W/D	DISPOSITION AFTER TRIAL
8	Transcript of January 11, 2023 Lifespace Community Bondholders Call, attached as Exhibit G to Landlord's Objection to Plan [Dkt. No. 1202-7] (Unsealed)						
9	February 3, 2023 Voluntary Notice, attached as Exhibit H to Landlord's Objection to Plan [Dkt. No. 1202-8] (Unsealed)						
10	Lifespace Communities, Inc.'s ⁸ Continuing Disclosure Report for the year ended December 31, 2022, attached as Exhibit I to Landlord's Objection to Plan [Dkt. No. 1202-15] (Unsealed)						
11	Overview of Transaction, produced by ICI at ICI0000021 (Unsealed)						
12	Master Trust Indenture, Mortgage and Security Agreement between Northwest Senior Housing Corporation and Chase Bank, produced by ICI at ICI0000257 (Unsealed)						
13	Edgemere rent calculations, produced by ICI at ICI0000508 (Unsealed)						
14	Edgemere Revenue Bonds Preliminary Official Statement dated October 14, 1999, produced by ICI at ICI0000632 (Unsealed)						
15	Memorandum from S. Donosky to B. Jordan dated March 17, 1997, produced by ICI at ICI0004013 (Unsealed)						
16	S. Donosky notes dated May 28, 1997, produced by ICI at ICI0008548 (Unsealed)						
17	Transcript of Hearing on January 23, 2022 (Unsealed)						

⁸ Landlord's February 17 List incorrectly described Exhibit 10 as "Edgemere's Continuing Disclosure Report for the year ended December 31, 2022." This has been corrected to reflect the exhibit as filed at 1227-15, which is Lifespace Communities, Inc.'s Continuing Disclosure Report for the year ended December 31, 2022."

EXHIBIT	DESCRIPTION	MARK	OFFER	OBJECT	ADMIT	W/D	DISPOSITION AFTER TRIAL
18	Transcript of Hearing on January 24, 2022 (Unsealed)						
19	Bay 9 Holding LLC's Response to ICI's Objection to Adequate Assurance, filed February 9, 2023 [Dkt. No. 1175] (Unsealed)						
20	Declaration of Hannah Walsh, with exhibit (Unsealed)						
Exhibit to Walsh Declaration (Unsealed)							
20-A	<i>Fitch Places Lifespace Communities, Inc. on Rating Watch</i> , published by Fitch Ratings on February 9, 2023						
21	Bay 9 Holdings, LLC's first production, produced at BAY000001–BAY000028 (Unsealed) ⁹						
22	Bay 9 Holdings, LLC's second production, produced at BAY000029–BAY0000200 (Sealed)						
23	Declaration of Kyle DeHenau, with exhibit (Unsealed)						
Exhibit to DeHenau Declaration (Unsealed)							
23-A	Facilities Assessment Report dated October 15, 2021, prepared by Plante Moran Living Forward						
24	Amended Notice of Deposition Subpoena to Provide Evidentiary Deposition Testimony to Plante & Moran CRESA, LLC, served February 5, 2023						
25	Transcript of Deposition of Kyle DeHenau dated February 9, 2023 (Unsealed)						
26	RBC Data Room, produced to Landlord on December 23, 2022 (Unsealed)¹⁰						

⁹ The portion of Exhibit 21 that was admitted into evidence at the hearing held February 21-24, 2023 can be located at Dkt. No. 1310.

¹⁰ Exhibit 26 was introduced as an impeachment exhibit at the prior hearing on February 24, 2023.

EXHIBIT	DESCRIPTION	MARK	OFFER	OBJECT	ADMIT	W/D	DISPOSITION AFTER TRIAL
27	Official Statement regarding Northwest Senior Housing Corporation – Edgemere Project, Series 2017 bonds (Unsealed)						
28	Edgemere’s Disclosure Statement, dated October 1, 2021 (Unsealed)						
29	Edgemere’s Quarterly Report for year ended December 31, 2022 (Unsealed)						
30	Edgemere’s Disclosure Statement, dated February 4, 2022 (Unsealed)						
31	Edgemere’s Disclosure Statement, dated February 17, 2022 (Unsealed)						
32	True and correct copy of promotional mailer of the Edgemere, received by Bryan Birkeland in February 2023 (Unsealed)						

Landlord asks that the Court take judicial notice of the pleadings and transcripts filed (including any and all motions, responses, schedules, amendments, exhibits, and other attachments thereto) in the proceedings before this Court.

RESERVATION OF RIGHTS

Landlord reserves the right to call or to introduce one, or more, or none, of the witnesses and exhibits listed above. Landlord reserves the right to use additional demonstrative exhibits as it deems appropriate in connection with the evidentiary hearing commencing on March 7, 2023 and continuing thereafter. Landlord reserves the right to use any exhibits presented by any other party. Landlord reserves the right to amend and/or supplement this exhibit list. Landlord also reserves the right to use exhibits not listed herein for impeachment purposes at the evidentiary hearing commencing on March 7, 2023 and continuing thereafter.

Dallas, Texas
March 3, 2023

JACKSON WALKER LLP

Michael S. Held (State Bar No. 09388150)
Jennifer F. Wertz (State Bar No. 24072822)
J. Machir Stull (State Bar No. 24070697)
2323 Ross Ave., Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6000
Facsimile: (214) 953-5822
Email: mheld@jw.com
Email: jwertz@jw.com
Email: mstull@jw.com

*Local Counsel for Intercity Investment
Properties, Inc.*

/s/ Elizabeth B. Vandesteeg

LEVENFELD PEARLSTEIN, LLC

Elizabeth B. Vandesteeg (admitted *pro hac vice*)
Harold D. Israel (admitted *pro hac vice*)
Eileen M. Sethna (admitted *pro hac vice*)
120 S. Riverside Plaza, Suite 1800
Chicago, Illinois 60606
Telephone: (312) 346-8380
Facsimile: (312) 346-7634
Email: evandesteeg@lplegal.com
Email: hisrael@lplegal.com
Email: esethna@lplegal.com

Counsel for Intercity Investment Properties, Inc.

Certificate of Service

I hereby certify that on the 3rd day of March 2023, a true and correct copy of the foregoing was served electronically on all persons via the Court's CM/ECF system.

/s/ Michael S. Held

Michael S. Held

Landlord's

Exhibit 26

from February 21-24, 2023 hearing

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In Re:

NORTHWEST SENIOR HOUSING
CORPORATION, *et al.*¹

Debtors.

Chapter 11

Case No. 22-30659 (MVL)

**DEBTORS' OBJECTIONS AND RESPONSES TO INTERCITY INVESTMENT
PROPERTIES, INC.'S FIRST SET OF REQUESTS FOR PRODUCTION OF
DOCUMENTS FROM DEBTORS RELATED TO SECOND AMENDED PLAN OF
REORGANIZATION PROPOSED BY THE PLAN SPONSORS**

The above captioned debtors and debtors in possession (the “**Debtors**”) serve the following objections and responses to *Intercity Investment Properties, Inc.’s First Set of Requests for Production of Documents from Debtors related to Second Amended Plan of Reorganization Proposed by the Plan Sponsors* (the “**Discovery Requests**”), which were served in connection with the *Second Amended Plan of Reorganization of the Plan Sponsors Dated December 12, 2022* [Docket No. 898] (as may be amended, the “**Plan**”). These objections and responses to the Discovery Requests are served in accordance with the agreed upon *Stipulation and Agreed Order Regarding Plan and Sale Related Schedule* [Docket No. 953] (the “**Agreed Order**”), the Federal Rules of Civil Procedure, the Federal Rules of Bankruptcy Procedure, and the Local Rules for the United States Bankruptcy Court for the Northern District of Texas (the “**Local Rules**”).

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are Northwest Senior Housing Corporation (1278) and Senior Quality Lifestyles Corporation (2669). The Debtors’ mailing address is 8523 Thackery Street, Dallas, Texas 75225.

GENERAL OBJECTIONS

1. The Debtors will respond to the Discovery Requests in compliance with the Federal Rules of Bankruptcy Procedure, Federal Rules of Civil Procedure, and the Local Rules and will, to the extent possible, construe the Discovery Requests consistent with the ordinary use of the English language and the words used requests according to their usual and customary meaning. The information provided is based upon the information presently available to and known by the Debtors, and the Debtors will supplement their responses if necessary consistent with applicable discovery rules.

2. The Debtors object to the Discovery Requests to the extent they seek disclosure of communications, documents or other information that constitute communications between the Debtors and their attorneys or information protected from discovery by the common interest privilege or the work product doctrine. The Debtors respond to the Discovery Requests assuming Intercity Investment Properties, Inc. (“**ICI**”) does not intend the Debtors to disclose any such communications, documents, or other information that implicates or may implicate any privilege or the work product doctrine.

3. The Debtors reserve all objections to the admissibility at trial or evidentiary hearing of any information provided herein. The production of any information or identification or production of any document will not constitute an admission by the Debtors that such information or document is relevant to confirmation of the proposed plan of reorganization in these Cases (as defined in the Discovery Requests). Accordingly, the Debtors reserve the right to object to further inquiry with respect to the subject matter of any information or document provided. Discovery and confirmation preparation continue, and therefore Debtors reserve the right to introduce any information or documents subsequently discovered and located and to assert additional information if necessary. Thus, to the extent consistent with applicable discovery rules, the

following responses are provided without prejudice to the Debtors' rights to produce evidence, documentary or otherwise, of any subsequently discovered facts and/or documents.

4. The Debtors object to the Discovery Requests to the extent they purport to create an obligation to provide information or identify or produce documents in a manner not required under the Federal Rules of Bankruptcy Procedure, the Federal Rules of Civil Procedure, or other applicable law. The Debtors object to any attempt to impose any greater obligation to collect documents or information beyond that imposed by law or regulation.

5. The Debtors object to the Discovery Requests to the extent they are overly broad in and seek information or documents not reasonably calculated to lead to the discovery of admissible evidence or not germane to confirmation of the Plan.

6. The Debtors object to the Discovery Requests to the extent they impose an undue or disproportionate burden on the Debtors or to the extent they seek information or documents already in ICI's possession, or that are publicly available.

7. In a good faith effort to comply with the Federal Rules of Bankruptcy Procedure, the Federal Rules of Civil Procedure, and other applicable law concerning discovery, and to err on the side of inclusiveness, the Debtors may produce information that falls within the purview of objections specifically stated herein or elsewhere. Such production shall not be deemed a waiver of these objections, and the Debtors expressly preserve each and every objection.

8. Unless otherwise defined herein, capitalized terms shall have the meanings ascribed thereto in the Discovery Requests.

SPECIFIC OBJECTIONS AND RESPONSES

REQUEST FOR PRODUCTION NO. 1: Documents evidencing the Debtors' ability to cure its obligations under the Lease under §§ 365(b) and 503(b) of the Bankruptcy Code.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege. The Debtors further object to this request as unduly burdensome in that it seeks documents already in ICI's possession, custody, or control, or that are equally available to ICI or have previously been produced by Edgemere.

Subject to and without waiving any objection, the Debtors will produce non-privileged responsive documents in the Debtors' possession, custody, or control, if any.

REQUEST FOR PRODUCTION NO. 2: Documents evidencing the portion of Lifespace's consideration under the Plan allocable to the releases described in Section 8 of the Plan.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege.

Subject to and without waiving any objection, the Debtors will produce non-privileged responsive documents in the Debtors' possession, custody, or control, if any.

REQUEST FOR PRODUCTION NO. 3: Documents evidencing the consideration each of the Released Parties (as defined in Section 1.133 of the Plan) provided or will provide in exchange for the releases described in Section 8 of the Plan.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege. The Debtors further object to this request as overly broad, unduly

burdensome and not reasonably calculated to lead the discovery of admissible evidence relating to confirmation of the Plan.

Subject to and without waiving any objection, the Debtors will produce non-privileged responsive documents in the Debtors' possession, custody, or control, if any.

REQUEST FOR PRODUCTION NO. 4: All documents concerning the structural condition assessment services performed by Jezerinac Group PLLC, including all draft and final reports of such assessments.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege. The Debtors further object to this request as overly broad, unduly burdensome and not reasonably calculated to lead the discovery of admissible evidence relating to confirmation of the Plan.

Based on the foregoing objections, the Debtors will not produce documents in response to this request.

REQUEST FOR PRODUCTION NO. 5: Documents or other diligence provided to the Purchaser or any other potential bidder regarding the Lease, the Debtors' obligations under the Lease, and/or any known monetary or non-monetary defaults under the Lease.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege. The Debtors further object to this request as unduly burdensome in that it seeks documents already in ICI's possession, custody, or control, or that are equally available to ICI.

Subject to and without waiving any objection, the Debtors will produce non-privileged responsive documents in the Debtors' possession, custody, or control, if any.

REQUEST FOR PRODUCTION NO. 6: All documents the Debtors will use, refer to, or rely upon at the confirmation hearing on the Plan.

RESPONSE: The Debtors object to this request to the extent it seeks materials protected from disclosure under the attorney-client privilege, the attorney work product doctrine, and/or the common interest privilege. The Debtors further object to this request as overly broad, vague and unduly burdensome in that it seeks documents already in ICI's possession, custody, or control, or that are equally available to ICI via the docket in the Cases. The Debtors further object to this request as it is premature, given that the Debtors will identify the documents they intend to use, refer to, or rely upon in support of confirmation of Plan in their witness and exhibit list to be filed on or before January 23, 2023, as required by the Local Rules.

Subject to and without waiving any objection, the Debtors will produce non-privileged responsive documents in the Debtors' possession, custody, or control, if any.

Dated: December 23, 2022
Dallas, Texas

POLSINELLI PC

/s/ Trinitee G. Green

Trinitee G. Green (SBN 24081320)
2950 N. Harwood, Suite 2100
Dallas, Texas 75201
Telephone: (214) 397-0030
Facsimile: (214) 397-0033
tggreen@polsinelli.com

– and –

Jeremy R. Johnson (Admitted *Pro Hac Vice*)
Brenna A. Dolphin (Admitted *Pro Hac Vice*)
600 3rd Avenue, 42nd Floor
New York, New York 10016
Telephone: (212) 684-0199
Facsimile: (212) 684-0197
jeremy.johnson@polsinelli.com
bdolphin@polsinelli.com

COUNSEL TO THE DEBTORS
AND DEBTORS IN POSSESSION

Edgemere

RBC - Sales Process Information Request

No.	Requested Data	Status	File Name/Notes
1.	Occupancy by level of Care	Complete	12 21 Occupancy - Edge.xlsx and 10 22 Occupancy - Edge.xlsx
a.	October 2021	Complete	12 21 Occupancy - Edge.xlsx
b.	November 2021	Complete	12 21 Occupancy - Edge.xlsx
c.	January 2022	Complete	10 22 Occupancy - Edge.xlsx
d.	February 2022	Complete	10 22 Occupancy - Edge.xlsx
e.	October 2022	Complete	10 22 Occupancy - Edge.xlsx
2.	Monthly financials packages for 2022	Complete	Monthly FS 2022 Folder
3.	Payor mix for 2022	Complete	10 22 Occupancy - Edge.xlsx
4.	Current marketing brochures including services provided and pricing	Complete	Brochures and Pricing Folder
5.	AP and AR Agings – 12/31/21 and most recent month	Complete	EDGE Requests 12-28-21.xlsx; FTI - Edge Unpaid_2022-10-31_04-00-54.xlsx; 12 21 AR Aging - Edge.xlsx; 10 22 AR Aging - Edge.xlsx
6.	Fixed Asset Schedule Report	Complete	Edgemere FA as of 4-20-22.xlsx
7.	Key Management Team Resumes	Complete	See 'Resumes'
8.	Employee Holiday Accrual Balances	Complete	Edge PTO & Other.xlsx
9.	Employee Handbook	Complete	Lifespace Team Member Handbook.pdf
10.	Retirement Plan Summary Description	Complete	Edge Wage Mtn #20_401(k) Plan Description.pdf
11.	Turnover and Retention Statistics (last 5 years)	Complete	Edge - Turnover & Retention Statistics.docx
12.	Current Licenses	Complete	Edge License Tracking-April 2022.docx
13.	Medicare Documents & Correspondence	Complete	State Nursing Surveys: 2022 HSC.pdf; 2022 LSC.pdf; 2021 HSC.pdf; 2021 HSC contd.pdf; 2021 LSC.pdf; 2019 LSC.pdf
14.	Material Supplies and Contact Information	Complete	see list of contracts & agreements including Lifespace Master Contracts
15.	List of Therapy Services provided and rates charged	Complete	Therapy Services and Pricing.pdf Part of Lifespace master contract
16.	Physical inspection, structural engineering, mold, air quality and termite reports as applicable	Complete	Plante Moran 2021 Facility Assessment Report.pdf
17.	Copies of existing title policies and ALTA surveys	Open	
18.	Current RE Tax Bills	Complete	Edge Prop Tax Statement.pdf
19.	Any zoning information regarding the facilities (waivers, variances, etc.)	Open	
20.	Copies of all Annual and Complaint Surveys (3 years)	Complete	State Nursing Surveys: 2022 HSC.pdf; 2022 LSC.pdf; 2021 HSC.pdf; 2021 HSC contd.pdf; 2021 LSC.pdf; 2019 LSC.pdf
21.	Copies of all Life Safety Code Surveys (3 years)	Complete	State Nursing Surveys: 2022 HSC.pdf; 2022 LSC.pdf; 2021 HSC.pdf; 2021 HSC contd.pdf; 2021 LSC.pdf; 2019 LSC.pdf
22.	Insurance Policy & Declarations	Complete	Insurance Abstracts folder
23.	List of current litigation/lawsuits	Complete	SQLC SOFA 7 Lawsuits.pdf and EDGE SOFA 7 Lawsuits.pdf
24.	All consent decrees, judgments, settlement agreements or similar matters	Open	
25.	RUGs schedule (most recent 13 months) with number of patient days	Open	
26.	Copies of KPI and Management Information Systems for previous 3 years	Unavailable	
27.	Detail of Home Office Allocations for previous 3 years	Complete	GS_GeneralLedgerw_datecreatedbydeptacctl01707.xls x
28.	Open Leadership Positions and other Key Staff Vacancies	Complete	
29.	Staffing Agency Usage Reports	Open	
30.	Recruitment and Retention Efforts (outside vendors utilized such as Indeed, ZipRecruiter, etc.)	Complete	Edge - Recruitment and Retention Efforts.docx
31.	Copies of all Policy Procedures including Emergency Planning	Unavailable	All policy procedures are proprietary to Lifespace. Any new owner for Edgemere will need to develop their own policies.
32.	List of current Scheduled Rates and Contracting Promotions	Complete	EDGE 2023.xlsx
33.	Move Out Reason Analysis	Complete	Edge - Attrition Analysis.xlsx
34.	KPI by Move-In (2021 and YTD 2022)	Unavailable	
35.	Internal Email Campaigns (Provider, Use, Frequency)	Open	
36.	Detailed List of the Debtor's Licenses	Open	How is this different from #12 above?
37.	All contracts, specifically:	Unavailable	There are no contracts
a.	Employee Contract for E/D	Unavailable	
b.	Employee Contract for Assistant E/D	Unavailable	
c.	Employee Contract for Nursing Administrator	Unavailable	
d.	Other Employee Contracts	Unavailable	

Landlord's

Exhibit 27

for hearing commencing March 7, 2023

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, assuming compliance with certain covenants by the Obligor and the Issuer (each as defined below), under existing statutes, regulations, published rulings and judicial decisions existing on the date hereof, (i) interest on the Series 2017 Bonds is, except as set forth under "TAX MATTERS" herein, excludable from gross income for federal income taxation purposes and (ii) the Series 2017 Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). See the caption "TAX MATTERS" herein for a description of Bond Counsel's opinion, including a discussion of the alternative minimum tax consequences.

\$21,685,000

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION

Retirement Facility Revenue Bonds

(Northwest Senior Housing Corporation – Edgemere Project)

Series 2017



**Dates, Interest Rates, Prices or Yields, and Maturities
Are Shown on the Inside of the Front Cover**

The Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer") is issuing its Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2017 Bonds (the "Series 2017 Bonds") pursuant to Article 1528m, Tex. Rev. Civ. Stat. Ann., as amended (the "Act") under an Indenture of Trust, dated as of March 1, 2017 (the "Bond Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, National Association, as Bond Trustee (the "Bond Trustee"). The proceeds of the Series 2017 Bonds will be loaned to Northwest Senior Housing Corporation, a Texas non-profit corporation (the "Obligor"), pursuant to a Loan Agreement dated as of March 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor. The Obligor owns and operates a retirement community known as Edgemere located on an approximately 16.25-acre site in Dallas, Texas (the "Community"). The Obligor will use the proceeds of the Series 2017 Bonds, together with certain other moneys, to (a) refinance the Issuer's Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006A (the "Refunded Bonds") currently outstanding in the aggregate principal amount of \$14,910,000, the proceeds of which were used to finance or refinance a portion of the cost of acquiring, constructing and equipping the hereinafter described Community, (b) finance and reimburse the Obligor for certain capital expenditures at the Community, (c) establish a debt service reserve fund, and (d) pay costs of issuance of the Series 2017 Bonds.

Except as described in this Official Statement, the Series 2017 Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, the payments to be made by the Obligor pursuant to the Loan Agreement, and the Series 2017 Note (as defined herein) issued by the Obligor under an Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement, dated as of November 15, 1999, and effective as of April 1, 2006, between the Obligor and Senior Quality Lifestyles Corporation, a Texas non-profit corporation ("SQLC") and The Bank of New York Mellon Trust Company, National Association, as Master Trustee (the "Master Trustee"), as previously supplemented, and as further supplemented by Supplemental Indenture Number 6, dated as of March 1, 2017 (as supplemented, the "Master Indenture"). The sources of payment of, and security for, the Series 2017 Bonds are more fully described in this Official Statement.

The Series 2017 Bonds are subject to acceleration of maturity and optional and mandatory redemption, in whole or in part, prior to maturity at the prices and under the circumstances described herein.

The Series 2017 Bonds when issued will be registered only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2017 Bonds. Purchasers of the Series 2017 Bonds will not receive certificates representing their interest in the Series 2017 Bonds purchased. Ownership by the beneficial owners of the Series 2017 Bonds will be evidenced by book-entry only. Principal of and interest on the Series 2017 Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Series 2017 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2017 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See **APPENDIX E—Book-Entry Only System**.

An investment in the Series 2017 Bonds involves a certain degree of risk related to, among other things, the nature of the Obligor's business, the regulatory environment, and the provisions of the principal documents. A prospective Bondholder is advised to read "**SECURITY FOR THE BONDS**" and "**BONDHOLDERS' RISKS**" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2017 Bonds.

NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, INCLUDING TARRANT COUNTY, TEXAS, WILL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

The Series 2017 Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, and the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Issuer by its counsel, Brown Pruitt Wambsganss Ferrill & Dean, PC; for the Obligor by its special counsel, Thompson & Knight L.L.P., Dallas, Texas; and for the Underwriter by its counsel, Bracewell LLP, Dallas, Texas. It is expected that the Series 2017 Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about March 30, 2017.



Official Statement dated March 8, 2017

THE SERIES 2017 BONDS

Interest Accrues from Date of Delivery

Due: November 15 , as shown below

The Series 2017 Bonds will be issuable in fully registered form without coupons in minimum denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Series 2017 Bonds will be payable on each May 15 and November 15 of each year, commencing on May 15, 2017. The Series 2017 Bonds will be subject to redemption prior to maturity, as more fully described herein.

MATURITY SCHEDULE

\$21,685,000 5.250% Term Bond due November 15, 2047; Priced at 96.310% to Yield 5.500%; CUSIP No. 87638 RHV2*

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, the Underwriter, or the Obligor, and are included solely for the convenience of the holders of the Series 2017 Bonds. Neither the Issuer nor the Underwriter nor the Obligor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2017 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2017 Bonds.

Edgemere – Front Entrance



Edgemere – Aerial Photo



Artist Renderings of Portions of the Expansion



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REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Obligor, the Issuer, or the Underwriter. The information set forth herein concerning the Obligor has been furnished by the Obligor and is believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Obligor since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information contained in this Official Statement has been furnished by the Obligor, the Issuer, DTC and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE, AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information in **APPENDIX A** to this Official Statement. Additionally, the Community (as defined herein) is in a redevelopment stage. As a result, the description of the Community, and the services expected to be offered by the Community that are described herein, in **APPENDIX A** are based on existing plans and existing contracts. Such plans and contracts are subject to modification and, as a result, upon completion of construction. The description of the Community and the services to be offered is a description of what is currently planned to be developed in accordance with the existing plans and contracts, and should be construed as forward looking statements.

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

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OFFICIAL STATEMENT
relating to the

\$21,685,000

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
Retirement Facility Revenue Bonds
(Northwest Senior Housing Corporation – Edgemere Project)
Series 2017

INTRODUCTION

Purpose of this Official Statement. This Official Statement, including the cover page and Appendices hereto, is provided to furnish information with respect to the issuance, sale and delivery by Tarrant County Cultural Education Facilities Finance Corporation (the "*Issuer*") of its Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2017 (the "*Series 2017 Bonds*").

The Series 2017 Bonds are being issued pursuant to the Cultural Education Facilities Finance Corporation Act, Article 1528m, Tex. Rev. Civ. Stat. Ann., as amended (the "*Act*"), in conformity with the provisions, restrictions and limitations thereof and pursuant to the Indenture of Trust dated as of March 1, 2017 (the "*Bond Indenture*"), between the Issuer and The Bank of New York Mellon Trust Company, National Association, as bond trustee (the "*Bond Trustee*").

The Series 2017 Bonds will be issued under the Bond Indenture on a parity with any Additional Bonds issued pursuant to the Bond Indenture (the Series 2017 Bonds and any such Additional Bonds being hereinafter referred to as the "*Bonds*"). The Bonds are payable from and equally and ratably secured by promissory notes (the "*Notes*") issued under the Loan Agreement and the Master Indenture described below. See "**SECURITY FOR THE BONDS—Additional Bonds**" herein.

Certain capitalized terms used herein are defined in "**DEFINITIONS OF CERTAIN TERMS**" in **APPENDIX C** hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document.

Purpose of the Series 2017 Bonds. The proceeds of the Series 2017 Bonds will be loaned to Northwest Senior Housing Corporation, a Texas non-profit corporation (the "*Obligor*" or the "*Obligated Group Representative*") pursuant to a Loan Agreement dated as of March 1, 2017 (the "*Loan Agreement*"), between the Issuer and the Obligor and will be used, together with other available moneys described herein, to (a) refinance the Issuer's Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2006A (the "*Refunded Bonds*") currently outstanding in the aggregate principal amount of \$14,910,000, the proceeds of which were used to finance or refinance a portion of the cost of acquiring, constructing and equipping the hereinafter described Community, (b) finance and reimburse the Obligor for certain capital expenditures at the Community, (c) establish a debt service reserve fund, and (d) pay costs of issuance of the Series 2017 Bonds. See "**THE OBLIGATED GROUP AND THE COMMUNITY**," "**THE PROJECT**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

Bondholders' Risks. Certain risks are inherent in the successful construction and operation of facilities such as the Community on a basis such that sufficient cash will be available to pay interest on and to retire indebtedness. See "**BONDHOLDERS' RISKS**" below for a discussion of certain of these risks.

Security for the Bonds. The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee, (1) the Notes, (2) certain rights of the Issuer under the Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in them, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for the Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Notes.

Pursuant to the Loan Agreement, the Obligor has agreed to make loan payments sufficient, among other things, to pay in full when due all principal of, premium, if any, and interest on the Bonds and the administrative fees of the Bond Trustee, and, to make payments as required to restore any deficiencies in the debt service reserve fund. See "**SECURITY FOR THE BONDS—The Loan Agreement.**" See also "**THE LOAN AGREEMENT**" in **APPENDIX C** hereto.

The obligation of the Obligor to repay the loan from the Issuer will be evidenced by the Notes (including the Series 2017 Note), issued under and entitled to the benefit and security of a an Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement, dated as of November 15, 1999, and effective as of April 1, 2006, between the Obligor and Senior Quality Lifestyles Corporation, a Texas non-profit corporation ("*SQLC*") and The Bank of New York Mellon Trust Company, National Association, as Master Trustee (the "*Master Trustee*"), as previously supplemented, and as further supplemented by Supplemental Indenture Number 6, dated as of March 1, 2017 (as supplemented, the "*Master Indenture*"). See "**SECURITY FOR THE BONDS—The Master Indenture.**" See also "**THE MASTER INDENTURE**" in **APPENDIX C** hereto. The Notes will constitute an unconditional promise by each Obligated Group Member to pay amounts sufficient to pay principal of (whether at maturity, by acceleration or call for redemption) and premium, if any, and interest on the Series 2017 Bonds; and the Series 2017 Note will be secured on a parity basis with other Notes and any other Obligations heretofore and hereafter issued under the Master Indenture, by a lien on and security interest in the Mortgaged Property granted to the Master Trustee pursuant to the Master Indenture and a security interest in the Gross Revenues of the Obligated Group and the funds established under the Master Indenture. The Mortgaged Property granted under the Master Indenture consists of certain personal property and the Obligor's leasehold interest in the Community Site (as hereinafter defined). The Obligor **does not** have fee simple title to the Community Site. See "**SECURITY FOR THE BONDS—The Master Indenture.**" Subsequent to the issuance of the Series 2017 Bonds, there will be \$116,190,000 in Obligations secured under the Master Indenture. These Obligations are comprised of the Series 2017 Note, the Notes issued in connection with the Issuer's Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation – Edgemere Project) Series 2015A and Series 2015B, and the Note (the "*Bank of America Note*") issued in connection with that certain Line of Credit Agreement dated October 7, 2016, by and between Bank of America, N.A. and the Obligated Group Members in the amount of \$1,000,000 (the "*Bank of America Line of Credit*").

THE ISSUER

The Issuer is a Texas nonstock, non-profit cultural educational facilities finance corporation established for the purposes set forth in the Act. The Issuer was incorporated pursuant to the Act in March, 2003. The Act grants to the Issuer the same powers, authority and rights with respect to health facilities that a health facilities development corporation has with respect to health facilities described in the Health Facilities Development Act, Chapter 221, Texas Health and Safety Code (the "*Health Facilities Act*"). The Issuer is authorized to provide, expand and improve health facilities (as defined in the Health Facilities Act) determined by the Issuer to be needed for the purpose of improving the adequacy, cost and accessibility of health care, research and education within the State of Texas.

The Issuer is governed by a board of directors, consisting of seven members (with one vacancy), appointed by the Commissioners Court of Tarrant County, Texas (the "*County*"). The Issuer adopted a bond resolution on February 2, 2017, authorizing the issuance of the Series 2017 Bonds.

The Issuer, under the terms of the Act and the Health Facilities Act, has, among other powers, the power to make contracts and incur liabilities; to borrow money at such rates of interest as it may determine; to issue its bonds in accordance with the provisions of the Act and the Health Facilities Act; and to secure any of its bonds or obligations by mortgage or pledge of all or any of its property, franchises and income for the purpose of financing or refinancing all or a portion of the cost of any health facility (as defined in the Health Facilities Act).

The responsibility for the operation and use of the Community, including any additions or improvements thereto, rests entirely with the Obligor and not with the directors of the Issuer. The directors of the Issuer are not personally liable in any way for any act or omission committed or suffered in the performance of the functions of the Issuer.

Neither the Issuer nor the County has undertaken to review this Official Statement or has assumed any responsibility for the matters contained herein except solely as to matters relating to the Issuer. All findings and determinations by the Issuer and the County, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the Articles of Incorporation and Bylaws of the Issuer. Notwithstanding its approval of the Series 2017 Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "*Code*"), the County does not endorse or in any manner, directly or indirectly, guarantee or promise to pay the Series 2017 Bonds from any source of funds of the County or guarantee, warrant or endorse the creditworthiness or credit standing of the Obligor or in any manner guarantee, warrant or endorse the investment quality or value of the Series 2017 Bonds. The Series 2017 Bonds are payable solely as described in this Official Statement and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Issuer. By its issuance of the Series 2017 Bonds, the Issuer does not in any manner, directly or indirectly, guarantee, warrant or endorse the creditworthiness of the Obligor or the investment quality or value of the Series 2017 Bonds. The Issuer has no taxing power.

THE OBLIGATED GROUP AND THE COMMUNITY

The Obligor owns and operates a senior living community known as Edgemere ("*Edgemere*" or the "*Community*") located on approximately 16.25 acres in Dallas, Texas (the "*Community Site*"). The first phase of the Community, consisting of 256 independent living units, 60 assisted living units, 31 memory support assisted living units and 72 skilled nursing beds, opened in December 2001 and achieved stabilized occupancy in 2004. The second phase of the Community, consisting of 48 independent living units, opened in September 2007 and achieved stabilized occupancy in October 2008.

SQLC, a supporting charitable organization described in Section 501(c)(3) of the Code, serves as the sole corporate member of the Obligor. SQLC is the sole corporate member of the following organizations:

- Buckingham Senior Living Community, Inc. ("*BSLC*") which owns and operates a senior living community known as The Buckingham ("*The Buckingham*") in Houston, Texas which opened in May 2005;
- Barton Creek Senior Living Center, Inc. ("*BCSLC*") which owns and operates a senior living community known as Querencia at Barton Creek ("*Querencia*") in Austin, Texas which opened in June 2007;
- SQLC Senior Living Center at Corpus Christi, Inc. ("*SQLC-Corpus*") which owns and operates a senior living community known as Mirador ("*Mirador*") in Corpus Christi, Texas which opened in June 2011;
- Tarrant County Senior Living Center, Inc. ("*TCSLC*") which owns and operates a senior living community known as The Stayton at Museum Way ("*The Stayton*") in Fort Worth, Texas which opened in October 2011;
- Mayflower Communities, Inc. ("*Mayflower*") which owns and operates a senior living community known as The Barrington of Carmel ("*The Barrington*") in Carmel, Indiana which opened in November 2013; and
- SQLC LSA, LLC ("*SQLC LSA*"), a single-member limited liability company established to provide financial support in conjunction with the financings for certain SQLC Communities (defined below).

The Obligor, BSLC, BCSLC, SQLC-Corpus, TCSLC, Mayflower, (collectively, the "*SQLC Communities*"), and SQLC LSA are separate entities, and no guarantees or other conditions of support exist between the Obligor and BSLC, BCSLC, SQLC-Corpus, TCSLC, Mayflower, or SQLC LSA at this time. **BSLC, BCSLC,**

SQLC-Corpus, TCSLC, Mayflower, and SQLC LSA are not obligated to pay debt service on the Series 2017 Bonds.

Additional information regarding the Obligated Group is included in **APPENDIX A** hereto.

PLAN OF FINANCE

Refunding

A portion of the proceeds of the Series 2017 Bonds will be used to finance the refunding, prior to their maturity, of the Refunded Bonds. The Refunded Bonds will be called for redemption on or about 30 days following the delivery of the Series 2017 Bonds.

Capital Improvements

A portion of the proceeds of the Series 2017 Bonds will be used to finance and reimburse the Obligor for certain capital expenditures at the Community. See "**THE PROJECT**" in **APPENDIX A** hereto for more information regarding the capital improvements at the Community.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2017 Bonds are as follows:

SOURCES OF FUNDS

Principal Amount	\$21,685,000
Original Issue Discount	(800,177)
Total Bond Proceeds	<u>\$20,884,824</u>
Existing Trustee Held Funds	3,201,944
Equity Contribution	924,059
Total Sources of Funds	<u><u>25,010,826</u></u>

USES OF FUNDS

Refinancing of Refunded Bonds	\$15,322,510
Project Costs	6,178,061
Debt Service Reserve Fund	2,796,600
Costs of Issuance ⁽¹⁾	713,655
Total Uses of Funds	<u><u>\$25,010,826</u></u>

⁽¹⁾Management estimates, based on information provided by the Underwriter, that bond issuance costs would approximate this amount and would include legal fees, accounting fees, underwriter's fee and other costs associated with the issuance of the Series 2017 Bonds.

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ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS*

The following table sets forth the estimated amounts required for the payment of principal of the Series 2017 Bonds, the Series 2015A Bonds and the Series 2015B Bonds at maturity or by mandatory sinking fund redemption and for the payment of interest for each Bond Year ending November 15.

Bond Year Ending November 15	Series 2017 Bonds		Series 2015A Bonds		Series 2015B Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2017		711,539	485,000	2,620,450	935,000	1,921,700	6,673,689
2018		1,138,463	500,000	2,605,900	965,000	1,893,650	7,103,013
2019		1,138,463	520,000	2,585,900	1,010,000	1,855,050	7,109,413
2020		1,138,463	540,000	2,565,100	1,050,000	1,814,650	7,108,213
2021		1,138,463	565,000	2,543,500	1,095,000	1,762,150	7,104,113
2022		1,138,463	590,000	2,515,250	1,140,000	1,718,350	7,102,063
2023		1,138,463	620,000	2,485,750	1,185,000	1,672,750	7,101,963
2024		1,138,463	650,000	2,454,750	1,235,000	1,625,350	7,103,563
2025		1,138,463	685,000	2,422,250	1,280,000	1,575,950	7,101,663
2026		1,138,463	720,000	2,388,000	1,340,000	1,524,750	7,111,213
2027		1,138,463	755,000	2,352,000	2,335,000	1,457,750	8,038,213
2028		1,138,463	790,000	2,314,250	2,450,000	1,341,000	8,033,713
2029		1,138,463	830,000	2,274,750	2,575,000	1,218,500	8,036,713
2030		1,138,463	875,000	2,233,250	2,705,000	1,089,750	8,041,463
2031		1,138,463	915,000	2,189,500	2,835,000	954,500	8,032,463
2032		1,138,463	965,000	2,143,750	2,980,000	812,750	8,039,963
2033		1,138,463	1,010,000	2,095,500	3,130,000	663,750	8,037,713
2034		1,138,463	1,060,000	2,045,000	3,280,000	507,250	8,030,713
2035		1,138,463	1,115,000	1,992,000	3,450,000	343,250	8,038,713
2036		1,138,463	1,170,000	1,936,250	3,615,000	170,750	8,030,463
2037	755,000	1,138,463	3,405,000	1,877,750			7,176,213
2038	795,000	1,098,825	3,575,000	1,707,500			7,176,325
2039	835,000	1,057,088	3,755,000	1,528,750			7,175,838
2040	875,000	1,013,250	3,945,000	1,341,000			7,174,250
2041	925,000	967,313	4,140,000	1,143,750			7,176,063
2042	975,000	918,750	4,345,000	936,750			7,175,500
2043	1,020,000	867,563	4,565,000	719,500			7,172,063
2044	1,075,000	814,013	4,795,000	491,250			7,175,263
2045	1,140,000	757,575	5,030,000	251,500			7,179,075
2046	6,475,000	697,725					7,172,725
2047	6,815,000	357,788					7,172,788
	\$ 21,685,000	\$ 32,030,677	\$ 52,915,000	\$ 56,760,850	\$ 40,590,000	\$ 25,923,600	\$ 229,905,127

* Does not include debt service due under the Bank of America Line of Credit since no amounts have been drawn thereunder. In the event that amounts are drawn under the Bank of America Line of Credit, such amounts will bear interest at a variable rate.

THE SERIES 2017 BONDS

Specific information about the Series 2017 Bonds is contained below. Information about security for the Series 2017 Bonds is contained in "**SECURITY FOR THE BONDS.**"

The Series 2017 Bonds provide that no recourse under any obligation, covenant or agreement contained in the Bond Indenture, or in any Series 2017 Bond, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Bond Indenture, will be had against any past, present or future director, incorporator, agent, representative, member, officer or employee of the Issuer or the any member of the Obligated Group, as such, either directly or through the Issuer or any member of the Obligated Group, respectively, for the payment for or to the Issuer or for or to the registered owner of any Series 2017 Bond, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Series 2017 Bonds and, as a material part of the consideration for the issue of the Series 2017 Bonds, expressly waived and released.

So long as the Depository Trust Company acts as securities depository for the Series 2017 Bonds, as described in **APPENDIX E** hereto, all references herein to "Owner," "owner," "Holder" or "holder" of any Bonds or to "Bondowner," "Bondholder," "bondowner" or "bondholder" are deemed to refer to Cede & Co., as nominee for the Depository Trust Company, and not to Participants, Indirect Participants or Beneficial Owners (as defined herein).

So long as the Series 2017 Bonds are registered in the name of Cede & Co., as nominee of the Depository Trust Company, principal of, premium, if any, and interest on the Series 2017 Bonds will be paid as described in **APPENDIX E** hereto. The following information is subject in its entirety to the provisions described in **APPENDIX E** hereto.

Introduction

The Series 2017 Bonds will be issued only in fully registered form without coupons in the denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. The Series 2017 Bonds will be dated the date of their delivery, except as otherwise provided in the Bond Indenture. The Series 2017 Bonds will bear interest (based on a 360 day year of twelve 30 day months) at the rate set forth on the inside cover hereof, payable semiannually on May 15 and November 15 of each year, commencing May 15, 2017 (each an "*Interest Payment Date*"), and mature on the dates set forth on the inside cover page hereof.

On each Interest Payment Date, the interest on each Series 2017 Bond will be paid by (i) check or draft mailed to the Owner at his or her address as it appears on the bond register or at such other address as is furnished to the Bond Trustee in writing at the close of business on the last day of the calendar month (whether or not a business day) preceding each regularly scheduled Interest Payment Date (the "*Regular Record Date*"), or (ii) by wire transfer of same day funds upon receipt by the Bond Trustee prior to the Regular Record Date of a written request by a registered owner of \$1,000,000 or more in aggregate principal amount of Series 2017 Bonds. In the event of any default in the payment of interest due on such Interest Payment Date, defaulted interest will be payable to the person in whose name such Series 2017 Bond is registered at the close of business on a special record date (a "*Special Record Date*") established by the Bond Trustee for the payment of such defaulted interest established by notice mailed by the Bond Trustee to the Owners of such Series 2017 Bonds entitled to such notice not less than 10 days preceding such Special Record Date.

Redemption

Mandatory Sinking Fund Redemption. The Series 2017 Bonds are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund by the Obligor, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, on the dates and in the principal amounts on November 15 in each of the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2037	\$755,000
2038	795,000
2039	835,000
2040	875,000
2041	925,000
2042	975,000
2043	1,020,000
2044	1,075,000
2045	1,140,000
2046	6,475,000
2047	6,815,000*

*Due at Stated Maturity

The Obligor may reduce the principal amount of the Series 2017 Bonds of the maturity and interest rate so required to be redeemed on any such date by the principal amount of the Series 2017 Bonds of such maturity and interest rate either (i) purchased by or on behalf of the Obligor and surrendered to the Bond Trustee for cancellation not later than forty five days prior to the redemption date or (ii) redeemed other than through sinking fund redemption and cancelled by the Bond Trustee not later than forty five days prior to the redemption date, which in either case have not been previously made the basis for a reduction of the principal amount of the Series 2017 Bonds to be redeemed by operation of the sinking fund redemption.

Optional Redemption. The Series 2017 Bonds are subject to optional redemption prior to maturity by the Issuer at the written direction of the Obligor in whole or in part on May 15, 2027, or on any date thereafter, at the redemption price equal to the principal amount of such Series 2017 Bonds to be redeemed, together with accrued interest to the redemption date.

Extraordinary Optional Redemption. The Series 2017 Bonds are subject to optional redemption by the Issuer at the direction of the Obligor, prior to their scheduled maturities, in whole or in part at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date, on any date following the occurrence of any of the following events:

(1) in case of damage or destruction to, or condemnation of, any property, plant, and equipment of any Obligated Group Member, only to the extent that net proceeds of insurance or condemnation award exceed the greater of (a) 3% of the Book Value or, at the option of the Obligated Group Representative the Current Value of the property, plant and equipment of the Obligated Group or (b) \$1,000,000, and the Obligor has determined not to use such net proceeds or award to repair, rebuild or replace such property, plant, and equipment; or

(2) as a result of any changes in the Constitution or laws of the State of Texas or of the United States of America or of any legislative, executive, or administrative action (whether state or federal) or of any final decree, judgment, or order of any court or administrative body (whether state or federal), the obligations of the Obligor under the Loan Agreement have become, as established by an opinion of counsel, void or unenforceable in each case in any material respect in accordance with the intent and purpose of the parties as expressed in the Agreement.

Partial Redemption. In the event that less than all of the Series 2017 Bonds are to be redeemed, the Obligor may select the particular maturities and interest rate to be redeemed. If less than all Series 2017 Bonds or portions thereof of a single maturity and interest rate are to be redeemed, they will be selected by the Securities Depository or by lot in such manner as the Bond Trustee may determine.

If a Series 2017 Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such Series 2017 Bond may be redeemed, but Series 2017 Bonds will be redeemed only in the principal amount of an Authorized Denomination and no Series 2017 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination.

Notice of Redemption. In case of every redemption, the Bond Trustee will cause notice of such redemption to be given by mailing by first class mail, postage prepaid, a copy of the redemption notice to the owners of the Series 2017 Bonds designated for redemption in whole or in part, at their addresses as the same will last appear upon the registration books, in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption will be sent by first class or registered mail, return receipt requested, or by overnight delivery service (1) contemporaneously with such mailing: (A) to any owner of \$1,000,000 or more in principal amount of Series 2017 Bonds and (B) to at least two or more information services of national recognition that disseminate redemption information with respect to municipal bonds; and (2) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of Series 2017 Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption will be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of Series 2017 Bonds selected for redemption that has not surrendered the Series 2017 Bonds called for redemption, at the address as the same will last appear upon the registration books.

It at the time of mailing of notice of any optional redemption of all or a portion of the Series 2017 Bonds the Obligor shall not have deposited with the Bond Trustee moneys sufficient to redeem all of the Series 2017 Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of moneys with the Bond Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Failure to give any such notice, or any defect therein, will not affect the validity of any proceedings for the redemption of such Series 2017 Bonds.

Purchase in Lieu of Optional Redemption. In lieu of optionally redeeming the Series 2017 Bonds, the Bond Trustee shall, at the direction of the Obligor, use such funds otherwise available under the Bond Indenture for redemption of Series 2017 Bonds to purchase Series 2017 Bonds at a price not exceeding the redemption price then applicable. No notice of the purchase in lieu of redemption will be required to be given to Bondholders (other than the notice of redemption otherwise required for such Series 2017 Bonds).

Transfers and Exchanges; Persons Treated as Owners

The Series 2017 Bonds are fully transferable by the registered owner in person or by his or her duly authorized attorney on the registration books kept at the principal office of the Bond Trustee upon surrender of the Bond together with a duly executed written instrument of transfer satisfactory to the Bond Trustee. Upon such transfer a new fully registered Series 2017 Bond of authorized denomination or denominations for the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the Bond Indenture.

The Bond Trustee will not be required to transfer or exchange any Series 2017 Bond after the mailing of notice calling such Series 2017 Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business 15 days before the day of mailing by the Bond Trustee of a notice of prior redemption and ending at the close of business on the day of such mailing.

The Issuer and the Bond Trustee may deem and treat the person in whose name the Series 2017 Bond is registered as the absolute owner hereof for the purpose of making payment (except to the extent otherwise provided hereinabove and in the Bond Indenture with respect to Regular and Special Record Dates for the payment of interest) and for all other purposes, and neither the Issuer nor the Bond Trustee will be affected by any notice to the contrary.

SECURITY FOR THE BONDS

General

The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee (1) the Series 2017 Note, (2) certain rights of the Issuer under the Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2017 Note.

The proceeds of the Bonds will be loaned to the Obligor, and the obligation of the Obligor to repay that loan will be evidenced by a promissory note of the Obligor issued pursuant to, and entitled to the benefit and security of, the Master Indenture.

Limited Obligations

The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from and secured exclusively by certain payments to be made by the Obligor under the Loan Agreement and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Issuer.

THE BONDS WILL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF TEXAS OR OF ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF TEXAS NOR THE ISSUER WILL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE BOND INDENTURE AND THE LOAN AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Debt Service Reserve Fund for the Bonds

The Bond Indenture creates and establishes with the Bond Trustee a Reserve Fund (the "*Reserve Fund*") with respect to the Bonds. Moneys on deposit in the Reserve Fund will be used to provide a reserve for the payment of the principal of and interest on the Bonds. See "**THE BOND INDENTURE—Reserve Fund**" in **APPENDIX C** hereto.

Payments into the Reserve Fund. Pursuant to the Bond Indenture, the Reserve Fund is required to be funded in an amount equal to the Reserve Fund Requirement. See "**DEFINITIONS OF CERTAIN TERMS – Reserve Fund Requirement**" in **APPENDIX C** hereto.

"*Reserve Fund Requirement*" means with an amount equal to (i) aggregate Maximum Annual Debt Service on the Series 2015 Bonds (including any series of bonds that refund either or both series of Series 2015 Bonds) and the Series 2017 Bonds less (ii) the Reserve Fund Requirement (as such term or substantially similar term is defined in the Series 2015 Bond Indenture or any bond indenture pursuant to which any such refunding bonds are issued) for the Series 2015 Bonds (including any series of bonds that refund either or both series of Series 2015 Bonds), which initially will be \$2,796,600.

In addition to the deposits required by the Bond Indenture, there will be deposited into the Reserve Fund any Reserve Fund Obligations delivered by the Obligor to the Bond Trustee pursuant to the Loan Agreement. In addition, there will be deposited into the Reserve Fund all moneys required to be transferred thereto pursuant to the Bond Indenture, and all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be paid into the Reserve Fund. There will also be retained in the Reserve Fund all interest and other income received on investments of Reserve Fund moneys in the Reserve Fund to the extent provided in the Bond Indenture.

Use of Moneys in the Reserve Fund. Except as provided in the Bond Indenture, moneys in the Reserve Fund will be used solely for the payment of the principal of and interest on the Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

Effect of Event of Default. Upon the occurrence of an Event of Default of which the Bond Trustee is deemed to have notice under the Bond Indenture and the election by the Bond Trustee of the remedy specified in the Bond Indenture, any Reserve Fund Obligations in the Reserve Fund will, subject to the provisions of the Bond Indenture, be transferred by the Bond Trustee to the Principal Account and applied in accordance with the provisions of the Bond Indenture. In the event of the redemption of any series of Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on the Bonds to be Outstanding immediately after such redemption may, subject to the provisions of the Bond Indenture, be transferred to the Principal Account and applied to the payment of the principal of the Bonds to be redeemed.

Remaining Funds. On the final maturity date or redemption date of the Bonds, any moneys in the Reserve Fund may be used to pay the principal of, premium, if any, and interest on the Bonds.

The Loan Agreement

Under the Loan Agreement, the Obligor is required duly and punctually to pay the principal of, premium, if any, and interest on the Bonds, and to make payments to the Bond Trustee to maintain the Reserve Fund at the required amount and to make certain other payments. See "**LOAN AGREEMENT**" in **APPENDIX C** hereto.

The Master Indenture

General. The Master Indenture is intended to provide assurance for the repayment of obligations entitled to its benefits by imposing financial and operating covenants which restrict the Obligor and any other future Obligated Group Members and by the appointment of the Master Trustee to enforce such covenants for the benefit of the holders of such obligations. The holders of all obligations entitled to the benefit of the Master Indenture will be on a parity with respect to the benefits of the Master Indenture. Pursuant to the Master Indenture, the Obligated Group and any future Obligated Group Members have pledged and granted to the Master Trustee (a) a lien on the Mortgaged Property (b) a security interest in all personal property owned or hereafter acquired by the Obligated Group, (b) a security interest in all the Gross Revenues of the Obligated Group, with certain limited exceptions, (c) a security interest in the Funds established under the Master Indenture, and (d) a security interest in any other property from time to time subjected to the lien of the Master Indenture. See "**THE MASTER INDENTURE**" in **APPENDIX C**.

The Series 2017 Note will constitute a joint and several obligation of each Obligated Group Member, and the Series 2017 Note will be secured on a parity basis with any other Notes and any other Obligations heretofore or hereafter issued under the Master Indenture by a lien on the trust estate pledged thereunder, which includes the Community and the Gross Revenues of the Obligated Group. See " — **Ground Lease Deed of Trust**" herein.

Currently, only the Obligor, SQLC and the Master Trustee are parties to the Master Indenture, and the Obligor and SQLC are the only Obligated Group Members. The Obligor, SQLC, and each Obligated Group Member that may be admitted in the future will be jointly and severally liable for the payment for all obligations entitled to the benefits of the Master Indenture and will be subject to the financial and operating covenants thereunder. See "**THE MASTER INDENTURE—Admission of Obligated Group Members**" and "**—Withdrawal of Obligated Group Members**" in **APPENDIX C** for a description of the limitations on admission and release of Obligated Group Members and "**BONDHOLDERS' RISKS – Additions and Changes in the Obligated Group**" herein.

THE OBLIGOR AND SQLC ARE THE ONLY MEMBERS OF THE OBLIGATED GROUP.

Ground Lease Deed of Trust. The Community is located on approximately 16.25 acres owned by Intercity Investment Properties, Inc. ("*Intercity*"), an unrelated third party. The Obligor executed a ground lease with Intercity effective November 5, 1999 (the "*Ground Lease*"). The Ground Lease expires in November 2054.

Pursuant to the terms of the Master Indenture, the Obligor has granted as deed of trust in its leasehold estate to the Master Trustee for the benefit of the Noteholders thereunder. See "**BONDHOLDERS' RISKS – The Security Interest Securing the Note is of Limited Value**" herein and "**THE COMMUNITY – Ground Lease**" in **APPENDIX A** hereto.

Certain Covenants of the Obligated Group

In addition to the covenants described below, the Master Indenture contains additional covenants relating to, among others, the maintenance of the Community's property, corporate existence, the maintenance of certain levels of insurance coverage, the incurrence of additional debt, the sale or lease of certain property, and permitted liens. For a full description of these and other covenants, see "**THE MASTER INDENTURE**" in **APPENDIX C** hereto.

Rate Covenant. The Members covenant and agree that the Obligated Group Representative will calculate the Historical Debt Service Coverage Ratio of the Obligated Group for each Fiscal Year, and will deliver a copy of such calculation to the Required Information Recipients.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year.

Within 90 days of retaining a Consultant, the Obligated Group Representative will cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member is required to follow each applicable recommendation to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This section shall not be construed to prohibit any Member from serving indigent patients to the extent required for such Member to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this section.

Notwithstanding any other provisions of the Master Indenture, an Event of Default arising with respect to the failure to maintain the required Historical Debt Service Coverage Ratio shall only occur if one or more of the following conditions applies:

(a) the Obligated Group (A) fails to achieve an Historical Debt Service Coverage Ratio of at least 1.20:1 for any Fiscal Year, and (B) fails to take all necessary action to comply with the procedures described under this section for preparing a report, adopting a plan, and following all recommendations contained in such report or plan to the extent feasible (as determined by the Governing Body of the Obligated Group Representative) and permitted by law; or

(b) the Obligated Group fails to achieve an Historical Debt Service Coverage Ratio of at least 1.00:1 for any Fiscal Year and the Days' Cash on Hand of the Obligated Group as of the last day of such Fiscal Year is less than 180; or

(c) the Obligated Group fails to achieve an Historical Debt Service Coverage Ratio of at least 1.00:1 for two consecutive Fiscal Years.

Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Indebtedness for any acquisition, construction, renovation or replacement project, the Debt Service Requirements on such Indebtedness relating to the project or projects financed with the proceeds of such Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with the Master Indenture until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement project being

paid for with the proceeds of such Indebtedness provided that such completion occurs no later than six months following the completion date for such project set forth in the Consultant's report described in (A) below, or (ii) the first full year in which stable occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities financed with the proceeds of such Indebtedness, which stable occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness, or (iii) the end of the fourth full Fiscal Year after the incurrence of such Indebtedness, if the following conditions are met:

(A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for each of the first two full Fiscal Years following the later of (1) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Indebtedness, or (2) the first full Fiscal Year following the year in which stable occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities being financed with the proceeds of such Indebtedness, which stable occupancy shall be projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness, will be not less than 1.20:1 after giving effect to the incurrence of such Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or Federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and

(B) there is delivered to the Master Trustee an Officer's Certificate on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service Coverage Ratio to be computed without taking into account (1) the Indebtedness to be incurred if (x) the interest on such Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefor and (y) no principal of such Indebtedness is payable during such period, and (2) the Revenues to be derived from the project to be financed from the proceeds of such Indebtedness.

For specific information regarding the process under the Master Indenture for selection of Consultants, see **"SECURITY FOR THE BONDS—Approval of Consultants"** and **APPENDIX C— "THE MASTER INDENTURE—Approval of Consultants."**

Liquidity Covenant. The Obligated Group covenants that it will calculate the Days Cash on Hand of the Obligated Group as of June 30 and December 31 of each Fiscal Year (each such date being a "*Liquidity Testing Date*"). The Obligated Group shall deliver an Officer's Certificate setting forth such calculation as of June 30 to the Master Trustee not less than 45 days after such June 30, and include such calculation as of December 31 in the Officer's Certificate delivered pursuant to the Master Indenture.

Each Obligated Group Member is required to conduct its business so that on each Liquidity Testing Date Obligated Group shall have no less than 150 Days Cash on Hand (the "*Liquidity Requirement*").

If the amount of Days Cash on Hand as of any Liquidity Testing Date is less than the Liquidity Requirement, the Obligated Group Representative shall, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to raise the level of Days Cash on Hand to the Liquidity Requirement for future Liquidity Testing Dates.

If the Obligated Group has not raised the level of Days Cash on Hand to the Liquidity Requirement by the next Liquidity Testing Date immediately subsequent to delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate

disclosing such deficiency, select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase Days Cash on Hand to the Liquidity Requirement for future Liquidity Testing Dates. A copy of the Consultant's report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 90 days after the date such Consultant is actually engaged. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Liquidity Testing Date shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. See **"THE MASTER INDENTURE—Liquidity Covenant"** in **APPENDIX C** hereto.

For specific information regarding the process under the Master Indenture for selection of Consultants, see **"SECURITY FOR THE BONDS – Approval of Consultants"** and **APPENDIX C— "THE MASTER INDENTURE—Approval of Consultants."**

Approval of Consultants

The Master Indenture provides that if at any time the members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture (other than with respect to the calculations required by the provisions in the Master Indenture in connection with incurrence of additional indebtedness, and transfer of assets (see **APPENDIX C— "THE MASTER INDENTURE—Permitted Additional Indebtedness,"** and **"—Sale or Lease of Property,"**) and any determination of the Projected Rate under the Master Indenture to which the provisions of this section shall not apply), such Consultant shall be engaged in the manner as set forth below in this section.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee of such selection. The Master Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such selection. Such notice will (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits an objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligations holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee is required to notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have been deemed to have consented to the selection of the Consultant, the Obligated Group Representative is required to engage the Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the owners of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with the procedures described herein.

For further information about the approval of Consultants, including the ability of owners to object to the selection of a Consultant, see **APPENDIX C— "THE MASTER INDENTURE—Approval of Consultants."**

Revenue Fund

If an Event of Default under the Master Indenture occurs due to failure to pay any debt service on any Obligations when due and continues for a period of five days, each Obligated Group Member is required to deposit with the Master Trustee for deposit into the Revenue Fund all Gross Revenues of such Obligated Group Member (except to the extent otherwise provided by or inconsistent with any instrument creating any mortgage, lien, charge, encumbrance, pledge or other security interest granted, created, assumed, incurred or existing in accordance with the

provisions of the Master Indenture) during each succeeding month, beginning on the first day thereof and on each day thereafter, until no payment default under the Master Indenture then exists.

On the fifth Business Day preceding the end of each month in which any Obligated Group Member has made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee will withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

FIRST, to the payment of all amounts due the Master Trustee under the Master Indenture;

SECOND, to the payment of the amounts then due and unpaid upon the Obligations, other than Obligations constituting subordinated indebtedness, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively;

THIRD, to the payment of the amounts then due and unpaid upon the Obligations constituting subordinated indebtedness for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively; and

FOURTH, to the Obligated Group Representative.

BONDHOLDERS' RISKS

General

The Series 2017 Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Obligor under the Loan Agreement.

A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION "**SECURITY FOR THE BONDS**" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS.

As described herein under the caption "**SECURITY FOR THE BONDS**," except to the extent that the principal of, premium, if any, and interest on the Series 2017 Bonds may be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Community, such principal, premium and interest will be payable solely from amounts paid by the Obligor under the Loan Agreement or by the Obligated Group (currently consisting of the Obligor and SQLC) under the Master Indenture.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the Obligor and SQLC together with future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal and interest on the Series 2017 Bonds in the amounts and at the times required to pay debt service on each series of the Series 2017 Bonds when due. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the Series 2017 Bonds. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

Impact of Market Turmoil

The economic turmoil of the past few years had severe negative repercussions upon the United States and global economies. This impact was particularly severe in the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. The effects of this turmoil can still be seen in the scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures, high unemployment and increased consumer and business bankruptcies. The recent turmoil and any similar future market turmoil could affect the market and demand for the Series 2017 Bonds in addition to adversely affecting the value of any investments of the Obligated Group.

Additions and Changes in the Obligated Group

The Master Indenture allows the Obligated Group Representative, in certain circumstances, to add members to the Obligated Group. Although any entity that becomes an Obligated Group Member is required to guarantee or to assume joint and several liability for the Obligations issued under the Master Indenture, the enforceability of the guaranty or assumption may be limited under the Federal Bankruptcy Code or the Texas Uniform Fraudulent Transfer Act if the Obligated Group Member was insolvent or undercapitalized at the time of (or became insolvent or undercapitalized by reason of) the guaranty or assumption and did not receive "reasonably equivalent value" for the guaranty or assumption. See **APPENDIX C—"THE MASTER INDENTURE – Admission of Obligated Group Members."**

When an entity becomes an Obligated Group Member, the allowable amount of debt which may be incurred under the Master Indenture by the Obligated Group Members may increase because the amount of such debt that the Obligated Group Members may incur is based on the historical or projected combined revenues of the Obligated Group Members. If an Obligated Group Member incurred additional debt based upon the revenues of another Obligated Group Member whose guaranty or assumption subsequently was held unenforceable, the interests of the owners of the Series 2017 Bonds would be diluted, because all outstanding debt then must be paid from a diminished, legally accessible flow of revenues.

In May 2016, SQLC loaned SQLC-Corpus approximately \$2,830,000 (the "*SQLC Note*") to fund the semi-annual interest payment on the outstanding Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Mirador Project) Series 2010A and Series 2010B (collectively, the "*Mirador Bonds*"). See **APPENDIX A—"FINANCIAL INFORMATION – Loans to SQLC Affiliates."** Currently, the SQLC Note is secured on a parity basis with the Mirador Bonds. In November 2016, SQLC-Corpus, SQLC, and with the beneficial owners of approximately 90% of the Mirador Bonds entered into a Term Sheet (the "*Term Sheet*") for the financial restructuring of the Mirador Bonds (the "*Restructuring*"). As specified in the Term Sheet, the Restructuring will involve the exchange the Mirador Bonds for new bonds (the "*Mirador Exchange Bonds*") which will bear a lower interest rate and an extended principal payment schedule. The Term Sheet provides that upon implementation of the Restructuring, the SQLC Note will be exchanged for a new note (the "*SQLC Exchange Note*") which will bear interest at a rate of 4.875% annually, and except as described below, will be payable when principal payments are made on the Mirador Exchange Bonds such that of the total debt service payment made, 80% of the payment will be allocated to principal on the Mirador Exchange Bonds and 20% will be allocated to principal on the SQLC Exchange Note. In addition, except as described below, the SQLC Exchange Note will be secured on a parity basis with the Mirador Exchange Bonds. The Restructuring is subject to the approval of a Minnesota state court in a trust instruction proceeding ("*TIP*") initiated by the trustee of the Mirador Bonds. The TIP was initiated in January 2017 and is still pending before the court. SQLC anticipates that the Restructuring would occur in May 2017 if timely court approval of the Restructuring is obtained.

Pursuant to the Term Sheet, SQLC has agreed to undertake its reasonable best efforts to complete one of the following events (each a "*SQLC Credit Event*") upon the earliest time at which the applicable financial test in the Master Indenture is achieved and the Obligated Group Representative determines in its judgment that the provision of the SQLC Credit Event serves the best interests of the Obligated Group: (i) effect SQLC-Corpus's admission into the Obligated Group; or (ii) provide a Guaranty under the Master Indenture with respect to the debt service requirements on the Mirador Exchange Bonds. Until a SQLC Credit Event occurs, no principal will be payable on the SQLC Exchange Note and interest will accrue but not be payable. Additionally, the SQLC Exchange Note will

be subordinated to the Mirador Exchange Bonds with respect to collateral until a SQLC Credit Event occurs. Upon the occurrence of a SQLC Credit Event, the SQLC Exchange Note will become *pari passu* with the Mirador Exchange Bonds. Additionally, upon the occurrence of a SQLC Credit Event, the average interest rate on the Mirador Exchange Bonds may be reduced by 50 basis points.

If SQLC-Corpus is not admitted to the Obligated Group after the first annual testing period the applicable financial tests under the Master Indenture allow for SQLC-Corpus' admission into the Obligated Group (the "Admission Requirement"), one-third of the principal amount of the SQLC Exchange Note will be deemed forgiven and discharged. If SQLC-Corpus is not admitted to the Obligated Group after the second annual testing period in which the Admission Requirement is met, another one-third of the principal amount of the SQLC Exchange Note will be deemed forgiven and discharged. If SQLC-Corpus is not admitted to the Obligated Group after the third annual testing period in which the Admission Requirement is met, the remaining principal amount of the SQLC Exchange Note will be deemed forgiven and discharged such that the SQLC Exchange Note will be entirely forgiven.

In the event that SQLC-Corpus becomes an Obligated Group Member, SQLC-Corpus's obligations with respect to the Mirador Exchange Bonds will become joint and several obligations of the Obligated Group. Such admission could have a decremental impact on the security for owners of the Bonds if SQLC-Corpus is unable to satisfy its obligations on the Mirador Exchange Bonds without the benefit of the Obligated Group.

Limited Obligations

THE SERIES 2017 BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF TEXAS, TARRANT COUNTY TEXAS, OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE ISSUER OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR IN ACCORDANCE WITH THE BOND INDENTURE. THE ISSUANCE OF THE SERIES 2017 BONDS UNDER THE PROVISIONS OF THE ACT DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION FOR THE PAYMENT THEREOF OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT AND SUCH BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT NOW AND SHALL NEVER CONSTITUTE A DEBT OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE STATE OF TEXAS AND DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE CREDIT OR TAXING POWER OF THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. NO BREACH BY THE ISSUER OF ANY SUCH PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT MAY IMPOSE ANY LIABILITY, PECUNIARY OR OTHERWISE, UPON THE STATE OF TEXAS, TARRANT COUNTY, TEXAS, OR ANY CHARGE UPON THEIR GENERAL CREDIT OR AGAINST THEIR TAXING POWER. THE ISSUER HAS NO TAXING POWER.

Ability to Generate Sufficient Revenues

The Obligated Group Members' abilities to generate sufficient revenues from the operation of the Community to make the required payments under the Loan Agreement sufficient to cover the principal of and interest on the Series 2015 Bonds, the Series 2017 Bonds, and any Additional Bonds issued in the future under the Bond Indenture or any Obligations issued from time to time in the future under the Master Indenture, including the Bank of America Note, will be dependent upon, among other things, a number of factors, including the demand for the services provided by the Obligor, the abilities of residents of the Community to afford to pay its charges, the capabilities of management of the Obligor, the Obligor's ability to recruit qualified personnel, economic developments and population trends in the north Texas area, competition from present and future providers of similar services, rates, costs, the continued availability of government, commercial insurance and other third party reimbursement programs, the effect of changes in accreditation standards or governmental regulations, the availability of adequate insurance coverage for the Community and the Obligated Group Members, and the ability of the Obligated Group Members to control expenses during periods of inflation and to increase other fees charged

while maintaining the amount and quality of health services delivered. There can be no assurance that the Obligated Group Members' revenues from operations will be sufficient to enable the Obligated Group to service its debt and meet its other obligations.

The Obligated Group Members have in the past relied to an extent on individual gifts and bequests to fund capital replacements and improvements to the Community. While management of the Obligor believes there are alternative sources of funding for such capital replacements and improvements such as increases in rates and charges, it intends to continue to rely on gifts and bequests as a source of funding for these activities. Many of the same factors affecting the operation of the Community will affect the availability of gifts and bequests to the Obligor, and no assurance can be given that such gifts and bequests will continue to be available to the Obligor in the future.

Geographic Concentration

The Community is located in Dallas, Texas. Accordingly, the occupancy rates in the Community may be adversely affected by regional and local economic conditions, competitive conditions, applicable local laws and regulations, and general real estate market conditions, including the supply and proximity of senior living communities in such area.

Dependence on Attracting Residents with Sufficient Resources to Pay

Approximately 84.2% of the Obligated Group Members' total resident service fee revenue for the year ended December 31, 2016, were attributable to private pay sources. Inflation or other circumstances that adversely affect the ability of residents to pay for the Obligor's services could have a material adverse effect on the Obligor's business, financial condition, and results of operations.

Security Interest Securing the Notes is of Limited Value

The lien on the leasehold estate and lien on property granted under the Master Indenture provides limited security. Little property that is subject to the liens consist of general purpose buildings suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the property, and, upon a default, the Bond Trustee or the Master Trustee may not obtain an amount equal to the aggregate liabilities of the Obligated Group (including liabilities in respect of the Bonds then outstanding) from the sale or lease of the property, whether pursuant to a judgment against the Obligated Group, or otherwise.

The security interests in revenues, income, receipts, cash, negotiable instruments and certain contract rights granted by the Obligated Group to the Master Trustee pursuant to the Master Indenture may be affected by various matters, including (i) federal bankruptcy laws which would, among other things, preclude enforceability of the security interest as to revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to revenues arising prior to such commencement to the extent a security interest therein would constitute a voidable preference or fraudulent conveyance, (ii) rights of third parties in cash, securities and instruments arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any 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 jurisdiction and rights of donors of property, (v) claims that might obtain priority if continuation statements or financing statement amendments are not filed in accordance with applicable laws, (vi) the rights of holders of prior perfected security interests in equipment and other goods owned by the Obligated Group and in the proceeds of sale of such property, (vii) statutory liens and (viii) the rights of parties secured by permitted encumbrances. Accordingly, such security interest is expected to provide only limited value in the event of default.

The value of the Mortgaged Property will at all times be dependent upon many factors beyond the control of the Obligor, such as changes in general and local economic conditions, changes in the supply of or demand for competing properties in the same locality, and changes in real estate and zoning laws or other regulatory restrictions. A material change in any of these factors could materially change the value of the Mortgaged Property. Any weakened market conditions may also depress the value of the Mortgaged Property. Moreover, the Mortgaged

Property is primarily composed of special purpose senior living facilities that may have substantially less or even no value if converted to other purposes. The value of the Mortgaged Property therefore is directly dependent on the economic viability of senior living providers in general and of services provided at the location of the Mortgaged Property in particular. Accordingly, the number of entities that would be interested in purchasing or leasing the Mortgaged Property might be limited and the value of the Mortgaged Property is likely to depreciate in the circumstances in which the Master Trustee may need to resort to the security afforded by the Master Indenture to protect the interests of Bondholders. Any reduction in the market value of the Mortgaged Property will adversely affect the security available to the Master Trustee. There is no assurance that the amount available upon foreclosure of the Mortgaged Property after the payment of foreclosure costs will be sufficient to pay the amounts owed by the Obligated Group on the Obligations.

If an event of default does occur under the Master Indenture, it is uncertain that the Master Trustee or the Bond Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Bonds. In addition, obligations other than the Note and the outstanding Obligations under the Master Indenture may be issued from time to time in the future pursuant to the Master Indenture. If and when issued, such obligations will be on a parity with the Note with respect to the benefits of the Master Indenture. In addition, should other entities become obligated under the Master Indenture in the future, the Obligated Group currently obligated under the Master Indenture would become jointly and severally liable for any obligations issued on behalf of such other entities under the Master Indenture.

In the event that the lien on the Mortgaged Property is foreclosed, then, in addition to the customary costs and expenses of operating and maintaining the Mortgaged Property, the party or parties succeeding to the interest of the Obligor in the Mortgaged Property (including the Master Trustee, if such party or parties were to acquire the interest of the Obligor in the Mortgaged Property) could be required to bear certain associated costs and expenses, which could include: the cost of complying with federal, state or other laws, ordinances and regulations related to the removal or remediation of certain hazardous or toxic substances; the cost of complying with laws, ordinances and regulations related to health and safety, and the continued use and occupancy of the Mortgaged Property, such as the Americans with Disabilities Act; and costs associated with the potential reconstruction or repair of the Mortgaged Property in the event of any casualty or condemnation.

The Mortgaged Property consists solely of certain personal property and the leasehold interest in the Community Site. Intercity, the fee owner of the Community Site, has the right to foreclose and take possession of the Community. The Mortgaged Property is subordinate to the lien of Intercity.

Property may be released from the liens of the Master Indenture. See "**THE MASTER INDENTURE—Liens on Property**" and "**—Sale or Lease of Property**" in **APPENDIX C**.

Limitation of Foreclosure Rights Under Texas Law

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

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

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

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

Enforceability of Remedies

The remedies available upon an event of default under the Bond Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Indenture may not be readily available or may be limited.

The security interest in Gross Revenues granted by the Obligated Group Members to the Master Trustee pursuant to the Master Indenture may be affected by various matters, including (i) federal bankruptcy laws which could, among other things, preclude enforceability of the security interest as to Gross Revenues arising subsequent to the commencement of bankruptcy proceedings and limit such enforceability as to Gross Revenues arising prior to such commencement, to the extent a security interest therein would constitute a voidable preference, (ii) rights of third parties in cash, securities and instruments not in possession of the Master Trustee, including accounts and general intangibles converted to cash, (iii) rights arising in favor of the United States of America or any agency thereof, (iv) present or future prohibitions against assignment in any federal statutes or regulations, (v) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (vi) claims that might obtain priority if continuation statements are not filed in accordance with applicable laws, (vii) the rights of holders of prior perfected security interest in equipment and other goods owned by the Obligated Group Members and in the proceeds of sale of such property, (viii) statutory liens, and (ix) the rights of parties secured by Permitted Encumbrances (as defined in **APPENDIX C**). If an event of default does occur, it is uncertain that the Master Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Series 2017 Bonds. See **"THE MASTER INDENTURE—Defaults and Remedies"** in **APPENDIX C** hereto.

Personnel

The Obligor employed approximately 280 full-time equivalent employees and a total of approximately 336 total employees for the period ending December 31, 2016. Management of the Obligor believes that its salary and benefits package is competitive with other comparable institutions in the respective areas in which the Obligor operates and that its employee relations are satisfactory.

The health care industry has at times experienced a shortage of qualified health care personnel. The Obligor competes with other health care providers and with non-health care providers for both professional and nonprofessional employees. While the Obligor has been able to retain the services of an adequate number of qualified personnel to staff the Community appropriately and maintain its standards of quality care, there can be no assurance that continued shortages will not in the future affect its ability to attract and maintain an adequate staff of

qualified health care personnel. A lack of qualified personnel could result in significant increases in labor costs or otherwise adversely affect its operating results.

Insurance and Legal Proceedings

The provision of personal and health care services entails an inherent risk of liability. In recent years, participants in the senior living and health care services industry have become subject to an increasing number of lawsuits alleging negligence, malpractice or related legal theories, many of which involve large claims and result in the incurrence of significant defense costs. The Obligor carries property and general liability insurance, professional liability insurance, and medical malpractice insurance coverage in amounts deemed adequate by management and consistent with other comparable institutions. The Obligor also requires physicians practicing at the Community to carry medical malpractice insurance to cover their individual practices. However, there can be no assurance that any current or future claims will not be covered by or exceed applicable insurance coverage. A claim against the Obligor not covered by, or in excess of, the Obligor's insurance could have a material adverse effect upon the Obligor.

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

In its role as an owner and operator of real properties, the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that have come to be located on its real property, including any such substances that may have migrated off of its real property. In addition, the Obligated Group Members' operations include the handling, use, storage and disposal of hazardous, infectious and toxic materials and wastes. Such handling, use or release by the Obligated Group Members may produce risks of damage to individuals, property or the environment; interruption of operations or increased costs; legal liability, damages, injunctions or fines, or the triggering of investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that the Obligated Group Representative will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group Representative. The Obligated Group Members are not aware of any environmental liability with respect to any of its properties that it believes would have a material adverse effect on the Obligated Group Members' business, financial condition, or results of operations. The Obligated Group Members believe that their operations and Community are in compliance in all material respects with all federal, state, and local laws, ordinances, and regulations regarding hazardous or toxic substances or petroleum products.

No member of the Obligated Group currently is a party to any legal proceeding that it believes would have a material adverse effect on its business, financial condition, or results of operations.

Nursing Shortage

The healthcare industry has experienced a shortage of nursing staff that has resulted in increased costs for healthcare providers due to the need to hire agency nursing personnel at higher rates. Even though the Obligor has not experienced this in recent history, if the nursing shortage continues, it could possibly adversely affect the Obligor's operations or financial condition.

Health Care Reform

The enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, "*PPACA*") represents a significant reform of federal health care legislation. Additionally, Congress continues to consider the adoption of additional laws to modify several aspects of such legislation. PPACA is intended to bring about substantial changes to the delivery of health care services, the financing of health care costs, reimbursement to health care providers, and the legal obligations of health insurers, providers, and employers. The numerous provisions of PPACA are slated to take effect at specified times over approximately the next decade, and, therefore, the full consequences of the new laws on the health care industry will not be immediately realized. The ramifications of PPACA provisions may become apparent only as a result of

regulatory interpretations promulgated during the implementation of the enacted laws. Portions of PPACA may also be limited or nullified as a result of legal challenges.

Many PPACA provisions could have a significant impact on health care providers, including their operations and revenues, and such impact could be negative. For example, expanded health insurance coverage, in particular, could affect the composition of the population enrolled in various public and private health plans, potentially resulting in a capacity strain on provider networks or unanticipated service costs. PPACA attempts to increase competition among private health insurers by providing for transparent state insurance exchanges. PPACA also prevents private insurers from adjusting insurance premiums based on health status, gender, or other specified factors. To offset the cost of expanded health care coverage and implementation of reform, PPACA includes cuts in Medicare reimbursement and increased taxes. Cost-cutting provisions will impact health care providers by reducing or eliminating reimbursement for failure to satisfy certain quality requirements and reduction of Medicare market basket updates.

PPACA reduces payments for services to federally-insured patients because Congress expected that providers will realize savings in bad debt and charity care expenses, since they are expected to provide care to fewer uninsured patients as a result of mandated increases in insurance coverage.

The constitutionality of certain of PPACA's provisions designed to expand health insurance coverage was challenged, and the U.S. Supreme Court decided that the penalty for noncompliance with the individual mandate is constitutional as a valid exercise of Congress' taxing power. Since the first Supreme Court decision, certain members of Congress have continued to support full repeal of, or propose legislative alternatives to, PPACA. The Supreme Court recently heard arguments to determine whether the language of PPACA permits consumers to receive premium tax credits for obtaining health insurance through insurance exchanges that are not run by the state but instead through the default, federally-run exchange and is expected to rule in the next few months. If the Court decides PPACA does not permit this, this could impact the viability of the federally-run exchanges, including the one in Texas.

It is difficult to predict the full impact of PPACA due to the law's complexity, the pending nature of certain implementing regulations or interpretive guidance, and gradual implementation, as well as an inability to foresee how states, businesses and individuals will respond to the choices afforded them by the law. At this time, therefore, the Obligor is unable to predict the full impact of PPACA on the Obligor.

Health care providers are likely to be subjected to decreased reimbursement as a result of implementation of recommendations of the PPACA-created Independent Payment Advisory Board, whose directive is to reduce Medicare cost growth. The Board's recommended reductions would be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets.

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

State Regulatory Issues

Health Care Centers. Nursing homes in Texas are regulated and inspected in accordance with the terms of the Convalescent and Nursing Homes and Related Institutions Act, Chapter 242 of the Texas Health and Safety Code (the "*Nursing Home Act*") and the regulations promulgated thereunder. Assisted living facilities in Texas are regulated and inspected in accordance with the terms of the Assisted Living Facility Licensing Act, Chapter 247 of the Texas Health and Safety Code (the "*Assisted Living Act*") and the regulations promulgated thereunder. The stated purposes of the Nursing Home Act and the Assisted Living Act are to ensure that institutions in the state deliver the highest possible quality of care. The Nursing Home Act and the Assisted Living Act, and the rules and standards thereunder, establish the minimum acceptable levels of care. Components of the quality of care addressed

in these laws and regulations include: quality of life; access to care; continuity of care; comprehensiveness of care; coordination of services; humaneness of treatment; conservatism in intervention; safety in the environment; professionalism of caregivers; and participation in useful studies. Accordingly, all licensed nursing home facilities and assisted living facilities in Texas must implement certain resident rights and must comply with standards in areas including construction, staffing, education and training, sanitation, diet, equipment, fire safety, and the use and administration of medication. In addition, licensees are subject to periodic inspections, both announced and unannounced, by TDADS.

Assisted Living Units. TDADS conducts surveys of assisted living facilities CMS to ensure compliance with State licensing laws. In order to maintain its licensure the Obligor's assisted living facility will be surveyed by TDADS at least every two years and more often if there are adverse occurrences at the Obligor's communities that impact the health and/or safety of the residents. If TDADS finds deficiencies at the Obligor's assisted living units it may impose certain licensure penalties, including administrative (money) penalties and suspension or termination of the Obligor's assisted living license. In egregious cases TDADS has the authority, through civil court, to install a trustee in the Obligor's community to run the assisted living operations until the assisted living operations either come back into compliance or are closed per court order.

Texas assisted living facilities that care for people with Alzheimer's disease and related disorders may be certified by TDADS. Facilities applying for certification in accordance with the Assisted Living Facility Licensing Act or must comply with standards relating to the specialized care and treatment of persons with Alzheimer's and related disorders. While an institution is not required to be certified in order to provide such care and treatment, an institution that is not so certified may not advertise or otherwise communicate that the institution is certified by TDADS to provide specialized care. The Community includes 31 beds that are certified by TDADS for Alzheimer's care.

Nursing Home. In order to maintain its licensure the Obligor's nursing facility will be surveyed by TDADS yearly and more often if there are adverse occurrences at the Obligor's nursing facility that impact the health and/or safety of the residents. In addition to conducting surveys on behalf of CMS, TDADS also conducts surveys of nursing facilities independent of its role as the state survey agency for CMS to ensure compliance with State licensing laws. If TDADS finds deficiencies at the Obligor's nursing home it may impose certain licensure penalties, including administrative (money) penalties and suspension or termination of the Obligor's nursing home license. In egregious cases TDADS has the authority, through civil court, to install a trustee in the Obligor's community to run the nursing home operations until the nursing home operations either come back into compliance or are closed per court order.

CMS has the authority to impose penalties for survey deficiencies, including civil money penalties, denial of Medicare payment for new admissions, directed in-service training and, in egregious cases, termination of Medicare certification. Texas and the federal government, through several different agencies, also have the authority to impose civil and criminal penalties for wrongful or fraudulent billing for nursing care and for violation of the federal and state anti-kickback laws. The imposition of significant money penalties, placement in the Obligor's nursing home operations of a trustee, the loss of licensure or Medicare certification by the Community, or the imposition of criminal or substantial civil money penalties or exclusion from the Medicare program may negatively impact the Obligor's revenues, and could even limit its ability to continue operations.

The Obligor is subject to ongoing surveys and inspections in its licensed nursing home and assisted living units and audits of its nursing home billing practices. The surveys in the Obligor's assisted living and nursing facilities have generally been either deficiency-free or have resulted in minimal penalties. The audits of billing practices in the Obligor home operations have reflected appropriate billing practices. While the Obligor will use best efforts to assure that the operation of the assisted living and nursing facility will result in either deficiency-free surveys or the imposition of minimal penalties that would not negatively impact revenues of the Obligor, there can be no assurance that TDADS will not seek to impose substantial penalties as a result of the surveys and inspections of the assisted living or nursing facility.

Third-Party Payments

General. The health care industry in general is subject to regulation by a number of federal, state and local governmental agencies, including TDADS and CMS. As a result, the industry is sensitive to legislative changes in such programs and is affected by reductions in governmental spending for such programs. Congress has in the past enacted a number of provisions that affect health care providers and additional legislative changes can be expected. Previous legislative actions have included limitation of payments to nursing homes under the Medicare program. Additional legislation dealing with nursing home revenues could be introduced that, if enacted, might have an adverse impact upon the revenues of the Obligor.

The Community is currently certified for only Medicare.

Medicare. Medicare is a federal insurance program that, among other things, provides reimbursement for nursing facility care in Medicare-certified facilities. Generally, a resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified resident. The Medicare SNF prospective payment system uses a resource classification system known as Resource Utilization Groups Version 4 ("*RUG-IV*"), which assigns a patient to a RUG group to determine a daily payment rate. Each RUG group consists of case mix indexes that reflect a patient's severity of illness and the services that a patient requires in the SNF.

Other future legislation, regulation or actions by the federal government are expected to continue the trend toward more limitations or conditions on reimbursement for long term care services. At present, no determination can be made concerning whether or in what form such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligor's financial performance cannot be determined at this time.

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

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

There is an increasingly expanding and complex body of state and federal law, regulation and policy relating to relationships between providers of health care services to patients and potential referral sources such as, but not limited to, physicians. The federal and state illegal remuneration statutes and anti-kick-back statutes applicable to Medicare and all federal and state health care programs ("*Government Programs*") prohibits the offer, payment, solicitation, or receipt of any remuneration, directly or indirectly, covertly or overtly, in cash or in kind, for (1) the referral of patients, or arranging for the referral of patients, for the provision of items or services for which payment may be made under the Government Programs; or (2) the purchase, lease or order, or arranging for the purchase, lease or order, of any good, facility, service or item for which payment may be made under the

Government Programs. A violation of the illegal remuneration statute constitutes a felony criminal offense, and applicable sanctions include imprisonment of up to five years, fines up to \$25,000 and exclusion from the Medicare program.

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

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

In addition to the anti-kickback and illegal remuneration statutes, the Stark Law imposes certain restrictions upon referring physicians and providers of certain designated health services, including long term care services, under the Medicare program. Subject to certain exceptions, the Stark Law provides that if a physician (or a family member of a physician) has a financial relationship with an entity (i) the physician may not make a referral to the entity for the furnishing of designated health services reimbursable under the Medicare program, and (ii) the entity may not bill for designated health services furnished pursuant to a prohibited referral. Entities and physicians committing an act in violation of the Stark Law are subject to civil money penalties and exclusion from the Medicare program. Mandated by PPACA, the recently published Medicare self-referral disclosure protocol is intended to allow providers to self-disclose actual or potential violations of the Stark Law. PPACA provides for discretion to reduce penalties for providers submitting a self-disclosure. As a result of the scarcity of case law interpreting the Stark Law, there can be no assurance that the Obligor will not be found in violation of the Stark Law or that self-disclosure of a potential violation would result in reduced penalties for the Obligor. The precise impact on the Obligor of any such violation and corresponding sanction cannot be predicted at this time, but would be negative if any such sanction is imposed.

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

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

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

Privacy and Security Regulations. The privacy and security of patient medical records and other health information is subject to considerable regulation by the federal government. For example, the administrative simplification provisions of the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") mandate that health care providers transmit certain patient health information in accordance with DHHS standards and requirements. HIPAA mandates the adoption of federal privacy and security standards to protect the confidentiality of protected health information. Regulations designed to protect health information impose very complex procedures and operational requirements with which the Obligor is obligated to comply. Failure to protect the privacy and security of protected health information could result in damages or civil or criminal penalties. In addition, violations may increase operating expenses as necessary to notify affected individuals of privacy or security breaches, correct problems, comply with federal and state regulations, defend against potential claims and implement and maintain any additional requirements imposed by government action. In 2010, federal legislation altered rules regarding the use and disclosure of protected health information, extended certain HIPAA provisions to business associates, created new privacy and security breach notification requirements, and augmented enforcement capabilities and sanctions under HIPAA.

Federal Tax Matters

Possible Changes in Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by an Obligated Group Member of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of an Obligated Group Member and thereby the revenues of the Obligated Group, taken as a whole. Each of the Obligor and SQLC has obtained a determination letter from the Internal Revenue Service to the effect that it is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code. As an exempt organization, the Obligor and SQLC are subject to a number of requirements affecting its operation. The failure of the Obligor to remain qualified as an exempt organization would affect the funds available to the Obligor for payments to be made under the Loan Agreement. Failure of an Obligated Group Member or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Series 2017 Bond proceeds, could cause interest on the Series 2017 Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes.

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

Intermediate Sanctions. Section 4958 of the Code, provides the IRS with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status. Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (*i.e.*, a director, officer or other related party) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving excessive compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription. A disqualified person who benefits from an excess benefit transaction will be subject to a "first tier" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A "second tier" penalty excise tax of 200% of the amount of the

excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Bond Audit. IRS officials have stated that more resources will be allocated to audits of tax-exempt bonds in the charitable organization sector. The Series 2017 Bonds may be subject to audit, from time to time, by the IRS. The Obligor believes that the Series 2017 Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2017 Bonds, as described under the heading "TAX MATTERS." No ruling with respect to the tax-exempt status of the Series 2017 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the Series 2017 Bonds will not adversely affect the Series 2017 Bonds.

IRS Examination of Compensation Practices. In August 2004, the IRS announced a new enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. The IRS announced that it would contact nearly 2,000 charities and foundations to seek more information about their compensation practices and procedures. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the "*IRS Final Report*") based on its examination of such tax-exempt organizations. The IRS Final Report indicates that the IRS (i) will continue to heavily scrutinize executive compensation arrangements, practices and procedures and (ii) in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

Revision of IRS Form 990 for Tax-Exempt Organization. The IRS Form 990 is used by most 501(c)(3) not-for-profit organizations exempt from federal income taxation to submit information required by the federal government. On December 20, 2007, the IRS released a revised Form 990 that requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The revised form also requires the disclosure of a significantly greater amount of information on community benefit and establishes uniform standards for reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make detailed information on compliance risk areas available to the IRS and other stakeholders.

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

Bankruptcy

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

benefit of the Obligated Group Member despite the security interest of the Master Trustee therein, provided that "adequate protection" is given to the lienholder.

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

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

In the event of bankruptcy of an Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement, the Master Indenture and certain other documents would survive. Accordingly, the applicable Obligated Group Member, as debtor in possession, or a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Series 2017 Bonds from gross income of the Owners for federal income tax purposes.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of any Member of the Obligated Group under the Series 2017 Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligated Group Members will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including the Series 2017 Note pledged under the related Bond Indenture as security for the related series of Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (a) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a Tax-Exempt Organization; (b) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (b) and (c) above with respect to the Series 2017 Note cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on the Series 2017 Note may be voided by a trustee in bankruptcy in the event of bankruptcy of a Member of the Obligated Group, or by third-party creditors in an action brought pursuant to Texas fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Texas fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Texas fraudulent conveyance statutes, or the guarantor is undercapitalized.

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

The effectiveness of the security interest in the Obligated Group's Gross Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any Member of the Obligated Group, to collect and retain accounts receivable from Medicare, general assistance and other governmental programs; (iii) commingling of the proceeds of Gross Revenues with other moneys of a Member of the Obligated Group not subject to the security interest in Gross Revenues; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the enforceability of the Mortgage or the security interest in the Gross Revenues of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a Member of the Obligated Group; (viii) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Texas Uniform Commercial Code as from time to time in effect.

Pursuant to the Master Indenture, each Member of the Obligated Group who pledges its Gross Revenues under the Master Indenture covenants and agrees that, if an Event of Default involving a failure to pay any installment of interest or principal on an Obligation should occur and be continuing, it will deposit daily the proceeds of its Gross Revenues. Such deposits will continue daily until such default is cured.

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

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, health care operations, facilities and properties owned or operated by health care providers. Among the type of regulatory requirements faced by health care providers are, (a) air and water quality control requirements, (b) waste management requirements, including medical waste disposal, (c) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and

members of the public about hazardous materials handled by or located at the clinics, (e) requirements for training employees in the proper handling and management of hazardous materials and wastes and (f) other requirements.

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

At the present time management of the Obligor is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Obligor, would have a material adverse effect on its operations or financial condition.

Existing Operations and Possible Increased Competition

The health care industry is highly competitive. The Obligor competes with a variety of other companies, many of which have greater financial and other resources and may be more established. Such competition may inhibit the extent to which the Obligor will be able to raise charges and maintain or increase admissions. Competing companies may offer newer or different centers or services and may thereby attract customers who are presently or potential customers of the Community. The Obligor expects that it will face increasing levels of competition with respect to its operations and the services it provides. The Obligor also competes with health care and other businesses with respect to attracting and retaining nurses, technicians, aides, and other high quality professional and non-professional employees and managers.

The Community is located in an area where other competitive facilities exist and it may face additional competition in the future as a result of the construction of new housing for the elderly or continuing care facilities or assisted living facilities in their primary market area. There may also arise in the future competition from other forms of housing for the elderly or nursing care facilities, some of which may be designed to offer similar services at lower prices.

Parity Debt

The Master Indenture permits the Obligated Group Members to issue Obligations on a parity with the Series 2017 Note and other Notes. See **"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS—The Master Indenture"** and **"The Bond Indenture—Additional Bonds"** in **APPENDIX C**. In the future the issuance of such Obligations could increase the Obligor's debt service and repayment requirements in a manner which would adversely affect the Obligated Group Members' ability to make debt service payments on the Series 2017 Bonds.

Amendments to Documents

Certain amendments to the Master Indenture, the Bond Indenture, and the Loan Agreement may be made without notice to or the consent of the holders of the Series 2017 Bonds and other amendments may be made with the consent of the holders of a majority in aggregate principal amount of all outstanding Bonds. Such amendments could affect the security for the Series 2017 Bonds. Certain amendments, however, are not permitted without the consent of the holder of each outstanding Bond affected thereby, including (1) extensions in the stated maturity of the principal, or any installment of interest on, any Bond, or (2) any reduction in the principal amount of or interest on any Bond. See **"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS—The Master Indenture—Amendments and Waivers; The Bond**

Indenture—Supplemental Bond Indentures; The Loan Agreement—Amendments, Changes and Modifications" in APPENDIX C.

Continuing Legal Requirements Regarding the Series 2017 Bonds

In the event that the Issuer and the Obligated Group Members fail to comply with the requirements of the Code, interest on the Series 2017 Bonds may become includable in gross income for purposes of Federal income taxation retroactively to the date of issuance of the Series 2017 Bonds.

The Bond Indenture does not contain any specific provision for acceleration or redemption of the Series 2017 Bonds if interest were to become includable in gross income for Federal income tax purposes nor does it provide that any additional interest will be paid to the owners of the Series 2017 Bonds.

Other Possible Risk Factors

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

- (1) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;
- (2) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;
- (3) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Obligated Group;
- (4) A decline in the population, a change in the age composition of the population or a decline in the economic conditions of the Obligor's market area;
- (5) The cost and availability of energy;
- (6) Increased unemployment or other adverse economic conditions in the service areas of the Obligated Group which would increase the proportion of patients who are unable to pay fully for the cost of their care;
- (7) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Obligor and any future member of the Obligated Group;
- (8) Inflation or other adverse economic conditions;
- (9) Reinstatement or establishment of mandatory governmental wage, rent or price controls;
- (10) Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;
- (11) Changes in the tax laws and regulations eliminating or adversely impairing the value of the tax exemption afforded the Series 2017 Bonds;
- (12) Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments or funded from assets of the Obligor or any future Members of the Obligated Group;

(13) Scientific and technological advances that could reduce demand for services offered by the Obligor and any future members of the Obligated Group; or

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

LITIGATION

The Issuer

There is not now pending or, to the knowledge of the Issuer, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2017 Bonds, or questioning or affecting the validity of the Series 2017 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices is being contested. There is no litigation pending or, to its knowledge, threatened which in any manner questions the right of the Issuer to enter into the Loan Agreement with the Obligor, to adopt the Resolution, or to secure the Series 2017 Bonds in the manner provided in the Bond Indenture, the Resolution and the Act.

The Obligated Group

There is no litigation or proceedings pending against the Obligor, SQLC, or their respective officers or, to their knowledge, threatened against them, which would, if decided adversely to the Obligor or SQLC, have a material adverse impact on the financial affairs of the Obligated Group, taken as a whole. There is no litigation pending or, to its knowledge, threatened against the Obligor or the SQLC that in any manner questions the validity or enforceability of the Loan Agreement, the Master Indenture, or the transactions contemplated by the issuance of the Series 2017 Bonds.

TAX MATTERS

Opinion. On the date of initial delivery of the Series 2017 Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer ("*Bond Counsel*"), will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("*Existing Law*"), interest on the Series 2017 Bonds for federal income tax purposes (i) will be excludable from the "gross income" of the holders thereof, and (ii) the Series 2017 Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2017 Bonds. See "**Proposed Form of Bond Counsel Opinion**" in **APPENDIX D** hereto.

In rendering its opinion, Bond Counsel will rely upon (a) the opinion of Thompson & Knight L.L.P., Dallas, Texas, special counsel to the Obligated Group, relating to the qualification of the Obligor as an organization described in Section 501(c)(3) of the Code, (b) information furnished by the Obligor, and particularly written representations of officers and agents of the Obligor with respect to certain material facts that are solely within its knowledge relating to the use of the proceeds of the Series 2017 Bonds and the use of the Community and (c) covenants of the Issuer and the Obligor with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Series 2017 Bonds and certain other matters. Failure of the Issuer or the Obligor to comply with these representations or covenants could cause the interest on the Series 2017 Bonds to become includable in gross income retroactively to the date of issuance of the Series 2017 Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2017 Bonds in order for interest on the Series 2017 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2017 Bonds to be included in gross income retroactively to the date of issuance of the Series 2017 Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer and the

Obligor with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2017 Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2017 Bonds.

A ruling was not sought from the IRS by either the Obligor or the Issuer with respect to the Series 2017 Bonds or the property financed or refinanced with proceeds of the Series 2017 Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Series 2017 Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure.

Federal Income Tax Accounting Treatment of Original Issue Discount Bonds. The initial public offering price to be paid for one or more maturities of the Series 2017 Bonds was less than the principal amount thereof or one or more periods for the payment of interest on the Series 2017 Bonds may not be equal to the accrual period or be in excess of one year (the "*Original Issue Discount Bonds*"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Series 2017 Bonds less the amount of all periodic interest payments. Periodic interest payments are payments that are made during equal accrual periods (or during any unequal period if it is the initial or final period and that are made during accrual periods that do not exceed one year).

Under existing law, any U.S. Holder who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of the Original Issue Discount Bonds should consult their own tax advisors with respect to the determination of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Federal Income Tax Accounting Treatment of Original Issue Premium Bonds. Any maturities of the Series 2017 Bonds that was sold at an initial offering price which exceeds the stated redemption price payable at maturity (the "*Premium Bonds*") will be considered for federal income tax purposes to have original issue premium equal to such excess. The federal tax basis of the initial purchaser of such Premium Bonds is reduced by the amount of the excess that is amortized during the period such initial owner holds such bond in determining gain or loss for federal income tax purposes. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of such bond by the initial owner. The initial purchaser of such Premium Bonds must amortize any premium over the term of the Premium Bond using constant yield principles, based on the initial offering price of such Premium Bond.

Collateral Federal Income Tax Consequences. The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2017 Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S Corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2017 BONDS.

Interest on the Series 2017 Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under Section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Series 2017 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2017 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes. Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2017 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting

The Master Indenture requires that the Obligated Group Representative provide to the Master Trustee, the Underwriter, all nationally recognized municipal securities information repositories and any state information repository for the State of Texas designated by the Securities and Exchange Commission and all Bondholders who hold \$500,000 or more of Series 2017 Bonds and request such reports in writing (which written request shall include a certification as to such ownership) (each a "*Required Information Recipient*"), the following:

(1) (A) Quarterly unaudited financial statements of the Obligated Group as soon as practicable after they are available but in no event more than 45 days after the completion of such fiscal quarter, including a combined or combining statement of revenues and expenses and statement of cash flows of the Obligated Group during such period, a combined or combining balance sheet as of the end of each such fiscal quarter, (B) a calculation of Historical Debt Service Coverage Ratio, Days Cash on Hand and occupancy statistics for such fiscal quarter, and (C) the payor mix for such fiscal quarter, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative. Such financial statements and calculations shall be accompanied by a comparison to the annual budget provided pursuant to paragraph (3) below.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.00:1 and Days Cash on Hand of the Obligated Group is less than the Liquidity Requirement for any Liquidity Testing Date as provided in the Master Indenture, the Obligated Group will deliver the financial information and the calculations described in the above paragraph on a monthly basis within 45 days of the end of each month until the Historical Debt Service Coverage Ratio of the Obligated Group is at least 1.00:1 and Days Cash on Hand of the Obligated Group is at least equal to the Liquidity Requirement;

(2) Within 150 days of the end of each Fiscal Year, an annual audited financial report of the Obligated Group prepared by a firm of certified public accountants, including a combined and an unaudited combining balance sheet as of the end of such Fiscal Year and a combined and an unaudited combining statement of cash flows for such Fiscal Year and a combined and an unaudited combining statement of revenues and expenses for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with a separate written statement of the accountants preparing such report containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and Days Cash on Hand for said Fiscal Year and a statement that such accountants have no knowledge of any default under the Master Indenture insofar as it relates to accounting matters or to the Obligated Group's Historical Debt Service Coverage Ratio or the Liquidity Requirement, or if such accountants shall have obtained knowledge of any such default or defaults, they shall disclose in such statement the default or defaults and the nature thereof.

(3) On or before the date of delivery of the financial reports referred to in paragraph (2) above, an Officer's Certificate of the Obligated Group Representative (A) stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof, (B) calculating and certifying the Historical Debt Service Coverage Ratio, Days Cash on Hand and occupancy statistics for such Fiscal Year, as of the end of such Fiscal Year, (C) attaching a summary of the Obligated Group's annual operating and capital budget for the coming Fiscal Year, and (D) reporting the number of stars awarded to the Obligated Group under the CMS Five-Star Quality Rating System.

(4) On or before the date of delivery of the financial reports referred to in paragraphs (1) and (2) above, a management's discussion and analysis of results for the applicable fiscal period.

(5) Copies of (A) any board approved revisions to the summary of the annual budget provided pursuant to paragraph (3) above, or (B) any correspondence to or from the Internal Revenue Service concerning the status of the Obligor as an organization described in Section 501(c)(3) of the Code or with respect to the tax exempt status of the Bonds, promptly upon receipt.

(6) Upon the issuance of additional Funded Indebtedness, a debt service schedule for all outstanding Funded Indebtedness.

(7) Such additional information as the Master Trustee or any Related Bond Trustee may reasonably request concerning any Member in order to enable the Master Trustee or such Related Bond Trustee to determine whether the covenants, terms and provisions of the Master Indenture have been complied with by the Members and for that purpose all pertinent books, documents and vouchers relating to the business, affairs and Property (other than patient, donor and personnel records) of the Members shall, to the extent permitted by law, at all times during regular business hours be open to the inspection of such accountant or other agent (who may make copies of all or any part thereof) as shall from time to time be designated by the Master Trustee or such Related Bond Trustee.

Continuing Disclosure

General. Inasmuch as the Series 2017 Bonds are limited obligations of the Issuer, the Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Series 2017 Bonds, and the Issuer will not provide any such information. The Obligated Group Representative has undertaken all responsibilities for any continuing disclosure to holders of the Series 2017 Bonds as described below, and the Issuer shall have no liability to the holders or any other person with respect to such disclosures. The Obligated Group Representative has covenanted for the benefit of the holders of the Series 2017 Bonds and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Continuing Disclosure Certificate (the "*Disclosure Certificate*") to be executed and delivered by the Obligated Group Representative, to provide or cause to be provided (i) each year, certain financial information and operating data relating to the Obligated Group (the "*Annual Report*") by not later than the date 150 days after the last day of the fiscal year of the Obligated Group, commencing with the Annual Report for the fiscal year ended December 31, 2017; provided, however, that if the audited financial statements of the Obligated Group are not available by such date, unaudited financial statements will be included in the Annual Report and audited financial statements will be provided when and if available; and (ii) timely notices of the occurrence of certain enumerated events, if material. Currently the fiscal year of the Obligated Group commences on January 1. "Beneficial Owners" means the beneficial owner of any Bond held in a book-entry only system. In addition, the Obligated Group Representative will provide the Dissemination Agent and the Repositories, as defined in the Disclosure Certificate, a copy of any information provided pursuant to the Master Indenture as described above under the subcaption "**Financial Reporting**" (the "*Additional Information*").

The Annual Report and the Additional Information will be filed by or on behalf of the Obligor and made available to holders of the Series 2017 Bonds through EMMA (<http://emma.msrb.org>), the information repository of the Municipal Securities Rulemaking Board, to comply with Rule 15c2-12 (as amended from time to time the "*Rule*") of the Securities and Exchange Commission (the "*SEC*"). These covenants have been made in order to assist the Underwriter and registered brokers, dealers and municipal securities dealers in complying with the requirements of the Rule.

Notice of Certain Events, If Material. The Obligated Group Representative covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds in a timely manner and not more than ten (10) Business Days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financing difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or

determinations with respect to the tax status of the Series 2017 Bonds, or other material events affecting the tax status of the Series 2017 Bonds;

- (7) Modifications to rights of the owners of the Series 2017 Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2017 Bonds;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of any Obligated Group Member;
- (13) Consummation of a merger, consolidation, or acquisition involving any Obligated Group Member or the sale of all or substantially all of the assets of any Obligated Group Member, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for any Obligated Group Member in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of such Obligated Group Member, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of such Obligated Group Member.

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

- (a) The audited financial statements of the Obligated Group for the fiscal year ending immediately preceding the due date of the Annual Report; provided, however, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report. The financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles.
- (b) The quantitative financial information and operation data with respect to the Obligated Group contained in Appendix A hereto, such information being the information contained under the following headings: "**OCCUPANCY**" and "**FINANCIAL INFORMATION**."

The Obligated Group Representative may modify from time to time the specific types of information provided to the extent necessary to conform to changes in legal requirements, provided that any such modification will be done in a manner consistent with the Rule and will not materially impair the interests of the Bondowners.

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

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

Amendment of the Disclosure Certificate. The provisions of the Disclosure Certificate, including but not limited to the provisions relating to the accounting principles pursuant to which the financial statements are prepared, may be amended as deemed appropriate by an authorized officer of the Obligated Group Representative but any such amendment must be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretation thereof made from time to time by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Obligated Group or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondowners, as determined by parties unaffiliated with the Obligated Group Representative (such as independent legal counsel). The foregoing interpretations may be changed in the future.

Prior Compliance. The Obligated Group has previously entered into continuing disclosure agreements with its outstanding bonds (the "*Prior Undertakings*"). Although the Obligated Group has been in substantial compliance with its Prior Undertakings, it failed to file information regarding certain insurance coverage in its annual report for the Fiscal Year ended December 31, 2015. The Obligor has subsequently provided this information. The Obligated Group is committed to complying with its continuing disclosure agreements.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2017 Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Bond Counsel. McCall, Parkhurst & Horton, L.L.P. has acted in the capacity as Bond Counsel for the purpose of rendering an opinion with respect to the authorization, issuance, delivery, legality and validity of and status of interest on the Series 2017 Bonds. Such firm has not been requested to examine, and has not investigated or verified, any statements, records, material or matters relating to the financial condition or capabilities of the Obligated Group Members, and has not assumed responsibility for the preparation of this Official Statement, except that, in its capacity as Bond Counsel, such firm has reviewed the information contained in this Official Statement under the captions "**THE ISSUER,**" "**THE SERIES 2017 BONDS,**" "**SECURITY FOR THE BONDS,**" "**TAX MATTERS,**" and in **APPENDIX C.**

Certain legal matters will be passed upon for the Obligated Group Members by Thompson & Knight L.L.P., Dallas, Texas, special counsel to the Obligated Group. Certain legal matters will be passed upon for the Issuer by Brown Pruitt Wambsganss Ferrill & Dean, PC. Certain legal matters will be passed upon by Bracewell LLP, counsel to the Underwriter, who may rely as to certain matters upon the opinions of the aforesaid counsel.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUDITED COMBINED FINANCIAL STATEMENTS

The combined financial statements of the Obligor as of and for each of the two years in the period ended December 31, 2015 and 2014, respectively, appearing in **APPENDIX B** hereto, have been audited by Lane Gorman Trubitt, LLC, independent certified public accountants, as set forth in their report also appearing in **APPENDIX B,**

and are included in reliance upon such report, given upon the authority of such firm as experts in auditing and accounting.

UNDERWRITING

The Series 2017 Bonds are being purchased by B.C. Ziegler and Company as Underwriter for a purchase price of \$20,601,168.50 (representing the par amount of the Series 2017 Bonds less original issue discount of \$800,176.50 and less an underwriting discount of \$283,655) pursuant to a Bond Purchase Agreement, entered into by and between the Issuer and the Underwriter as approved by the Obligor (the "*Purchase Agreement*"). The Obligor has agreed to indemnify the Underwriter and the Issuer against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The obligations of the Underwriter to accept delivery of the Series 2017 Bonds are subject to various conditions contained in the Purchase Agreement. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2017 Bonds if any Bonds are purchased.

RATINGS

Fitch Ratings has assigned a rating of "BBB-" (negative outlook) to the Series 2017 Bonds. Such rating reflects only the views of the organization assigning such ratings. An explanation of the significance of such rating may be obtained from Fitch Ratings.

The Obligor and SQLC furnished Fitch Ratings with certain information and materials relating to the Series 2017 Bonds and the Obligor and SQLC that have not been included in this Official Statement. Generally, rating services base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating services. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating service which assigned such rating, circumstances so warrant.

Neither the Issuer nor the Underwriter nor the Obligor nor SQLC has undertaken any responsibility to bring to the attention of the owners or holders of the Series 2017 Bonds any proposed revision or withdrawal of the ratings of the Series 2017 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, and the Master Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and complete statements of the provisions thereof reference is made to the Act, the Bond Indenture, Loan Agreement, and the Master Indenture. Copies of such documents are on file at the offices of the Underwriter and following the delivery of the Series 2017 Bonds will be on file at the offices of the Bond Trustee. All estimates and other statements in this Official Statement involving matters of opinion whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Series 2017 Bonds, but neither the failure to print such numbers on any Series 2017 Bond nor any error in the printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2017 Bonds.

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

The information assembled in this Official Statement has been supplied by the Obligor, SQLC and other sources believed to be reliable, and, except for the statements under the heading "**THE ISSUER**" herein and information relating to the Issuer under the heading "**LITIGATION - Issuer**," the Issuer makes no representations with respect to nor warrants the accuracy of such information. The Obligor has agreed to indemnify the Issuer and the Underwriter against certain liabilities relating to the Official Statement.

APPENDIX A

NORTHWEST SENIOR HOUSING CORPORATION

The information contained herein as Appendix A to this Official Statement has been obtained from Northwest Senior Housing Corporation, Senior Quality Lifestyles Corporation and other sources determined to be reliable.

Capitalized terms used, but not defined, in this Appendix A are defined in the forepart of this Official Statement or in Appendix C to this Official Statement.

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THE OBLIGOR

Northwest Senior Housing Corporation (the “*Obligor*” or “*NSHC*”), a Texas nonprofit corporation, was established in March 1998. The Internal Revenue Service (the “*IRS*”) issued a letter, dated September 8, 1999, stating its determination that the Obligor is a charitable organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Code*”), and is therefore exempt from federal income taxation under Section 501(a) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code.

HISTORY AND BACKGROUND

The Obligor was formed for the purpose of construction, ownership and operation of a senior living community known as Edgemere (“*Edgemere*” or the “*Community*”) located in Dallas, Texas. The first phase of the Community, consisting of 256 independent living units, 60 assisted living units, 31 memory support assisted living units and 72 skilled nursing beds, opened in December 2001 and achieved stabilized occupancy in 2004. The second phase of the Community, consisting of 48 independent living units, opened in September 2007 and achieved stabilized occupancy in October 2008. In July 2015, the Obligor began renovation of certain common areas of the Community and construction of eight additional assisted living units, 11 additional memory support assisted living units, 15 additional skilled nursing beds, and a performing arts center and structured parking garage (collectively, the “*Expansion*”).

Senior Quality Lifestyles Corporation (“*SQLC*”), a supporting charitable organization described in Section 501(c)(3) of the Code, was formed in July 2002 and serves as the sole corporate member of the Obligor. SQLC is ranked 35th in the 2016 Leading Age/Ziegler 150, an annual study of the nation’s largest not-for-profit senior living providers. SQLC is the sole corporate member of the following organizations:

Communities of Senior Quality Lifestyles Corporation

Corporate Name

Location

Community Name (Date Opened)

Units in Operation – December 31, 2016

	<u>Independent</u>	<u>Assisted</u>	<u>Memory Support</u>	<u>Skilled Nursing</u>	<u>Total</u>
Northwest Senior Housing Corporation					
Dallas, Texas Edgemere (December 2001; Phase II – September 2007)	304	60	31	72	467
Buckingham Senior Living Community, Inc. (“BSLC”)					
Houston, Texas The Buckingham (May 2005)	205	43	16	60	323
Barton Creek Senior Living Center, Inc. (“BCSLC”)					
Austin, Texas Querencia at Barton Creek (June 2007)	167	40	23	42	272
SQLC Senior Living Center at Corpus Christi, Inc. (“SQLC-CC”)					
Corpus Christi, Texas Mirador (June 2011)	125	44	18	41	228
Tarrant County Senior Living Center, Inc. (“TCSLC”)					
Fort Worth, Texas The Stayton at Museum Way (October 2011)	188	42	20	46	296

Mayflower Communities, Inc. (“Mayflower”)					
Carmel, Indiana	141	56	26	48	271
The Barrington (November 2013)					
Total	1,130	285	134	309	1,858

SQLC also is the sole member of SQLC LSA, LLC (“*SQLC LSA*”), a single-member limited liability company established to provide financial support in conjunction with the financings for certain SQLC Communities (hereinafter defined). Collectively, the Obligor and SQLC constitute the Obligated Group (the “*Obligated Group*”) under the amended and restated Master Trust Indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006 (“*Master Indenture*”). The Obligor, BSLC, BCSLC, SQLC-Corpus, TCSLC, Mayflower (the “*SQLC Communities*”), and SQLC LSA are separate entities, and no guarantees or other conditions of support exist between the Obligated Group and BSLC, BCSLC, SQLC-Corpus, TCSLC, Mayflower, or SQLC LSA at this time. BSLC, BCSLC, SQLC-Corpus, TCSLC, Mayflower, and SQLC LSA are not obligated to pay debt service on the Series 2017 Bonds.

On October 7, 2016, SQLC signed a letter of intent with Cornerstone Affiliates (“*Cornerstone*”) for the acquisition by SQLC of all capital stock in Seniority, Inc. (“*Seniority*”) for a purchase price of approximately \$2,200,000. Seniority is a for-profit California corporation which provides management, sales and development consulting services to approximately twelve senior living communities. Seniority was initially formed as a subsidiary of American Baptist Homes of the West (“*ABHOW*”), a nonprofit provider of senior living services in California, Arizona, Nevada, Washington, Oklahoma and Idaho. ABHOW is an affiliate of Cornerstone.

SQLC anticipates that it will enter into a formal stock purchase agreement with Cornerstone to further define the terms of the acquisition of Seniority. The acquisition of Seniority is subject to obtaining all requisite government approvals and satisfaction of all conditions as may be set forth in the stock purchase agreement. Assuming all government approvals are obtained and all conditions are satisfied, SQLC anticipates that closing on the acquisition of Seniority may occur in the first half of 2017. It is anticipated that the purchase price would be funded with an initial payment of \$500,000 upon the closing of the acquisition and a non-recourse promissory note for the balance of the purchase price for a term of approximately three years bearing interest at a rate of three percent annually.

In 2011, the Obligor and Augustine Management Texas, Inc. (“*AMT*”) formed Augustine Home Health Texas, LLC (“*AHHT*”), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that will offer personal assistance services to residents of the Community. The Obligor is the controlling member of AHHT. AHHT began operations in 2012. The Obligor and AHHT are separate entities, and no guarantees or other conditions of support exist between the Obligor and AHHT at this time. AHHT is not obligated to pay debt service on the Series 2017 Bonds.

Conflict of Interest Policy

Members of the Obligor’s board of directors, members of SQLC’s board of directors and the Community’s executive director, associate executive director, corporate staff members and department managers are required to sign a Conflicts of Interest, Ethics and Whistleblower Policy (the “*Policy*”). The Policy provides guidelines and establishes procedures for conflicts of interest, unethical conduct such as fraud, theft, corruption and other illegal or improper conduct, and whistleblower activities.

Board of Directors – The Obligor

The business affairs of the Obligor are governed by a board of directors (the “*Board*”). The bylaws of the Obligor require that there be a minimum of three directors on the Board at any point in time. The Board currently consists of five directors (the “*Directors*”), each of whom serves without compensation for their services as Directors. Directors are elected by SQLC and each Director serves for a term of two years and until a successor has been elected and qualified. Directors may serve for any number of consecutive terms.

The following descriptions identify each Director of the Obligor and provide a brief description of their relevant background, experience and present and past affiliations:

Stan Waterhouse, President and Director. Mr. Waterhouse serves as President and CEO and a board member of SQLC and as President and as a board member of the Obligor, BSLC, BCSLC, SQLC-Corpus, TCSLC, and Mayflower. Prior to becoming President and CEO of SQLC in February 2016, Mr. Waterhouse served as Vice Chairman of SQLC. Mr. Waterhouse has extensive management experience in the housing and hospitality industries. Most recently, he served as Chief Operating Officer for the Housing Authority of the City of El Paso (HACEP), where he led 500 employees and managed an \$85 million annual budget. Prior to joining HACEP, Mr. Waterhouse served as Senior Vice President of Operations for Ginn Clubs and Resorts, where he oversaw over \$1 billion in hospitality assets – nine diverse 5 Star properties with 2,500 employees serving over 4,600 members. His previous experience also includes serving as Vice President for The Ritz-Carlton Hotel Company, spearheading the company's expansion to include resorts, private residence clubs, lifestyle communities and golf assets throughout Asia, the U.S. and the Caribbean. Mr. Waterhouse holds a Masters in Business Administration from Wake Forest University and is a member of the Urban Land Institute, American Hotel and Lodging Association, and National Golf Course Owners Association

Joe Anderson, Director. Mr. Anderson serves as Chairman of the SQLC Board and is a board member for the Obligor, BSLC, BCSLC, TCSLC, SQLC-Corpus and Mayflower. Mr. Anderson was formerly employed for twenty years by Cornerstone Affiliates. During this period he served Cornerstone as Vice President of Sales and Marketing for ABHOW; President and founder of Seniority; President of the ABHOW Foundation; and as President of Cornerstone Affiliates International, the company's management consulting business in the Peoples Republic of China. He is a board member (and former chair) of Senior Helpline Services, a Lafayette, California based nonprofit that provides assurance phone calls and transportation for seniors in Contra Costa and Alameda Counties. He also serves as Chair of the Endowment Committee at San Ramon Valley United Methodist Church.

Bernie Francis, Secretary, Treasurer and Director. Mr. Francis serves as Secretary and Treasurer of the Obligor and as a Director. He also serves as a board member, Secretary and Treasurer for SQLC, BSLC, SQLC-Corpus, and TCSLC. Mr. Francis has lived in Carrollton, Texas for nearly 30 years where he served on his local City Council for three terms. He is owner and CEO of two businesses: Business Control Systems, LP, a technical and professional staffing firm, and First Class Caregivers, Inc., a non-medical care-giving services firm. As an appointee of then Governor George W. Bush, Mr. Francis chaired the Texas State Technical College Board of Regents. He also chaired the Texas State University System Board of Regents, a higher-ed system consisting of eight regional Texas colleges and universities. He is currently a member and past chair of the North Central Texas Workforce Board. He is also an Executive Committee member of the distinguished Texas Business Leadership Council and chairs its P-16 Task Force. Mr. Francis was recently elected to serve on the board of Texas Mutual Insurance Company, the state's leading provider of worker's compensation insurance. Most recently, he joined the advisory board for the Texas Western Governors University, the first state-affiliated online university in Texas.

Susan Carter, Director. Ms. Carter serves as a Director for the Obligor, and also serves as a board member for SQLC and TCSLC. Susan Carter formerly served as CEO of the Arthritis Foundation's South Central Region. She oversaw the operations, fundraising, and mission programs to help more than 5.5 million people, including 30,000 children, diagnosed with arthritis in the region. Prior to joining the Arthritis Foundation, Ms. Carter served as a founding employee of Susan G. Komen for the Cure, the world's largest grassroots network of breast cancer survivors and activists. She built the Komen communications and brand marketing department from one person to an award-winning team of media relations, creative and digital communication experts, and went on to hold numerous leadership positions throughout her tenure. Ms. Carter is credited with helping develop the blueprint for cause-related marketing as a strategy to forward a nonprofit brand and its mission. A graduate of Texas Christian University, she has been called upon to share her knowledge and expertise with numerous businesses and non-profit organizations throughout her career.

Scott T. Collier, Director. Mr. Collier serves as a Director for the Obligor, and also serves as a board member for SQLC and TCSLC. Mr. Collier is currently a managing director at Jones Lang LaSalle, an international corporate real estate advisory firm. He has more than 30 years of experience in representing tenants negotiating office leases. He has received numerous accolades during his career, including Office Broker of the Year for Dallas-Fort Worth by the National Association of Industrial and Office Properties and Most Valuable Producer for The

Staubach Company. Mr. Collier serves as a board and executive committee member for the Dallas Summer Musicals and CitySquare, a poverty-fighting organization serving the Dallas community. Mr. Collier holds degrees from the U.S. Military Academy at West Point and University of Oklahoma (MBA) and served as an artillery officer for six years.

Board of Directors – SQLC

The business affairs of SQLC are governed by a board of directors (the “*SQLC Board*”). The Board currently consists of seven directors (the “*SQLC Directors*”). A majority of the SQLC Board consists of representatives from the Obligor’s Board, the BSLC Board, the BCSLC Board, the SQLC-Corpus Board, the TCSLC Board, and the Mayflower Board. Each SQLC Director, other than Mr. Waterhouse who is President and CEO of SQLC, receives compensation of \$8,000 per quarter.

Joe Anderson, *Chairman*. See description of Mr. Anderson above.

Stan Waterhouse, *President, CEO and Director*. See description of Mr. Waterhouse above.

Bernie Francis, *Secretary, Treasurer and Director*. See description of Mr. Francis above.

David Gobble, *Director*. Dr. Gobble serves as a board member for SQLC, BCSLC and Mayflower. Dr. Gobble has worked in the health promotion, wellness and aging field for over 40 years as an educator, administrator, direct service provider, consultant and public speaker for a wide range of agencies and organizations. He is director of the Masterpiece Living Academy and Professor and Director Emeritus for the Fisher Institute for Wellness and Gerontology at Ball State University, where he coordinated the nationally recognized master’s degree program in Wellness Management.

Susan Carter, *Director*. See description of Ms. Carter above.

Scott T. Collier, *Director*. See description of Mr. Collier above.

Jan van Sant, *Director*. Dr. van Sant serves as a board member for SQLC, BSLC and BCSLC and is a resident of The Buckingham. Dr. van Sant is a 34-year oil industry veteran whose most recent position before retirement was Senior Vice President Technology & Systems of Pennzoil. After retiring, Dr. van Sant was the Executive Director of the American Geological Institute Foundation and currently serves as Associate Director of the Foundation. He holds a Bachelor’s degree from the University of Wisconsin (Madison) and Master’s and Ph.D. degrees in geology from the University of Kansas. Additionally, he graduated from the Harvard University School of Business in Management of Industrial Research. He served in the U.S. Army as a 1st Lieutenant for Special assignments in Korea, Alaska, and elsewhere.

SQLC Corporate Officers and Management

Beginning in 2008, SQLC assembled a management team to provide oversight and support to existing operations of the SQLC Communities and assist in the development and marketing of new communities. The following summaries identify each member of the management team that will provide oversight of the Obligor, and provide a brief description of his or her relevant background, experience and affiliations:

Stan Waterhouse, *President and CEO*. See description of Mr. Waterhouse above.

Jonathan Carrier, *Vice President Development*. Mr. Carrier joined SQLC in 2012 and is responsible for leading all development and real estate efforts. Prior to joining SQLC, Mr. Carrier served as Vice President-Director at Jones Lang LaSalle within the Project and Development Services group where he provided owner’s representation on large scale development projects. Throughout his career, Mr. Carrier has successfully managed approximately a billion dollars of projects through the development process. He holds an M.S. degree in construction management and a B.S. degree from Texas A&M University.

Kristen M. McCaig, *Vice President Corporate Sales and Marketing*. Ms. McCaig joined SQLC in November 2008 from Sunrise Senior Living, Inc., where she served nine years working in all aspects of sales and marketing for communities across Texas. She is responsible for the marketing efforts of the SQLC Communities. She is a Dallas native and holds B.S. and M.S. degrees from the Leonard Davis School of Gerontology, University of Southern California.

Ben Cantrell, CPA, *Chief Financial Officer*. Mr. Cantrell joined SQLC in July 2015 and is responsible for the planning, organization and coordination of the fiscal operations and financial accounting activities of SQLC and the SQLC Communities. Prior to joining SQLC, Mr. Cantrell was a Supervisor Auditor at the accounting firm of Lane Gorman Trubitt LLC. Mr. Cantrell received his B.A. degree in Business Administration from Baylor University and his Master of Business Administration in Corporate Finance and Accounting as well as his Master of Science in Accounting from the University of Dallas.

Teresa Bates, *Vice President Health Services*. Ms. Bates is responsible for providing support and oversight to the management team of health services for SQLC Communities. Ms. Bates has been part of SQLC since 2002 and has previously served as Health Care Administrator and Associate Executive Director of Edgemere and Associate Executive Director at The Stayton. Ms. Bates has 17 years of management experience in senior living. She holds a M.S. degree in operations management from the University of Arkansas and a B.B.A. degree in finance from Southern Arkansas University.

Misty Miller, *Regional Health Services Director*. Mrs. Miller is responsible for providing support and oversight to the management staff of the nursing and assisted living areas of the SQLC Communities. She has been with the SQLC family since 2004, and has served as the Director of Nursing at Edgemere and The Stayton at Museum Way. Ms. Miller has over 13 years of experience in senior living, and is dedicated to providing exceptional nursing care to seniors, and helping them to achieve their highest level of functioning. Ms. Miller holds a BSN from Western Governors University in Salt Lake City, UT, and is currently pursuing her MSN degree.

SQLC Administration and Operational Oversight Agreement

The Obligor entered into an Administration and Operational Oversight Agreement (the “*SQLC Oversight Agreement*”) with SQLC effective January 1, 2010. Pursuant to the SQLC Oversight Agreement, SQLC will provide certain administrative support, direction, governance support and operational oversight to the Obligor. The initial term of the SQLC Oversight Agreement is for five years and automatically renews annually thereafter unless the SQLC Oversight Agreement is otherwise terminated in accordance with its terms.

Pursuant to the SQLC Oversight Agreement, SQLC will employ the Executive Director and may employ an Associate Executive Director for the Obligor and the Obligor will reimburse SQLC for their salaries, benefits and reimbursable expenses. In addition, SQLC may specifically allocate a portion of the salary, benefits and reimbursable expenses of SQLC’s VP Corporate Sales and Marketing and VP of Development to the Obligor as an expense of the Obligor as part of the Obligor’s project budget during the development and fill-up phases of the Community, if applicable.

Also under the SQLC Oversight Agreement, the Obligor will reimburse SQLC for allocated overhead based on the Obligor’s allocable share (the “*Obligor’s Allocated Overhead*”) of the expenses and costs incurred by SQLC in the provision of administrative oversight, governance support and operational oversight to SQLC Communities other than the salaries, benefits and reimbursable expenses of employees of SQLC which are directly allocated to one or more SQLC Communities (“*SQLC’s Allocated Overhead*”). The Obligor’s Allocated Overhead will be its proportional share of SQLC’s Allocated Overhead based on the proportion of the total number of units (i.e., independent living units, catered living units, assisted living units, memory-support assisted living units, and skilled nursing beds) in the Community to the aggregate units of the SQLC Communities.

If there is an Event of Default under the Master Indenture or the Obligor reasonably believes that by reason of payment of Obligor’s Allocated Overhead Fees then due and owing an Event of Default is likely to occur, then the payment of Obligor’s Allocated Overhead Fees shall be suspended until such time as the waiver or cure of such Event of Default or the Obligor reasonably believes that such potential Event of Default is no longer likely occur.

Key Management – Edgemere

The following provide a brief description of each senior manager's relevant background, experience and present and past affiliations:

Luis Argote, *Executive Director*. Mr. Argote is the Executive Director of the Community responsible for all day-to-day operations, on-site development issues, and marketing of the Community. Prior to assuming the role of Executive Director of the Community on January, 30 2017, Mr. Argote was General Manager of the Four Seasons Resort and Club in Las Colinas, Texas. Mr. Argote has over 40 years of experience in the hospitality industry, with 20 of those years at The Four Seasons Hotel Company. Mr. Argote received his Certified Hotel Administrator Diploma from the Educational Institute of the American Hotel Association in 1986.

Bridgette Walshe, *Associate Executive Director*. Ms. Walshe has served as the Associate Executive Director since 2013. Prior to joining the Community, Ms. Walshe worked as a Licensed Nursing Home Administrator for Senior Care Centers, The Tennessee State Veterans Home, and Vanguard Health Care Services. Ms. Walshe has also held various management positions with Village Shalom and Kindred Healthcare, working in Admissions and Marketing and Program Management for Memory Care.

Chip Brownlee, *Director of Health Services*. Mr. Brownlee joined the Community in January of 2016 as Director of Health Services. He is a Licensed Nursing Home Administrator and brings more than 12 years leadership and health care experience in the senior living industry. Prior to joining the Community, Mr. Brownlee worked for senior living communities in Houston, Dallas, and Kansas City. He holds an undergraduate degree from Texas Tech University. Mr. Brownlee is responsible for the health services operations, including assisted living and memory support.

Vanessa Curtright, *Director of Sales and Marketing*. Ms. Curtright brings to Edgemere extensive experience in sales and marketing. She has held upper-level management positions with several major corporations, most recently with Brookdale Senior Living. A native of Long Island, New York, Vanessa has resided in the Dallas area since 1984. She attended St. John's University as well and State University of New York, where she graduated *Magna Cum Laude*. She also holds a degree from The University of London School of Economics.

Greystone Management Services

The Obligor retains the services of Greystone Management Services Company, LLC (“GMS” or “Greystone”) for Edgemere. Greystone also provides certain management services to The Buckingham, Querencia, Mirador, The Stayton and The Barrington. Greystone's management experience encompasses more than fifty not-for-profit and for-profit communities, including 8,000 housing and health center units. Greystone currently is providing management services to 14 senior living communities, each of which is owned and developed by an organization exempt from federal income tax.

The Obligor entered into a Management Services Agreement (the “*Management Agreement*”) with Greystone effective March 4, 1998, as amended on May 19, 1999, March 9, 2006, January 1, 2008, and July 1, 2015 under which Greystone provides certain management services for the Community. Pursuant to the terms of the Management Agreement, Greystone is required to provide all management services necessary to operate the Community, including but not limited to, financial management, purchasing, recruitment of personnel, and supervision of the operations and programs of the Community.

The duties of Greystone under the Management Agreement include, among other things, preparing annual budgets; maintaining utilities and other operation and maintenance services; preparing monthly statements of operations; with the Obligor, providing training and instruction to personnel with respect to the policies and procedures of the Community adopted by the Obligor; assisting with the identification, hiring and training of a qualified and experienced Executive Director for the Community; overseeing the accounting software provided by the Obligor; maintaining proper books of account and records; providing necessary statistical reports and data to meet local, state and federal regulatory requirements; preparing and overseeing the implementation of ongoing marketing programs; at the direction and expense of the Obligor, overseeing certified public accountants selected by

the Obligor to prepare annual audits of the books, records and accounting procedures of the Community; at the direction and expense of the Obligor, assisting the Obligor in engaging counsel and causing such legal proceedings to be instituted as may be necessary to enforce payment of charges or compliance with other terms of Reservation Agreements (hereinafter defined) and Residency Agreements (hereinafter defined); in consultation with the Obligor, preparing an Annual Budget, operating strategies and forecasts for the Community and recommending adjustments and/or revisions; and, in general, ensuring the operation of the Community in accordance with the comparable senior living communities in the greater Dallas area in compliance with the Obligor's direction, budget, and applicable statutes, ordinances, rules and regulations. In performance of its obligations under the Management Agreement, Greystone is an independent contractor and, except as described above, is not subject to any right of control of the Obligor over the methods by which Greystone carries out its delegated duties. The Executive Director and Associate Executive Director are employees of SQLC and not of Greystone.

The Management Agreement initially was for a term of 180 months after the Commencement Date of July 2000. Effective July 1, 2015, the term was extended for an additional 120 months to continue until June 30, 2025. The Management Agreement is subject to cancellation without cause with the provision of 60 days written notice to the other party. On January 27, 2017, the Obligor provided notice of cancellation without cause to Greystone, with an effective termination date of March 27, 2017. The Obligor and Greystone are in discussions regarding the parameters of a continuing relationship between the parties.

As compensation for services rendered to the Community, the Obligor currently pays Greystone a management fee (the "*Management Fee*") of \$33,500 per month. In addition to the Management Fee, the Obligor pays Greystone three and one-half percent (3.5%) of the Management Fee on a monthly basis as a reimbursement for Greystone's overhead expenses related to the Community, including, without limitation, long distance phone calls, copying, express delivery service, and postage.

Greystone Corporate Officers

The senior corporate officers of Greystone include the following individuals:

Michael B. Lanahan, Co-Chairman. Mr. Lanahan founded Greystone in 1982 and now serves as Co-Chairman. Mr. Lanahan's responsibilities include assuring Greystone's resources are aligned with client needs and positioning the company to succeed in a changing senior living environment. Mr. Lanahan was formerly a Senior Vice President with Blyth Eastman Paine Webber Health Care Funding in New York. He received a B.A. from Syracuse University and an M.B.A. from the University of Virginia.

Paul F. Steinhoff, Jr., Co-Chairman. Mr. Steinhoff joined Greystone in 1984 and now serves as Co-Chairman. Mr. Steinhoff's responsibilities include strategic financial planning, assuring the professional development of Greystone's staff and interfacing with investors in Greystone developments. Mr. Steinhoff was formerly a Partner at Touche Ross & Co. (now Deloitte & Touche). Mr. Steinhoff received his B.B.A. in Business Statistics and his M.B.A. in Accounting and Finance from the University of Texas. Mr. Steinhoff is a Certified Public Accountant.

Mark P. Andrews, Co-Chief Executive Officer. Mr. Andrews joined Greystone in 1984 and now serves as Co-CEO. His responsibilities include overseeing the planning, finance, marketing, development and management divisions of Greystone. Mr. Andrews was formerly with the management consulting practice of Deloitte & Touche. He received his B.A. from the University of the South and his M.B.A. from the A.B. Freeman School of Business at Tulane University.

John C. Spooner, Co-Chief Executive Officer. Mr. Spooner joined Greystone in 1986 and now serves as Co-CEO. His responsibilities include managing and driving annual business performance, formulating and executing strategies for clients, and interacting with clients, employees, investors and other stakeholders. Mr. Spooner speaks publicly on a range of topics involving the business of senior living. He received his B.A. in Public Administration from Drake University, an Advanced Fellowship in Economics from University of London and completed graduate studies in Marketing at the University of Pittsburgh.

Bruce C. Byers, Senior Vice President. Mr. Byers joined Greystone in 2003 and is responsible for marketing new development projects through the start of the operational process. He coordinates and assists marketing efforts between regional sales team members and clients. Mr. Byers has worked in the senior living industry for 17 years and has been involved with the marketing of over 60 senior living communities nationwide.

Merna Smith, Senior Vice President. Ms. Smith joined Greystone in 2006 and has responsibility for supervising and supporting the regional managers responsible for the occupancy development and revenue performance in operational communities. This includes staff recruitment and training, sales and marketing execution, strategic planning and budget oversight. Prior to joining Greystone, Ms. Smith was a corporate director of marketing and operations where she was responsible for marketing and sales oversight for 26 various types of senior living community. She handled the opening and start-up operations of new communities for all levels of senior living and health care, including independent living, memory support and skilled nursing.

James D. Knox, Senior Vice President. Mr. Knox leads Greystone's Financial and Operations Management Services. He oversees teams responsible for operational systems, hospitality and culture, staffing, compliance and accounting, with special emphasis on financial reporting, annual budgeting and projection of future performance for Greystone-managed communities. Mr. Knox first joined Greystone in 1994 as a member of the Planning and Financial Services team. He previously worked with Coopers & Lybrand. He is a Certified Public Accountant in the state of Texas.

David C. McDowell, AIA, Senior Vice President. Mr. McDowell is responsible for managing the real-estate development activities at Greystone. He oversees the teams responsible for land acquisition, project planning, design coordination and construction phase activities on behalf of Greystone clients. He has more than 30 years of experience in senior living, including project design, development management and construction oversight. Before joining Greystone in 1994, Mr. McDowell was a partner at the architectural firm of Fusch-Serold and Partners, Inc. and was the principal architect for the firm's senior living work. Mr. McDowell received a Bachelor of Architecture from Texas Tech University in 1973.

Robert "Bud" Green, Senior Vice President. Mr. Green is responsible for delivering a full range of development services to Greystone clients. This includes supervision and coordination of all design and construction consultants, including architects, engineers, contractors, land planners, interior designers and governing authorities. Before joining Greystone in 2003, Mr. Green was Executive Vice President for a national development firm, with responsibility for all real estate development activities. Additionally, he was responsible for all real estate properties developed for the United States Postal Service.

Janelle E. Wood, Senior Vice President and Chief Financial Officer. Ms. Wood's primary responsibilities include financial planning and management functions. She has responsibility for all corporate finance and accounting activities, such as customer billing, financial reporting, budgeting, and cash management. Before joining Greystone in 2000, Ms. Wood was the Controller for a company in Richardson, Texas, and a consultant with PriceWaterhouse where she provided accounting and financial services to clients in several industries. Ms. Wood received a Bachelor of Business Administration from Baylor University. She is a Certified Public Accountant in the State of Texas.

Stuart Jackson, Senior Vice President. Mr. Jackson's responsibilities include planning and financial structuring of senior living projects and implementation of Greystone financing programs. He also has responsibility for coordinating Business Plan, Development Plan and Strategic Plan preparation, and works with project finance teams to coordinate financing activities. Before joining Greystone in 1999, Mr. Jackson was with Arthur Andersen, LLP, providing accounting and financial advisory services to clients primarily in the real estate industry. Mr. Jackson received his Bachelor of Business Administration in Accounting from Texas A&M University. He is a Certified Public Accountant in the state of Texas.

Brad Straub, Senior Vice President. Mr. Straub's responsibilities include planning and financial structuring of senior living projects and implementation of Greystone's financing programs. He is also responsible for coordinating Business Plan, Development Plan and Strategic Plan preparation, and works with project finance teams in coordinating financing activities. Before joining Greystone in 2003, Mr. Straub was an Associate Consultant with Bain & Company, providing strategy consulting, financial consulting and business improvement

services to clients in various industries. Mr. Straub received his Bachelor of Business Administration in Accounting and Master of Science in Management Information Systems from Texas A & M University. Mr. Straub is a Certified Public Accountant in the State of Texas.

THE COMMUNITY

General Description

Edgemere is located on an approximately 16.25-acre site in Dallas, Texas on Northwest Highway between Thackery and Edgemere Streets. The site is located in the Preston Hollow area of Dallas, an affluent area of the city just north of the towns of University Park and Highland Park.

Edgemere currently consists of 304 residential independent living units (the “*Independent Living Units*”), an Assisted Living Center (the “*Assisted Living Center*”), including 60 assisted living apartments (the “*Assisted Living Units*”) and 31 memory support (dementia) assisted living apartments (the “*Memory Support Units*”), and a health center (the “*Health Center*”) comprised of 72 nursing beds. Each level of care has its own common and support areas; however, all residents of the Community are served by a common kitchen. There are 411 parking garage spaces and 125 open surface spaces supporting the Community.

In July 2015, the Obligor began construction of the Expansion, which is being completed in phases. The first phase was completed in 2016, and the final phase is expected to be substantially complete in April 2018. The Expansion will include eight Assisted Living Units, including six two-bedroom Assisted Living Units, 11 Memory Support Units, and 15 private nursing beds. In addition, the Expansion includes a structured parking garage with 72 spaces and an approximately 4,000 square foot performing arts center (the “*Performing Arts Center*”). The Expansion will also include the renovation of existing common areas for the Independent Living Units and the Health Center, including the dining rooms, theater, spa and wellness center, arts and crafts room, card room, multi-purpose room, and offices and administrative spaces. Construction costs for the Expansion were financed with the proceeds of the Series 2015A Bonds.

Ground Lease

Intercity Investment Properties, Inc. (“*Intercity*”), an unrelated third party, has owned the project site since 1949. The Obligor executed a Ground Lease with Intercity (the “*Ground Lease*”) contemporaneously with the delivery of the Series 1999 Bonds, effective November 5, 1999.

The Ground Lease expires in November 2054 and currently provides for annual rent of approximately \$3.6 million. The annual rents will be increased by the Dallas-Fort Worth Metropolitan Statistical Consumer Price Index factor with a minimum increase of 2.5% and a maximum increase of 5% annually.

Pursuant to the Ground Lease, the Obligor has the right to mortgage the leasehold estate to secure the Series 2017 Bonds, but the Obligor does not have the right to encumber the underlying fee simple estate. Further, the holder of such leasehold mortgage (i.e., the Master Trustee) is granted the right to foreclose and take possession of the leased premises. Additionally, Intercity has agreed that it will not terminate the Ground Lease due to an Obligor default thereunder without providing 120 days prior notice and opportunity to cure such default to the holder of the leasehold mortgage.

The Ground Lease contains detailed provisions regarding the use and application of insurance and condemnation proceeds in the event of casualty or condemnation. In essence, the Obligor has the right to rebuild so long as it is economically practical and the remaining land is suitable.

Independent Living Units

The 304 Independent Living Units in the Community are located in nine connected residential buildings in two-, three- and four-story configurations designed around large courtyards. There are also three resident guest rooms located within the buildings. The common areas, located in a central one- and two-story building, include a main dining room, two private dining rooms, a café, living room and lounge areas, a fitness center with pool and

exercise rooms, a health and beauty spa, a fully-equipped business center, a convenience store, a card lounge, a billiard room, a multi-screen media center, a library, a creative arts center, a 250-seat auditorium, and administrative offices. Each Independent Living Unit is assigned an underground, secured garage parking space, with a limited number of additional parking spaces available for an additional fee. 256 Independent Living Units were constructed during Phase I of the Community (the “*Phase I Independent Living Units*”). 48 additional Independent Living Units were constructed during Phase II of the Community (“*Phase II Independent Living Units*”), along with underground parking, storage areas, a new seminar room, a new club room and the expansion of several common areas, including dining, fitness, mechanical and electrical areas.

Each Independent Living Unit is furnished with window treatments; wall-to-wall carpeting, except in the kitchen and bath; a full kitchen with refrigerator/freezer, range with oven, microwave oven and dishwasher; utility room with full-size washer/dryer; fire and smoke alarms; fire sprinkler system; individually controlled heating and air conditioning; and a balcony or patio. Telephone and cable television jacks are also installed. All utilities, except telephone, internet services and expanded cable television services, are included in the monthly service fee (the “*Monthly Service Fee*”).

The following schedule summarizes the unit types and approximate square footage of the Independent Living Units:

Independent Living Unit Style	Number of Units	Approximate Square Footage
<i>Phase I Independent Living Unit</i>		
One Bedroom Traditional	16	800
One Bedroom Deluxe	27	896
One Bedroom Grand	32	1,007
One Bedroom Den	32	1,129
Two Bedroom Classic	48	1,236
Two Bedroom Den	42	1,376
Two Bedroom Deluxe	45	1,500
Two Bedroom Grand	14	1,724
<i>Phase II Independent Living Unit</i>		
One Bedroom Classic	6	1,030
One Bedroom Custom	9	1,296
Two Bedroom Signature	15	1,562
Two Bedroom Premier	12	1,750
Three Bedroom Estate	6	2,026
Total/Weighted Average	304	1,278

By entering into a Residency Agreement, a resident (the “*Life Care Resident*”) is entitled to “life care” services provided by the Obligor at the Community. See “**RESIDENCY AGREEMENT - Services to Life Care Residents**” herein for a further description of the services provided to Life Care Residents of the Community and “**RESIDENCY AGREEMENT - Resident Fee Structure**” for a description of the types of fees paid by Life Care Residents. On prior occasions, the Obligor offered variations to the standard Residency Agreement. Three existing Life Care Residents entered into a residency agreement without the Life Care Benefit (hereinafter defined). All other Life Care Residents entered into the Residency Agreement, as referenced above, and are entitled to the “life care” services provided at the Community.

Assisted Living Center

The Assisted Living Center consists of 60 Assisted Living Units and 31 secured Memory Support Units located on the first and second floors of a three-story building shared with the Health Center. The Assisted Living Units have been designed to foster the continued independence of Life Care Residents who require varying amounts of assistance with activities of daily living. The Assisted Living Units (not including Memory Support Units) are private apartments with kitchenettes and full baths and are furnished with amenities similar to the Independent Living Units, but do not include the kitchen range, dishwasher, washer and dryer, or balcony/patio. The Assisted Living Center's common areas include a lobby, lounge, arts and crafts area, multipurpose room, library, dining room and administrative and support areas.

The Memory Support Units are private alcoves and suites with full baths and are furnished with amenities similar to the Assisted Living Units, but without kitchenettes. The Memory Support Units have secured access and have separate common areas which include similar amenities as the Assisted Living Center common areas.

Admission to the Assisted Living Center is provided for Life Care Residents of the Community in accordance with the terms of the Residency Agreement. The Assisted Living Center is also available for occupancy by persons other than Life Care Residents of the Community ("*Non-Life Care Residents*"). Non-Life Care Residents are admitted, pursuant to the terms of a separate admissions agreement, on an as-available basis to the extent the units are not required to accommodate Life Care Residents of the Community. Non-Life Care Residents pay a monthly service fee but no entrance fee and do not receive health care benefits.

Summarized below is the pricing effective through December 31, 2017, for Non-Life Care Residents and the types of Assisted Living Units and Memory Support Units for the Assisted Living Center and approximate square footage of each unit type:

Assisted Living Center Unit Type	Number of Units	Approximate Square Footage	Standard Monthly Service Fee
One Bedroom Traditional	25	535	\$6,686
One Bedroom Classic	22	588	\$7,244
One Bedroom Deluxe	12	612	\$7,965
One Bedroom Grand	1	667	\$8,294
Memory Support Traditional	12	251	\$6,895
Memory Support Classic	12	277	\$7,495
Memory Support Deluxe	7	304	\$7,899
Total/Weighted Average	91	470	\$7,235

There is a separate entrance, shared with the Health Center, from a parking area to the Assisted Living Center as well as access from the Independent Living Units through building connections.

Health Center

The Health Center is located on the third level of the building shared with the Assisted Living Center. The Health Center contains a total of 72 private nursing beds that range from approximately 250 to 300 square feet. Health Center common areas include administrative, service and support areas, and resident dining, activity, lounge, therapy and bathing areas. There is a separate entrance, shared with the Assisted Living Center, as well as access to and from the Independent Living Units through building connections.

The Health Center is available for occupancy by Life Care Residents of the Community when their physical condition so requires as described under "**RESIDENCY AGREEMENT - Services to Life Care Residents**" herein. The Health Center is also available for occupancy by Non-Life Care Residents of the Community. Non-Life Care Residents are admitted on a per-diem basis directly to the Health Center to the extent

that the nursing beds are not required to accommodate Life Care Residents of the Community. The Health Center is licensed for Medicare but not licensed for Medicaid.

Summarized below are the per-diem rates effective through December 31, 2017 for Non-Life Care Residents for each type of skilled nursing unit.

Type of Unit	Number of Units	Per Diem Rate
Traditional	35	\$344
Classic	23	\$377
Deluxe	14	\$404
Total/Weighted Average	72	\$364

The Obligor's skilled nursing facilities have the second highest rating of four stars from the Centers for Medicare & Medicaid Services.

The Expansion

The additions to the Health Center from the Expansion will be constructed on the southeast corner and north side of the existing Health Center. The expansion to the north will be built on an existing parking lot consisting of approximately 40 spaces. The new Assisted Living Units and new Memory Support Units will be located on the first and second floors and the new nursing rooms, each comprised of approximately 340 square feet, will be located on the third floor. The new parking structure will be located under the eastern addition to the Health Center.

Renovations to the Health Center from the Expansion will increase the common areas available to the Health Center residents. The addition of a two-story atrium will provide air conditioned indoor/outdoor space for the Assisted Living Unit residents, with a seating area on the second floor with views to the atrium below. An outdoor courtyard will be at the top of the atrium available to the Health Center residents on the third floor. In addition, four existing Assisted Living Units on the second floor will be converted to provide a large multi-purpose room, creativity center, business center and administrative offices. The overall net increase in Assisted Living Units from the Expansion is eight. On the third floor of the Health Center, six existing skilled nursing rooms will be converted to provide a new crafts center, spa/salon and dining venue. The overall net increase in skilled nursing beds from the Expansion is 12. Finally, expanded living, dining and fitness areas will receive updated finishes.

Construction progress on the Expansion has been impacted by weather, city and utility delays. To date, the southern addition of the Health Center experienced 24 weather days and 41 days of delay due to the city permitting process. This portion of the Expansion is currently installing wall systems and finishes and will be substantially complete in March 2017. To date, the northern addition of the Health Center has experienced 108 days of delay due to utility relocation and 8 days of weather delay. Excavation of the parking garage is complete and exterior walls and columns are in place. It is projected that the northern addition of the Health Center will be substantially complete in April 2018. When the Series 2015 Bonds were issued, the initial substantial completion date was anticipated to occur in December 2017 based on a July 2015 construction start and substantial completion to occur within 29 months of the notice to proceed. However, due to extended negotiations over the guaranteed maximum price, the Obligor did not enter into a construction contract with the general contractor until September 4, 2015. Under the construction contract, substantial completion of the project is required to occur in February 2018. The Obligor anticipates that a significant portion of the Expansion will be completed by December 31, 2017, with those portions of the Expansion affected by the delay in utility relocation to be complete in April 2018.

The pricing for the new Assisted Living Units, Memory Support Units and new private nursing beds will be commensurate with current monthly service fees and per diem rates for Non-Life Care Residents.

Summarized below is the adjusted community mix after the completion of the additions to the Health Center.

	Existing	Renovation (Removed)	Renovation (Added)	New Construction	Future Total
Independent Living Units	304	-	-	-	304
Assisted Living Units	60	(12)	4	16	68
Memory Support Units	31	(8)	3	16	42
Skilled Nursing Beds	72	(10)	3	22	87
Total	467	(30)	10	54	501

The Expansion's renovations to the Independent Living Unit common areas will include upgraded finishes and lighting. In addition, many of the existing common areas will be repurposed. The large dining room will be reduced in size to provide a more intimate setting and to provide for the creation of a lounge/cocktail room. The existing theater will be converted to a second dining venue which will be substantially larger than the existing second dining venue. The area beyond the new second dining venue will include a new seminar room and expanded bottega, a new and expanded arts and crafts studio, replacing the existing card room, a multi-purpose room, and offices. A new theater will be constructed, and the existing spa/salon will receive a complete renovation converting it to an upscale resort salon. The initial phase of these Independent Living Unit common area renovations was completed in 2016, including the renovations to the lobby, casual dining venue, library and marketing offices. In addition, a new 225-seat Performing Arts Center was constructed near the entrance to the Community in 2016. The remainder of the Independent Living Unit common area renovations is on schedule to be substantially complete by the end of the fourth quarter of 2017.

Memberships

The Obligor is a member of LeadingAge, a national organization of community-based, nonprofit organizations dedicated to making America a better place to grow old. The Obligor is also a member of LeadingAge Texas, a statewide association representing the full continuum of mission-driven, nonprofit aging series providers in Texas. LeadingAge Texas was established in 1959 as a Texas nonprofit corporation with a purpose to provide leadership, advocacy, and education for the not-for-profit retirement housing and nursing home communities that serve the needs of aging Texans.

Employees

As of December 31, 2016, the Obligor employed approximately 280 full-time equivalent employees ("FTEs") and approximately 336 employees total.

THE PROJECT

Approximately \$5.6 million of the proceeds of the Series 2017 Bonds will be used to fund certain capital improvement projects for the Community (the "Project"). The Project is anticipated to include approximately \$3.1 million of interior corridor renovations such as new flooring and wall treatments, HVAC system improvements and other minor capital improvement projects. In addition, the Project is anticipated to include approximately \$2.5 million of additional construction costs for the Expansion. When the Series 2015 Bonds were issued, the Obligor planned for an approximately \$24.5 million guaranteed maximum price for the direct construction costs related to the Expansion. However, the actual guaranteed maximum price of the construction contract related to the Expansion is approximately \$26.5 million. The approximately \$2.5 million of the Series 2017 Bonds allocated to the completion of the Expansion includes this \$2 million contract increase as well as change orders and other costs related to the Expansion.

Regulatory Permits and Approvals

The various approvals and permits necessary in order for the Obligor to begin construction of the Project and continue operations are outlined below:

Zoning. No new zoning approval is required from the City of Dallas for the Project.

Certificate of Authority. Under Texas law, continuing care providers that require payment of an entrance fee must obtain a Certificate of Authority (“COA”) from the Texas Department of Insurance prior to entering into a contract to provide continuing care (or life care). The Obligor received its COA in August 2001.

Healthcare Licensure. The Community’s assisted living and skilled nursing facilities are licensed by the Texas Department of Aging and Disability Services (“TDADS”). TDADS approval is not required for the Project.

Building Permits. No building permits are required for construction of the Project.

Certificate of Need. No Certificate of Need is required.

RESIDENCY AGREEMENT

The Residency Agreement (the “*Residency Agreement*”) is a contract under which the Obligor is obligated, if a prospective Life Care Resident establishes occupancy, to provide certain services to that prospective Life Care Resident. See “**Services to Life Care Residents**” below.

The Obligor considers applications for residence at the Community based upon the guidelines for the acceptance of Life Care Residents described below and maintains sole discretion on the decision to accept a Life Care Resident. An application for residence at the Community will be accepted only if the applicant demonstrates the ability to live independently and to meet the financial obligations as a Life Care Resident of the selected Independent Living Unit. Each Life Care Resident must be 62 years of age or older at the time of establishing occupancy. No dependent children may reside in the Community unless otherwise agreed by the Obligor.

Persons who have not paid an Entrance Fee (hereinafter defined) may be admitted to the Health Center or Assisted Living Center as Non-Life Care Residents if beds are available in excess of those needed to satisfy the needs of Life Care Residents. Life Care Residents requiring care in the Health Center or Assisted Living Center will have priority utilization of the Health Center and Assisted Living Center over Non-Life Care Residents.

Resident Fee Structure

There are two types of residency fees required of all Life Care Residents executing Residency Agreements: an Entrance Fee and Monthly Service Fees. The Entrance Fee (the “*Entrance Fee*”) is a lump sum, one-time payment based on the type of Independent Living Unit to be occupied by the Life Care Resident. A prospective Life Care Resident may reserve an Independent Living Unit and indicate the resident’s intent to move in to the Community by executing a Reservation Agreement (the “*Reservation Agreement*”). A 10% deposit of the Entrance Fee (the “*Entrance Fee Deposit*”) is paid when the Reservation Agreement is executed and the balance of the Entrance Fee is paid upon occupancy. There is no additional Entrance Fee required for a second Life Care Resident living in an Independent Living Unit.

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The Monthly Service Fees are also based on the type of Independent Living Unit selected by the Life Care Resident. In addition to the first resident Monthly Service Fee, an additional Monthly Service Fee is required for a second Life Care Resident living in an Independent Living Unit. Monthly Service Fees and Entrance Fees effective through December 31, 2017 are shown below.

Independent Living Unit Style	Number of Units	Standard Entrance Fee	Standard Monthly Service Fee	Second Person Monthly Service Fee
<i>Phase I Independent Living Unit</i>				
One Bedroom Traditional	16	\$369,770	\$3,643	\$1,404
One Bedroom Deluxe	27	\$400,670	\$4,098	\$1,404
One Bedroom Grand	32	\$508,820	\$4,451	\$1,404
One Bedroom Den	32	\$586,070	\$4,779	\$1,404
Two Bedroom Classic	48	\$616,970	\$5,330	\$1,404
Two Bedroom Den	42	\$689,070	\$5,860	\$1,404
Two Bedroom Deluxe	45	\$719,970	\$6,401	\$1,404
Two Bedroom Grand	14	\$915,670	\$7,093	\$1,404
<i>Phase II Independent Living Unit</i>				
One Bedroom Classic	6	\$575,770	\$4,259	\$1,404
One Bedroom Custom	9	\$699,370	\$5,112	\$1,404
Two Bedroom Signature	15	\$822,970	\$6,146	\$1,404
Two Bedroom Premier	12	\$1,026,910	\$6,828	\$1,404
Three Bedroom Estate	6	\$1,337,970	\$7,576	\$1,404
Total/Weighted Average	304	\$651,278	\$5,405	\$1,404

Refundable Entrance Fee

The Obligor currently only offers 90% refundable entrance fee plans under the Residency Agreement. On prior occasions, the Obligor offered alternate resident agreements. Three existing residents have a 0% refundable, fully amortizing entrance fee plan. All other Life Care Residents at the Community have a 90% entrance fee plan.

Financial Assistance

If a Life Care Resident of the Community becomes unable to pay the Monthly Service Fee in full due to lack of funds for reasons beyond the control of the Life Care Resident, the Obligor may subsidize, in whole or in part, the Monthly Service Fees and other charges, provided the ability of the Community to operate on a sound financial basis for all Life Care Residents is not materially impaired. In the event that financial assistance is provided by the Obligor, such amounts, plus interest, may be charged against the refund of the Entrance Fee owed to a Life Care Resident upon termination of the Residency Agreement. The Obligor may also require a Life Care Resident receiving financial assistance to move to a smaller or less expensive Independent Living Unit.

Services to Life Care Residents

Upon payment in full of the Entrance Fee and ongoing payment of the Monthly Service Fee, each Life Care Resident will be provided an Independent Living Unit and receive certain basic services. Services provided include:

Food Service. Lunch and dinner are served Monday through Saturday. Brunch is served on Sundays. Continental breakfast is also available each morning, Monday through Saturday. Residents receive one meal credit for each day of the month (for example, 30 meal credits for June and 31 meal credits for July). Meal credits may be used at any time during the month for resident meals. Guest meals may be purchased or accumulated meal credits used for guests at any

time during the month. Any unused meal credits for a particular month will be forfeited and may not be applied as a credit against meal charges for any other month. However, a resident who is absent from Edgemere for more than fourteen (14) consecutive days will receive a meal credit allowance in conformance with the meal credit policy, if the resident gives Edgemere written notice of the absence at least two (2) weeks in advance. For health-related absences, no prior notice is required in order to receive meal credits. Additional meals are available at the request of a resident for an additional fee.

Housekeeping. Housekeeping of the residence, including vacuuming, cleaning, mopping, sweeping and changing of bed linens occurs on a weekly scheduled basis.

Laundry. Weekly scheduled laundry service for resident's personal bed linens is provided.

Mail. A mailbox for each residence that conforms with U.S. mail postal regulations is provided in a central location.

Maintenance. Edgemere maintains all community common areas and grounds. Edgemere is responsible for providing repair, maintenance and replacement of equipment and furnishings provided by Edgemere, provided that such repairs are not required as a result of the resident's negligence. Residents are responsible for maintenance of their personal property and are encouraged to purchase a renter's insurance policy covering their personal property and personal liability.

Medical Director. Edgemere retained the services of a qualified physician (the "Medical Director") responsible for the oversight of the appropriateness and quality of medically related activities provided by Edgemere. The Medical Director is not expected to provide medical services to residents and provides only administrative services. The Medical Director is retained by a consultant to Edgemere.

Parking. Surface and garage parking areas are provided for residents and guests of Edgemere. One reserved garage parking space is provided for each Independent Living Unit at the request of the resident and in conformance with the parking policy.

Property Taxes and Insurance. Edgemere pays for real property taxes for Edgemere, with the exception of those assessed on resident personal property. Edgemere also obtained property and casualty insurance coverage on the buildings and grounds. Such coverage does not insure against loss or damage to resident personal property or damage or injury to others caused by the resident or by a natural disaster. Edgemere recommends that each resident purchase appropriate comprehensive insurance.

Security and Emergency Alert System. Each Independent Living Unit is equipped with smoke detectors, sprinkler system and an emergency alert system. Edgemere monitors the emergency alert systems on a twenty-four hour basis and coordinate emergency responses as appropriate. Security personnel are employed by the Obligor and exterior entrances have secured access.

Social and Recreational Programs. A full-time Lifestyle Director coordinates a variety of social, recreational, educational and cultural programs for those residents wishing to participate. Specific programs are based on residents' interest.

Storage Area. Each Independent Living Unit is assigned an individual storage area for residents' personal use.

Transportation. Edgemere provides local group transportation to designated shopping, medical facilities, and other local destinations on a regularly scheduled basis.

Utilities. The costs of sewer, water, waste disposal, electricity, heat, air-conditioning, and basic cable television service are included in the Monthly Service Fee. The Independent Living Unit is centrally wired for cable television and telephone service, as well as data communications connectivity. Residents are responsible for all telephone, premium cable television and internet service provider charges.

Wellness Programming. Edgemere coordinates educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.

Life Care Benefit

The Obligor provides Life Care Residents with the Life Care Benefit (the “*Life Care Benefit*”). The Life Care Benefit includes nursing services that are available in the Health Center or assisted living/memory support services that are available in the Assisted Living Center when a determination is made by the Life Care Resident’s physician, in consultation with the Life Care Resident’s family, and approved by the Community’s Medical Director, that the Life Care Resident needs nursing care or assisted living care. The Obligor pays for routine assisted living and nursing care to the extent that it is not covered by the Life Care Resident’s insurance, Medicare, or other governmental benefits or entitlements that Life Care Residents are required to possess and maintain under the Residency Agreement.

Assisted living services are provided in a Traditional Assisted Living Unit and are designed to assist Life Care Residents with the activities of daily living, such as dressing, eating, bathing, toileting, and ambulating, which are approved by the Community’s Medical Director and delivered in accordance with the routine care included in the applicable Monthly Service Fee then in effect. Assisted living memory support services are provided in a traditional private room located within the Memory Support Unit and are designed to assist Life Care Residents experiencing memory impairment combined with needing assistance with the activities of daily living, such as dressing, eating, bathing, toileting, medication administration, and ambulating, which are approved by the Community’s medical director and delivered in accordance with the routine care included in the applicable Monthly Service Fee then in effect for the Memory Support Unit. Health Care services are provided in a traditional nursing room and delivered in accordance with the routine care included in the traditional nursing room rate then in effect.

Residents transferred to the Assisted Living Center or the Health Center are billed for non-routine care and ancillary services at the then-current rates for such items. Additional services may be available on a fee-for-service basis including, but not limited to, additional housekeeping, laundry services for personal items, catering for special occasions, tray service when medically advisable, additional Life Care Resident and guest meals, barber and beauty services and temporary guest quarters.

Reservation Agreements Entered into After October 1, 2012

Upon permanent transfer to the Assisted Living Center or the Health Center and release of the Independent Living Unit, Life Care Residents (both first and second persons) are charged an equalized rate (the “*Equalized Rate*”), which is equal to the then-current Monthly Service Fee for a Two Bedroom Classic Independent Living Unit. For single occupancy, upon permanent transfer to the Assisted Living or Health Center and release of the Independent Living Unit, the Life Care Resident’s Monthly Service Fee is adjusted to the Equalized Rate. In the case of double occupancy of an Independent Living Unit and in the event of a permanent transfer of one Life Care Resident to the Assisted Living Center or the Health Center, the Independent Living Resident’s Monthly Service Fee remains the same, and the transferred resident’s Monthly Service Fee is adjusted to the Equalized Rate. In the case of double occupancy of an Independent Living Unit and in the event of a permanent transfer of both Life Care Residents to the Assisted Living or Health Center and release of the Independent Living Unit, the Monthly Service Fee is adjusted to the Equalized Rate per person. If space is not available in the Assisted Living Center or the Health Center, until such space becomes available, the Obligor will arrange and pay for a Life Care Resident’s temporary care in another facility of comparable quality to the same extent as if it were provided by the Obligor at the Community.

As of December 31, 2016, 126 of the Obligor’s Residency Agreements had Reservation Agreements entered into subsequent to October 1, 2012.

Reservation Agreements Entered into Prior to October 1, 2012

For single occupancy, upon permanent transfer to the Assisted Living Center or the Health Center and release of the Independent Living Unit, the Life Care Resident’s Monthly Service Fee is adjusted to the then-current Monthly Service Fee for a Two Bedroom Classic Independent Living Unit. In the case of double occupancy of an Independent Living Unit and in the event of a permanent transfer of one Life Care Resident to the Assisted Living Center or the Health Center, the Independent Living resident’s Monthly Service Fee remains the same, and the transferred Resident’s Monthly Service Fee continues be the then-current Independent Living Second Person

Monthly Service Fee. In the case of double occupancy of an Independent Living Unit and in the event of a permanent transfer of both Life Care Residents and release of the Independent Living Unit, the Monthly Service Fee is adjusted to the then-current Monthly Service Fee for a Two Bedroom Classic Independent Living Unit, plus the then-current second person Monthly Service Fee. If space is not available in the Assisted Living Center or the Health Center, until such space becomes available, the Obligor will arrange and pay for a Life Care Resident's temporary care in another facility of comparable quality to the same extent as if it were provided by the Obligor at the Community.

As of December 31, 2016, 199 of the Obligor's Residency Agreements had Reservation Agreements entered into prior to October 1, 2012.

Termination and Refunds

Termination Prior to Occupancy

Under Texas law, prior to occupancy prospective Life Care Residents may terminate the Residency Agreement and withdraw their Entrance Fee Deposit in full within seven days of executing the Residency Agreement or seven days from the date the Disclosure Statement (as defined by the Texas Department of Insurance) was delivered, whichever is later. After the seven-day rescission period, prospective Life Care Residents terminating the Residency Agreement prior to occupancy for reasons other than death or a change in health status preventing them from living independently will receive, within 30 days of such termination, a refund of any Entrance Fee Deposit paid, less a \$500 processing fee.

Termination After Occupancy

After occupancy, the Residency Agreement may be terminated by the Life Care Resident at any time by providing 30 days' written notice of termination to the Obligor. Upon termination of the Residency Agreement and release of the Independent Living Unit, the Obligor will refund the Entrance Fee paid by the departing Life Care Resident according to the Residency Agreement, on the later of: (i) receipt of sufficient Entrance Fee proceeds to fully fund the refund obligation from the subsequent re-sale(s) and occupancy of the Independent Living Unit by a new Life Care Resident; or (ii) termination of the Residency Agreement.

The Obligor may terminate the Residency Agreement (i) if the Life Care Resident fails to pay any amount owed to the Obligor under the Residency Agreement and does not cure such failure within 60 days after receipt of written notice from the Obligor, provided that the Residency Agreement will not be terminated solely because of a Life Care Resident's inability to pay Monthly Service Fees to the extent that (1) the inability to pay is not the result of the Life Care Resident's willful action, and (2) in the judgment of the Obligor, the ability of the Community to operate on a sound financial basis will not be impaired; or (ii) if the Life Care Resident (a) has developed a dangerous or contagious disease or mental illness (b) is in need of drug or alcoholic rehabilitation or any other condition for which the Community is not licensed or for which care cannot be provided without a significant and unique expenditure, or (c) has become mentally or emotionally disturbed to a degree that the Life Care Resident's continued presence in the Community is determined to be detrimental to the health, safety and welfare of other Residents or staff. The Residency Agreement will automatically terminate when a Life Care Resident dies (except in the case of double occupancy).

If two Life Care Residents occupy an Independent Living Unit, and one of the Life Care Residents terminates the Residency Agreement and the other Life Care Resident determines to remain in the Independent Living Unit, the Monthly Service Fee will be adjusted for single occupancy. In such cases, Life Care Residents are not eligible for repayment of the Entrance Fee until termination of the Residency Agreement by both Life Care Residents.

Life Care Residents may elect to move to another Independent Living Unit, at their own expense, subject to availability. In such event, the Residency Agreement in force will be terminated and a new Residency Agreement executed. The Life Care Resident will pay the then-current Entrance Fee and Monthly Service Fees for the new Independent Living Unit.

Reservation of an Independent Living Unit

A prospective Life Care Resident may reserve an Independent Living Unit at the Community by submitting a confidential data profile, including health and financial disclosure, executing a Reservation Agreement and submitting an Entrance Fee Deposit for the Independent Living Unit selected. The execution of a Reservation Agreement does not constitute a binding commitment to establish occupancy at the Community on the part of any prospective Life Care Resident. Prospective Life Care Residents may terminate their Reservation Agreements from time to time and receive refunds of all amounts paid to the Obligor, less a processing fee under certain circumstances. See “**RESIDENCY AGREEMENT – Termination and Refunds**” herein.

As of February 15, 2017, there are approximately 8 prospective Life Care Residents who have executed Reservation Agreements and submitted an Entrance Fee Deposit for the Independent Living Unit selected.

OCCUPANCY

Phase I of the Community achieved stabilized occupancy in 2004. Independent Living Unit reservations for Phase II of the Community were initiated in June 2005 and Phase II opened in September 2007. In November 2008, Phase II of the Community achieved stabilized occupancy in with 46 of 48 occupied apartments (95%) at month-end.

Average annual occupancy of the Community for the fiscal years ended December 31, 2012 through 2016 is shown in the table below:

	Fiscal Year Ended December 31,				
	2012	2013	2014	2015	2016
Independent Living	92.7%	96.1%	91.5%	88.3%	85.1%
Assisted Living	95.5%	88.3%	90.7%	90.8%	93.5%
Memory Support	97.1%	97.7%	98.1%	98.4%	97.0%
Skilled Nursing	90.6%	92.6%	92.9%	96.7%	92.9%

Turnover analysis for the fiscal years ending December 31, 2012 through 2016 is shown below:

	Fiscal Year Ended December 31,				
	2012	2013	2014	2015	2016
Beginning ILUs Occupied	274	294	293	274	268
IL Move-Ins	47	35	32	40	36
Transfers to Health Center	(11)	(18)	(26)	(21)	(16)
IL Move-Outs and Deaths	(16)	(18)	(25)	(25)	(24)
Ending IL Units Occupied	294	293	274	268	264
Ending Occupancy Percentage	97%	96%	90%	88%	87%

As of December 31, 2016, approximately 71% of the Community’s resident population is single and 29% are couples. Additionally, the resident population is comprised of approximately 29% males and 71% females as of December 31, 2016. The average age of an Independent Living Unit resident is 87.4 years.

On average, Assisted Living Units and Memory Support Units have the following mix of Life Care Residents and Non-Life Care Residents for the fiscal years ending December 31, 2012 through 2016:

	Fiscal Year Ended December 31,				
	2012	2013	2014	2015	2016
Assisted Living Units					
Life Care Resident	37%	42%	40%	52%	53%
Non- Life Care Resident	63%	58%	60%	48%	47%
Memory Support Units					
Life Care Resident	33%	56%	42%	66%	70%
Non- Life Care Resident	67%	44%	58%	34%	30%

The Health Center beds are certified for Medicare but are not certified for Medicaid. Average payor mix in Health Center for the fiscal years ending December 31, 2012 through 2016 are shown below:

	Fiscal Year Ended December 31,				
	2012	2013	2014	2015	2016
Life Care Resident	26%	27%	32%	40%	40%
Non- Life Care Resident/Private Pay	37%	39%	31%	31%	22%
Medicare	37%	34%	37%	29%	38%

Waitlist

A pre-residency deposit in the amount of \$20,000 (the “*Waitlist Deposit*”) secures placement on a waiting list for an Independent Living Unit. The deposit is held in an interest bearing account, refundable at any time upon written request. Upon move-in, the Waitlist Deposit is applied towards the total Entrance Fee due.

A Reservation Agreement, including a confidential data profile, full financial disclosure and unit preference, is submitted with the waitlist deposit. Upon Independent Living Unit availability and selection, a move-in date is scheduled and the remainder of the Entrance Fee due is paid prior to move-in. As of February 15, 2017, there are approximately 29 Waitlist Deposits.

Marketing Program

The Community’s marketing program consists of traditional marketing strategies and community events to attract both potential residents and their adult child influencers to visit the Community for a personalized tour. Print advertising runs in local newspapers, magazines and senior living publications and targets seniors living in the Primary Market Area, hereinafter defined. Direct mail targets specific age and income qualified seniors via a purchased list as well as prospects already identified within the Community’s existing lead database. The Community also hosts events that address interests important to older adults – social, political, healthcare, intellectual, etc. The Community utilizes Blue Spire, a nationally recognized senior living marketing and advertising firm, for website development and other advertising efforts.

The Community also relies on word of mouth and its strong reputation in the market for its high standard of living and quality of care for a consistent stream of new and recurring leads. Much of the Community’s marketing team has worked there for many years and has built strong community relationships with local neighborhoods and senior organizations.

The continued success of the Community's marketing program is a critical element in the financial position of the Community. See "**RISK FACTORS**" – **Failure to Maintain Occupancy**" in the Official Statement.

MARKET AREA

The primary market area of the Community consists of 18 zip codes, lies in Dallas County, Texas and includes the areas known as Preston Hollow, University Park and Highland Park (the "*Primary Market Area*"). Approximately 69% of current occupied residences are occupied by those who originate from the Primary Market Area. Of the remaining 31% of occupied residences, 8% are occupied by those who originate from other parts of Dallas outside of the Primary Market Area, 9% originate from other parts of Texas and 14% originate from outside of Texas.

Comparable Independent Living Providers

	The Community	Presbyterian Village North	C. C. Young	The Tradition
Status (Nonprofit or For Profit)	Nonprofit	Nonprofit	Nonprofit	For Profit
Year Opened	2001/2007 IL Expansion	1980 / 2016 IL Expansion	1922 / 2011 IL Expansion	2014
Community Type	CCRC	CCRC	CCRC	IL, AL, MS
Distance from Community	N/A	5.3 miles	4.0 miles	3.0 miles
Independent Living Units	304	198 Existing / 104 Expansion	223 ⁽²⁾	202
Entrance Fees	\$369,770 - \$1,337,970	\$20,000 - \$505,000	\$60,000 - \$750,300	N/A
EF Refundability	90%	100%	50%/90%	N/A
IL Monthly Fees	\$3,643 - \$7,576	\$2,100 - \$6,600	\$2,340 - \$5,990	\$3,295 - \$5,595
IL Occupancy as of 12/31/16	87%	91% ⁽¹⁾	96%	100%

⁽¹⁾ Presbyterian Village North's independent living expansion opened in late 2016; therefore 12/31/16 occupancy excludes the expansion as it is still in its initial fill-up period.

⁽²⁾ C. C. Young offers 37 of its 223 independent living units as month to month rental units for which no entrance fee is charged.

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Comparable Assisted Living and Memory Support Providers

	The Community	Presbyterian Village North	Belmont Village	The Tradition
Status (Nonprofit or For Profit)	Nonprofit	Nonprofit	For Profit	For Profit
Year Opened	2001	1980 / 2017 AL & MS Expansion	2013	2015
Community Type	CCRC	CCRC	IL, AL, MS	IL, AL, MS
Distance from Community	N/A	5.3 miles	6.7 miles	3.0 miles
AL Units	60	75 Existing / 26 Expansion	225	85
MS Units	31	0 Existing / 44 Expansion	31	24
AL Rates	\$6,686 - \$8,294	\$4,440 - \$7,840	\$5,075 - \$9,175	\$4,995 - \$7,495
MS Rates	\$6,895 - \$7,899	\$7,550 - \$9,800	\$6,510 - \$8,695	\$6,395
AL Occupancy as of 12/31/16	82%	92% ⁽¹⁾	Not Available	82%
MS Occupancy as of 12/31/16	90%	N/A ⁽¹⁾	Not Available	100%

⁽¹⁾ Presbyterian Village North's assisted living and memory support expansions opened in January 2017, therefore 12/31/16 occupancies do not include occupancy of the new expansion units.

	The Community	Caruth Haven Court	Monticello West	C.C. Young
Status (Nonprofit or For Profit)	Nonprofit	For Profit	For Profit	Nonprofit
Year Opened	2001	2000	1980	1960
Community Type	CCRC	AL	AL	CCRC
Distance from Community	N/A	1.8 miles	3.9 miles	4.0 miles
AL Units	60	90	88	75
MS Units	31	N/A	49	40
AL Rates	\$6,686 - \$8,294	\$4,750 - \$7,065	\$3,495 - \$6,095	\$3,275 - \$6,550
MS Rates	\$6,895 - \$7,899	N/A	\$4,295 - \$5,195	\$4,800 - \$6,100
AL Occupancy as of 12/31/16	82%	99%	86%	89%
MS Occupancy as of 12/31/16	90%	N/A	84%	78%

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Comparable Nursing Providers

	The Community	Presbyterian Village North	The Forum at Park Lane	Crystal Creek	C. C. Young
Status (Nonprofit or For Profit)	Nonprofit	Nonprofit	For Profit	For Profit	Nonprofit
Year Opened	2001	1980 / 2017 SNF Expansion	1968	2001	1960
Community Type	CCRC	CCRC	IL, AL, SNF	AL, SNF	CCRC
Distance from Community	N/A	5.3 miles	2.0 miles	4.8 miles	4.0 miles
SNF Beds	72	220 Existing / 60 Expansion	53	107	117
SNF Semi-Private Daily Rates	N/A	\$208	N/A	\$160 - \$190	\$199
SNF Private Daily Rates	\$344 - \$404	\$270 - \$335	\$231	\$234 - \$315	\$269 - \$303
SNF Occupancy as of 12/31/16	90%	84%	93%	77%	85%

New Providers and Major Expansions

In addition to the providers listed above, there are several new communities and major expansions to existing providers that are currently under construction or in planning and development stages. The Community is aware of the following planned new communities and expansions within the Primary Market Area:

	Ventana by Buckner	The Vista at C.C. Young	The Legacy at Midtown	Harbor Chase at Park Cities	OnPointe Adora Midtown Park	OnPointe Transitional Care at Texas Health Presbyterian
Status (Nonprofit or For Profit)	Nonprofit	Nonprofit	Nonprofit	For Profit	For Profit	For Profit
New or Expansion	New	Expansion (AL/MS/SNF)	New	New	New	New
Anticipated Opening	2018	2018	2019	2017	2017	2017
Community Type	CCRC	CCRC	CCRC	AL, MS	AL, SNF	SNF
Distance from the Community	1.4 miles	4.0 miles	3.1 miles	1.3 miles	3.0 miles	2.8 miles
IL Units	189	N/A	100	N/A	N/A	N/A
AL Units	24	45 ⁽¹⁾	40	105	N/A	N/A
MS Units	36	48 ⁽²⁾	48	29	N/A	N/A
SNF Beds	48	128 ⁽³⁾	40	N/A	109	50

⁽¹⁾ The Vista expansion at C. C. Young will add 45 assisted living units to the community's existing 75 assisted living units.

⁽²⁾ The Vista expansion at C. C. Young will replace the existing 40 memory support beds with 48 new memory support beds.

⁽³⁾ The Vista expansion at C. C. Young will replace the existing 117 skilled nursing beds with 128 new skilled nursing beds.

FINANCIAL INFORMATION

The following summary of the Statements of Operations, Balance Sheets and Statements of Cash Flows of the Obligated Group for the three Fiscal Years ended December 31, 2013 through 2015 is derived from the financial statements of the Obligated Group, which have been audited by Lane Gorman Trubitt, LLC, independent certified public accountants. Copies of the audited financial statements for the fiscal years ended December 31, 2014 and 2015 are included in **APPENDIX B**. THE DATA SET FORTH IN THE FOLLOWING TABLE SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED IN **APPENDIX B**. The operating results for the period ended December 31, 2016 are derived from the unaudited financial statements of the Obligated Group. The unaudited financial statements include all adjustments, consisting of normal recurring accruals that the Obligated Group considers necessary for a fair presentation of the Statements of Operations, Balance Sheet and Statements of Cash Flows for the periods covered by the unaudited financial statements.

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Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT

	(Audited)			(Unaudited)
	Fiscal Year Ended December 31,			December 31,
	2013	2014	2015	2016
REVENUES				
Resident services	\$ 36,194,446	\$ 37,725,071	\$ 38,755,997	\$ 39,754,223
Amortization of entrance fees	2,029,818	1,992,065	1,902,990	2,016,000
Less: contractual adjustments, rate allowances and bad debt expense	(4,181,671)	(5,143,190)	(6,118,485)	(7,243,123)
Net resident services	34,042,593	34,573,946	34,540,502	34,527,100
Other operating revenues	1,687,784	2,465,086	2,078,030	2,966,984
Total revenues	35,730,377	37,039,032	36,618,532	37,494,084
EXPENSES				
PROGRAM SERVICES				
Lifestyle	471,307	472,745	474,105	499,322
Assisted living	3,012,431	3,189,887	3,179,926	2,925,617
Building maintenance	1,073,189	1,031,359	1,046,176	1,075,226
Dining	3,839,920	4,222,754	4,531,768	4,547,392
Emergency system	249,937	255,346	270,424	306,740
Grounds maintenance	285,521	323,136	324,402	327,683
Housekeeping	941,699	940,682	1,002,003	1,083,128
Skilled nursing	4,363,990	4,680,148	4,710,383	5,284,141
Transportation	431,285	440,425	455,709	530,362
Utilities	1,266,645	1,233,773	1,186,738	1,184,465
Insurance	257,436	260,951	267,018	281,933
Depreciation and amortization	4,000,927	4,310,671	4,569,618	4,791,707
Total program services	20,194,287	21,361,877	22,018,270	22,837,716
GENERAL AND ADMINISTRATIVE SERVICES				
Administration	11,775,994	12,160,219	12,832,966	14,087,956
Marketing	917,800	993,995	1,279,986	1,716,727
Management fees	563,426	582,086	562,676	537,499
Total general and administrative expenses	13,257,220	13,736,300	14,675,628	16,342,182
Total expenses	33,451,507	35,098,177	36,693,898	39,179,898
INCOME FROM OPERATIONS	2,278,870	1,940,855	(75,366)	(1,685,814)
NONOPERATING ACTIVITIES				
Unrealized appreciation (depreciation) of investments	356,910	(679,346)	(1,306,321)	833,167
Realized gain (loss) from sales of investments	589,506	1,283,152	200,664	453,657
Interest income	1,960,260	1,964,904	1,736,462	1,495,732
Interest expense	(3,755,026)	(3,678,610)	(3,877,666)	(4,011,639)
Realized gain from sales of assets	5,000	16,591	-	-
Loss on legal settlement	-	(856,690)	-	-
Loss on early extinguishment of debt	-	-	(2,691,512)	-
Long-term debt expense	(318,497)	(236,234)	(119,469)	(26,172)
Change in fair value of derivative investments	188,847	188,483	81,503	-
	(973,000)	(1,997,750)	(5,976,339)	(1,255,255)
CHANGE IN UNRESTRICTED NET DEFICIT	1,305,870	(56,895)	(6,051,705)	(2,941,069)
Change in unrestricted net deficit attributable to non-controlling interest	(251,320)	(243,124)	(156,726)	(155,547)
CHANGE IN UNRESTRICTED NET DEFICIT ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 1,054,550	\$ (300,019)	\$ (6,208,431)	\$ (3,096,616)
NET DEFICIT AT BEGINNING OF YEAR	\$ (64,021,042)	\$ (62,802,672)	\$ (63,094,567)	\$ (69,386,272)
Contribution from non-controlling interest	-	-	-	-
Distribution to non-controlling interest	(87,500)	(235,000)	(240,000)	-
NET DEFICIT AT END OF YEAR	\$ (62,802,672)	\$ (63,094,567)	\$ (69,386,272)	\$ (72,327,341)

**Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
BALANCE SHEETS**

	(Audited)			(Unaudited)
	Fiscal Year Ended December 31,			December 31,
	2013	2014	2015	2016
ASSETS				
Cash and cash equivalents	\$ 2,966,984	\$ 1,225,531	\$ 3,870,148	\$ 4,164,360
Accounts receivable - trade ⁽¹⁾	2,075,023	2,149,806	1,580,256	1,680,369
Entrance fees receivable	3,285,745	3,018,130	4,877,461	2,786,896
Accounts receivable - related party	1,659,428	1,751,756	1,823,451	2,244,102
Inventory	47,523	43,012	61,322	50,089
Prepaid expenses	513,752	928,311	1,001,431	868,788
Resident deposits	1,038,667	561,559	423,499	1,127,708
Buildings, equipment and construction in progress, net	110,188,588	108,898,456	111,376,958	122,380,508
Investments	56,822,154	57,959,496	53,764,164	46,795,847
Assets limited as to use	7,344,116	6,766,108	40,237,568	28,940,950
Notes receivable, accrued interest and deferred management fees - related party	19,271,895	21,456,003	23,033,065	29,674,443
Contract acquisition costs, net	219,973	109,531	19,560	-
	<u>\$ 205,433,848</u>	<u>\$ 204,867,699</u>	<u>\$ 242,068,883</u>	<u>\$ 240,714,060</u>
LIABILITIES AND NET DEFICIT				
Accounts payable - trade	\$ 684,687	\$ 690,227	\$ 925,161	\$ 447,174
Accounts payable - retainage	-	-	47,853	918,468
Resident refunds due	1,361,089	1,389,225	1,289,859	1,976,212
Resident deposit liabilities	1,253,947	781,979	645,395	1,335,302
Accrued expenses	2,988,831	3,108,472	3,754,664	4,031,819
Accrued interest	432,890	423,782	690,737	679,594
Interest rate cap agreement	1,074	8	-	-
Interest rate swap obligation	468,912	281,495	-	-
Deferred rent	29,982,609	31,561,650	33,058,425	34,471,358
Refundable entrance fee liability	146,464,869	147,059,302	150,052,182	150,016,540
Deferred revenue from entrance fees ⁽²⁾	9,320,373	9,047,194	9,185,254	9,417,744
Bonds payable - net of unamortized premium and bond issuance costs, net	75,277,239	73,618,932	111,805,625	109,847,190
Total liabilities	<u>268,236,520</u>	<u>267,962,266</u>	<u>311,455,155</u>	<u>313,141,401</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-
UNRESTRICTED NET DEFICIT				
Controlling interest	(63,072,621)	(63,372,640)	(69,581,071)	(72,677,687)
Non-controlling interest	269,949	278,073	194,799	250,346
Total unrestricted net deficit	<u>(62,802,672)</u>	<u>(63,094,567)</u>	<u>(69,386,272)</u>	<u>(72,427,341)</u>
	<u>\$ 205,433,848</u>	<u>\$ 204,867,699</u>	<u>\$ 242,068,883</u>	<u>\$ 240,714,060</u>

(1) Accounts receivable - trade less allowance for doubtful accounts of \$314,609, \$334,774, \$233,240 and \$82,472 for years ending 2016, 2015, 2014 and 2013, respectively

(2) Net of amortization of \$23,307,863, \$21,291,863, \$19,388,873 and \$17,396,808 for years ending 2016, 2015, 2014 and 2013, respectively

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Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
STATEMENTS OF CASH FLOWS

	(Audited)			(Unaudited)
	Fiscal Year Ended December 31,			December 31,
	2013	2014	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net deficit	\$ 1,305,870	\$ (56,895)	\$ (6,051,705)	\$ (2,941,069)
Adjustment to reconcile change in net deficit to net cash provided by operating activities				
Turnover from entrance fees	6,810,786	2,580,934	3,174,599	4,303,413
Amortization of bond issuance costs and premium	6,819	6,693	(24,897)	(54,357)
Amortization of entrance fees	(2,029,818)	(1,992,065)	(1,902,990)	(2,016,000)
Amortization of contract acquisition costs	110,442	110,442	89,971	19,560
Bad debt expense (recoveries)	(3,785)	150,768	101,534	(20,165)
Depreciation	3,890,485	4,200,229	4,479,647	4,772,147
Gain on disposal of fixed assets	(5,000)	(16,591)	-	-
Unrealized (appreciation) depreciation of investments	(356,910)	679,346	1,306,321	(833,167)
Realized (gain) loss from sales of investments	(589,506)	(1,283,152)	(200,664)	(453,657)
Loss on early extinguishment of debt	-	-	2,691,512	-
Original issue premium on bond issuance	-	-	3,343,459	-
Change in fair value of derivative instruments	(188,847)	(188,483)	(81,503)	-
Deferred rent	1,658,369	1,579,041	1,496,775	1,412,933
Changes in operating assets and liabilities, net				
Accounts receivable - related party	(215,967)	(92,328)	(71,695)	(420,651)
Accounts receivable - trade	(129,389)	(225,551)	468,016	(79,948)
Accrued interest receivable	(57,770)	33,665	(224,125)	239,347
Inventory	(1,414)	4,511	(18,310)	11,233
Prepaid expenses	8,642	(414,559)	(73,120)	132,643
Resident deposits	(151,722)	477,108	138,060	(704,209)
Accounts payable - trade	99,508	33,676	208,960	(477,987)
Resident refunds due	-	-	(99,366)	686,353
Resident deposit liabilities	167,052	(471,968)	(136,584)	689,907
Accrued expenses	237,076	119,641	(260,287)	277,155
Accrued interest	(9,303)	(9,108)	207,053	(11,143)
Net cash provided by (used in) operating activities	<u>10,555,618</u>	<u>5,225,354</u>	<u>8,560,661</u>	<u>4,532,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of fixed assets	5,000	16,591	-	-
Additions to building, equipment and construction in progress	(2,892,790)	(2,910,097)	(5,819,755)	(14,949,160)
Swap agreement unwind	-	-	(200,000)	-
Purchases of investments	(34,448,849)	(27,826,079)	(30,041,974)	(31,049,278)
Proceeds on sales of investments	26,195,590	27,285,822	33,168,084	39,214,711
Purchases of assets limited as to use	(6,792,104)	(7,899,118)	(39,037,466)	(25,359,508)
Proceeds on sales of assets limited as to use	6,202,718	8,450,182	3,008,263	36,506,490
Issuance of notes receivable, accrued interest and deferred management fees - related party	(3,425,863)	(2,184,108)	(1,577,062)	(6,641,378)
Net cash provided by (used in) investing activities	<u>(15,156,298)</u>	<u>(5,066,807)</u>	<u>(40,499,910)</u>	<u>(2,278,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on long-term debt	(1,575,000)	(1,665,000)	(57,635,000)	(1,860,000)
Proceeds from additional long-term debt	-	-	94,190,000	-
Additions to bond issuance costs	-	-	(1,731,134)	-
Distribution to non-controlling interest	(87,500)	(235,000)	(240,000)	(100,000)
Net cash provided by (used in) financing activities	<u>(1,662,500)</u>	<u>(1,900,000)</u>	<u>34,583,866</u>	<u>(1,960,000)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(6,263,180)</u>	<u>(1,741,453)</u>	<u>2,644,617</u>	<u>294,215</u>
Cash and cash equivalents at beginning of year	9,230,164	2,966,984	1,225,531	3,870,148
Cash and cash equivalents at end of year	<u>\$ 2,966,984</u>	<u>\$ 1,225,531</u>	<u>\$ 3,870,148</u>	<u>\$ 4,164,363</u>
Supplemental disclosure for cash flow information				
Cash paid for interest, net of amounts capitalized	\$ 3,757,510	\$ 3,681,025	\$ 3,635,608	\$ 4,077,139
Non-cash investing and financing activities				
Additions to construction in progress in accounts payable - retainage, accounts payable - trade and accrued interest expense	\$ -	\$ -	\$ 1,138,394	\$ 826,537

Loans to SQLC Affiliates

The following table shows the detail for “notes receivable, accrued interest and deferred management fees – related parties” reflected on the Balance Sheets of the Obligated Group for the fiscal years ending December 31, 2013 through 2016.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation				
NOTES RECEIVABLE, ACCRUED INTEREST AND DEFERRED MANAGEMENT FEES - RELATED PARTIES				
	(Audited)			(Unaudited)
	Fiscal Year Ended December 31,			December 31,
	2013	2014	2015	2016
Subordinated notes receivable:				
SQLC - Mirador notes ⁽¹⁾	\$ 5,342,554	\$ 6,288,832	\$ 6,288,832	\$ 6,288,832
SQLC - Stayton note ⁽¹⁾	663,957	663,957	663,957	663,957
SQLC - Barrington note ⁽¹⁾	200,000	200,000	200,000	200,000
SQLC - Sentinel Ridge note ⁽²⁾	-	-	500,000	3,015,977
Total subordinated notes receivable	6,206,511	7,152,789	7,652,789	10,168,766
Secured notes receivable:				
SQLC - Mirador notes ⁽³⁾	\$ -	\$ -	\$ -	\$ 2,830,306
Notes receivables under liquidity support agreements:				
SQLC - SQLC LSA, LLC - Mirador ⁽⁴⁾	2,500,000	2,500,000	2,500,000	2,500,000
SQLC - SQLC LSA, LLC - Stayton ⁽⁵⁾	6,000,000	6,000,000	6,000,000	6,000,000
SQLC - SQLC LSA, LLC - Barrington	2,000,000	2,000,000	2,000,000	2,000,000
Total notes receivables under liquidity support agreements	10,500,000	10,500,000	10,500,000	10,500,000
Accrued interest receivable on notes receivable from related parties	485,950	724,840	974,883	1,317,056
Deferred management fees	2,079,434	3,078,374	3,905,393	4,858,314
Total long-term accounts and notes receivable and accrued interest - related party	19,271,895	21,456,003	23,033,065	29,674,442

(1) Subordinated notes receivable to related parties are unsecured loans which are subordinate to the payment of debt service on the applicable tax-exempt bonds issued to finance the construction of the respective communities.

(2) In May 2016, SQLC loaned Mirador approximately \$2,830,306 to fund the semi-annual interest payment on the Mirador Series 2010A and Series 2010B Bonds due May 15, 2016. This loan is secured on a parity basis with the Mirador Series 2010A and Series 2010B Bonds.

(3) Amounts loaned to Sentinel Ridge were used to fund development costs associated with a potential facility to be located in Colorado Springs, Colorado and to fund the purchase price of approximately 25.6 acres of land acquired in October, 2016 for a purchase price of approximately \$2,400,000.

(4) All amounts in the Mirador Liquidity Support Agreement fund have been used to fund semi-annual interest payments on the Mirador Series 2010A and Series 2010B Bonds.

(5) During the year ended December 31, 2014, the Stayton utilized \$2,491,010 from the Liquidity Support Agreement fund to fully fund the November semi-annual interest payment on the Stayton Series 2009A and Series 2009B Bonds.

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Historical Long-Term Debt Service Coverage Ratio on Existing Debt

The following table sets forth historical long-term debt service coverage ratios for the Obligated Group for the fiscal years ending December 31, 2013 through 2016. The historical long-term debt service coverage ratios set forth below are calculated as required by the Master Indenture. The financial information regarding Income Available for Debt Service for fiscal years ending December 31, 2013 through 2015 are derived from the audited financial statements. The financial information regarding Income Available for Debt Service for the fiscal year ended December 31, 2016 are derived from the unaudited financial statements of the Obligated Group.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation HISTORICAL DEBT SERVICE COVERAGE RATIO

	(Audited)			(Unaudited)
	Fiscal Year Ended December 31,			December 31,
	2013	2014	2015	2016
Change in unrestricted net deficit attributable to controlling interest	\$ 1,054,550	\$ (300,019)	\$(6,208,431)	\$(3,096,616)
Change in fair value of derivative investments	(188,847)	(188,483)	(81,503)	-
Entrance fee turnover	6,810,786	2,580,934	3,174,599	4,303,413
Entrance fee amortization	(2,029,818)	(1,992,065)	(1,902,990)	(2,016,000)
Unrealized gains/losses on investments	(356,910)	679,346	1,306,321	(833,167)
Interest expense	3,755,026	3,678,610	3,877,666	4,011,639
Loss on early extinguishment of debt	-	-	2,691,512	-
Depreciation and amortization	4,000,927	4,310,671	4,569,618	4,791,707
Change in deferred rent	1,658,369	1,579,041	1,496,775	1,412,933
Income available for debt service	\$ 14,704,083	\$ 10,348,035	\$ 8,923,567	\$ 8,573,909
Interest expense	\$ 3,755,026	\$ 3,678,610	\$ 3,877,666	\$ 4,011,639
Amortization of bond issuance costs and premium	6,819	6,693	24,897	54,357
Capitalized interest expense	-	-	829,007	1,448,750
Funded interest	-	-	(829,007)	(1,448,750)
Required principal payments	1,575,000	1,665,000	1,755,000	1,860,000
Total debt service requirement	\$ 5,336,845	\$ 5,350,303	\$ 5,657,563	\$ 5,925,996
Historical debt service coverage ratio	2.76	1.93	1.58	1.45
Requirement	1.20	1.20	1.20	1.20
Proforma debt service requirement -				
Series 2017 Bonds, Series 2015A Bonds and Series 2015B Bonds ⁽¹⁾⁽²⁾	\$ 7,082,186	\$ 7,082,186	\$ 7,082,186	\$ 7,103,013
Proforma debt service coverage ratio -				
Series 2017 Bonds, Series 2015A Bonds and Series 2015B Bonds ⁽¹⁾	2.08	1.46	1.26	1.21

(1) Series 2017 Bonds assumed to be issued in a par amount of \$21,685,000 with an average coupon of 5.25% with amortization beginning in November 2037 through final maturity in November 2047. Proforma debt service requirement shown is the average debt service on the Series 2017 Bonds, Series 2015A Bonds and Series 2015B Bonds for the bond years ending November 15, 2018 through November 15, 2026.

(2) Maximum annual debt service on the Series 2017 Bonds, Series 2015A Bonds and Series 2015B Bonds is projected to be \$8,041,463 during the bond years ending November 15, 2027 through November 15, 2036 and \$7,179,075 during the bond years ending November 15, 2037 through final maturity on November 15, 2047.

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Historical Days Cash on Hand

The following table shows Days Cash on Hand for the Obligated Group for the fiscal years ending December 31, 2013 through 2016.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation DAYS CASH ON HAND

		Fiscal Year Ended December 31,			
		2013	2014	2015	2016
Cash and cash equivalents	(1)	\$ 3,303,650	\$ 1,104,176	\$ 3,622,812	\$ 3,941,879
Unrestricted investments	(2)	55,165,062	56,307,933	52,474,305	44,819,635
Total cash and investments		\$ 58,468,712	\$ 57,412,109	\$ 56,097,117	\$ 48,761,514
Daily operating expenses		87,040	90,490	94,930	101,277
Days Cash on Hand		672	634	591	481

(1) Excludes deposits held in the operating account and any unfunded principal and interest

(2) Excludes resident refund liabilities held in the resident deposit account

Management's Discussion and Analysis

Results of Operations – Fiscal Year 2015 to Fiscal Year 2016 – For fiscal year ended December 31, 2016 net revenue increased by 2.4% to \$37,494,084 in comparison to \$36,618,532 for the fiscal year ended December 31, 2015. The increase was the result of Assisted Living average occupancy at the Community being 1.3% higher during the 2016 fiscal year compared to the 2015 fiscal year and increases in Monthly Service Fees effective January 1, 2016 in independent living of 4%, assisted living of 4%, memory support of 4% and skilled nursing of 5%. During the 2016 fiscal year, average occupancy of the Independent Living Units, the Assisted Living Center and the Health Center was 85%, 95%, and 93%, respectively. This compares to the average occupancy during the 2015 fiscal year of 88%, 93%, and 97%, respectively. Additionally, there was an increase in SQLC management fee revenue as well as an increase in Ancillary and Therapy revenues (net of Contractual Adjustments) due to higher Medicare A occupancy. These increases were partially offset by Independent Living Unit average occupancy at the Community being 3.2% lower and Health Center average occupancy at the Community being 3.7% lower during the 2016 fiscal year compared to the 2015 fiscal year as well as increases in Life Care credits and Monthly Service Fee credits due to construction of the Expansion and a decrease in revenues from AHHT.

For the 2016 fiscal year, total program expenses increased by 3.7% to \$22,837,716. The increases in all program expenses were primarily the result of a 3.0% average wage rate increase. Housekeeping expenses increased 8.1% to \$1,083,128 due to a 3.0% average wage rate increase and the reclassification of the Director of Resident Services from the Administrative to the Housekeeping department. Skilled Nursing expenses increased 12.2% to \$5,284,141 due to higher Ancillary and Therapy expenses due to higher Medicare A occupancy. Transportation expenses increased 16.4% to \$1,184,465 due to increased FTEs for concierge, valet and drivers. Depreciation and amortization expenses increased 4.9% to \$4,791,707 due to increased capital purchases as the Community ages. These increases were partially offset by a decrease in Assisted Living of 8.0% to \$2,925,617 primarily related to a decrease in AHHT expenses.

Expenses of General and Administrative Services increased 11.4% to \$16,342,182. Within this expense category, Administration expenses increased 9.8% to \$14,087,956 related to a 3.5% average wage rate increase, 4.5% increase in medical insurance premiums, higher legal fees, and increase in SQLC Corporate staff partially offset by lower AHHT administrative expenses and the reclassification of the Director of Resident Services from the

Administrative to the Housekeeping department. Marketing expenses increased 34.1% to \$1,716,727 due to increased marketing efforts in the second half of 2016 designed to overcome a high rate of attrition experienced in the first half of 2016 (and in previous years) and Management Fees decreased 4.5% to \$537,499.

Overall investment performance (interest income, realized and unrealized gains and losses) increased approximately 341.1% from \$630,805 to \$2,782,556 primarily due to net unrealized gains and net realized gains in investments during 2016 and net unrealized gains during 2015. Interest income decreased 13.9% during the 2016 fiscal year compared to the 2015 fiscal year with interest income of \$1,495,732 for the fiscal year 2016. There were \$453,657 and \$200,664 of realized gains for the 2016 fiscal year and 2015 fiscal year, respectively.

The lower Debt Service Coverage Ratio of 1.45x in fiscal year 2016 compared to 1.58x in fiscal year 2015 is the result of lower operating income partially offset by higher Entrance Fee turnover of \$4,303,313 which is the result of \$18,323,539 in Entrance Fee receipts compared to \$14,020,226 in Entrance Fee refunds in 2016. In fiscal year 2015, there were \$19,044,297 in Entrance Fee receipts compared to \$15,869,698 in Entrance Fee refunds with Entrance Fee turnover of \$3,174,599 in 2015. Cash and unrestricted investments decreased by \$(7,335,603) from December 31, 2015 to December 31, 2016 and is primarily the result of approximately \$3,200,000 in capital expenditures and \$5,346,283 in loans to SQLC affiliates. See **“FINANCIAL INFORMATION – Loans to SQLC Affiliates”** herein.

Results of Operations – Fiscal Year 2015 to Fiscal Year 2014 – For fiscal year ended December 31, 2015 net revenue decreased by 1.1% to \$36,618,532 in comparison to \$37,039,032 for the fiscal year December 31, 2014. The decrease was primarily the result of Independent Living Unit average occupancy at the Community being 3.3% lower during the 2015 fiscal year compared to the 2014 fiscal year as well as increases in Life Care credits, Monthly Service Fee credits from incentive programs, bad debt expense, a decrease in revenues from AHHT and a decrease in SQLC management fee revenue. There was also a decrease in Ancillary and Therapy revenues (net of Contractual Adjustments) due to lower Medicare A occupancy. These decreases were partially offset by Health Center average occupancy at the Community being 3.7% higher during the 2015 fiscal year compared to the 2014 fiscal year as well as increases in Monthly Service Fees effective January 1, 2015 in independent living of 4%, assisted living of 6%, memory support of 6% and skilled nursing of 6%. During the 2015 fiscal year, average occupancy of the Independent Living Units, the Assisted Living Center and the Health Center was 88%, 93%, and 97%, respectively. This compares to the average occupancy during the 2014 fiscal year of 92%, 93%, and 93%, respectively. Additionally, this decrease was partially offset by higher Medicare reimbursement rates.

For the 2015 fiscal year, total program expenses increased by 3.1% to \$22,018,270. The increases in all program expenses were primarily the result of a 3.5% average wage rate increase. Dining expenses increased 7.3% to \$4,531,768 due to an increase in staffing of 5.5 FTEs and raw food costs of 3.0%. Housekeeping expenses increased 6.5% to \$1,002,003 due to higher wage rates. Depreciation and amortization expenses increased 6.0% to \$4,569,618 due to increased capital purchases as the Community ages. These increases were partially offset by a decrease in utilities of 3.8% to \$1,186,738.

Expenses of General and Administrative Services increased 6.8% to \$14,675,628. Within this expense category, Administration expenses increased 5.5% to \$12,832,966 related to a 3.5% average wage rate increase, increase in employee participation of medical benefit plans, higher legal fees, higher AHHT administrative expenses, and increase in SQLC corporate staff. Marketing expenses increased 28.8% to \$1,279,986 and Management Fees decreased 3.3% to \$562,676.

Overall investment performance (interest income, realized and unrealized gains and losses) decreased approximately 75.4% from \$2,568,710 to \$630,805 primarily due to net unrealized losses in investments during 2015 and net realized gains during 2014. Interest income decreased 11.6% during the 2015 fiscal year compared to the 2014 fiscal year with interest income of \$1,736,462 for the fiscal year 2015. There were \$200,664 and \$1,283,152 of realized gains for the 2015 fiscal year and 2014 fiscal year, respectively.

The lower Debt Service Coverage Ratio of 1.58x in fiscal year 2015 compared to 1.94x in fiscal year 2014 is the result of lower operating income partially offset by higher entrance fee turnover of \$3,174,599 which is the result of \$19,044,297 in Entrance Fee receipts compared to \$15,869,698 in Entrance Fee refunds in 2015. In fiscal year 2014, there were \$17,456,475 in Entrance Fee receipts compared to \$14,875,541 in Entrance Fee refunds with

Entrance Fee turnover of \$2,580,934 in 2014. Cash and unrestricted investments decreased by \$(1,314,992) from December 31, 2014 to December 31, 2015 and is primarily the result of approximately \$3,200,000 in capital expenditures, which was partially offset by reimbursement of capital expenditures upon closing of the Series 2015 Bonds of approximately \$1,000,000, and \$500,000 in loans to SQLC affiliates. See **“FINANCIAL INFORMATION – Loans to SQLC Affiliates”** herein.

Results of Operations – Fiscal Year 2014 to Fiscal Year 2013 – For fiscal year ended December 31, 2014 net revenue increased by 3.7% to \$37,039,032 in comparison to \$35,730,377 for the fiscal year December 31, 2013. The increase was primarily the result of increases in Monthly Service Fees effective January 1, 2014 in independent living of 4%, assisted living of 5%, memory support of 6% and skilled nursing of 6%. There were also increases in Other Operating Revenue from rentals and additional dining revenue. These increases in revenues were partially offset by Independent Living Unit average occupancy at the Community being 4.6% lower during the 2014 fiscal year compared to the 2013 fiscal year. During the 2014 fiscal year, average occupancy of the Independent Living Units, the Assisted Living Center and the Health Center was 92%, 93%, and 93%, respectively. This compares to the average occupancy during the 2013 fiscal year of 96%, 92%, and 93%, respectively.

For the 2014 fiscal year, total program expenses increased by 5.8% to \$21,361,877. The increases in all program expenses were primarily the result of a 3.5% average wage rate increase. Assisted living expenses increased 5.9% to \$3,189,887 due to an increase in staffing of 0.6 FTEs. Dining expenses increased 10.0% to \$4,222,754 due to an increase in staffing of 1.2 FTEs and raw food costs of 9.0%. Skilled nursing expenses increased 7.2% to \$4,680,148 due to therapy staffing in-house beginning in mid-2013. Depreciation and amortization expenses increased 7.7% to \$4,310,671 due to increased capital purchases as the Community ages.

Expenses of General and Administrative Services increased 3.6% to \$13,736,300. Within this expense category, Administration expenses increased 3.3% to \$12,160,219 primarily related to a 3.5% average wage rate increase, Marketing expenses increased 8.3% to \$993,995 and Management Fees increased 3.3% to \$582,086. The increase in Management Fees was primarily related to unanticipated legal expense at the SQLC level related to a litigation settlement.

Overall investment performance (interest income, realized and unrealized gains and losses) decreased approximately 11.6% from \$2,906,676 to \$2,568,710 primarily due to net unrealized losses in investments during 2014 and net unrealized gains during 2013. Interest income remained relatively consistent during the 2014 fiscal year compared to the 2013 fiscal year with interest income of \$1,964,904 for the fiscal year 2014. There were \$1,283,152 and \$589,506 of realized gains for the 2014 fiscal year and 2013 fiscal year, respectively.

The lower Debt Service Coverage Ratio of 1.93x in fiscal year 2014 compared to 2.76x in fiscal year 2013 is the result of lower entrance fee turnover of \$2,580,934 which is the result of \$17,456,475 in Entrance Fee receipts compared to \$14,875,541 in Entrance Fee refunds in 2014. In fiscal year 2013, there were \$18,238,533 in Entrance Fee receipts and \$11,427,747 in Entrance Fee refunds with Entrance Fee turnover of \$6,810,786 in 2013. Cash and unrestricted investments decreased by \$(1,056,603) from December 31, 2013 to December 31, 2014 and is primarily the result of approximately \$2,300,000 in capital expenditures and \$946,278 in loans to SQLC affiliates. See **“FINANCIAL INFORMATION – Loans to SQLC Affiliates”** herein.

Actuarial Study

The Obligor completes an actuarial study every three years in accordance with the Master Indenture. As of December 31, 2015, the Community's Funded Status was 102.9% and its actuarial ratio was 85%.

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Insurance

The following table describes the type, coverage and expiration date of the insurance policies the Obligor currently maintains.

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
Commercial Property	\$300mm limit Real Property \$17.5mm limit Personal Property \$54.7mm limit Business Income & Extra Exp. \$372mm limit Equipment Breakdown	6/1/2017
General Liability/Professional Liability	\$1mm/occurrence \$3mm/aggregate	1/1/2018
Health Care Excess Indemnity	\$12mm/occurrence \$12mm/aggregate	1/1/2018
Commercial Auto Liability	\$1mm/aggregate	6/1/2017
Directors and Officers Insurance	\$10mm/aggregate	12/1/2017
Workers Compensation Insurance	as required by Texas law	1/1/2018

Litigation

From time to time, there are certain actions pending against the Obligor and SQLC that arise in the ordinary course of business. Management of the Obligor and SQLC believes that adequate provision has been made to cover estimated losses and that the ultimate disposition of any such pending actions will not adversely affect the financial condition of the Obligor or SQLC or the operations of the Community.

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APPENDIX B

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2015

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NORTHWEST SENIOR HOUSING CORPORATION
(dba Edgemere)
AND
SENIOR QUALITY LIFESTYLES CORPORATION

CONSOLIDATED OBLIGATED GROUP
FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

NORTHWEST SENIOR HOUSING CORPORATION
(dba Edgemere)
AND
SENIOR QUALITY LIFESTYLES CORPORATION

DECEMBER 31, 2015 AND 2014

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Report of Independent Certified Public Accountants

Boards of Directors
Northwest Senior Housing Corporation (dba Edgemere)
and Senior Quality Lifestyle Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation (the "Obligated Group"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting provisions of the amended and restated Master Trust Indenture Agreement between Northwest Senior Housing Corporation (dba Edgemere) and the Bank of New York Mellon Trust Company, N.A. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with financial reporting provisions of the Master Trust Indenture Agreement described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. As described in Note 1 to the consolidated financial statements, the consolidated financial statements are prepared in accordance with reporting provisions of the Master Trust Indenture Agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Master Trust Indenture Agreement. Our opinion is not modified with respect to this matter.

Supplemental Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Obligated Group as a whole. The supplemental consolidating schedules are presented for purposes of additional analysis as required by the amended and restated Master Trust Indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of those within the Obligated Group, the holders of the Series 2006 bonds, the bond trustee, Bank of America, Ziegler Capital Markets, and Greystone Management Services Company, L.L.C., and is not intended to be and should not be used by anyone other than these specified parties.

Lane Gorman Trub: #, PLLC

Dallas, Texas
May 23, 2016

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATED BALANCE SHEETS
December 31,

	2015	2014 As adjusted (See Note 5)
ASSETS		
Cash and cash equivalents	\$ 3,870,148	\$ 1,225,531
Accounts receivable - trade, less allowance for doubtful accounts of \$334,774 at 2015 and \$233,240 at 2014	1,580,256	2,149,806
Entrance fees receivable	4,877,461	3,018,130
Accounts receivable - related party	1,823,451	1,751,756
Inventory	61,322	43,012
Prepaid expenses	1,001,431	928,311
Resident deposits	423,499	561,559
Buildings, equipment and construction in progress, net	111,376,958	108,898,456
Investments	53,764,164	57,959,496
Assets limited as to use	40,237,568	6,766,108
Notes receivable, accrued interest and deferred management fees - related party	23,033,065	21,456,003
Contract acquisition costs, net	19,560	109,531
	<u>\$ 242,068,883</u>	<u>\$ 204,867,699</u>
LIABILITIES AND NET DEFICIT		
Accounts payable - trade	\$ 925,161	\$ 690,227
Accounts payable - retainage	47,853	-
Resident refunds due	1,289,859	1,389,225
Resident deposit liabilities	645,395	781,979
Accrued expenses	3,754,664	3,108,472
Accrued interest	690,737	423,782
Interest rate cap agreement	-	8
Interest rate swap obligation	-	281,495
Deferred rent	33,058,425	31,561,650
Refundable entrance fee liability	150,052,182	147,059,302
Deferred revenue from entrance fees - net of amortization of of \$21,291,863 at 2015 and \$19,388,873 at 2014	9,185,254	9,047,194
Bonds payable - net of unamortized premium and bond issuance costs, net	111,805,625	73,618,932
Total liabilities	<u>311,455,155</u>	<u>267,962,266</u>
COMMITMENTS AND CONTINGENCIES	-	-
UNRESTRICTED NET DEFICIT		
Controlling interest	(69,581,071)	(63,372,640)
Non-controlling interest	194,799	278,073
Total unrestricted net deficit	<u>(69,386,272)</u>	<u>(63,094,567)</u>
	<u>\$ 242,068,883</u>	<u>\$ 204,867,699</u>

The accompanying notes are an integral part of these consolidated financial statements.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31,

	2015	2014 As adjusted (See Note 5)
REVENUES		
Resident services, including amortization of entrance fees of \$1,902,990 and \$1,992,065, respectively	\$ 40,658,987	\$ 39,717,136
Less contractual adjustments, rate allowances and bad debt expense	(6,118,485)	(5,143,190)
Net resident services	34,540,502	34,573,946
Other operating revenues	2,078,030	2,465,086
Total revenues	36,618,532	37,039,032
PROGRAM SERVICES EXPENSES		
Lifestyle	474,105	472,745
Assisted living	3,179,926	3,189,887
Building maintenance	1,046,176	1,031,359
Dining	4,531,768	4,222,754
Emergency system	270,424	255,346
Grounds maintenance	324,402	323,136
Housekeeping	1,002,003	940,682
Skilled nursing	4,710,383	4,680,148
Transportation	455,709	440,425
Utilities	1,186,738	1,233,667
Insurance	267,018	261,057
Depreciation and amortization	4,569,618	4,310,671
Total program services expenses	22,018,270	21,361,877
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration	12,832,966	12,160,219
Marketing	1,279,986	993,995
Management fees	562,676	582,086
Total general and administrative expenses	14,675,628	13,736,300
Total expenses	36,693,898	35,098,177
INCOME (LOSS) FROM OPERATIONS	(75,366)	1,940,855
NON-OPERATING INCOME (EXPENSE)		
Unrealized depreciation of investments	(1,306,321)	(679,346)
Realized gain from sales of investments	200,664	1,283,152
Interest income	1,736,462	1,964,904
Interest expense	(3,877,666)	(3,678,610)
Gain on disposal of fixed assets	-	16,591
Loss on legal settlement	-	(856,690)
Loss on early extinguishment of debt	(2,691,512)	-
Long-term debt expenses	(119,469)	(236,234)
Change in fair value of derivative instruments	81,503	188,483
	(5,976,339)	(1,997,750)
EXPENSES OVER REVENUE AND CHANGE IN UNRESTRICTED NET DEFICIT	(6,051,705)	(56,895)
Change in unrestricted net deficit attributable to the non-controlling interest	(156,726)	(243,124)
CHANGE IN UNRESTRICTED NET DEFICIT ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (6,208,431)	\$ (300,019)

The accompanying notes are an integral part of these consolidated financial statements.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT
Years Ended December 31, 2015 AND 2014

	Unrestricted Net Assets (Deficit)		
	Controlling Interest	Non-controlling Interest	Total
Balance at December 31, 2013	\$ (63,072,621)	\$ 269,949	\$ (62,802,672)
Change in unrestricted net deficit	(300,019)	243,124	(56,895)
Distribution to non-controlling interest	-	(235,000)	(235,000)
Balance at December 31, 2014	(63,372,640)	278,073	(63,094,567)
Change in unrestricted net deficit	(6,208,431)	156,726	(6,051,705)
Distribution to non-controlling interest	-	(240,000)	(240,000)
Balance at December 31, 2015	<u>\$ (69,581,071)</u>	<u>\$ 194,799</u>	<u>\$ (69,386,272)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2015	2014 As adjusted (See Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (6,051,705)	\$ (56,895)
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Turnover from entrance fees	3,174,599	2,580,934
Amortization of bond issuance costs and premium	(24,897)	6,693
Amortization of entrance fees	(1,902,990)	(1,992,065)
Amortization of contract acquisition costs	89,971	110,442
Bad debt expense	101,534	150,768
Depreciation	4,479,647	4,200,229
Gain on disposal of fixed assets	-	(16,591)
Unrealized depreciation of investments	1,306,321	679,346
Realized gain from sales of investments	(200,664)	(1,283,152)
Loss on early extinguishment of debt	2,691,512	-
Original issue premium on bond issuance	3,343,459	-
Change in fair value of derivative instruments	(81,503)	(188,483)
Deferred rent	1,496,775	1,579,041
Changes in operating assets and liabilities, net		
Accounts receivable - related party	(71,695)	(92,328)
Accounts receivable - trade	468,016	(225,551)
Accrued interest receivable	(224,125)	33,665
Inventory	(18,310)	4,511
Prepaid expenses	(73,120)	(414,559)
Resident deposits	138,060	477,108
Accounts payable - trade	208,960	33,676
Resident refunds due	(99,366)	-
Resident deposit liabilities	(136,584)	(471,968)
Accrued expenses	(260,287)	119,641
Accrued interest	207,053	(9,108)
Net cash provided by operating activities	<u>8,560,661</u>	<u>5,225,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	16,591
Additions to buildings, equipment and construction in progress	(5,819,755)	(2,910,097)
Swap agreement unwind	(200,000)	-
Purchases of investments	(30,041,974)	(27,826,079)
Proceeds on sales of investments	33,168,084	27,285,822
Purchases of assets limited as to use	(39,037,466)	(7,899,118)
Proceeds on sales of assets limited as to use	3,008,263	8,450,182
Issuance of notes receivable, accrued interest and deferred management fees - related party	(1,577,062)	(2,184,108)
Net cash used in investing activities	<u>(40,499,910)</u>	<u>(5,066,807)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(57,635,000)	(1,665,000)
Proceeds from additional long-term debt	94,190,000	-
Additions to bond issuance costs	(1,731,134)	-
Distribution to non-controlling interest	(240,000)	(235,000)
Net cash provided by (used in) financing activities	<u>34,583,866</u>	<u>(1,900,000)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>2,644,617</u>	<u>(1,741,453)</u>
Cash and cash equivalents at beginning of year	<u>1,225,531</u>	<u>2,966,984</u>
Cash and cash equivalents at end of year	<u>\$ 3,870,148</u>	<u>\$ 1,225,531</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 3,635,608	\$ 3,681,025
Non-cash investing and financing activities		
Additions to construction in progress in accounts payable - retainage, accounts payable - trade and accrued interest expense	\$ 1,138,394	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

1. DESCRIPTION OF ORGANIZATION AND THE BASIS OF PRESENTATION

The Obligated Group

Northwest Senior Housing Corporation dba Edgemere (the “Organization”), is incorporated as a Texas not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). In addition, the Organization has been classified as an organization that is not a private foundation.

The Organization was formed for the purpose of constructing, owning and operating a continuing care retirement community in Dallas, Texas, known as Edgemere (the “Community”) providing housing, health care, and other related services to its residents.

Senior Quality Lifestyles Corporation (“SQLC”) is the Organization’s sole member. SQLC is a Texas not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the IRC. In addition, SQLC has been classified as an organization that is not a private foundation.

In 2011, the Organization and Augustine Management Texas, Inc. (“AMT”) formed Augustine Home Health Texas, LLC (“AHHT”), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that will offer personal assistance services to residents of the Community. The Organization is the controlling member of AHHT. AHHT began operations in 2012.

Collectively, the Organization and SQLC constitute the Obligated Group under the amended and restated Master Trust Indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006 (“Master Indenture”).

Community

The Community consists of 304 independent living units, 60 assisted living units, 31 memory support assisted living units, and 72 skilled nursing beds.

Affiliated Entities

SQLC is also the sole member of the following continuing care retirement communities:

<u>Name of Community</u>	<u>Location</u>
Buckingham Senior Living Community, Inc. dba The Buckingham (“Buckingham”)	Houston, Texas
Barton Creek Senior Living Center, Inc. dba Querencia at Barton Creek (“Querencia”)	Austin, Texas
SQLC Senior Living Center at Corpus Christi, Inc. dba Mirador (“Mirador”)	Corpus Christi, Texas
Tarrant County Senior Living Center, Inc. dba The Stayton at Museum Way (“Stayton”)	Fort Worth, Texas
Mayflower Communities, Inc. dba The Barrington of Carmel (“Barrington”)	Carmel, Indiana
Sentinel Ridge Senior Living Corporation dba Sentinel Ridge (“Sentinel Ridge”)	Colorado Springs, Colorado

SQLC acts as a supporting organization for the Organization and the communities listed above, providing oversight, direction, and governance support, and will make grants and/or provide other forms of financial assistance.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

1. DESCRIPTION OF ORGANIZATION AND THE BASIS OF PRESENTATION (Continued)

Affiliated Entities (Continued)

SQLC is also the sole member of SQLC LSA, LLC which is a for profit limited liability company that was established to participate in certain transactions in conjunction with the bond financing of Stayton, Mirador, and Barrington. SQLC has also established SQLC Charitable Foundation (the "Foundation") that operates primarily to make grants and otherwise support programs and services that advance the interests of the elderly. In particular, the Foundation supports and benefits SQLC and its affiliates.

During the years ended December 31, 2015 and 2014, the Organization entered into various transactions with affiliated entities. These transactions and the related balances as of December 31, 2015 and 2014 are further described in Note 10.

The Obligated Group is solely responsible for the payment of the long-term debt described in Note 4. Buckingham, Querencia, Mirador, Stayton, and Barrington are not obligated in any manner to make any payments with respect to the obligations of the Obligated Group. In November 2016, an additional \$8,955,000, plus accrued interest will be owed by Mirador on its outstanding long-term debt for which Edgemere (or the Obligated Group) has no obligation to fund. In addition, the Obligated Group is not responsible in any manner to make payments with respect to the obligations of Buckingham, Querencia, Mirador, Stayton, and Barrington.

Basis of Presentation

These consolidated Obligated Group financial statements are not intended to represent the consolidated financial position and activities of SQLC and all of its subsidiaries. The Master Indenture requires the preparation of consolidated Obligated Group financial statements which present the financial position, change in net assets, and cash flows of the Obligated Group. Accordingly, the consolidated Obligated Group financial statements present the financial position and activities of the Organization and SQLC only and omit the above affiliated entities which would otherwise be required to be consolidated with SQLC under accounting principles generally accepted in the United States of America ("GAAP").

Individuals interested in more information about the financial position or activities of the affiliated entities listed above or the Organization should refer to their separately issued financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of SQLC and the Organization (the "Obligated Group"). All significant intercompany transactions and balances have been eliminated upon consolidation.

Non-controlling Interest

Non-controlling interest, as recorded in the accompanying consolidated balance sheets, does not represent an obligation of the Organization or the Obligated Group to pay cash or distribute other assets to the non-controlling interest. Rather, the non-controlling interest represents AMT's fifty percent ownership in AHHT.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refinancing

On June 4, 2015, the Organization issued \$53,600,000 in Series 2015A bonds and \$40,590,000 in Series 2015B bonds. The Series 2015A bonds were issued for the purposes of (a)(i) refinancing the Series 2006B bonds payable of \$17,240,000, (ii) financing the construction, renovation and equipping of seven Assisted Living Units, including six two-bedroom Assisted Living Units, 11 memory support units, and 15 nursing beds, and (iii) financing and reimbursing certain other capital expenditures at the Community, (b) establishing a debt reserve fund, (c) funding, for a period of 23 months, interest on the Series 2015A bonds and (d) paying costs of issuance of the 2015A bonds. The Series 2015B bonds were issued for the purpose of paying the purchase price of certain 2006A bonds and paying the costs of issuance of the Series 2015B bonds. Included in the statement of operations and changes in net deficit at December 31, 2015 is a loss on the early extinguishment of debt totaling \$2,691,512 associated with the write-off of the premium and bonds issuance costs associated with the extinguished portion of the Series 2006 bonds.

Cash and Cash Equivalents

The Obligated Group considers all highly liquid debt instruments purchased, not limited as to use, with a maturity of three months or less at the time of purchase to be cash equivalents. The Obligated Group maintains cash balances at financial institutions located in Texas which at times may exceed insured limits. The Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Trade accounts receivable are generally recorded at the invoiced amount. Billings under third-party payor programs are recorded net of estimated retroactive adjustments, if any, under reimbursement programs.

The Obligated Group has estimated an allowance for doubtful accounts. The collectability of the Obligated Group's accounts receivable is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivables by payor source and aging of receivables, as well as a review of specific accounts. If an account is determined to be uncollectible, it will be applied to this allowance for doubtful accounts.

Entrance Fees Receivable

Entrance fees receivable are due from twenty-two residents at December 31, 2015 and twelve residents at December 31, 2014. Management executed signed agreements with the residents and deems the accounts to be fully collectible based on collection experience and review of residents' financial condition. Therefore, no allowance has been recorded at December 31, 2015 and 2014. Interest income is recorded on entrance fees receivable according to the terms of each note agreement.

Accounts and Notes Receivable and Accrued Interest – Related Party

Accounts and notes receivable – related party are recorded at amounts estimated to be reimbursed by related parties under various funding agreements or based on the incurrence of expenses on behalf of a related party. Interest income, where applicable, is recorded on related party receivables according to the terms of each agreement. In assessing collectability, management considers collection experience and the related parties' financial conditions. All accounts and notes receivable from related parties are considered to be fully collectible. Related party transactions are further described in Note 10 to the consolidated obligated group financial statements.

Inventory

Inventory consists of food used in daily operations of the Organization and is stated at the lower of cost (first-in, first-out) or market.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resident Deposits

The Organization requires future residents wishing to reserve space at the Community to pay a deposit of up to 10% of the entrance fee which will be required upon residency. The deposits are held in an interest-bearing account until residency is established at which time the resident pays the balance of the required entrance fee. The resident deposits are restricted by the Texas Department of Insurance until the resident moves in to the Community.

Investments and Assets Limited as to Use

Investments, including assets limited as to use, are held in the types of investment securities described in Note 8 and are reported at their fair values with net unrealized appreciation and depreciation included in the consolidated statements of operations. Realized gains and losses from the sales of securities are determined using the specific identification method.

Investments and Assets Limited as to Use (Continued)

Assets limited as to use are limited in accordance with debt indenture agreements. The primary designated purposes of assets limited as to use in accordance with debt indenture agreements include project construction, ground lease-related costs, other costs related to the project and interest costs on the Series 2006 and Series 2015 bonds.

Change in Value of Investments

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

Buildings, Equipment and Construction in Progress

Buildings and equipment are stated at cost or, if acquired by gift, at the fair market value at the date of gift. The Organization capitalizes all expenditures for building and equipment in excess of \$1,000 with a useful life of more than one year. Construction in progress represents costs that are deferred until the projects are completed and placed into service at which time these costs are depreciated over the useful life of the asset.

Interest cost incurred on borrowed funds during the period of construction of capital assets, net of interest earnings during this same period, is capitalized as a component of the cost of constructing those assets. For the years ended December 31, 2015 and 2014, the Organization had incurred and capitalized \$721,525 and \$0, respectively, of interest costs into construction in progress, which is net of interest income for the year of \$107,482 and \$0, respectively.

Depreciation of buildings and equipment is provided on the straight-line method over the following useful lives:

Buildings and improvements	5-53 years
Equipment	3-20 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Computer equipment	3 years

The Organization has entered into a fifty-five year ground lease for the land upon which the Community was constructed. Upon expiration of the ground lease, all building and improvements will transfer to the lessor (See Note 7).

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting

The Obligated Group determines whether to account for its leases as operating, capital or financing leases depending on the underlying terms of the lease agreement. This determination of classification is complex and requires significant judgment relating to certain information including the estimated fair value and remaining economic life of the Community, the Obligated Group's cost of funds, minimum lease payments and other lease terms.

Contract Acquisition Costs

Contract acquisition costs are marketing costs incurred by the Organization in connection with acquiring initial residency agreements. Contract acquisition costs are capitalized and amortized on a straight-line basis over a period approximating the average life expectancy of the initial residents occupying the independent living units. As of December 31, 2015 and 2014, accumulated amortization was \$6,929,541 and \$6,839,570, respectively. Amortization expense was \$89,971 and \$110,442 for the years ended December 31, 2015 and 2014, respectively.

Future amortization of these costs is expected to be \$19,560 for the year ended December 31, 2016.

Refundable Entrance Fee Liability and Deferred Revenue from Entrance Fees

Entrance fees are paid by residents as they take occupancy of their reserved apartment unit. Of this total fee, a portion is non-refundable and is recorded as deferred revenue and amortized using the straight-line method over the estimated remaining life expectancy of the resident, as determined by the Internal Revenue Service life expectancy actuarial report. The remaining life expectancy is re-evaluated annually and amortization periods are adjusted accordingly. The remaining portion of this fee is refundable to the resident (or appointed estate) upon termination of the contract or upon expiration of the resident. This portion of the fee will be refunded once sufficient entrance fees have been received from occupancy of the unit by another resident. The balance of the fees expected to be refundable is classified as a refundable entrance fee liability.

Estimated Obligation to Provide Future Services to Continuing Care Residents

If the entrance and periodic fees that are charged to continuing care residents are insufficient to meet the costs of providing future services and the use of the facilities to those residents, the Organization records a liability based on actuarial assumptions on estimates of future costs and revenues and on the Organization's historical experience and statistical data. The determination of whether a liability should be reported is made on an annual basis. If it is determined that such a liability should be recorded, it is equal to the present value of future net cash flows, minus the balance of unamortized deferred revenue, plus depreciation of facilities to be charged related to the contracts, plus unamortized costs of acquiring the related initial continuing-care contracts, if applicable. Cash inflows include revenue contractually committed to support the residents and monthly fees. Cash outflows include operating expenses, including interest expense and excluding selling, general and administrative expenses. Anticipated increases in revenues and expenses are included in estimating cash flows associated with providing services to continuing care residents. At December 31, 2015 and 2014, the Organization determined that no liability should be recorded for future service obligations to continuing care residents, because the estimated costs of providing those future services does not exceed the estimated revenues that are estimated to be charged to continuing care residents.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Resident Service Revenue

Revenue is recognized at estimated net realizable amounts, based on historical experiences, due from residents in the period to which the rental and other services are provided.

The Organization has entered into an agreement with Medicare, a third-party payor that provides for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreement with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program. Medicare revenues constitute 13% and 14% of net resident services revenue for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

The Organization and SQLC are nonprofit organizations and are exempt from federal income tax under Section 501(c)(3) of the IRC. For the years ended December 31, 2015 and 2014, the Organization and SQLC had no material unrelated business income. Accordingly, no provision for federal income tax has been made in the accompanying consolidated financial statements.

The Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing the Obligated Group's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Organization's and SQLC's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Obligated Group is no longer subject to income tax examinations by tax authorities for years prior to 2012.

Operating Income (Loss)

Changes in unrestricted net assets, which are excluded from operating income, include interest income and expense, unrealized depreciation of investments, realized gain from sales of investments, gain on disposal of fixed asset, long-term debt expenses, loss on early extinguishment of debt and change in fair value of derivative instruments.

Fair Value of Financial Instruments

In determining fair value, the Obligated Group uses various valuation approaches. The Organization uses a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

As a basis for considering market participant assumptions in fair value measurements, the Organization uses a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Obligated Group's financial instruments. The inputs are summarized in three levels as outlined below:

Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs – Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The Obligated Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Derivative Instruments

Derivatives are recorded as assets or liabilities in the consolidated balance sheet at their fair value. The Organization does not qualify for cash flow hedge treatment, so the adjustment to fair value is recognized as part of the change in net assets on the consolidated statements of operations. The Organization uses interest rate swap and cap agreements to partially hedge the effects of fluctuations in the rate of interest on its Series 2006 variable rate debt. The Organization does not hold or issue derivative instruments for speculative purposes. The Organization's accounting for interest rate swap and cap agreements may have the effect of increasing volatility in the change in net assets for any particular period. The derivative instruments entered into by the Organization are further described in Note 8 and expired upon the retirement of Series 2006B bonds.

Risk Management

The Obligated Group is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; employee health, dental, and accident benefits and acts of God. Commercial insurance coverage is purchased for claims arising from such matters. The Obligated Group has not experienced significant claims that exceeded this commercial coverage during the years ended December 31, 2015 or 2014.

Use of Estimates

In preparing consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncement

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") *Interest – Imputation of Interest* ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. The amendments in ASU 2015-03 are effective for fiscal periods beginning after December 15, 2015 and may be adopted earlier. The Organization adopted ASU 2015-03 on January 1, 2015. See Note 5.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no effect on the change in net assets for the years presented.

3. BUILDINGS, EQUIPMENT AND CONSTRUCTION IN PROGRESS

Buildings, equipment and construction in progress consist of the following at December 31:

	2015	2014
Buildings and improvements	\$ 133,023,225	\$ 132,480,286
Equipment	3,217,421	2,854,093
Furniture and fixtures	11,397,991	9,437,407
Computer equipment	1,532,725	1,215,010
Vehicles	508,440	508,440
	149,679,802	146,495,236
Less accumulated depreciation and amortization	(42,681,760)	(38,202,113)
	106,998,042	108,293,123
Construction in progress	4,378,916	605,333
	<u>\$ 111,376,958</u>	<u>\$ 108,898,456</u>

Depreciation expense totaled \$4,479,647 and \$4,200,229 for the years ended December 31, 2015 and 2014, respectively.

4. LONG-TERM DEBT

The following is a summary of long-term debt at December 31:

	2015	2014
<u>Tax Exempt, Fixed Rate Term Bonds</u>		
Series 2015A		
Term bonds, interest at 2.00%, maturing November 15, 2016	\$ 475,000	\$ -
Term bonds, interest at 3.00%, maturing November 15, 2017	485,000	-
Term bonds, interest at 4.00%, maturing November 15, 2018	500,000	-
Term bonds, interest at 4.00%, maturing November 15, 2019	520,000	-
Term bonds, interest at 4.00%, maturing November 15, 2020	540,000	-
Term bonds, interest at 5.00%, maturing November 15, 2022	1,155,000	-
Term bonds, interest at 5.00%, maturing November 15, 2025	1,955,000	-
Term bonds, interest at 5.00%, maturing November 15, 2030	3,970,000	-
Term bonds, interest at 5.00%, maturing November 15, 2035	5,065,000	-
Term bonds, interest at 5.00%, maturing November 15, 2045	38,725,000	-

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

4. LONG-TERM DEBT (Continued)

	2015	2014
Series 2015B		
Term bonds, interest at 3.00%, maturing November 15, 2017	\$ 935,000	\$ -
Term bonds, interest at 4.00%, maturing November 15, 2018	965,000	-
Term bonds, interest at 4.00%, maturing November 15, 2019	1,010,000	-
Term bonds, interest at 5.00%, maturing November 15, 2020	1,050,000	-
Term bonds, interest at 4.00%, maturing November 15, 2025	5,935,000	-
Term bonds, interest at 5.00%, maturing November 15, 2030	11,405,000	-
Term bonds, interest at 5.00%, maturing November 15, 2036	17,290,000	-
Term bonds, interest at 4.50%, maturing November 15, 2036	2,000,000	-
Series 2006A		
Term bonds, interest at 6.00%, maturing November 15, 2026	9,745,000	19,270,000
Term bonds, interest at 6.00%, maturing November 15, 2036	5,165,000	34,520,000
Series 2006B		
Variable rate bonds, initial interest determined in accordance with the bond trust indenture, payable November 15, 2008 through November 15, 2036	-	17,240,000
<u>Tax Exempt, Fixed Rate Serial Bonds</u>		
Series 2006A		
Serial bonds, interest at 5.75%, maturing November 15, 2016	1,385,000	2,690,000
	110,275,000	73,720,000
Unamortized bond premium and bond issuance costs, net	1,530,625	(101,068)
	<u>\$ 111,805,625</u>	<u>\$ 73,618,932</u>

The Series 2015 and Series 2006 bonds were issued by the Tarrant County Cultural Education Facilities Finance Corporation, a nonprofit corporation organized by the Commissioners Court of Tarrant County, Texas pursuant to the Cultural Education Facilities Finance Act, Article 1528m V.A.T.C.S. The bonds are collateralized by first mortgage liens on substantially all property of the Organization, by a pledge of revenues, and by certain assets limited as to use and held by a trustee.

Long-term debt maturities and sinking fund requirements for the next five years ending December 31 and through maturity are as follows:

2016	\$ 1,860,000
2017	2,160,000
2018	2,250,000
2019	2,360,000
2020	2,470,000
Thereafter	99,175,000
	<u>\$ 110,275,000</u>

The provisions relating to the Series 2015 and Series 2006 bonds contain various covenants pertaining to early redemption of the bonds, payment of certain expenses, and maintenance of earnings available for debt service, meeting certain financial ratios and providing the trustee with required periodic reports.

The premium and bond issuance costs are amortized to interest expense over the life of the related bonds using the interest method. Unamortized bond premium and bond issuance costs are deducted from the carrying value of the bonds payable.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

4. LONG-TERM DEBT (Continued)

Tax Exempt, Fixed Rate Serial Bonds (Continued)

The Series 2006A bonds maturing on November 15, 2026 and November 15, 2036 were sold at a premium of \$655,001 in order to affect a market rate of interest. Amortization of the premium and bond issuance costs charged to interest expense was \$4,656 and \$6,693 for the years ended December 31, 2015 and 2014, respectively.

The Series 2015 bonds were sold at a premium of \$3,343,459 in order to affect a market rate of interest. Amortization of the premium and bond issuance costs charged to interest expense was \$29,553 and \$0 for the years ended December 31, 2015 and 2014, respectively.

The Series 2006A bonds may be redeemed, at the option of the Organization, on November 15, 2016 and on any date thereafter. The redemption price of each bond redeemed shall be the principal amount and accrued interest to the redemption date.

The Series 2015A bonds may be redeemed, by the Issuer at the direction of the Obligor, in whole or in part on November 15, 2025, or on any date thereafter, at the redemption price equal to the principal amount of such Series 2015A bonds to be redeemed, together with accrued interest at the redemption date.

The Series 2015B bonds other than the Series 2015B bonds maturing November 15, 2036 and bearing interest at 4.50% are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on and after November 15, 2025, at a redemption price equal to the principal amount of such Series 2015B bonds to be redeemed, together with accrued interest to the redemption date. The Series 2015B bond maturing November 15, 2036 and bearing interest at 4.50% is subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on and after November 15, 2022, at a redemption price equal to the principal amount of such Series 2015B bond to be redeemed, together with accrued interest to the redemption date.

5. CHANGE IN ACCOUNTING PRINCIPLE

The Organization's adoption of ASU No. 2015-03 (see newly adopted accounting policy in Note 2) resulted in the reclassification of bond issuance costs as an asset to a direct deduction from the related bond payable. The effect of the adoption of ASU No. 2015-03 was a reduction of intangible assets and notes payable of \$2,091,864 and \$1,427,420 at December 31, 2015 and 2014, respectively. The adoption of ASU No. 2015-03 also caused a decrease in amortization of bond issuance costs and a related increase in interest expense of \$111,730 and \$94,527 for the years ended December 31, 2015 and 2014, respectively. The adoption of ASU 2015-03 did not result in a change to net deficit for 2015 or 2014.

6. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

	2015	2014
Property tax	\$ 1,477,849	\$ 1,478,455
Salary, benefits and payroll taxes	1,157,823	1,452,183
Operating expenses	164,849	97,604
Expansion related expenses	906,479	-
Other	47,664	80,230
	<u>\$ 3,754,664</u>	<u>\$ 3,108,472</u>

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases land under a fifty-five year ground lease for the land upon which the Community was constructed from Intercity Investment Properties, Inc. that expires November 2054. Upon expiration of the ground lease, all buildings and improvements will transfer to the lessor.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

The ground lease contains an escalation clause whereby the rental charge increases annually based on the consumer price index, subject to a minimum annual increase of 2.5% and a maximum annual increase of 5%. The difference between actual rent payments and the estimated average annual rent is recorded as a deferred rent liability in the consolidated balance sheets. Included in the consolidated statements of operations is rent expense of \$4,934,200 and \$4,932,627 for the years ended December 31, 2015 and 2014, respectively, related to this ground lease. Included on the consolidated balance sheets at December 31, 2015 and 2014 is \$33,058,425 and \$31,561,650, respectively, of deferred rent liability related to the escalation clause. Deferred rent of \$1,496,775 and \$1,579,041 is included in rent expense for the years ended December 31, 2015 and 2014, respectively.

Operating Leases (Continued)

The following is a schedule by year of future minimum lease commitments under operating leases that have initial or remaining lease terms in excess of one year for the years ending December 31:

2016	\$ 3,523,455
2017	3,611,540
2018	3,701,831
2019	3,794,375
2020	3,889,234
Thereafter	<u>208,605,011</u>
	<u>\$ 227,125,446</u>

Management Services Agreement

The Organization has a management services agreement with Greystone Management Services Company, LLC ("Greystone") in which Greystone provides the Organization with certain services for a monthly fee. The services provided by Greystone under the terms of the management services agreement include, but are not limited to, assistance with finding and training qualified personnel, preparing monthly financial and reporting packages, consultation in regard to local, state, and federal regulatory requirements, and marketing of the Community. All services provided by Greystone under the management services agreement are under the oversight of the Organization and SQLC.

In conjunction with the management services agreement, the Organization agreed to pay a monthly management fee of \$32,300 through the expiration of the agreement, as adjusted for inflation in accordance with the terms of the agreement. On July 1, 2015 the agreement was extended and the Organization agreed to pay a monthly management fee of \$33,500 through the expiration of the agreement, as adjusted for inflation in accordance with the terms of the agreement. As part of this agreement, the Organization has agreed to pay certain reimbursable expenses. The extended agreement will remain in effect until June 30, 2025, unless sooner terminated in accordance with the terms of the agreement. Management fees of \$401,583 and \$387,600 are included in expenses for the years ended December 31, 2015 and 2014, respectively. Reimbursable expenses of \$0 and \$13,566 are included in expenses for the years ended December 31, 2015 and 2014, respectively.

Development Consulting Agreement

The Organization and Greystone Development Company II, LP ("GDC II") entered into a development consulting agreement dated as of February 23, 2015 to provide consulting services related to the refunding of Series 2006B bonds and development of the expansion of the Community. The total anticipated fee to GDC II is estimated to be \$490,000, paid in specified installments through December 2017. In addition, an administrative fee of 3.5% of the consulting services fee will be billed as the consulting services fee is billed, as well as any other third party expenses incurred by GDC II.

Fees capitalized totaled approximately \$189,281 for the year ended December 31, 2015. At December 31, 2015, the estimated remaining commitment on this contract, excluding the administrative fee and any third party expenses incurred by GDC II, approximated \$308,036.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES (Continued)

Architecture Agreement

An architecture agreement of approximately \$1,253,000 exists for the expansion of the Community. At December 31, 2015, the remaining commitment on this contract approximated \$352,589.

Construction Agreement

A construction agreement of approximately \$26,378,000 exists for the expansion of the Community. At December 31, 2015, the remaining commitment on this contract approximated \$25,035,196.

8. DERIVATIVE INSTRUMENTS

Interest Rate Cap Agreement

In February 2011, the Organization entered into an interest rate cap agreement with Barclays Bank PLC ("Barclays"). The cap agreement effectively changed the Organization's interest rate exposure on a portion of the Series 2006B bonds to a maximum rate of 2.50%. With the retirement of Series 2006B bonds the interest rate cap agreement, which had an effective date of March 1, 2011, terminated.

At December 31, 2015 and 2014, the fair value of the interest rate cap agreement was a liability of \$0 and \$8, respectively, which is included in the accompanying consolidated balance sheets. For the years ended December 31, 2015 and 2014, included in non-operating expenses in the consolidated statements of operations is a decrease of \$8 and a decrease of \$1,066 in fair value of the interest rate cap agreements, respectively.

Interest Rate Swap Agreement

In April 2011, the Organization entered into an interest rate swap agreement with Deutsche Bank AG. The swap agreement effectively changed the Organization's interest rate exposure on a portion of the Series 2006B bonds to a maximum rate of 2.183%. The swap on the 2006B bonds was terminated in June 2015 with a termination fee of \$200,000 and funded by the Organization from available cash on hand.

The fair value of the interest rate swap was determined by estimating the difference between interest payments under the fixed rate as opposed to the future variable rates as set forth in the USD SIFMA Municipal Swap Index (formerly the USD-BMA Municipal Swap Index) and calculating the discounted present value of the related estimated future cash flows. At December 31, 2015 and 2014, the fair value of the interest rate swap agreements was a liability of \$0 and \$281,495, respectively which is included in the accompanying consolidated balance sheets. For the years ended December 31, 2015 and 2014, included in non-operating expenses in the consolidated statements of operations is a decrease of \$281,495 and \$187,417 in fair value of the interest rate swap agreement, respectively, of which \$81,495 and \$0 are included in loss on early extinguishment of debt, respectively.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying amounts and estimated fair values, by level within the fair value hierarchy, of the Obligated Group's financial instruments measured at fair value in the accompanying consolidated balance sheets as of December 31, 2015:

Description	Carrying Value	Measured at Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use, at fair value					
Cash and cash equivalents	\$ 18,084,216	\$ 18,084,216	\$ 18,084,216	\$ -	\$ -
Fixed income:					
Mortgage backed securities	1,133,307	1,133,307	1,133,307	-	-
Municipal bonds fixed-rate	75,050	75,050	75,050	-	-
Government bonds	1,066,026	1,066,026	1,066,026	-	-
Guaranteed interest contract	2,359,238	2,359,238	2,359,238	-	-
Corporate bonds	17,292,268	17,292,268	17,292,268	-	-
	40,010,105	\$ 40,010,105	\$ 40,010,105	\$ -	\$ -
Assets limited as to use, at cost:					
Accrued interest receivable	227,463				
Total assets limited as to use	\$ 40,237,568				
Investments, at fair value					
Cash and cash equivalents	\$ 1,418,939	\$ 1,418,939	\$ 1,418,939	\$ -	\$ -
Equity:					
Common stocks	10,341,215	10,341,215	10,341,215	-	-
Exchange traded funds	2,518,208	2,518,208	2,518,208	-	-
Foreign domiciled U.S. securities	349,212	349,212	349,212	-	-
Fixed income:					
Mortgage backed securities	2,550,135	2,550,135	2,550,135	-	-
Corporate asset-backed securities	4,201,286	4,201,286	4,201,286	-	-
Municipal bonds fixed-rate	70,003	70,003	70,003	-	-
Government bonds	15,685,330	15,685,330	15,685,330	-	-
Treasury inflation protected securities	1,438,254	1,438,254	1,438,254	-	-
Mutual funds	3,275,685	3,275,685	3,275,685	-	-
Commercial mortgage-backed securities interest only	506,600	506,600	506,600	-	-
Master limited partnership	32,099	32,099	32,099	-	-
Corporate bonds	10,762,096	10,762,096	10,762,096	-	-
Private equities	256,102	256,102	-	-	256,102
	53,405,164	\$ 53,405,164	\$ 53,149,062	\$ -	\$ 256,102
Investments, at cost:					
Accrued interest receivable	259,000				
Total investments	\$ 53,664,164				

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the carrying amounts and estimated fair values, by level within the fair value hierarchy, of the Organization's financial instruments measured at fair value in the accompanying consolidated balance sheets as of December 31, 2014:

			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Carrying Value	Measured at Fair Value			
Assets limited as to use, at fair value					
Cash and cash equivalents	\$ 846,345	\$ 846,345	\$ 846,345	\$ -	\$ -
Fixed income:					
U.S. Treasury notes	240,896	240,896	240,896	-	-
U.S. government agency fixed-rate securities	702,340	702,340	702,340	-	-
Corporate bonds	1,396,110	1,396,110	1,396,110	-	-
	<u>3,185,691</u>	<u>\$ 3,185,691</u>	<u>\$ 3,185,691</u>	<u>\$ -</u>	<u>\$ -</u>
Assets limited as to use, at cost					
Funding investment agreements	3,569,272				
Accrued interest receivable	11,145				
Total assets limited as to use	<u>\$ 6,766,108</u>				

			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Carrying Value	Measured at Fair Value			
Investments, at fair value					
Cash and cash equivalents	\$ 7,109,941	\$ 7,109,941	\$ 7,109,941	\$ -	\$ -
Equities:					
Common stocks	10,930,980	10,930,980	10,930,980	-	-
Corporate bonds	12,904,078	12,904,078	12,904,078	-	-
Fixed income:					
U.S. Treasury notes	16,971,394	16,971,394	16,971,394	-	-
Municipal bonds fixed-rate	190,000	190,000	190,000	-	-
Collateral mortgage obligations	1,840,848	1,840,848	1,840,848	-	-
Corporate asset-backed securities	4,144,770	4,144,770	4,144,770	-	-
Mutual funds	3,367,171	3,367,171	3,367,171	-	-
Private equities	137,976	137,976	-	-	137,976
	57,597,158	\$ 57,597,158	\$ 57,459,182	\$ -	\$ 137,976
Investments, at cost					
Limited partnership interests	100,000				
Accrued interest receivable	262,338				
Total investments	\$ 57,959,496				
Interest rate cap agreement	\$ 8	\$ 8	\$ -	\$ 8	\$ -
Interest rate swap obligation	\$ 281,495	\$ 281,495	\$ -	\$ 281,495	\$ -

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, a reconciliation is required of the beginning and ending balances. The following represents the change during the years ended December 31, 2015 and 2014:

	<u>Private Equities</u>
Balance at December 31, 2013	\$ -
Contributions	150,000
Gains / (losses)	<u>(12,024)</u>
Balance at December 31, 2014	137,976
Contributions	112,500
Gains / (losses)	<u>5,626</u>
Balance at December 31, 2015	<u>\$ 256,102</u>

In addition, the following table summarizes the carrying value and fair value of the Organization's other financial instruments at December 31, 2015 and 2014:

<u>Description</u>	<u>2015</u>		<u>2014</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Assets:				
Cash and cash equivalents	\$ 3,870,148	\$ 3,870,148	\$ 1,225,531	\$ 1,225,531
Entrance fees receivable	4,877,461	4,877,461	3,018,130	3,018,130
Resident deposits	423,499	423,499	561,559	561,559
Long-term accounts and notes receivable – related party	23,033,065	17,291,183	21,456,003	19,422,225
Liabilities:				
Accrued resident refunds	1,289,859	1,289,859	1,389,225	1,389,225
Long-term debt	111,805,625	116,042,198	73,618,932	76,872,440

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, entrance fees receivable, resident deposits and accrued resident refunds are reflected in the consolidated financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

Assets limited as to use and investments are valued as follows:

Cash and cash equivalents and U.S. Treasury notes: Valued based on quoted market prices.

Common stocks, exchange traded funds, foreign domiciled U.S. securities, mortgage backed securities, U.S. government agency fixed-rate securities, corporate obligations, collateral mortgage obligations, municipal bonds fixed-rate, government bonds, treasury inflation protected securities, commercial mortgage-backed securities interest only, master partnership, corporate bonds, mutual funds and corporate asset-backed securities: Valued based on quoted market prices.

Private equities: Valued at the net asset value of units, which is a market approach based on the quoted market prices of the underlying securities. The private equities focus on investing in high growth companies that provide products, services, or technologies to the Longevity Economy.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Private equities are limited partnership interests that contain subscription agreements that require future capital contributions. Total limited partnership interests and capital commitments are as follows at December 31, 2015:

Total private equities	\$ 256,102
Commitments	\$ 500,000
Contributed	(262,500)
Remaining commitments	\$ 237,500

Long-term accounts and notes receivable and accrued interest – related party are stated at face value in the accompanying consolidated balance sheets. The fair value of the related party notes receivable is based on the discounted present value of estimated future cash flows.

Long-term debt consists of variable rate debt which bears a market rate of interest and fixed rate debt which was issued at a premium to yield a market rate of interest. Long-term debt in the consolidated financial statements is valued at face value less the unamortized premium. The fair value of long-term debt is calculated by reference to market rates or based on estimated yields of instruments with similar features and maturities.

The fair value of the *interest rate cap agreement* is calculated by estimating the net present value of future net settlements based on variable market interest rates and assumptions about future rates.

The fair value of the *interest rate swap agreement* is calculated by estimating the net present value of future net settlements based on contractual terms and a variable market interest rate.

The methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Obligated Group believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

10. RELATED PARTY TRANSACTIONS

Accounts Receivable – Related Party

Accounts receivable – related party is comprised of balances due from related entities for management fees, liquidity support fees, development costs, and operating and payroll expenses. Accounts receivable – related party is made up of the following balances at December 31:

	2015	2014
Buckingham	\$ 313,989	\$ 304,925
Querencia	319,564	305,910
Mirador	1,547,202	1,357,207
Stayton	2,252,908	1,938,328
Barrington	1,232,808	905,169
Sentinel Ridge	62,373	1,016
Other development projects	-	17,575
Total accounts receivable – related party	5,728,844	4,830,130
Less: deferred management fees – related party	(3,905,393)	(3,078,374)
Total accounts receivable – related party	\$ 1,823,451	\$ 1,751,756

Under the terms of the liquidity support agreements with Mirador, Stayton and Barrington, as described below, certain earnings on the liquidity support trust funds are to be transferred to SQLC semi-annually. At December 31, 2015 and 2014, \$754,438 and \$661,032 is included in accounts receivable – related party for estimated income due to SQLC. SQLC recognized liquidity support fee income of \$93,405 and \$94,188, respectively in the accompanying consolidated financial statements for the years ended December 31, 2015 and 2014, respectively.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

10. RELATED PARTY TRANSACTIONS (Continued)

Long-Term Accounts and Notes Receivable and Accrued Interest – Related Party

Subordinated Notes Receivable

Under the terms of the subordinated notes receivable, listed below, the Organization advanced the note amounts indicated, below, to SQLC. SQLC then advanced the note amounts to Mirador, Stayton, Barrington, and Sentinal Ridge Senior Living Corporation. Repayment of the notes will occur after stabilization from the excess project cash of each community, as set forth in the related note agreements. Repayments are contingent on certain financial covenants. The Organization is entitled to receive interest from each of the subordinated notes equal to the prime rate of interest. Included in the consolidated balance sheets at December 31, 2015 and 2014 is interest receivable of \$974,883 and \$724,840. There was interest income of \$250,044 and \$238,890 for 2015 and 2014, respectively, related to these subordinated notes receivable. These notes receivable are subordinated to the bonds payable by each of the communities.

Notes Receivables Under Liquidity Support Agreements

Under the terms of the liquidity support agreements listed below with Mirador, Stayton, Barrington, SQLC LSA, LLC, and the trustee, SQLC provided a liquidity support account for each of these communities. The Organization advanced the liquidity funds to SQLC for funding of the trust accounts through SQLC LSA, LLC. The Organization is anticipated to receive any investment earnings from the accounts held by SQLC LSA, LLC in connection with these liquidity support agreements. The liquidity support funds for each community will be released and repaid upon each community achieving certain financial and occupancy benchmarks as described in the liquidity support agreements. Included in the consolidated balance sheets at December 31, 2015 and 2014 is investment earnings receivable of \$754,438 and \$661,032. There are investment earnings of \$93,405 and \$94,188 for 2015 and 2014, respectively, related to the liquidity support agreements.

Deferred Management Fees

SQLC entered into administration and operational oversight agreements with the Organization, Buckingham, Querencia, Mirador, Barrington and Stayton. Under these agreements, these affiliates reimburse SQLC for certain support and administration activities performed on their behalf. Included in consolidated other operating revenues for the years ending December 31, 2015 and 2014 is management fee revenue of \$1,644,864 and \$2,029,826, respectively. Management fees charged to Buckingham and Querencia are due when charged. For management fees charged to Barrington, Mirador and Stayton, SQLC agreed to defer payment of the fees until the communities reach stabilization. Deferred management fees of \$3,905,393 and \$3,078,374 at December 31, 2015 and 2014, respectively, are included in long-term accounts and notes receivable and accrued interest – related party in the accompanying consolidated balance sheets.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

10. RELATED PARTY TRANSACTIONS (Continued)

Long-Term Accounts and Notes Receivable and Accrued Interest – Related Party (Continued)

The following is a summary of long-term accounts and notes receivable and accrued interest – related party at December 31:

	2015	2014
Subordinated notes receivable:		
SQLC – Mirador notes	\$ 6,288,832	\$ 6,288,832
SQLC – Stayton note	663,957	663,957
SQLC – Barrington note	200,000	200,000
SQLC – Sentinel Ridge note	500,000	-
Total subordinated notes receivable	<u>7,652,789</u>	<u>7,152,789</u>
Notes receivables under liquidity support agreements:		
SQLC – SQLC LSA, LLC – Mirador	2,500,000	2,500,000
SQLC – SQLC LSA, LLC – Stayton	6,000,000	6,000,000
SQLC – SQLC LSA, LLC – Barrington	<u>2,000,000</u>	<u>2,000,000</u>
Total notes receivables under liquidity support agreements	<u>10,500,000</u>	<u>10,500,000</u>
Accrued interest receivable on notes receivable from related parties	974,883	724,840
Deferred management fees	<u>3,905,393</u>	<u>3,078,374</u>
Total long-term accounts and notes receivable and accrued interest – related party	<u>\$ 23,033,065</u>	<u>\$ 21,456,003</u>

Investment in GCI Carmel, L.P. and Barrington Subordinated Notes

In 2012, SQLC purchased, for \$1,100,000, a limited partnership interest in GCI Carmel, L.P. (“GCI Carmel”) from funds advanced to SQLC by the Organization. GCI Carmel’s purpose is to fund the pre-finance development costs for Barrington. Upon permanent financing of Barrington in August 2012, SQLC received a return of capital from GCI Carmel of \$1,000,000 which was repaid to the Organization.

Also at financing, the Organization advanced \$2 million to SQLC which was provided to Barrington as a subordinated promissory note to fund a portion of its liquidity support account. The \$2 million is expected to be returned to SQLC and the Organization upon achieving certain financial benchmarks. The Organization also advanced \$200,000 to SQLC which was provided to Barrington as a subordinated promissory note which is expected to be returned to SQLC and the Organization upon achieving certain financial benchmarks.

Upon Barrington achieving certain financial and occupancy benchmarks, SQLC and the Organization are entitled to receive a return from SQLC’s investment in GCI Carmel of up to \$1,875,000 which will be paid from amounts disbursed to GCI Carmel from Barrington from amounts held in liquidity support accounts totaling \$6,250,000 received by Barrington in permanent financing. SQLC has also executed a subordinated promissory note with Barrington in which SQLC will advance up to \$1,875,000 to Barrington. Advances under this subordinated loan are to be made in amounts equal to the funds received by SQLC from any return received from its investment in GCI Carmel. This loan is non-interest bearing and is subordinate in all respects to the Series 2012 bonds of Barrington. Repayment on the loan will be deferred until no earlier than the fiscal year following the fiscal year in which stable occupancy of Barrington occurs. No amounts have been advanced under this loan.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
NOTES TO CONSOLIDATED OBLIGATED GROUP FINANCIAL STATEMENTS

10. RELATED PARTY TRANSACTIONS (Continued)

AMT Management Fees and Reimbursements

Effective December 15, 2011, the Organization entered into an administration and operational oversight agreement with AMT. Under this agreement, the Organization reimburses AMT for certain support and administration activities performed on its behalf. Included in management fees in the statements of operations are professional services fees and expense reimbursements to AMT of \$161,093 and \$180,920 for 2015 and 2014, respectively. Included in administrative expenses in consolidated statements of operations are salary expense reimbursements to AMT of \$165,793 and \$141,700 for 2015 and 2014, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2016, which is the date the consolidated financial statements were issued.

In 2014 and 2015, Mirador fully utilized the \$2,500,000 in funds available under the liquidity support agreement to make interest and principal payments on its outstanding long-term debt. In May 2016, the Organization advanced \$2,830,306 to Mirador to assist Mirador in making an interest payment on Mirador's long-term debt. In November 2016, an additional \$8,955,000, plus accrued interest will be owed by Mirador on its outstanding long-term debt. Mirador is currently working on plans to restructure its outstanding long-term debt. Its ability to meet its obligations to its bondholders and to the Organization depends on the success of its restructuring efforts. Mirador and the Organization believe that Mirador will be able to restructure its long-term debt. Therefore, the Organization believes no allowance is necessary against the note receivable owed to the Organization from Mirador at December 31, 2015 or 2014.

SUPPLEMENTAL SCHEDULES

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATING BALANCE SHEET
December 31, 2015

	Edgemere	SQLC	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 3,687,436	\$ 182,712	\$ -	\$ 3,870,148
Accounts receivable - trade, less allowance for doubtful accounts of \$334,774	1,580,256	-	-	1,580,256
Entrance fees receivable	4,877,461	-	-	4,877,461
Accounts receivable - related party	754,438	2,319,581	(1,250,568)	1,823,451
Inventory	61,322	-	-	61,322
Prepaid expenses	627,238	374,193	-	1,001,431
Resident deposits	423,499	-	-	423,499
Buildings, equipment and construction in progress, net	111,287,546	89,412	-	111,376,958
Investments	53,664,164	100,000	-	53,764,164
Assets limited as to use	40,237,568	-	-	40,237,568
Notes receivable, accrued interest and deferred management fees - related party	22,697,783	23,033,065	(22,697,783)	23,033,065
Contract acquisition costs, net	19,560	-	-	19,560
Total assets	<u>\$ 239,918,271</u>	<u>\$ 26,098,963</u>	<u>\$ (23,948,351)</u>	<u>\$ 242,068,883</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Accounts payable - trade	\$ 652,117	\$ 273,044	\$ -	\$ 925,161
Accounts payable - related party	496,130	3,470,111	(3,966,241)	-
Accounts payable - retainage	47,853	-	-	47,853
Resident refunds due	1,289,859	-	-	1,289,859
Resident deposit liabilities	645,395	-	-	645,395
Accrued expenses	2,948,896	805,768	-	3,754,664
Accrued interest	690,737	-	-	690,737
Notes payable - related party	-	19,982,110	(19,982,110)	-
Deferred rent	33,058,425	-	-	33,058,425
Refundable entrance fee liability	150,052,182	-	-	150,052,182
Deferred revenue from entrance fees - net of amortization \$21,291,863	9,185,254	-	-	9,185,254
Bonds payable - net of unamortized premium and bond issuance costs, net	111,805,625	-	-	111,805,625
Total liabilities	<u>310,872,473</u>	<u>24,531,033</u>	<u>(23,948,351)</u>	<u>311,455,155</u>
UNRESTRICTED NET ASSETS (DEFICIT)				
Controlling interest	(71,149,001)	1,567,930	-	(69,581,071)
Non-controlling interest	194,799	-	-	194,799
Total unrestricted net assets (deficit)	<u>(70,954,202)</u>	<u>1,567,930</u>	<u>-</u>	<u>(69,386,272)</u>
	<u>\$ 239,918,271</u>	<u>\$ 26,098,963</u>	<u>\$ (23,948,351)</u>	<u>\$ 242,068,883</u>

See report of independent certified public accountants.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATING BALANCE SHEET
December 31, 2014
As Adjusted (See Note 5)

	Edgemere	SQLC	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 586,007	\$ 639,524	\$ -	\$ 1,225,531
Accounts receivable - trade, less allowance for doubtful accounts of \$233,240	2,149,806	-	-	2,149,806
Entrance fees receivable	3,018,130	-	-	3,018,130
Accounts receivable - related party	661,032	2,177,745	(1,087,021)	1,751,756
Inventory	43,012	-	-	43,012
Prepaid expenses	519,909	408,402	-	928,311
Resident deposits	561,559	-	-	561,559
Buildings, equipment and construction in progress, net	108,825,093	73,363	-	108,898,456
Investments	57,859,496	100,000	-	57,959,496
Assets limited as to use	6,766,108	-	-	6,766,108
Notes receivable, accrued interest and deferred management fees - related party	21,947,740	21,456,003	(21,947,740)	21,456,003
Contract acquisition costs, net	109,531	-	-	109,531
Total assets	<u>\$ 203,047,423</u>	<u>\$ 24,855,037</u>	<u>\$ (23,034,761)</u>	<u>\$ 204,867,699</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Accounts payable - trade	\$ 670,815	\$ 19,412	\$ -	\$ 690,227
Accounts payable - related party	425,989	3,470,111	(3,896,100)	-
Resident refunds due	1,389,225	-	-	1,389,225
Resident deposit liabilities	781,979	-	-	781,979
Accrued expenses	2,439,007	669,465	-	3,108,472
Accrued interest	423,782	-	-	423,782
Interest rate cap agreement	8	-	-	8
Interest rate swap obligation	281,495	-	-	281,495
Notes payable - related party	-	19,138,661	(19,138,661)	-
Deferred rent	31,561,650	-	-	31,561,650
Refundable entrance fee liability	147,059,302	-	-	147,059,302
Deferred revenue from entrance fees - net of amortization \$19,388,873	9,047,194	-	-	9,047,194
Bonds payable - net of unamortized premium and bond issuance costs, net	73,618,932	-	-	73,618,932
Total liabilities	<u>267,699,378</u>	<u>23,297,649</u>	<u>(23,034,761)</u>	<u>267,962,266</u>
UNRESTRICTED NET ASSETS (DEFICIT)				
Controlling interest	(64,930,028)	1,557,388	-	(63,372,640)
Non-controlling interest	278,073	-	-	278,073
Total unrestricted net assets (deficit)	<u>(64,651,955)</u>	<u>1,557,388</u>	<u>-</u>	<u>(63,094,567)</u>
	<u>\$ 203,047,423</u>	<u>\$ 24,855,037</u>	<u>\$ (23,034,761)</u>	<u>\$ 204,867,699</u>

See report of independent certified public accountants.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2015

	Edgemere	SQLC	Eliminations	Consolidated Total
REVENUES				
Resident services, including amortization of entrance fees of \$1,902,990	\$ 40,658,987	\$ -	\$ -	\$ 40,658,987
Less contractual adjustments, rate allowances and bad debt expense	(6,118,485)	-	-	(6,118,485)
Net resident services	34,540,502	-	-	34,540,502
Other operating revenues	433,166	2,290,781	(645,917)	2,078,030
Total revenues	34,973,668	2,290,781	(645,917)	36,618,532
PROGRAM SERVICES EXPENSES				
Lifestyle	474,105	-	-	474,105
Assisted living	3,179,926	-	-	3,179,926
Building maintenance	1,046,176	-	-	1,046,176
Dining	4,531,768	-	-	4,531,768
Emergency system	270,424	-	-	270,424
Grounds maintenance	324,402	-	-	324,402
Housekeeping	1,002,003	-	-	1,002,003
Skilled nursing	4,710,383	-	-	4,710,383
Transportation	455,709	-	-	455,709
Utilities	1,181,576	5,162	-	1,186,738
Insurance	266,919	99	-	267,018
Depreciation and amortization	4,529,428	40,190	-	4,569,618
Total program services expenses	21,972,819	45,451	-	22,018,270
GENERAL AND ADMINISTRATIVE EXPENSES				
Administration	10,598,178	2,234,788	-	12,832,966
Marketing	1,279,986	-	-	1,279,986
Management fees	1,208,593	-	(645,917)	562,676
Total general and administrative expenses	13,086,757	2,234,788	(645,917)	14,675,628
Total expenses	35,059,576	2,280,239	(645,917)	36,693,898
INCOME (LOSS) FROM OPERATIONS	(85,908)	10,542	-	(75,366)
NON-OPERATING INCOME (EXPENSE)				
Unrealized depreciation of investments	(1,306,321)	-	-	(1,306,321)
Realized gain from sales of investments	200,664	-	-	200,664
Interest income	1,736,462	-	-	1,736,462
Interest expense	(3,877,666)	-	-	(3,877,666)
Loss on early extinguishment of debt	(2,691,512)	-	-	(2,691,512)
Long-term debt expenses	(119,469)	-	-	(119,469)
Change in fair value of derivative instruments	81,503	-	-	81,503
	(5,976,339)	-	-	(5,976,339)
EXPENSES OVER REVENUE AND CHANGE IN UNRESTRICTED NET DEFICIT				
Change in unrestricted net assets (deficit) attributable to the non-controlling interest	(156,726)	-	-	(156,726)
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) ATTRIBUTABLE TO CONTROLLING INTEREST				
	\$ (6,218,973)	\$ 10,542	\$ -	\$ (6,208,431)

See report of independent certified public accountants.

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2014
As Adjusted (See Note 5)

	Edgemere	SQLC	Eliminations	Consolidated Total
REVENUES				
Resident services, including amortization of entrance fees of \$1,992,065	\$ 39,717,136	\$ -	\$ -	\$ 39,717,136
Less contractual adjustments, rate allowances and bad debt expense	(5,143,190)	-	-	(5,143,190)
Net resident services	34,573,946	-	-	34,573,946
Other operating revenues	435,261	2,846,222	(816,397)	2,465,086
Total revenues	35,009,207	2,846,222	(816,397)	37,039,032
PROGRAM SERVICES EXPENSES				
Lifestyle	472,745	-	-	472,745
Assisted living	3,189,887	-	-	3,189,887
Building maintenance	1,031,359	-	-	1,031,359
Dining	4,222,754	-	-	4,222,754
Emergency system	255,346	-	-	255,346
Grounds maintenance	323,136	-	-	323,136
Housekeeping	940,682	-	-	940,682
Skilled nursing	4,680,148	-	-	4,680,148
Transportation	440,425	-	-	440,425
Utilities	1,228,804	4,863	-	1,233,667
Insurance	261,057	-	-	261,057
Depreciation and amortization	4,278,853	31,818	-	4,310,671
Total program services expenses	21,325,196	36,681	-	21,361,877
GENERAL AND ADMINISTRATIVE EXPENSES				
Administration	10,207,368	1,952,851	-	12,160,219
Marketing	993,995	-	-	993,995
Management fees	1,398,483	-	(816,397)	582,086
Total general and administrative expenses	12,599,846	1,952,851	(816,397)	13,736,300
Total expenses	33,925,042	1,989,532	(816,397)	35,098,177
INCOME FROM OPERATIONS	1,084,165	856,690	-	1,940,855
NON-OPERATING INCOME (EXPENSE)				
Unrealized appreciation of investments	(679,346)	-	-	(679,346)
Realized gain from sales of investments	1,283,152	-	-	1,283,152
Interest income	1,964,904	-	-	1,964,904
Interest expense	(3,678,610)	-	-	(3,678,610)
Gain on disposal of fixed assets	16,591	-	-	16,591
Loss on legal settlement	-	(856,690)	-	(856,690)
Long-term debt expenses	(236,234)	-	-	(236,234)
Change in fair value of derivative instruments	188,483	-	-	188,483
	(1,141,060)	(856,690)	-	(1,997,750)
EXPENSES OVER REVENUE AND CHANGE IN UNRESTRICTED NET DEFICIT	(56,895)	-	-	(56,895)
Change in unrestricted net deficit attributable to the non-controlling interest	(243,124)	-	-	(243,124)
CHANGE IN UNRESTRICTED NET DEFICIT ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (300,019)	\$ -	\$ -	\$ (300,019)
See report of independent certified public accountants.				

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS

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DEFINITION OF CERTAIN TERMS

Summarized below are definitions of certain words and terms used in this Official Statement. Any documents referred to in the following definitions include any modifications, amendments or supplements thereto from time to time made in accordance with the provisions of such documents. Words and terms that are capitalized in this Official Statement, whether or not defined below or elsewhere herein, are qualified by reference to the meanings assigned in the Master Indenture, Bond Indenture or Loan Agreement, as applicable, unless a different meaning clearly appears from the context.

"Act" means, (i) when used with respect to any Holder of Obligations, any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Master Indenture to be given or taken by Holders of Obligations evidenced by one or more instruments of substantially similar tenor signed by such Holders of Obligations in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Master Trustee, and, where it is hereby expressly required, to the Obligated Group Representative. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders of Obligations signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of unregistered Obligations, shall be sufficient for any purpose of the Master Indenture and conclusive in favor of the Master Trustee and the Obligated Group Members, if made in the manner provided in the Master Indenture; and (ii) when used with respect to the enabling statute, the Cultural Education Facilities Finance Corporation Act, Article 1528m, V.A.T.C.S., as amended.

"Additional Bonds" means the one or more series of additional bonds authorized to be issued by the Issuer pursuant to the Bond Indenture.

"Additional Indebtedness" means Indebtedness incurred by any Obligated Group Member subsequent to the issuance of the Series 2017 Note.

"Additional Obligation" means any evidence of Indebtedness or evidence of any repayment obligation under any Interest Rate Agreement issued after the issuance of the Series 2017 Note, which is authorized to be issued by an Obligated Group Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Administration Expenses" means the reasonable and necessary fees and expenses incurred by the Issuer pursuant to the Loan Agreement and the Bond Indenture.

"Affiliate" (i) when used in the Master Indenture, of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; or (ii) when used in the Bond Indenture, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Authorized Denomination" means (a) for the Series 2017 Bonds, the denomination of \$5,000 or any integral multiple thereof and (b) with respect to any series of Additional Bonds, as provided in the supplemental indenture creating such series of Additional Bonds.

"Balloon Indebtedness" means Funded Indebtedness, 25% or more of the original principal amount of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve month period. Balloon Indebtedness does not include Indebtedness that otherwise would be classified as Put Indebtedness.

"Bond Fund" means the Fund by that name established by the Bond Indenture.

"Bond Indenture" means the Indenture of Trust dated as of March 1, 2017, between the Issuer and the Bond Trustee relating to the Series 2017 Bonds.

"Bond Trustee" means The Bank of New York Mellon Trust Company, National Association, or any successor or assign thereof pursuant to the Bond Indenture.

"Bondholder," "Bondowner," "Bond Owner," "Owner," when used with respect to a Bond, means the Person in whose name such Bond is registered.

"Bonds" means the Series 2017 Bonds and any Additional Bonds.

"Book Value," when used with respect to Property of a Member, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member that have been prepared in accordance with generally accepted accounting principles, and when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

"Capitalized Rentals" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

"Cash and Investments" means the sum of unrestricted cash, cash equivalents and marketable securities, including without limitation board designated assets, but excluding (a) trustee held funds (except any fund or account held by a trustee but funded with moneys of the Obligated Group and which is available to pay operating expenses or capital expenditures of the Obligated Group), (b) funds restricted by the donor thereof to a purpose other than paying operating expenses, and (c) any funds pledged or otherwise subject to a security interest other than for payment of Obligations or Related Bonds.

"Change in Deferred Rent" for any period means the amount (whether negative or positive) of Deferred Rent for the period as reflected in the Statement of Cash Flows.

"Code" means the Internal Revenue Code of 1986, as amended from time to time and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

"Commitment Indebtedness" means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the provisions of the Master Indenture, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

"Completion Certificate" means a certificate of the Obligor stating that construction of the Project has been completed or terminated and the date of such completion or termination.

"Completion Funded Indebtedness" means any Funded Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of Facilities with respect to which Funded Indebtedness has been incurred in accordance with the provisions of the Master Indenture; and (b) with a principal amount not in excess of the amount which is required to provide completed and equipped Facilities of substantially the same type and scope contemplated at the time such prior Funded Indebtedness was originally incurred, to provide for Funded Interest during the period of construction, to provide any reserve fund relating to such Completion Funded Indebtedness and to pay the costs and expenses of issuing such Completion Funded Indebtedness.

"Construction Fund" means the construction fund created under the Bond Indenture and any construction fund established in connection with an issue of Additional Bonds.

"Consultant" means a professional consulting, accounting, investment banking or commercial banking firm or individual selected by the Obligated Group Representative, having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, which firm or individual does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof.

"Contributions" means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities.

"Cost of Issuance" means all costs and expenses incurred by the Issuer or the Obligor in connection with the issuance and sale of the Bonds, including without limitation (i) reasonable fees and expenses of accountants, attorneys, engineers, and financial advisors and of the Bond Trustee, (ii) materials, supplies, and printing and engraving costs, (iii) recording and filing fees and (iv) rating agency fees.

"Credit Facility" means any Liquidity Facility, letter of credit, bond insurance policy, standby purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Indebtedness of any Obligated Group Member.

"Cross over Date" means, with respect to Cross over Refunding Indebtedness, the date on which the principal portion of the Cross over Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Cross over Refunding Indebtedness.

"Cross over Refunded Indebtedness" means Indebtedness of a Person that is refunded by Cross over Refunding Indebtedness.

"Cross over Refunding Indebtedness" means Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Cross over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Cross over Date of the Cross over Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest or principal on either or both such Cross over Refunding Indebtedness or such Cross over Refunded Indebtedness until the Cross over Date.

"Current Value" means (i) with respect to Property, Plant and Equipment: (a) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Representative and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated, minus the fair market value (as reflected in such most recent appraiser's report) of any Property, Plant and Equipment included in such report but disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (b) the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated, minus (c) the Book Value of any such Property, Plant and Equipment acquired since the last such report but disposed of; and (ii) with respect to any other Property, the fair market value of such Property.

"Days Cash on Hand" means, as of the date of calculation, the amount determined by dividing (a) the amount of Cash and Investments on such date by (b) the quotient obtained by dividing Expenses (including interest on Indebtedness but excluding provisions for bad debt or any other non cash expenses) by 365.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions contained in the Master Indenture; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Funded Interest is available to pay such interest; (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts

(including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; and (d) principal of Indebtedness due in its final year shall be excluded from the determination of Debt Service Requirements to the extent moneys were initially deposited and are on deposit as of the date of calculation in a debt service reserve fund which required that moneys on deposit in the debt service reserve fund be used to pay a principal payment in the final year of such Indebtedness, and except for the payment to be received from such debt service reserve fund, the Indebtedness would have had approximately level debt service.

"Defeasance Obligations" means:

(1) Direct obligations of the United States of America or obligations to the full and prompt payment of which the full faith and credit of the United States of America is pledged or evidences of ownership of proportionate interests in future interest and principal payments on such obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on such obligations, and which underlying obligations are not available to satisfy any claim of the custodian or any Person claiming through the custodian or to whom the custodian may be obligated; and

(2) Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

- (i) Federal Home Loan Bank System;
- (ii) Export-Import Bank of the United States;
- (iii) Federal Financing Bank;
- (iv) Government National Mortgage Association;
- (v) Farmers Home Administration;
- (vi) Federal Home Loan Mortgage Company;
- (vii) Federal Housing Administration;
- (viii) Federal National Mortgage Association;

(ix) Any other agency or instrumentality of the United States of America created by an Act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America; and

(3) Obligations described in section 103(a) of the Code, provision for the payment of the principal of (and premium, if any) and interest on which shall have been made by the irrevocable deposit at least 123 days preceding the date of determination with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of money, or obligations described in clause (1) above, the maturing principal of and interest on which, when due and payable, without reinvestment will provide money, sufficient to pay when due the principal of (and premium, if any) and interest on such obligations, and which money, or obligations described in clause (1) above, are not available to satisfy any other claim, including any claim of the trustee or escrow agent or any claim of any Person claiming through the trustee or escrow agent or any claim of any Person to whom the Person on whose behalf such irrevocable deposit was made, the trustee, or the escrow agent may be obligated, whether arising out of the insolvency of the Person on whose behalf such irrevocable deposit was made, the trustee or escrow agent or otherwise.

"Entrance Fees" means fees, other than security deposits, monthly rentals or monthly service charges, paid to a Member by residents of Independent Living Units for the purpose of obtaining the right to reside in those units including any refundable resident deposits described in any lease or similar Residency Agreements with respect to those Independent Living Units, but shall not include any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such agreement prior to the occupancy of the unit covered by such Residency Agreement (which amounts shall be included if and when occupancy occurs).

"Expenses" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any accrual for taxes, assessments and insurance, incurred by the Person or group of Persons involved during such period, but subtracting (a) interest on Funded Indebtedness, (b) depreciation and amortization, (c) extraordinary expenses, losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans, (d) any expenses resulting from

a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) losses resulting from any reappraisal, revaluation or write down of assets other than bad debts, (f) Change in Deferred Rent, (g) any other non cash expenses, and (h) any development, marketing, operating, or other subordinated fees that have been deferred from the year in which they were originally due as a result of subordination (provided that such fees shall be treated as an Expense during the period in which such fees are paid). If such calculation of Expenses is being made with respect to the Obligated Group, any such expenses attributable to transactions between any Member and any other Member shall be excluded.

"Extendable Indebtedness" means Indebtedness which is repayable or subject to purchase at the option of the holder thereof prior to its stated maturity, but only to the extent of money available for the repayment or purchase therefor and not more frequently than once every year.

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person.

"Fitch" means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group, with written notice to the Master Trustee.

"Funded Indebtedness" means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed, credit extended, incurred or assumed which is not Short Term; (b) certain Short Term Indebtedness incurred by the Person which is of the type described in the Master Indenture; (c) the Person's Guaranties of Indebtedness which are not Short Term (but including Guaranties of certain Short Term Indebtedness described in the Master Indenture); and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

"Funded Interest" means amounts irrevocably deposited in an escrow, trust account or account held by a Related Bond Trustee to pay interest on Funded Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in an escrow, trust account or account held by a Related Bond Trustee to the extent such interest earned is required to be applied to pay interest on Funded Indebtedness or Related Bonds.

"Governing Body" means, with respect to a Member, the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

"Government Obligations" means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

"Gross Revenues" means all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third party payments), condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (x) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other areas of the Facilities to be occupied or leased to such residents or tenants, (y) all deposits made pursuant to Residency Agreements to be held in escrow until construction of the Facilities is completed, a certificate of occupancy has been issued and appropriate licenses, if required, have been issued, and (z) all deposits and/or advance payments made in connection with any leases of the Independent Living Units and received prior to receipt of such certificate and licenses.

"Ground Lease" means the Ground Lease dated November 17, 1999 between the Ground Lessor, and the Obligor, as lessee relating to the Premises.

"Ground Lessor" means Intercity Investment Properties, Inc., or any successors or assigns.

"Guaranty" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds; (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture.

"Historical Pro Forma Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one.

"Holder" means a bearer of any Obligation issued in bearer form, and the registered owner of any Obligation issued in registered form.

"Income Available for Debt Service" means for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

"Indebtedness" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, Interest Rate Agreements or any obligation to repay Entrance Fees or moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"Independent Living Units" means the independent living units that are part of a Project.

"Initial Entrance Fees" means Entrance Fees received upon the initial occupancy of any Independent Living Unit not previously occupied.

"Initial Obligated Group Members" means Senior Quality Lifestyles Corporation and Northwest Senior Housing Corporation, each a Texas nonprofit corporation, and any and all successors thereto in accordance with the Master Indenture.

"Insurance Consultant" means a person or firm who in the case of an individual is not an employee or officer of any Member and which, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof, appointed by the Obligated Group Representative, qualified to survey risks and to recommend insurance coverage for nursing homes or health care facilities and services of the type involved, and having a favorable reputation

for skill and experience in such surveys and such recommendations, and which may include a broker or agent with whom any Member transacts business.

"Interest Payment Date" means (a) with respect to the Series 2017 Bonds, each May 15 and November 15, commencing May 15, 2017, in the years during which the Series 2017 Bonds are Outstanding under the Bond Indenture; and (b) with respect to Additional Bonds, the periods specified in the applicable supplemental indenture on which interest on such Additional Bonds is to be paid.

"Interest Rate Agreement" means an interest rate exchange, hedge or similar agreement, expressly identified in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. An Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member, and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

"Liquidity Facility" means a written commitment to provide money to purchase or retire any Indebtedness if (i) on the date of delivery of such Liquidity Facility, the unsecured Funded Indebtedness or claims paying ability of the provider of such Liquidity Facility or its parent holding company or other controlling entity is rated at least "A" by a least one of the Rating Agencies and (ii) as of any particular date of determination, no amount realized under such Liquidity Facility for the payment of the principal or the purchase or redemption price of such Indebtedness (exclusive of amounts realized for the payment of accrued interest on such Indebtedness) shall be required to be repaid by the obligor on such Funded Indebtedness for a period of at least one year.

"Liquidity Requirement" means the amount of Days Cash on Hand necessary on each Liquidity Testing Date for the Obligated Group to comply with the liquidity requirements of the Master Indenture.

"Liquidity Testing Date" means each June 30 and December 31.

"Loan Agreement" means the Loan Agreement dated as of March 1, 2017, between the Obligor and the Issuer.

"Master Indenture" means the Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement dated as of November 15, 1999 and effective as of April 1, 2006 between the Initial Obligated Group Members and the Master Trustee, as supplemented.

"Master Trustee" means The Bank of New York Mellon Trust Company, National Association, as trustee under the Master Indenture, and any successor in trust, appointed as provided in the Master Indenture.

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

"Maximum Annual Debt Service" means an amount equal to the maximum principal and interest requirements (taking into account all mandatory sinking fund payments) due in any calendar year on the Bonds; provided, however, that principal of such Bonds in its final year shall be excluded from the determination of Maximum Annual Debt Service to the extent moneys are on deposit as of the date of calculation in the Debt Service Reserve Fund.

"Maximum Annual Debt Service Requirement" means, when used in the Master Indenture, the largest total Debt Service Requirements for the current or any succeeding Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group, with written notice to the Master Trustee.

"Mortgaged Property" means the real property and personal property of the Members which is subject to the Lien and security interest of the Master Indenture.

"Net Proceeds" means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses (including attorney's fees, adjuster's fees and any expenses of the Obligated Group or the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"Non Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Premises) and the income therefrom, with no recourse, directly or indirectly, to any other Property of any Member.

"Notes" means the Series 2017 Note and any other note payable to the Issuer issued pursuant to the Loan Agreement under the Master Indenture.

"Obligated Group" means, collectively, all of the Obligated Group Members.

"Obligated Group Member" or "Member" means the Initial Obligated Group Members and any other Person who has satisfied the requirements set forth in the Master Indenture for becoming an Obligated Group Member and its successors until any such Person or a successor or transferee Person satisfies the requirements set forth in the Master Indenture for ceasing to be an Obligated Group Member.

"Obligated Group Representative" means the Obligor, or any successor Obligated Group Representative appointed pursuant to the Master Indenture.

"Obligation" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Group Member which is authenticated and delivered pursuant to the Master Indenture and which is entitled to the benefits of the Master Indenture.

"Obligor" means Northwest Senior Housing Corporation, a Texas nonprofit corporation, and any and all successors thereto in accordance with the Master Indenture.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by a Member of the Obligated Group, by the President, any Vice President, Treasurer or any other officer or agent authorized to sign by resolution of the Governing Body of any Member of the Obligated Group or in the case of a certificate delivered by any other corporation, by the President, any Vice President, Treasurer or any other officer or agent authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee.

"Outstanding," means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

- (i) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation;
- (ii) Bonds paid or deemed to be paid pursuant to the discharge provisions of the Bond Indenture; and
- (iii) Bonds in lieu of or in exchange for which other Bonds have been authenticated by the Bond Trustee.

"Outstanding" when used with respect to Obligations means, as of the date of determination, all Obligations theretofore authenticated and delivered under the Master Indenture, except:

(1) Obligations theretofore cancelled and delivered to the Master Trustee or delivered to the Master Trustee for cancellation;

(2) Obligations for whose payment or redemption money (or Defeasance Obligations to the extent permitted by the Master Indenture) shall have theretofore been deposited with the Master Trustee or any Paying Agent for such Obligations in trust for the Holders of such Obligations pursuant to the Master Indenture; provided, that, if such Obligations are to be redeemed, notice of such redemption has been duly given or waived pursuant to the Master Indenture or irrevocable provision for the giving of such notice satisfactory to the Master Trustee has been made pursuant to the Master Indenture; and

(3) Obligations upon transfer of or in exchange for or in lieu of which other Obligations have been authenticated and delivered pursuant to the Master Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Obligations have given any request, demand, authorization, direction, notice, consent, or waiver under the Master Indenture, Obligations owned by any Obligated Group Member or any Affiliate of any Obligated Group Member shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Obligations that the Master Trustee knows to be so owned shall be so disregarded. Obligations so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Obligations and that the pledgee is not an Obligated Group Member or an Affiliate of any Obligated Group Member.

"Paying Agent" means any Person authorized by the Obligated Group Representative to pay the principal of (and premium, if any) or interest on any Obligations on behalf of the Obligated Group.

"Permitted Encumbrances" means the Master Indenture, any Related Loan Agreement, any Related Bond Indenture and, as of any particular date:

(a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien described in Exhibit B to the Master Indenture which is existing on the date of execution of the Master Indenture provided that no such Lien may be extended, renewed or modified to apply to any Property of a Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Encumbrance;

(c) any Lien on the Property of any Member granted in favor of or securing Indebtedness to any other Member;

(d) the Master Indenture, and any other Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(e) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food and beverage service facilities, gift shops, commercial, beauty shop, banking, radiology, other similar specialty services, pharmacy and similar departments or employee rental apartments; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's length transaction;

(f) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Master Indenture;

(g) utility, access and other easements and rights of way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(h) any mechanic's, laborer's, materialman's, broker's, appraiser's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or has been due for less than 60 days, or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(i) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof;

(j) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(k) statutory rights under Section 291, Title 42+ of the United States Code, as a result of what are commonly known as Hill Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(l) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(m) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(n) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(o) Liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment, prepayment or similar funds deposited by or on behalf of such residents;

(p) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(q) any security interest in a rebate fund, any depreciation reserve, debt service or interest reserve, debt service, construction fund or any similar fund established pursuant to the terms of any Supplement, Related Bond Indenture or Related Loan Agreement in favor of the Master Trustee, a Related Bond Trustee or the holder of the Indebtedness issued pursuant to such Supplement, Related Bond Indenture or Related Loan Agreement or the holder of any related Commitment Indebtedness;

(r) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(s) any Lien on Property acquired by a Member which Lien secures Indebtedness issued, incurred or assumed by any Member, in connection with and to effect such acquisition or existing Indebtedness which will remain outstanding after such acquisition which Lien encumbers Property other than Property that is pledged pursuant to Granting Clause Second of the Master Indenture, if in any such case the aggregate principal amount of such Indebtedness does not exceed the fair market value subject to such Lien as determined in good faith by the Governing Body of the Member;

(t) Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the face amount of such accounts receivable sold;

(u) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, and which (i) in the case of Property owned by the Obligated Group on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the value, operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member; or

(v) the Ground Lease.

"Permitted Investments" means dollar denominated investments, to the extent permitted by law, 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 "AAA" by Standard & Poor's and rated "Aaa" by Moody's;

(c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Student Loan Marketing Association, 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 with domestic commercial banks, including the Master Trustee or its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "A 1" by Standard & Poor's or "P 1" by Moody's, without regard to gradation, and which matures not more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase within the classification or higher, "A 1" by Standard & Poor's or "P 1" by Moody's, without regard to gradation, 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 Moody's, Standard & Poor's or Fitch in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) investment agreements with banks that at the time such agreement is executed are rated by Standard & Poor's or Moody's in one of the two highest rating categories assigned by Standard & Poor's or Moody's (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions which, (1) all of the unsecured, direct long-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by Standard & Poor's or Moody's at the time such agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if such non-bank financial institutions have no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by Standard & Poor's or Moody's in the highest rating category (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short term indebtedness by Standard & Poor's or Moody's; provided that if at any time after purchase the provider of the investment agreement drops below the two highest rating categories assigned by Standard & Poor's or Moody's, the investment agreement must, within 30 days, either (1) be assigned to a provider rated in one of the two highest rating categories or (2) be secured by the provider with collateral securities the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%; investment agreements with banks or non-bank financial institutions shall not be permitted if no rating is available with respect to debt of the investment agreement provider or the related guarantor of such provider;

(h) 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 without limitation the Bond Trustee or the Master Trustee), a trust company, financial services

firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Master Trustee or a custodial agent of the Master Trustee has possession of the collateral and that the collateral is, to the knowledge of the Master Trustee, 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 Master Trustee's agent; and

(i) shares of a money market mutual 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, having assets of at least \$100,000,000 and having a rating AAAm or AAAm-G by a Rating Agency, including money market mutual funds from which the Master Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

The Master Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or any other entity.

"Premises" means the real property described in Exhibit A to the Master Indenture, as it may be amended from time to time.

"Primary Obligor" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"Projected Debt Service Coverage Ratio" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be outstanding during such period and a denominator of one.

"Projected Rate" means the projected yield at par of an obligation as set forth in the report of a Consultant. Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations (or such lesser number as the Consultant shall deem appropriate, but in no event less than one) selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax exempt obligations, or of the interest on the Indebtedness for which the Projected Rate is being calculated is not entitled to such exemption, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such Projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant which date so selected occurred during the 90 day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit enhancement (including without limitation any letter or line of credit or insurance policy) if the obligation for which the Projected Rate is being determined is not benefited by any credit enhancement, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired.

"Property, Plant and Equipment" means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

"Put Date" means (a) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (b) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than

pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"Put Indebtedness" means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"Rating Agency" or "Rating Agencies" means, (i) with respect to any Bond, Fitch, Standard & Poor's and/or Moody's according to which of such rating agencies then rates such Bond; and provided that, if none of such rating agencies then rates such Bond, the term "Rating Agency" or "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating; and (ii) when used in the Master Indenture, Moody's, Standard & Poor's or Fitch.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Trustee" means the trustee and its successor in the trust created under any Related Bond Indenture.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to any Obligated Group Member in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

"Related Loan Agreement" means any loan agreement, financing agreement, credit agreement or other comparable instrument entered into in connection with a series of Related Bonds.

"Required Information Recipient" means the Master Trustee, each Related Bond Trustee, the Initial Purchaser, all nationally recognized municipal securities information repositories and any state information repository for the State of Texas identified by the Securities and Exchange Commission, and all Bondholders who hold \$500,000 or more of Related Bonds and request such reports in writing (which written request shall include a certification as to such ownership).

"Reserve Fund Obligations" means cash and Permitted Investments.

"Reserve Fund Requirement" means with respect to (a) the Series 2017 Bonds, an amount equal to (i) aggregate Maximum Annual Debt Service on the Series 2015 Bonds (including any series of bonds that refund either or both series of Series 2015 Bonds) and the Series 2017 Bonds less (ii) the Reserve Fund Requirement (as such term or substantially similar term is defined in the Series 2015 Bond Indenture or any bond indenture pursuant to which any such refunding bonds are issued) for the Series 2015 Bonds (including any series of bonds that refund either or both series of Series 2015 Bonds), which initially will be \$2,796,600, and (b) any Additional Bonds, the amount specified in the supplemental indenture pursuant to which such Additional Bonds are issued.

"Residency Agreement" means each and every contract, including without limitation any "Reservation Agreement" or "Residency Agreement," as amended from time to time, between an Obligated Group Member and a resident of a Project giving the resident certain rights of occupancy in a Project, including, without limitation, the Independent Living Units, assisted living units, skilled nursing beds and specialty care (dementia) beds and providing for certain services to such resident.

"Revenue Fund" means the Revenue Fund created by the Master Indenture.

"Revenues" means, for any period, (a) in the case of any Person providing health care services and/or senior living services, the sum of (i) net patient service revenues and resident service revenues plus (ii) other operating revenues, plus (iii) nonoperating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business, any gain from the extinguishment of debt or other extraordinary item, or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, but including investment income), plus (iv) Unrestricted Contributions, plus (v) Entrance Fees (other than Initial Entrance Fees) received minus (A) Entrance Fees amortized during such Fiscal Year and (B) Entrance Fees refunded to residents,

plus (vi) payments received from any Affiliate of an Obligated Group Member plus (vii) any Funded Interest to be used to pay interest on Funded Indebtedness or Related Bonds during such period; and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles; but excluding in either case (i) any unrealized gain or loss resulting from changes in the valuation of investment securities, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write up of fixed or capital assets, or (iv) any revenues recognized from deferred revenues related to Entrance Fees; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member.

"Series 2015 Bond Indenture" means the Indenture of Trust dated as of May 1, 2015 between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee, relating to the Series 2015 Bonds.

"Series 2015A Bonds" means the outstanding Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation - Edgemere Project) Series 2015A.

"Series 2015B Bonds" means the outstanding Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation - Edgemere Project) Series 2015B.

"Series 2015 Bonds" means the Series 2015A Bonds and the Series 2015B Bonds.

"Series 2017 Bonds" means the Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation - Edgemere Project) Series 2017.

"Series 2017 Note" means the promissory note issued by the Obligor pursuant to the Supplemental Indenture.

"Short Term," when used in the Master Indenture in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"Short term" when used in the Bond Indenture, means, as to any investment, maturing within one year from the date of such investment and not renewable by the Obligor for a term greater than one year beyond the date of original issuance.

"SQLC" means Senior Quality Lifestyles Corporation, a Texas nonprofit corporation, and any and all successors thereto in accordance with the Master Indenture.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative, with written notice to the Master Trustee.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon means any date specified in the instrument evidencing such Indebtedness or such installment of interest as a fixed date on which the principal of such Indebtedness or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Indebtedness" means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation the terms of the documents providing for the issuance of which expressly provide that all payments on such Subordinated Indebtedness shall be subordinated to the timely payment of all Obligations, whether currently Outstanding or subsequently issued.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Supplemental Indenture" means the Supplemental Indenture Number 6, dated as of March 1, 2017, between the Obligor and the Master Trustee, supplemental to the Master Indenture, providing for the issuance of the Series 2017 Note.

"Surplus Construction Fund Moneys" means all moneys (including moneys earned pursuant to the provisions of the Bond Indenture) remaining in the Construction Fund after completion or termination of the Project (as evidenced by a Completion Certificate) and payment of all other costs then due and payable from the Construction Fund.

"Tax Exempt Bonds" means the Series 2017 Bonds and any Additional Bonds the interest on which is intended to be excludable from gross income of the Owners thereof for federal income tax purposes.

"Tax Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in section 501(c)(3) of the Code, which is exempt from federal income taxes under section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Trust Estate" means, with respect to the Master Indenture, the Property of the Obligated Group Members pledged to the Master Trustee as security for the payment of the Obligations, including without limitation the revenue, accounts receivable and Gross Revenues of the Obligated Group Members, subject to certain restrictions; the right, title and interest of the Obligated Group Members in the Premises; the right, title and interest of the Obligated Group in any personal property located on the Premises; amounts on deposit from time to time in the funds and accounts established under the Master Indenture; and such other property that may in the future be pledged as additional security.

"Unrestricted Contributions" means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. The summary does not purport to be complete and is qualified in its entirety by reference to the Master Indenture.

Title to Mortgaged Trust Estate and Lien of the Master Indenture. The Obligor covenants that it has good and defeasible title to the Trust Estate free and clear of any liens, charges, encumbrances, security interests and adverse claims except the Ground Lease and the encumbrances permitted by the Master Indenture. The Obligor represents that it has the right to mortgage the Trust Estate and will warrant and defend to the Master Trustee, the title and lien of the Master Indenture as a valid and enforceable mortgage thereon, subject to Permitted Encumbrances, and that the Master Indenture constitutes a valid and subsisting lien on the Trust Estate in accordance with the terms of the Master Indenture.

Payment of Principal, Premium and Interest. The Obligated Group Members will duly and punctually pay the principal of (and premium, if any) and interest on the Obligations in accordance with their terms and the Master Indenture. Each Obligated Group Member jointly and severally unconditionally guarantees the full and timely payment of the principal of, premium, if any, and interest on all Outstanding Obligations which such Person has not created or otherwise made (and on which such person is not otherwise primarily liable) in accordance with the terms thereof and the Master Indenture, whether at Stated Maturity, declaration of acceleration, call for redemption or otherwise.

Payment of Ground Lease Rentals, Taxes and Other Claims. Each Obligated Group Member will pay or cause to be paid before the same becomes delinquent all Ground Lease rentals, all taxes, assessments and other governmental charges lawfully levied or assessed or imposed on its income, profits or property and all lawful claims for labor, materials and supplies which, if unpaid, may become a lien on its property; provided, however, that no such Person will be required to pay such amounts to the extent that the amount is being contested in good faith in appropriate proceedings and adequate reserves have been made on such Person's books for the payment thereof.

Maintenance of Properties. Each Obligated Group Member will cause all its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair, and working order and supplied with all necessary equipment, ordinary wear and tear, casualty, condemnation, and acts of God excepted. Each Obligated Group Member will cause to be made all necessary repairs, renewals, replacements, betterments, and improvements thereof, all as in the judgment of the Obligated Group Representative may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this section shall prevent any such Person from discontinuing the operation and maintenance of any of its properties if such discontinuance is, in the judgment of such Person (and in the opinion of the Governing Body of such Person if the property involved is any substantial part of the properties of such Person taken in the aggregate), desirable in the conduct of its business and not disadvantageous in any material respect to the Holders of the Obligations.

Additions to Facilities. Any additions, improvements and extensions to the Facilities and repairs, renewals and replacements thereof, including capital improvements, will become part of the Facilities.

Insurance. Each Obligated Group Member is required to maintain insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its Property and operations, in the amounts and for the purposes specified in the Master Indenture.

Rates and Charges. Each Member covenants and agrees to operate all of its Facilities on a revenue producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it hereunder to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this paragraph.

The Members covenant and agree that the Obligated Group Representative will calculate the Historical Debt Service Coverage Ratio of the Obligated Group for each Fiscal Year and will deliver a copy of such calculation to the Persons to whom such report is required to be delivered under the Master Indenture

For purposes of calculation of the Historical Debt Service Coverage Ratio under this section, an unrestricted contribution from any Affiliate of any Member of the Obligated Group may, at the sole discretion of the Obligated Group Representative, be treated as Income Available for Debt Service being earned during the period of such calculation so long as the unrestricted contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation. If the unrestricted contribution is counted in a period prior to the date of such transfer in accordance with the previous sentence, it shall not be included in the calculation for the period in which such contribution was actually made.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, shall select a Consultant within 30 days following the calculation described herein to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year.

Within 90 days of the actual engagement of any such Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member and each Required Information Recipient. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This Section shall not be construed to prohibit any Member from serving indigent residents to the extent required for such Member to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section.

Notwithstanding any other provisions of the Master Indenture, an Event of Default arising with respect to the failure to maintain the required Historical Debt Service Coverage Ratio shall only occur if one or more of the following conditions applies:

- (a) the Obligated Group (A) fails to achieve an Historical Debt Service Coverage Ratio of at least 1.20:1 for any Fiscal Year, and (B) fails to take all necessary action to comply with the procedures described under this section for preparing a report, adopting a plan, and following all recommendations contained in such report or plan to the extent feasible (as determined by the Governing Body of the Obligated Group Representative) and permitted by law; or
- (b) the Obligated Group fails to achieve an Historical Debt Service Coverage Ratio of at least 1.00:1 for any Fiscal Year and the Days' Cash on Hand of the Obligated Group as of the last day of such Fiscal Year is less than 180; or
- (c) the Obligated Group fails to achieve an Historical Debt Service Coverage Ratio of at least 1.00:1 for two consecutive Fiscal Years.

Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Indebtedness for any acquisition, construction, renovation or replacement project, the Debt Service Requirements on such Indebtedness relating to the project or projects financed with the proceeds of such Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with the Master Indenture until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement project being paid for with the proceeds of such Indebtedness provided that such completion occurs no later than six months following the completion date for such project set forth in the Consultant's report described in (A) below, or (ii) the first full year in which stable occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities financed with the proceeds of such Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness, or (iii) the end of the fourth full Fiscal Year after the incurrence of such Indebtedness, if the following conditions are met:

- (A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for each of the first two full Fiscal Years following the later of (1) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Indebtedness, or (2) the first full Fiscal Year following the year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities being financed with the proceeds of such Indebtedness, which Stable Occupancy shall be

projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness, will be not less than 1.20:1 after giving effect to the incurrence of such Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or Federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and

(B) there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service Coverage Ratio to be computed without taking into account (1) the Indebtedness to be incurred if (x) the interest on such Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefor and (y) no principal of such Indebtedness is payable during such period, and (2) the Revenues to be derived from the project to be financed from the proceeds of such Indebtedness.

Damage or Destruction. Each Member agrees to notify the Master Trustee immediately in the case of the destruction of its Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed the greater of (i) 3% of the Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$1,000,000. If such Net Proceeds do not exceed such amounts, such Net Proceeds may be paid directly to the Member suffering such casualty or loss. The Members covenant that they will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months after receipt thereof to (i) repair, replace or restore the damaged or destroyed facilities, (ii) acquire or construct additional capital assets for any one or more Members, or (iii) repay the principal portion of any Indebtedness incurred by any one or more Members of the Obligated Group to acquire or construct capital assets or refinance Indebtedness incurred for such purpose.

In the event such Net Proceeds exceed the greater of (i) 3% of the Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$1,000,000, the Member suffering such casualty or loss shall within 12 months after the date on which the Net Proceeds are finally determined, elect by written notice to the Master Trustee one of the following three options:

(a) Option A Repair and Restoration. To replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. Net Proceeds are required to be deposited with the Master Trustee until required to be disbursed to the Member upon satisfaction of certain conditions specified in the Master Indenture.

In the event such Member shall elect Option A, the Member will complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) Option B Prepayment of Obligations. To have and apply such Net Proceeds to the prepayment of Obligations.

(c) Option C Partial Restoration and Partial Prepayment of Obligations. To have a portion of such Net Proceeds applied as set forth in subparagraph (a) above and a portion applied as set forth in subparagraph (b) above.

Condemnation. The Master Trustee will cooperate with the Members in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. Each Member has irrevocably assigned to the Master Trustee its interests in and to any Net Proceeds payable in connection with any such condemnation or taking, or payment received in a sale transaction consummated under threat of condemnation which exceeds the greater of (i) 3% of the Book Value or, at the option of the Obligated Group Representative, the

Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$1,000,000. Such Net Proceeds shall be initially paid to the Master Trustee for disbursement or use as hereinafter provided. If such Net Proceeds do not exceed such amounts, such Net Proceeds may be paid to the Member in question. The Members covenant to expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months of the receipt thereof to (i) restore, replace or repair the condemned Facilities, (ii) acquire or construct additional capital assets, or (iii) repay the principal portion of Indebtedness incurred by one or more Members of the Obligated Group to acquire or construct capital assets or to refinance Indebtedness incurred for such purpose.

In the event such Net Proceeds exceed the greater of (i) 3% of the Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$1,000,000, within 12 months of the date of the final determination of the Net Proceeds the Member will notify the Master Trustee of its election of one of the following three options:

(a) Option A Repairs and Improvements. To use the Net Proceeds for restoration or replacement of or repairs and improvements to Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. Net Proceeds are required to be deposited with the Master Trustee and disbursed to the Member upon satisfaction of the conditions specified in the Master Indenture.

(b) Option B Prepayment of Obligations. To have and to direct the Master Trustee to apply such Net Proceeds to the prepayment of the Obligations.

(c) Option C Partial Restoration and Partial Prepayment of Obligations. To have a portion of such Net Proceeds applied as set forth in subparagraph (a) above and a portion of the Net Proceeds applied as set forth in subparagraph (b) above.

Other Provisions with Respect to Net Proceeds. Net Proceeds received by the Master Trustee are required to be deposited in a special trust account and be invested or reinvested as directed in writing by the Obligated Group Representative in Permitted Investments subject to any Member's right to receive the same pursuant to the Master Indenture. Any portion of Net Proceeds not used to repair, restore or make improvements to Facilities will be used to prepay Obligations.

Financial Statements and Related Matters. The Members covenant to keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Obligated Group in accordance with generally accepted principles of accounting consistently applied except as may be disclosed in the notes to the audited financial statements referred to in subparagraph (b) below. To the extent that generally accepted accounting principles would require consolidation of certain financial information of entities which are not Members of the Obligated Group with financial information of one or more Members, consolidated financial statements prepared in accordance with generally accepted accounting principles which include information with respect to entities which are not Members of the Obligated Group may be delivered in satisfaction of the requirements of this section so long as: (i) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group is delivered to the Required Information Recipients with the audited financial statements; (ii) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Required Information Recipients and, in the opinion of the accountant, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (iii) such supplemental information is used for the purposes hereof or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture.

The Members agree that, within 10 days after its receipt thereof, the Obligated Group Representative will file with the Required Information Recipients a copy of each Consultant's report or counsel's opinion required to be prepared under the terms of the Master Indenture.

The Obligated Group Representative shall give prompt written notice of a change of accountants by the Obligated Group to the Master Trustee and each Related Bond Trustee. The notice shall state (i) the effective date of such change; (ii) whether there were any unresolved disagreements with the former accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which the accountants claimed would have caused them to refer to the disagreement in a report on the disputed matter, if it was not resolved to their satisfaction; and (iii) such additional information relating thereto as such Related Bond Trustee or the Master Trustee may reasonably request.

Without limiting the foregoing, each Member will permit, upon reasonable notice, the Master Trustee or any such Related Bond Trustee (or such persons as they may designate) to visit and inspect, at the expense of such Person, its Property and to discuss the affairs, finances and accounts of the Obligated Group with its officers and independent accountants, all at such reasonable times and locations and as often as the Master Trustee or such Related Bond Trustee may reasonably desire.

The Obligated Group Representative may designate a different Fiscal Year for the Members of the Obligated Group by delivering a notice to the Master Trustee designating the first and last day of such new Fiscal Year and whether or not there will be any interim fiscal period (the "Interim Period") of a duration of greater than or less than 12 months preceding such new Fiscal Year. The Members covenant that they will furnish to the Master Trustee and each Related Bond Trustee, as soon as practicable after they are available, but in no event more than 150 days after the last day of such Interim Period, a financial report for such Interim Period certified by a firm of nationally or regionally recognized independent certified public accountants selected by the Obligated Group Representative covering the operations of the Obligated Group for such Interim Period and containing a combined balance sheet as of the end of such Interim Period and a combined statement of changes in fund balances and changes in financial position for such Interim Period and a combined statement of revenues and expenses for such Interim Period, showing in each case in comparative form the financial figures for the comparable period in the preceding Fiscal Year, together with a separate written statement of the accountants preparing such report containing a calculation of the Obligated Group's Historical Debt Service Coverage Ratio for the Interim Period and a statement that such accountants have obtained no knowledge of any default by any Member in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture, or if such accountants shall have obtained knowledge of any such default or defaults, they shall disclose in such statement the default or defaults and the nature thereof (but such accountants shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default).

For a additional information regarding financial statements and related matters, see the caption, **"FINANCIAL REPORTING AND CONTINUING DISCLOSURE - Financial Reporting"** in the Official Statement.

Permitted Additional Indebtedness. So long as any Obligations are outstanding, the Obligated Group will not incur any Additional Indebtedness (whether or not incurred through the issuance of Additional Obligations) other than:

(a) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of the Master Indenture and any Member wishes to have such Indebtedness classified as having been issued under this subsection (a), prior to such classification, there is delivered to the Master Trustee:

(i) an Officer's Certificate to the effect that for the most recent Fiscal Year for which audited financial statements have been filed with the Master Trustee as required by the Master Indenture, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group was not less than 1.20:1; or

(ii) (A) an Officer's Certificate to the effect that for the most recent Fiscal Year for which audited financial statements have been filed with the Master Trustee as required by the Master Indenture, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.20:1; and (B) a written report of a Consultant (prepared in accordance with industry standards) to the effect that the estimated Projected Debt Service Coverage Ratio of the Obligated Group will be not less 1.25:1 for each of the first two full Fiscal Years following the later of (1) the estimated completion of the development, marketing, acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Funded Indebtedness or (2) the first full Fiscal Year following the maximum level of occupancy in the case of construction, renovation or replacement of elderly housing facilities being financed with the proceeds of such additional Funded Indebtedness, provided that the maximum level of occupancy is projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Funded Indebtedness, or (3) following the incurrence of Funded Indebtedness for other purposes; provided that such report shall include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for such Fiscal Year and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed

and existing facilities and the debt service on the Obligated Group's other existing Indebtedness during such Fiscal Year.

(b) Completion Funded Indebtedness in an amount of no more than 10% of the Funded Indebtedness originally incurred to finance the construction of the Facilities, if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an independent architect or an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated loans from Affiliates or bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an independent architect or other expert, as the case may be, referred to in (ii).

(c) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of Cross over Refunding Indebtedness) any outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of a Member is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 10%, provided that if only a portion of any outstanding Funded Indebtedness is being refunded, such Officer's Certificate shall state that under such assumptions the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased.

(d) Short Term Indebtedness (other than accounts payable under subsection (h) hereof), in a total principal amount (i) which at the time incurred does not, together with the principal amount of all other such Short Term Indebtedness of the Obligated Group then outstanding under this subsection (d) but excluding the principal payable on all Funded Indebtedness during the next succeeding 12 months and also excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available, and (ii) so that the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of this subsection (d), and subsections (e)(ii), (f)(iii), (l) and (n) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short Term Indebtedness of the Obligated Group outstanding under this subsection (d) shall be not more than 5% of the Revenues of the Obligated Group during the preceding Fiscal Year plus such additional amount as the Obligated Group Representative certifies in an Officer's Certificate is (A) attributable to Short Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (B) in the minimum amount reasonably practicable taking into account such delay. For the purposes of this subsection, Short Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(e) Balloon Indebtedness if:

(i) (A) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and

(B) the conditions set forth in subsection (a) are met for any Fiscal Year in which 25% or more of the original principal amount of such Balloon Indebtedness comes due when it is assumed that (1) the portion of Balloon Indebtedness coming due in such Fiscal Year matures over 25 years from the date of

issuance of the Balloon Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 25 years or (2) the portion of Balloon Indebtedness coming due in such Fiscal Year matures according to its actual principal amortization schedule, bears interest on the unpaid balance at the Projected Rate, but this subsection (2) shall only be used if the amortization of all Indebtedness of the Obligated Group outstanding, when the Balloon Indebtedness debt service being calculated is calculated according to this subsection (e), varies no more 10% per year; or

(ii) the aggregate principal amount of all Balloon Indebtedness issued pursuant to this subsection (e) does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available, and the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of this subsection (e)(ii), and subsections (d), (f)(iii), (l) and (n) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available; or

(iii) the Balloon Indebtedness to be incurred has a remaining term of five years or greater beginning in such fiscal year, and

(1) the Member incurring such Balloon Indebtedness establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness;

(2) such Member agrees in such Officer's Certificate to deposit each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and

(3) the conditions described in subsection (a) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(f) Put Indebtedness if:

(i) the amount of such Put Indebtedness does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available and the conditions set forth in subsection (a) above are met with respect to such Put Indebtedness when it is assumed that (A) such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 25 years commencing with the next succeeding Put Date, or (B) such Put Indebtedness bears interest at the Projected Rate and is payable according to its actual principal amortization schedule, but this subsection (i) shall only be used if the debt service of all Indebtedness of the Obligated Group outstanding, when the Put Indebtedness debt service being calculated is calculated according to this subsection (i), varies no more than 10% per year;

(ii) (A) there is in effect at any time such Put Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Put Indebtedness on any Put Date, and (B) the conditions set forth in subsection (a) are met for any Fiscal Year in which 25% or more of the original principal amount of such Put Indebtedness may come due when it is assumed that (1) the portion of Put Indebtedness which may come due in such Fiscal Year matures over 25 years from the date of issuance of the Put Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 25 years or (2) the portion of Put Indebtedness which may come due in such Fiscal Year matures according to its actual principal amortization schedule, bears interest on the unpaid balance at the Projected Rate, but this subsection (ii) shall only be used

if the amortization of all Indebtedness of the Obligated Group outstanding, when the Balloon Indebtedness debt service being calculated is calculated according to this subsection (ii), varies more 10% per year; or

(iii) the aggregate principal amount of all Put Indebtedness issued pursuant to this subsection (f) does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available, and the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of this subsection (f)(iii), and subsections (d), (e)(ii), (l) and (n) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available.

(g) Liabilities for contributions to self insurance or shared or pooled risk insurance programs required or permitted to be maintained under the Master Indenture.

(h) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business, including but not limited to deferred obligations for the refund or repayment of Entrance Fees.

(i) Indebtedness incurred in connection with a sale or pledge of accounts receivable with or without recourse by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate sale price of such accounts receivable received by such Member.

(j) Non Recourse Indebtedness, without limit.

(k) Extendable Indebtedness if the conditions set forth in subsection (a) above are met when it is assumed that (i) such Indebtedness bears interest at the Projected Rate and is amortized on a level debt service basis over a term equal to the remaining term of the Extendable Indebtedness, or (ii) such Extendable Indebtedness bears interest at the Projected Rate and is payable according to its actual principal amortization schedule, but only if the debt service of all Indebtedness of the Obligated Group outstanding, when the Extendable Indebtedness debt service being calculated is calculated according to this subsection (ii), varies no more than 10% per year.

(l) Subordinated Indebtedness, without limit.

(m) Commitment Indebtedness, without limit.

(n) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of this subsection (n) and which has not been subsequently reclassified as having been issued under another subsection of this section, does not exceed 10% of the Revenues of the Obligated Group for the latest preceding Fiscal Year for which financial statements reported upon by independent certified public accountants are available; provided, however, that the total amount of all Indebtedness outstanding which was issued pursuant to the provisions of subsections (d), (e)(ii), (f)(iii), (l) and this subsection (n) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available.

Indebtedness of the type permitted to be incurred under subsection (h) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar institutions without being contested in good faith and by appropriate proceedings.

Prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of this section pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; provided, however, that this requirement shall not apply to Indebtedness incurred pursuant to subsection (g) or (h) of this section.

Prior to incurring Additional Indebtedness for money borrowed from or credit extended by entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, each Member will provide the Master Trustee with an opinion of Independent Counsel to the effect that such Member has complied in all material respects with all applicable state and federal laws regarding the

sale of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Counsel has no reason to believe that a right of rescission under such laws exists on the part of the entities to which such Additional Indebtedness is to be incurred.

The Members of the Obligated Group may not incur any Additional Indebtedness the proceeds of which will be used for the acquisition of real Property or the construction of any Facilities unless the right, title and interest in any assets to be financed or refinanced with the proceeds of such Additional Indebtedness and the real estate upon which such assets will be located have been mortgaged and assigned to the Master Trustee pursuant to a mortgage in substantially the form of the Mortgage and such assets and real estate are not subject to any other Lien except for Permitted Encumbrances.

Calculation of Debt Service and Debt Service Coverage. The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under certain provisions of the Master Indenture shall be made in a manner consistent with that described in "Permitted Additional Indebtedness" above and in this section. In the case of Balloon or Put Indebtedness issued pursuant to subsection (b), (e), (f) or (n) of "Permitted Additional Indebtedness," unless such Indebtedness is reclassified pursuant to this section as having been issued pursuant to another subsection of "Permitted Additional Indebtedness," the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, or if the requirement that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date (other than at the option of such holder and other than pursuant to any mandatory sinking fund or any similar fund), has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average of the rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each of the 12 full calendar months immediately preceding the month in which such calculation is made; provided that if the index or other basis for calculating such interest was not in existence for at least 12 full calendar months next preceding the date of calculation, the rate of interest for such period shall be deemed to be the average rate of interest that was in effect on the last day of each full calendar month next preceding the date of calculation; and if the average rate of interest borne by such Indebtedness for such shorter period cannot be calculated, the rate of interest for such period shall be deemed to be the Projected Rate. No debt service shall be deemed payable upon the exercise by a holder of Extendable Indebtedness of the option to tender such Indebtedness for payment.

Obligations issued to secure Indebtedness permitted to be incurred under "Permitted Additional Indebtedness" shall not be treated as Additional Indebtedness.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness shall be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Balloon Indebtedness incurred as provided under subsection (b) or (n) of "Permitted Additional Indebtedness," unless reclassified pursuant to this section, shall be deemed to be payable in accordance with the assumptions set forth in subsection (e)(i)(B) of "Permitted Additional Indebtedness." Put Indebtedness incurred as provided under subsection (b) or (n) of "Additional Permitted Indebtedness," unless reclassified pursuant to this section, shall be deemed to be payable in accordance with the assumptions set forth in subsection (f)(i) of "Permitted Additional Indebtedness."

For the purpose of determining whether any particular Guaranty may be incurred, it shall be assumed that 100% of the Indebtedness guaranteed is Funded Indebtedness of the guarantor under such Guaranty. For the purpose of calculating any historical Debt Service Requirements, the guarantor's Debt Service Requirements under a Guaranty shall be deemed to be the actual amount paid on such Guaranty by the guarantor. For any other purpose, a guarantor shall be considered liable only for 20% of the annual debt service requirement on the Indebtedness guaranteed; provided, however, if the guarantor has been required by reason of its guaranty to make a payment in respect of such Indebtedness within the immediately preceding 24 months, the guarantor shall be considered liable for 100% of the annual debt service requirement on the Indebtedness guaranteed.

For purposes of the various calculations required under the Master Indenture for Capitalized Leases, the Capitalized Rentals under a Capitalized Lease at the time of such calculation shall be deemed to be the principal payable thereon.

Each Member may elect to have Indebtedness issued pursuant to one provision of "Permitted Additional Indebtedness," including without limitation subsection (n) of "Permitted Additional Indebtedness," reclassified as having been incurred under another provision of "Permitted Additional Indebtedness" by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Anything herein to the contrary notwithstanding, any portion of any Indebtedness of any Member for which an Interest Rate Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Interest Rate Agreement; provided that the long term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by a Member on such Interest Rate Agreement shall be excluded from Expenses and any payments received by a Member on such Interest Rate Agreement shall be excluded from Revenues, in each case, for all purposes of the Master Indenture.

Sale or Lease of Property. Each Member agrees that it will not sell, lease, donate, transfer or otherwise dispose (including without limitation any involuntary disposition) of Property unless the Obligated Group Representative determines that the Property has been transferred in one or more of the following transfers or other dispositions of Property:

- (a) In return for other Property of equal or greater value and usefulness;
- (b) In the ordinary course of business upon fair and reasonable terms no less favorable to the Member than would be obtained in a comparable arm's length transaction;
- (c) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;
- (d) From a Member to another Member;
- (e) The Property sold, leased or otherwise disposed of does not, for any consecutive 12 month period, exceed 3% of the total Book Value or, at the option of the Obligated Group Representative, the Current Value of all

Property of the Obligated Group and the Historical Debt Service Coverage Ratio was not less than 1.20:1 for the last Fiscal Year for which audited financial statements have been delivered to the Master Trustee, and as of the most recent Liquidity Testing Date, the Obligated Group had an amount of Days Cash on Hand at least equal to the Liquidity Requirement for such Liquidity Testing Date after giving effect to the transaction. If the Historical Debt Service Coverage Ratio is not less than 1.50:1, the foregoing percentage of the total Book Value or Current Value may be increased as follows under the following conditions:

- (i) to 5%, if Days Cash on Hand would not be less than 300 after the effect of such sale, lease or disposition of assets; or
- (ii) to 7.5%, if Days Cash on Hand would not be less than 400 after the effect of such sale, lease or disposition of assets; or
- (iii) to 10%, if Days Cash on Hand would not be less than 500 after the effect of such sale, lease or disposition of assets; or
- (f) To any Person if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations.

For purposes of this section, payments by the Obligated Group of any development, marketing, operating, or other subordinated fees that have been deferred from the year in which they were originally due as a result of subordination will not be treated as a disposition of Property.

In connection with any sale, lease or other disposition of Property, to the extent the Member of the Obligated Group receives Property in return for such sale, lease or disposition, the Property which is sold, leased or disposed of shall be treated, for purposes of the provisions of this section, as having been transferred in satisfaction of the provisions of subsection (a) above to the extent of the fair market value of the Property received by the Member of the Obligated Group. The Member shall be required, however, to satisfy the conditions contained in one of the other provisions of this section with respect to the remaining value of such Property in excess of the fair market value of the Property received by the Member in return therefor prior to any such sale, lease or other disposition.

The foregoing provisions of this section notwithstanding, each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (A) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee would be obligated to require the Obligated Group to retain a Consultant pursuant to the Master Indenture, or (B) if a Consultant has been retained in the circumstances described in the Master Indenture, such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The rendering of any service, the making of any loan, the extension of any credit or any other transaction, with any Affiliate except pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's length transaction with a person not an Affiliate is and shall be subject to, and shall be permitted only if there is compliance with, the provisions of this section.

Liens on Property. (a) Each Member covenants that it will not create or permit to be created or remain and, at its cost and expense, promptly discharge or terminate all Liens on its Property or any part thereof which are not Permitted Encumbrances.

(b) Subsection (a) notwithstanding, a Lien on Property of any Member securing Indebtedness shall be classified a Permitted Encumbrance (as provided in clause (b) of the definition thereof) and therefore be permitted if:

- (i) such Lien secures Non Recourse Indebtedness; or
- (ii) (A) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances under this subsection (ii)(A), the Book Value or, at the option of the Obligated Group Representative, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 2% of the value of all of the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property) and (b) the conditions described in subparagraph (a) under "Permitted Additional Indebtedness" above are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

Liquidity Covenant. The Obligated Group covenants that it will calculate the Days Cash on Hand of the Obligated Group as of June 30 and December 31 of each Fiscal Year (each such date being a "Liquidity Testing

Date"). The Obligated Group Representative shall deliver an Officer's Certificate setting forth such calculation as of June 30 to the Master Trustee not less than 45 days after such June 30, and include such calculation as of December 31 in the Officer's Certificate delivered pursuant to the Master Indenture.

Each Obligated Group Member is required to conduct its business so that on each Liquidity Testing Date Obligated Group shall have no less than 150 Days Cash on Hand (the "Liquidity Requirement").

If the amount of Days Cash on Hand as of any Liquidity Testing Date is less than the Liquidity Requirement, the Obligated Group Representative shall, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to raise the level of Days Cash on Hand to the Liquidity Requirement for future Liquidity Testing Dates.

If the Obligated Group has not raised the level of Days Cash on Hand to the Liquidity Requirement by the next Liquidity Testing Date immediately subsequent to delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase Days Cash on Hand to the Liquidity Requirement for future Liquidity Testing Dates. A copy of the Consultant's report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 90 days after the date such Consultant is actually engaged. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Liquidity Testing Date shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

Approval of Consultants. If at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture (other than with respect to the calculations required and any determination of the Projected Rate hereunder, to which this provision shall not apply), such Consultant shall be engaged in the manner set forth below.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such selection. Such notice shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits an objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligations holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have been deemed to have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the holders of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with these procedures.

When the Master Trustee notifies the holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (b) above to the owners of all of the Related Bonds outstanding. Such Related Bond Trustee shall, as the holder of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If 66.6% or more in aggregate principal amount of the owners of the Related

Bonds have been deemed to have consented to the selection of the Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the owners of the Related Bonds outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which maybe engaged upon compliance with these procedures.

The 15-day notice period described above may be extended by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with these provisions.

Actuarial Study. At least once every three Fiscal Years, the Obligated Group Representative, at the Obligated Group's expense, shall provide the actuarial study described below to each Member, the Master Trustee, each Related Bond Trustee and to any Person that owns at least \$500,000 in aggregate principal amount of Bonds and requests such actuarial study from the Obligated Group Representative in writing (which written request shall include a certification as to such ownership). The actuarial study will be prepared by a Consultant and include (i) the amount, if any, of the Obligated Group's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges for the Facilities then in effect, and (ii) recommendations, if any, with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to enable the Obligated Group to satisfy such obligations. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

Consolidation, Merger, Conveyance And Transfer. Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

(i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Agreement or the Master Indenture;

(iii) Assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent Fiscal Year include the Revenues and Expenses of such other corporation (A) immediately after such merger or consolidation, sale or conveyance, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available would be not less than 1.25:1 or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year prior to such merger or consolidation, sale or conveyance and (B) immediately after such merger or consolidation, sale or conveyance, the Obligated Group would be in compliance with Days Cash on Hand requirements of the Master Indenture for the most recent quarter after adjustment for the change or that such calculation of the Days Cash on Hand of the Obligated Group is greater than such calculation would be immediately prior to such merger or consolidation, sale or conveyance; and

(iv) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an Opinion of Bond Counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such Member. Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the conditions described under "Admission of Obligated Group Members" below to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations hereunder and the predecessor corporation shall be released from its obligations hereunder and under any Obligations, if such predecessor corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued hereunder by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

Admission of Obligated Group Members. Any other Person may become a Member of the Obligated Group if:

(a) Such Person is a business entity;

(b) Such Person shall execute and deliver to the Master Trustee a Supplement in a form acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Representative, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions described under "Withdrawal of Obligated Group Members" below) to jointly and severally make payments upon each Obligation;

(c) The Obligated Group Representative and each Member shall have approved the admission of such Person to the Obligated Group; and

(d) The Master Trustee shall have received (i) an Officer's Certificate of the Obligated Group Representative which (A) demonstrates that (1) immediately upon such Person becoming a Member of the Obligated Group, the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available, after adjustment for the addition of the new Member, would be not less than 1.25:1, or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group with such Person is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year without such Person becoming a Member of the Obligated Group, and (2) immediately upon such Person becoming a Member of the Obligated Group, the Obligated Group would be in compliance with the Days Cash on Hand requirements based on the most recent quarterly financial statements delivered to the Master Trustee or that such calculation of the Days Cash on Hand of the Obligated Group is greater than such calculation would be without such Person becoming a Member of the Obligated Group; (B) states that prior to and immediately after such Person becoming a Member of the Obligated Group, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default; and (C) prior to and immediately after such Person becoming a Member of the Obligated Group, the Members would not be in default in the performance or observance of any covenant or condition to be performed or observed hereunder; (ii) an opinion of Independent Counsel in form and substance acceptable to the Master Trustee to the effect that (x) the instrument described in subparagraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax Exempt Organization of any Member which otherwise has such status; and (iii) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an Opinion of Bond Counsel to the effect that under then existing law the consummation of such transaction would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Bond otherwise entitled to such

exemption; provided that in making the calculation called for by subsection (d)(i) above, (x) there shall be excluded from Revenues any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (y) there shall be excluded from Expenses any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

Obligated Group Members. Upon any Person's becoming an Obligated Group Member in accordance with the Master Indenture:

- (i) the Master Trustee may pursue any remedies consequent upon an Event of Default against any Obligated Group Member, or all of them, without notice to, demand upon or joinder of (and without in any way releasing) any of the others, or against any one or more or all of them at the same time or at different times;
- (ii) any right of contribution or right acquired by subrogation by any Obligated Group Member against any other Obligated Group Member arising out of the payment of Debt shall be subordinated to the rights of the Master Trustee and the Holders of Obligations; and
- (iii) each Obligated Group Member shall designate the Obligated Group Representative as its attorney in fact with full power of substitution to perform, satisfy, and discharge every obligation, covenant, duty or liability to be performed on the part of the Obligated Group Member hereunder.

Withdrawal of Obligated Group Members. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

- (a) prior to cessation of such status, there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;
- (b) prior to the cessation of such status, there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative to the effect that: (i) (A) immediately after such cessation the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available, after adjustment for the removal of the Member, would be not less than 1.25:1 or that such Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group is greater than the Historical Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year prior to such cessation and (B) immediately after such cessation, the Obligated Group would be in compliance with the Days Cash on Hand requirements for the most recent quarter after adjustment for the removal of the Member, or that such calculation of the Days Cash on Hand of the Obligated Group is greater than such calculation would be immediately prior to such cessation; (ii) prior to and immediately after such cessation, no Event of Default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default; and (iii) prior to and immediately after such cessation, the Members would not be in default in the performance or observance of any covenant or condition to be performed or observed under the Master Indenture;
- (c) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax Exempt Organization of any Member which otherwise has such status; and
- (d) prior to cessation of such status, the Obligated Group Representative and each Member, consents in writing to the withdrawal by such Member.

Successor Obligated Group Representative. Northwest Senior Housing Corporation shall serve as the Obligated Group Representative until such time as Northwest Senior Housing Corporation either (i) withdraws from

the Obligated Group in accordance with the Master Indenture or (ii) delivers to the Master Trustee its resignation as the Obligated Group Representative. Northwest Senior Housing Corporation covenants to fulfill all of the duties of the Obligated Group Representative under the Master Indenture. Northwest Senior Housing Corporation agrees that it shall not withdraw from the Obligated Group or resign as Obligated Group Representative until Northwest Senior Housing Corporation has appointed another Obligated Group Representative and such successor Obligated Group Representative has accepted its duties in writing. Each Obligated Group Member by becoming an Obligated Group Member acknowledges that the Obligated Group Representative has certain powers and duties under the Master Indenture, including but not limited to binding all Obligated Group Members to joint and several liability on all Obligations incurred thereunder, and authorizes the Obligated Group Representative to exercise such powers and carry out such duties.

Defaults and Remedies. Each of the following events constitutes an "Event of Default" under the Master Indenture whatever the reason for such Event of Default and whether it is voluntary or involuntary or occurred by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) default in the payment of the principal of (or premium, if any), or interest on any Obligation when due and payable at Maturity and the continuance of such default beyond the period of grace, if any, provided in the instrument creating such Obligation; or

(b) any Obligated Group Member fails to observe or perform any other covenant or agreement (other than a covenant or agreement whose performance or observance is described in this section) on the part of such Person contained in the Master Indenture for a period of 45 days after the date of written notice of such failure, has been given to the Obligated Group Representative by the Master Trustee, or to the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of the Obligations then Outstanding; provided that if any such default can be cured by such Obligated Group Member but cannot be cured within the 45 day curative period described above, it will not constitute an Event of Default if corrective action is instituted by such Obligated Group Member within such 45 day period and diligently pursued until the default is corrected; or

(c) a decree or order by a court having jurisdiction in the premises has been entered adjudging any Obligated Group Member a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Group Member under the Federal Bankruptcy Code or any other similar applicable Federal or state law, and such decree or order has continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of any Obligated Group Member or of its property, or for the winding up or liquidation of its affairs, has been entered, and such decree or order remained in force undischarged and unstayed for a period of 90 days; or

(d) any Obligated Group Member has instituted proceedings to be adjudicated a voluntary bankrupt, or has consented to the institution of a bankruptcy proceeding against it, or has filed a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or has consented to the filing of any such petition, or has consented to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Trust Estate, or has made assignment for the benefit of creditors, or has admitted in writing its inability to pay its debts generally as they become due, or action has been taken by the Governing Body of any Obligated Group Member in furtherance of any of the aforesaid purposes; or

(e) any Obligated Group Member has failed to pay or make provision for payment of any recourse Debt having a principal balance of not less than \$100,000 and the continuance of such failure beyond the period of grace therein provided, if any; or

(f) the Master Trustee has received written notice of an event of default, as therein defined, under any instrument under which Obligations may be incurred or secured, or under the Reimbursement Agreement, or under any Related Bond Indenture occurs and is continuing beyond the applicable period of grace, if any.

If an Event of Default occurs and is continuing, then the Master Trustee or the Holders of not less than 25% in principal amount of the Outstanding Obligations (or, in the case of any Event of Default described in subparagraph (f) above resulting in the loss of any exclusion from gross income of interest on, or the invalidity of, any Debt secured by a pledge of Obligations, the Holders of not less than 25% in principal amount of the Outstanding Obligations of the affected series) may declare the principal of all the Obligations to be due and payable immediately, by written

notice to the Obligated Group Representative and all Holders of Obligations (and to the Master Trustee if given by the Holders of Obligations), and upon any such declaration such principal becomes immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Master Trustee, the Holders of a majority in principal amount of the Outstanding Obligations, by written notice to the Obligated Group Representative and the Master Trustee, may rescind and annul such declaration and its consequences if

(1) one or more Obligated Group Members has paid or deposited with the Master Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Obligations,

(B) the principal of (and premium, if any, on) any Obligations which have become due otherwise than by declaration of acceleration and interest thereon at the rate borne by the Obligations, and

(C) all sums paid or advanced by the Master Trustee under the Master Indenture and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and

(2) all Events of Default, other than the nonpayment of the principal of Obligations which have become due solely by such acceleration, have been cured or waived as provided in the Master Indenture.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Master Trustee. The Obligated Group Members have agreed that if:

(1) default is made in the payment of any installment of interest on any Obligation when such interest becomes due and payable, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Obligation at the maturity thereof,

each Obligated Group Member will, upon demand of the Master Trustee, pay to it, for the benefit of the Holders of such Obligations, the whole amount then due and payable on such Obligations for principal (and premium, if any) and interest, with interest at the rate borne by the Obligations upon the overdue principal (and premium, if any); and, in addition, such further amount to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel.

If the Obligated Group Members fail to pay any of the foregoing amounts upon demand, the Master Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Obligated Group Members or any other obligor upon the Obligations and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Obligated Group Members or any other obligor upon the Obligations, wherever situated.

If an Event of Default occurs and is continuing, the Master Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Obligations by such appropriate judicial proceedings as the Master Trustee deems most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Master Indenture or in aid of the exercise of any power granted in the Master Indenture, or to enforce any other proper remedy.

Limitations on Suits. No Holder of any Obligation has any right to institute any proceeding, judicial or otherwise, with respect to the Master Indenture, or for the appointment of a receiver or trustee, or for any other remedy unless

(a) such Holder has previously given written notice to the Master Trustee of a continuing Event of Default;

(b) the Holders of not less than 25% in principal amount of the Outstanding Obligations have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee;

(c) such Holder or Holders have offered to the Master Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Master Trustee during such 60 day period by the Holders of a majority in principal amount of the Outstanding Obligations; it being understood and intended that no one or more Holders of Obligations has any right to affect, disturb or prejudice the rights of any other Holders of Obligations, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under the Master Indenture, except as described in this paragraph and for the equal and ratable benefit of all the Holders of Obligations.

Control by Holders. Holders of a majority in principal amount of the Outstanding Obligations 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 that

(i) such direction does not conflict with any rule of law or with the Master Indenture,

(ii) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction; and

(iii) the Master Trustee shall not be required to act on any direction given to it until indemnity is provided to it.

Application of Money Collected. Any money collected by the Master Trustee pursuant to the remedy provisions of the Master Indenture and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Master Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of the Master Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, together with, in the case of any entry or sale as otherwise provided in the Master Indenture, any other sums then held by the Master Trustee as part of the Trust Estate, shall be deposited in the Revenue Fund created by the Master Indenture, shall be applied in the order specified in the Master Indenture, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any), upon presentation of the Obligations and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid.

Revenue Fund. For a description of the provisions pertaining to the Revenue Fund, see the caption, "SECURITY FOR THE BONDS - Revenue Fund" in the Official Statement.

Investment of Funds. Moneys held in any fund or account established under the Master Indenture as required to be invested by the Master Trustee in Permitted Investments as directed by an Obligated Group Representative Request (upon which the Master Trustee is entitled to rely). Any such investments are to be held by or under the control the Master Trustee and must mature, or be redeemable at the option of the Master Trustee, at such times as it is anticipated that moneys from a particular fund will be required for the purposes of the Master Indenture. Permitted Investments may be purchased from or sold to the Master Trustee or any of its affiliates.

Resignation or Removal of the Master Trustee. The Master Trustee may resign at any time by giving written notice to the Obligated Group Representative. If an instrument of acceptance by a successor Master Trustee has not been delivered to the Master Trustee within 30 days after the Master Trustee gives notice of resignation, the resigning Master Trustee may petition a court of competent jurisdiction for the appointment of a successor Master Trustee.

The Master Trustee may be removed (i) if no Event of Default has occurred and is continuing under the Master Indenture, then by act of the Obligated Group Representative and (ii) at any time by the Holders of a majority in principal amount of the Outstanding Obligations. In addition, the Master Trustee may be removed by the Obligated Group Representative or (upon the petition of any Holder of an Obligation who has been a bona fide Holder thereof for at least 6 months) by a court of competent jurisdiction, if at any time the Master Trustee ceases to be eligible under the Master Indenture and fails to resign after written request by the Obligated Group Representative, or any Holder of

a Obligation, or the Master Trustee becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Master Trustee or of its property is appointed or any public official takes charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Neither the resignation nor removal of the Master Trustee nor the appointment of a successor Master Trustee will become effective until the acceptance of appointment by a successor Master Trustee under the Master Indenture.

If the Master Trustee resigns, is removed, or becomes incapable of acting, or if a vacancy occurs in the office of Master Trustee for any cause, the Obligated Group Representative is required promptly to appoint a successor Master Trustee. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Master Trustee is appointed by the Holders of a majority in principal amount of the Outstanding Obligations, the successor Master Trustee so appointed will supersede the successor Master Trustee appointed by the Obligated Group Representative. If no successor Master Trustee has been appointed by the Obligated Group Representative or the Holders of Obligations, any Holder of an Obligation who has been a bona fide Holder for at least 6 months may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

The Obligated Group Representative is required to mail notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee to the registered Holders of Obligations as their names and addresses appear in the books of the Obligation Register.

Concerning the Master Trustee. The Master Indenture contains various limitations on the liability of the Master Trustee. The Master Trustee is not liable for any error of judgment made in good faith, unless the Master Trustee was negligent in ascertaining the pertinent facts. The Master Trustee is not liable for any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture. No provision of the Master Indenture requires the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Master Indenture, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is reasonably assured. In the absence of bad faith on its part, and the Master Trustee may conclusively rely, as to the truth of statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of the Master Indenture; but in the case of any such certificates or opinions which are specifically required by the Master Indenture to be furnished to the Master Trustee, the Master Trustee is under a duty to examine these certificates or opinions for conformity to the requirements of the Master Indenture. If an Event of Default under the Master Indenture has occurred and is continuing, the Master Trustee is required to exercise the rights and powers vested in it by the Master Indenture, and to use the same degree of care and skill in such exercise, as a reasonably prudent man would exercise or use under the circumstances in the conduct of its own affairs.

Amendments and Waivers. (a) Without the consent of the Holders of any Obligations, each Obligated Group Member, when authorized by a Board Resolution, and the Master Trustee at any time may enter into one or more Supplements to the Master Indenture for any of the following purposes:

- (i) to evidence the succession of another Person to an Obligated Group Member, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of an Obligated Group Member pursuant to the Master Indenture or additions to, or withdrawals from, membership in the Obligated Group in accordance with the provisions of the Master Indenture;
- (ii) to add to the covenants of the Obligated Group Members for the benefit of the Holders of Obligations, or to surrender any right or power in the Master Indenture conferred upon the Obligated Group Members or to add to the Events of Default enumerated in the Master Indenture;
- (iii) to cure any ambiguity or to correct or supplement any provision in the Master Indenture that may be inconsistent with any other provision in the Master Indenture, or to make any other provision with respect to matters or questions arising under the Master Indenture that is not inconsistent with the Master Indenture provided such action does not adversely affect the interests of the Holders of Obligations;
- (iv) 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 or State statute or regulation including provisions whereby the Master Trustee accepts

such powers, duties, conditions and restrictions in the Master Indenture and the Obligated Group Members undertake 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; provided, however, that nothing in the Master Indenture will be deemed to authorize inclusion in the Master Indenture or in any Supplements provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect;

(v) to create and provide for the issuance of Obligations as permitted under the Master Indenture;

(vi) to increase or maintain any credit rating assigned to any series of Related Bonds by a Rating Agency so long as no Obligation issued under the Master Indenture is secured on a basis senior to other Obligations;

(vii) to permit the financial statements required in the Master Indenture to more accurately reflect the financial position and operations of the Obligated Group; and

(viii) to make any amendment to any provision of the Master Indenture or to any Supplement which is only applicable to Obligations issued thereafter or which will not apply so long as any Obligation then Outstanding remains Outstanding.

(b) With the consent of the Holders of not less than a majority in principal amount of the Outstanding Obligations, by Act of said Holders delivered to the Obligated Group Representative and the Master Trustee, each Obligated Group Member, when authorized by a Board Resolution, and the Master Trustee may enter into Supplements 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 modifying in any manner the rights of the Holders of the Obligations under the Master Indenture; provided, however, that no such Supplement shall, without the consent of the Holder of each Outstanding Obligation affected thereby,

(i) change the Stated Maturity of the principal of, or any installment of interest on, or any mandatory redemption date for, any Obligations, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any Place of Payment where, or the coin or currency in which, any Obligations or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or

(ii) reduce the percentage in principal amount of the Outstanding Obligations, the consent of whose Holders is required for any such Supplement, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Master Indenture or certain defaults thereunder and their consequences) provided for in the Master Indenture, or

(iii) modify any of the provisions of this paragraph or certain other provisions as described in the Master Indenture, except to increase any such percentage or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Holder of each Obligation affected thereby.

It is not necessary for any Act of Holders of Obligations under this paragraph to approve the particular form of any proposed Supplement, but it will be sufficient if such Act approves the substance thereof.

(c) In executing, or accepting the additional trusts created by, any Supplement permitted by the Master Indenture, the Master Trustee is entitled to receive, and is fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may, but is not (except to the extent required by the Master Indenture) obligated to, enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities under the Master Indenture or otherwise.

Defeasance. (a) If at any time the Obligated Group Members have paid or caused to be paid the principal of (and premium, if any) and interest on all the Obligations Outstanding under the Master Indenture, as and when the same have become due and payable, and if the Obligated Group Members have also paid or provided for the payment of all other sums payable under the Master Indenture by each Obligated Group Member, then the Master Indenture will cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Obligations, (iii) rights of Holders to receive payments of

principal thereof (and premium, if any) and interest thereon, (iv) the rights, remaining obligations, if any, and immunities of the Master Trustee under the Master Indenture and (v) the rights of the Holders as beneficiaries of the Master Indenture with respect to the property so deposited with the Master Trustee payable to all or any of them) and the Master Trustee, on the Obligated Group Representative's Request accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Obligated Group Representative, shall execute proper instruments acknowledging satisfaction of and discharge the Master Indenture.

(b) The Obligations will be deemed to have been paid if (i) in case of Obligations to be redeemed on any date prior to their Stated Maturity, the Obligated Group Representative, by Obligated Group Representative Request, has given to the Master Trustee in satisfactory form its irrevocable instructions to give notice of redemption of such Obligations, (ii) there has been deposited with the Master Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment (as established by an Officer's Certificate delivered to the Master Trustee accompanied by a report of an Independent Accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any), and interest due and to become due on such Obligations on and prior to the redemption date or Stated Maturity thereof, as the case may be, and (iii) in the event such Obligations are not by their terms subject to redemption within the next 45 days, the Obligated Group Representative, by Obligated Group Representative Request, must have given the Master Trustee in satisfactory form its irrevocable instructions to give a notice to the Holders of such Obligations that the deposit required by (ii) above has been made with the Master Trustee and that such Obligations are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which money is to be available for the payment of the principal of (and premium, if any), and interest on such Obligations.

THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture. Such summary does not purport to be complete and is qualified in its entirety by reference to the Bond Indenture.

General. The Issuer and the Bond Trustee will execute the Bond Indenture under which the Bonds are being issued. Under the Bond Indenture, the Issuer pledges, conveys, and assigns to the Bond Trustee all of its right and interest in (a) any Note delivered pursuant to the Loan Agreement, (b) the Loan Agreement (except for certain rights to payment of expenses and indemnification), (c) amounts on deposit in the Bond Fund, Reserve Fund and Construction Fund held under the Bond Indenture subject to the terms thereof, and (d) any and all property which may from time to time be held or pledged as security for the Bonds pursuant to the terms of the Bond Indenture. The Bond Indenture creates a Bond Fund, Reserve Fund, Cost of Issuance Fund and Construction Fund, each of which is to be held by the Bond Trustee and the Rebate Fund, which is not assigned to the Bond Trustee as part of the trust estate.

The Bonds and any Additional Bonds issued under the Bond Indenture in accordance with the requirements of the Bond Indenture are equally and ratably secured thereunder without preference, priority or distinction, are payable solely from the revenues and other security pledged to the payment thereof in the Bond Indenture, do not constitute an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation and will never constitute or give rise to a pecuniary liability of the Issuer.

Additional Bonds. Upon compliance with and subject to the terms and conditions of the Loan Agreement and Bond Indenture, the Issuer has agreed to authorize the issuance of Additional Bonds for the purpose of providing funds to pay the costs of acquiring, constructing, equipping, completing or expanding the Project and/or, to the extent permitted by law, to refund any Bonds theretofore issued and then Outstanding under the Bond Indenture.

Bond Fund. The Bond Fund contains the Principal Account and the Interest Account. Moneys on deposit in the Principal Account are to be used to pay the principal of and premium, if any, on the Bonds when due and payable. Moneys on deposit in the Interest Account are to be used to pay interest on the Bonds. There will be deposited in the respective accounts of the Bond Fund all accrued interest received from the sale of the Bonds to the initial purchasers thereof, all payments made on the Note, all moneys required to be transferred to the Bond Fund from the Reserve Fund, all other moneys required to be deposited therein pursuant to the Loan Agreement, and all other moneys received by the Bond Trustee when accompanied by directions from the Issuer or the Obligor that such moneys are to be deposited in the Bond Fund. Income from the investment of moneys on deposit in the Principal Account or the Interest Account is to be deposited into the respective Principal Account or Interest Account. The Issuer covenants to cause to be deposited to the Principal Account or Interest Account from the revenues and receipts derived from the Loan Agreement amounts sufficient to pay debt service on the Bonds when due. Moneys on deposit in the Principal Account or the Interest Account may be used solely for the payment of principal of, premium, if any, and interest on the Bonds on a pro rata basis.

Reserve Fund. The Reserve Fund will be funded on the closing date from the proceeds of the Bonds. Except as provided otherwise in the Bond Indenture, moneys in the Reserve Fund are to be used solely for the payment of the principal of and interest on Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

Upon the occurrence of an Event of Default under the Bond Indenture and a declaration by the Bond Trustee that the principal of and interest on the Bonds is immediately due and payable, any Reserve Fund Obligations in the Reserve Fund will be deposited to the Principal Account and applied in accordance with the provisions of the Bond Indenture. In the event of the redemption a portion of the Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on the Bonds to be Outstanding immediately after such redemption may be deposited to the Principal Account and applied to the payment of the principal of the Bonds to be redeemed. On November 15 and May 15 in each year, any earnings on the Reserve Fund Obligations on deposit in the Reserve Fund that are in excess of the Reserve Fund Requirement shall be transferred into the Interest Account of the Bond Fund unless a supplement to the Bond Indenture directs otherwise. Moneys in a Reserve Fund on the final date of maturity of any series of Bonds may be used to pay the principal of and interest on such series of Bonds on such final maturity date.

In the event any moneys in any Reserve Fund are transferred to the Bond Fund to make up a deficiency in the Principal Account or Interest Account on any payment date for the Bonds, except if such moneys are transferred due to the redemption of all Bonds, the Obligated Group Representative has agreed, pursuant to the Loan Agreement, to deposit additional Reserve Fund Obligations in an amount sufficient to satisfy the Reserve Fund Requirement, such amount to be deposited in no more than 12 equal consecutive monthly installments, the first installment to be made

within seven months of such transfer or receipt of written notice from the Bond Trustee of a deficiency. In the event the value of the Reserve Fund Obligations deposited into the Reserve Fund is less than the Reserve Fund Requirement, the Obligated Group Representative has agreed, pursuant to the Loan Agreement, to deposit additional Reserve Fund Obligations in an amount sufficient to satisfy the Reserve Fund Requirement, such amount to be deposited in no more than three equal consecutive monthly installments, the first installment to be made within 30 days of such transfer or receipt of written notice from the Bond Trustee of a deficiency. In the event that any change in the amount of the Reserve Fund Requirement shall occur, the Obligor shall calculate or cause to be calculated the new Reserve Fund Requirement and shall provide such new Reserve Fund Requirement to the Bond Trustee within 45 days of such occurrence.

Construction Fund. The Construction Fund consists of the Funded Interest Account and the Project Account. Moneys in the Project Account are required to be used to pay Project costs in accordance with the terms and provisions of the Loan Agreement. Moneys on deposit in the Funded Interest Account are required to be used to make up deficiencies in the Interest Account of the Bond Fund and to pay investment management fees as directed by the Obligor.

If an Event of Default occurs under the Bond Indenture and the Bond Trustee declares the principal of and interest on the Bonds due and payable, no disbursements from the Construction Fund are permitted during the continuance of such Event of Default. If such Event of Default is waived and such declaration rescinded, disbursements in accordance with the Loan Agreement and the Bond Indenture may be resumed.

At such time as the Obligor determines that construction of the Project is complete or to terminate further construction of the Project, it is required to deliver the Completion Certificate to the Bond Trustee.

If, upon delivery of the Completion Certificate, there shall be any Surplus Construction Fund Moneys, such Surplus Construction Fund Moneys (to the extent not otherwise required to be rebated to the United States in accordance with section 148(f) of the Code) shall be transferred to the Principal Account of the Bond Fund and used to redeem Series 2017 Bonds in accordance with the Bond Indenture.

Cost of Issuance Fund. The Bond Trustee will disburse moneys in the Cost of Issuance Fund for payment of Cost of Issuance upon compliance with procedures set forth in the Loan Agreement. Excess amounts remaining in the Cost of Issuance Fund will be transferred to the Project Account of the Construction Fund.

Rebate Fund. Based on a report prepared every fifth year by a nationally recognized independent consultant, the Obligor shall cause to be deposited into the Rebate Fund any amounts required to assure compliance with the Code. The Rebate Fund and any moneys on deposit therein are not subject to the lien of the Bond Indenture.

Investment and Valuation of Funds. The moneys held by the Bond Trustee in the various funds created under the Bond Indenture, at the written request and direction of the Obligor, may be invested by the Bond Trustee only in Permitted Investments to the extent permitted by law. Assets in each fund will be valued at market value as of each preceding April 30 and October 31 by the Bond Trustee in accordance with the normal valuation procedures of the Bond Trustee.

Repayment to the Obligor. Any amounts remaining in the Bond Fund, Reserve Fund or Construction Fund after payment in full of the Bonds (or after making provision for such payment), payment of the fees and expenses of the Bond Trustee and the Paying Agents (including attorneys fees, if any), the Administration Expenses, and all other amounts required to be paid under the Bond Indenture and under the Loan Agreement, are required to be paid to the Obligor.

Arbitrage. The Issuer has agreed to observe certain covenants with respect to the use of the proceeds of the Bonds to assure that the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes is not adversely affected. Failure by the Issuer to comply with such covenants may cause the interest on the Bonds to become includable in gross income of the owners of the Bonds.

Events of Defaults. Each of the following events is defined in the Bond Indenture as an "Event of Default":

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption or as required by the sinking fund provisions or otherwise.

(b) Default in the payment of any installment of interest on any Bond when the same shall become due and payable.

(c) Declaration under the Master Indenture that the principal of, and accrued and unpaid interest on, any Obligation issued thereunder is immediately due and payable.

(d) Failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Bond Indenture or in the Bonds contained, which failure shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied, is given to the Issuer and the Obligor by the Bond Trustee or to the Issuer, the Obligor and to the Bond Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding; provided that such failure is the result of the failure of the Obligor to perform its obligations under the Loan Agreement.

Remedies on Default. Upon the occurrence of an Event of Default under the Bond Indenture, the Bond Trustee shall, in the event the payments on any Note have been accelerated by the Master Trustee, by notice in writing given to the Issuer and the Obligor, declare all the Bonds immediately due and payable and shall give notice of such acceleration to owners of the Outstanding Bonds. In addition, upon the occurrence of an Event of Default the Bond Trustee may proceed to pursue any available remedy by suit, at law or in equity, to enforce the covenants and agreements provided in the Bond Indenture.

If any Event of Default has occurred, the Bond Trustee may be required by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding to exercise one or more of the remedies specified in the Bond Indenture as the Bond Trustee shall deem most expedient, provided the Bond Trustee is indemnified as provided in the Bond Indenture.

The Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, in accordance with the procedures specified in the Bond Indenture, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture or for the appointment of a receiver, subject to the limitations set forth in the Bond Indenture.

No Owner of any Bond has the right to institute any suit, action or proceeding for the enforcement of the Bond Indenture or the appointment of a receiver unless a default has occurred of which the Bond Trustee has notice, as more specifically provided in the Bond Indenture, the Bond Trustee has failed to proceed within a reasonable time after having been (i) requested to institute such suit, action or proceeding by the owners of a majority of the aggregate principal amount of the Bonds Outstanding and (ii) furnished reasonable indemnity against the costs and liabilities to be incurred. Nothing in the Bond Indenture shall, however, affect or impair the right of any owner of Bonds to enforce the payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner herein, and in the Bonds expressed.

The Bond Indenture provides that any moneys collected by the Bond Trustee pursuant to the provisions thereof conferring remedies on default, after payment of the expenses of the collection proceedings, shall be deposited in the Bond Fund, to be applied ratably towards all payments due on the Bonds Outstanding, in the priority and to the Persons as more fully provided in the Bond Indenture.

Waiver of Events of Default. The Bond Trustee may, in its discretion, waive any Event of Default under the Bond Indenture and its consequences and is required to do so upon the written request of the owners of a majority in aggregate principal amount of Outstanding Bonds; provided, however, that the Bond Trustee may not waive an Event of Default described in subparagraph (a) or (b) under "Events of Default" above without the written consent of the Registered Owners of all of the Bonds then Outstanding, subject to the further limitations of the Bond Indenture.

Discharge. When the Bonds become due and payable and the whole amount of the principal of, premium, if any, and interest due and payable upon all of such Bonds has been paid, or provision has been made for such payment, together with the payment of all other sums payable under the Bond Indenture (including but not limited to the fees and expenses of the Bond Trustee and any Paying Agent, in accordance with the provisions of the Bond Indenture), the right, title and interest of the Bond Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders cease, terminate, and become void and are discharged and satisfied. In such event, upon the written request of the Issuer or of the Obligor, and upon receipt of an Opinion of Counsel to the effect that all conditions precedent in the Bond Indenture relating to the satisfaction and discharge of the Bond Indenture have been complied with, the Bond Trustee will (i) execute such documents as may be reasonably required by the Issuer, and (ii) subject to the provisions of the Bond Indenture, turn over to the Obligor any surplus in the Bond Fund, Reserve Fund and Construction Fund.

All Outstanding Bonds of any one or more series will, prior to the maturity or redemption date thereof, be deemed to have been paid if (i) in the case where such Bonds are to be redeemed on any date prior to their maturity, the Obligor has given to the Bond Trustee irrevocable written instructions to give notice of redemption of such Bonds on said redemption date, (ii) there has been deposited with the Bond Trustee (or another Paying Agent) either moneys in an amount sufficient for Government Obligations which do not contain provisions permitting the redemption thereof at the option of the issuer, or any other Person other than the holder thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Bond Trustee or any Paying Agent at the same time (including the Bond Fund and the Reserve Fund), are sufficient in the opinion of an independent certified public accountant, to pay when due the principal of, premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event the Bonds are not subject to redemption within the next 45 days, the Obligor has given to the Bond Trustee irrevocable written instructions to give, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Bond Trustee and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bonds.

Supplemental Bond Indentures and Amendments to the Loan Agreement. Without the consent of, or notice to, the Bondholders, the Issuer and the Bond Trustee may at any time enter into supplemental bond indentures which (a) add covenants and agreements to the Bond Indenture for the protection of the Bondholders, (b) cure any ambiguity or cure, correct or supplement any defect or inconsistent provision in the Bond Indenture or for any other purpose, if such supplement does not adversely affect the interests of the Owners of the Bonds, (c) make subject to the Bond Indenture additional revenues, properties, or collateral, (d) qualify the Bond Indenture under the Trust Bond Indenture Act of 1939, if such is required in the Opinion of Counsel, (e) set forth terms and conditions of Additional Bonds (f) satisfy the requirements of any Rating Agency, and (g) maintain the extent to which the interest on the Bonds is not includable in the gross income of the recipients thereof. With the consent of the Owners of at least a majority of the aggregate principal amount of the Bonds of any particular series then Outstanding and affected thereby, the Issuer and the Bond Trustee may enter into supplemental bond indentures for any other purpose except that no supplemental bond indenture shall, without the consent of the Owners of all of the Bonds Outstanding, (a) permit an extension of the maturity of, or a reduction of the aggregate principal amount of, or a reduction of the rate of, or an extension of the time of payment of, interest on, or a reduction of a premium payable upon any redemption of, any Bond, (b) deprive any Owner of a Bond Outstanding of the lien created by the Bond Indenture (other than as originally permitted thereby), (c) give privilege or priority to any Bond or Bonds, over any other Bond, or (d) reduce the aggregate principal amount of the Bonds required for consent to any supplemental bond indenture. Except for consents, changes or modifications of the Loan Agreement (i) as may be required by the provisions thereof or the Bond Indenture, (ii) to cure an ambiguity or formal defect or omission, (iii) in connection with the issuance of Additional Bonds, (iv) satisfy Rating Agency requirements, (v) to maintain tax-exempt status of the Bonds, and (vi) in connection with any other change that does not adversely affect the Bond Trustee or the Owners of the Bonds, neither the Issuer nor the Bond Trustee shall consent to any amendment to the Loan Agreement without notice to and the written approval or consent of the Owners of at least a majority of the aggregate principal amount of the Bonds Outstanding.

Bond Trustee. The Bond Trustee has agreed to perform the duties imposed on it under the Bond Indenture and to use the same degree of care and skill as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs. Under the Bond Indenture, the Bond Trustee is not answerable for the exercise of its rights under the Bond Indenture other than for its negligence or willful misconduct. Prior to taking any action under the Bond Indenture, the Bond Trustee may require satisfactory indemnity against any liabilities which it may incur and which are not due to its negligence or willful misconduct. The Bond Indenture establishes procedures for the resignation or removal of the Bond Trustee and the appointment of a successor by the Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding or, if no Event of Default has occurred and is continuing under the Bond Indenture, by an instrument in writing executed by the Obligated Group Representative.

The Issuer agrees to pay, but solely from funds provided by the Obligor, the fees and expenses of the Bond Trustee and each Paying Agent. As security for the performance of the Issuer under this section, the Bond Trustee is secured by a lien subject and subordinate to the Bonds, in the case of money held in the Construction Fund or the Reserve Fund, and otherwise prior to the Bonds, and for payment of the expenses and reimbursements due under the Bond Indenture, the Bond Trustee has the right to apply any trust funds held by it unless held or required to be held in the Construction Fund or the Reserve Fund.

Voting Rights with Respect to Notes; Direction to Bond Trustee with respect to Series 2017 Note. The Issuer has assigned and granted to the Bond Trustee, and the Bond Trustee shall, exercise for the benefit of the Bondholders, the power to execute all waivers, directions, consents, instructions, approvals, and other exercises of the voting rights of a holder and owner of any Note, which power shall be irrevocable so long as such Note shall be pledged under the Bond Indenture. The Bond Trustee shall exercise such power with respect to any Note when and as, but only when and as, directed to do so by written direction of the Owners of a majority in aggregate principal amount of the then Outstanding Bonds of the related series.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Loan Agreement.

General. The proceeds of sale of the Series 2017 Bonds will be loaned to the Obligor to provide for the financing and refinancing of the acquisition, construction or installation of health facilities. Concurrently with the sale and delivery of the Series 2017 Bonds, the Issuer and the Obligor will execute the Loan Agreement and the Obligor will execute and deliver to the Bond Trustee the Series 2017 Note in a principal amount equal to the aggregate principal amount of the Series 2017 Bonds.

On the Closing Date for the Series 2017 Bonds, the Issuer will cause the proceeds from the sale of the Series 2017 Bonds to be deposited to the applicable funds and accounts held under the Bond Indenture.

Anything to the contrary in the Loan Agreement notwithstanding, the Obligor shall make loan payments with respect to the Series 2017 Note in accordance with the Bond Indenture and the Loan Agreement directly to the Bond Trustee for deposit in the appropriate Account of the Bond Fund:

(a) (A) on April 1, 2017 and on the first day of each month thereafter, to and including May 1, 2017, one-half of the interest due on May 15, 2017, and (B) on the first day of each month thereafter, one-sixth of the interest due on the next Interest Payment Date; and

(b) on December 1, 2036 and on the first day of each month thereafter, one-twelfth of the principal due on the next date on which such principal is due; and

(c) on the date on which any principal of, premium, if any or interest on any Bond is payable, an amount sufficient to cause the amount available in the Bond Fund for payment of such amounts to equal the amount due with respect to such Bond on such date.

Other Obligations. The Obligor agrees to pay the reasonable and necessary fees and charges of the Bond Trustee and any Paying Agents. The Obligor also agrees to pay the reasonable expenses of the Issuer in connection with the issuance of the Bonds. The Obligor will indemnify the Issuer against certain liabilities with respect to the Project and the Bonds.

Additional Bonds. Upon compliance with and subject to the terms and conditions of the Loan Agreement and Bond Indenture, the Issuer has agreed to authorize the issuance of Additional Bonds for the purpose of providing funds to pay the cost of acquiring, constructing, equipping, completing or expanding the Project and/or, to the extent permitted by law, to refund any Bonds then Outstanding under the Bond Indenture. Concurrently with the delivery of any Additional Bonds, the Obligor will deliver to the Bond Trustee additional Notes for the account of the Issuer in substantially the form required by the Master Indenture and to execute and deliver any supplements or amendments thereto as may be necessary or appropriate.

Obligations of the Obligated Group Representative Unconditional. The obligations of the Obligor to make the payments required pursuant to the Loan Agreement and the Notes are absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the Bonds have been fully paid or provision for the payment thereof has been made in accordance with the Bond Indenture, the Obligor will not suspend or discontinue any payments pursuant to the Notes, for any cause.

Tax Covenants. The Obligor and the Issuer have agreed to comply with certain covenants to assure that the exclusion of the interest on the Tax Exempt Bonds from the gross income of the owners of the Tax Exempt Bonds for federal income tax purposes is not adversely affected. Failure by the Obligor or the Issuer to comply with such covenants may cause the interest on the Tax Exempt Bonds to become includable in the gross income of the owners thereof.

Assignment, Merger and Release of Obligations of the Obligated Group Representative. Under certain conditions, the Obligor may assign its interest in the Loan Agreement without the necessity of obtaining the consent of the Issuer or the Bond Trustee, but such assignment will not relieve the Obligor from primary liability for any of its obligations under the Loan Agreement unless the Obligor has been released from its obligations under the Master Indenture in connection with its release as a member of the Obligated Group. Any assignee will assume the obligations of the Obligor under the Loan Agreement. Assumption of such obligations is not required in the case of a lease of a portion of the Project or an operating contract for the performance by others of the Obligated Group

Representative services in connection with the Project. The Obligor may not dispose of all or substantially all of its assets nor consolidate with or merge into another corporation except in accordance with the Master Indenture.

Failure to Perform Covenants; Remedies. Upon failure of the Obligor to pay when due any payment (other than payment on any Note, which default shall have no grace period) required to be made under the Loan Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Loan Agreement, and continuation of such failure for a period of 60 days after written notice specifying such failure and requesting that it be remedied, is given to the Obligor by the Issuer or the Bond Trustee, the Issuer or the Bond Trustee shall have the following remedies:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Issuer, and require the Obligor to carry out any agreements with or for the benefit of the Bondholders and to enforce performance and observance of any duty, obligation, agreement or covenant of the Obligor under the Act or the Loan Agreement; or

(b) by action or suit in equity require the Obligor to account as if it were the trustee of an express trust for the Issuer; 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 Issuer; or

(d) upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate upon a showing of good cause with such powers as the court making such appointment may confer.

Amendments, Changes and Modifications. Except as otherwise provided in the Loan Agreement or the Bond Indenture, the Loan Agreement may not be amended, changed, modified, altered or terminated without consent of the Bond Trustee. See "THE BOND INDENTURE - Supplemental Bond Indentures and Amendments to the Loan Agreement" herein.

Option to Prepay Notes. Subject to the terms and conditions in and pursuant to the terms of the Loan Agreement, the Obligor may exercise its option to prepay all or any portion of its payments due under the Notes by depositing with the Bond Trustee an amount of money or Government Obligations the principal of and interest on which when due, will be sufficient to pay the debt service on Outstanding Bonds when due. The exercise of such option will not be cause for redemption of Bonds unless such redemption is permitted under the provisions of the Bond Indenture and the Obligor specifies a redemption date.

Indemnification. Pursuant to the provisions of the Loan Agreement, the Obligor has agreed to release, indemnify and hold harmless the Issuer, Tarrant County, Texas, and their respective officers, directors, commissioners, officials, consultants, servants and employees.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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March 30, 2017

TARRANT COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
RETIREMENT FACILITY REVENUE BONDS
(NORTHWEST SENIOR HOUSING CORPORATION - EDMERE PROJECT)
SERIES 2017

WE HAVE ACTED AS BOND COUNSEL for Tarrant County Cultural Education Facilities Finance Corporation (the "Issuer") solely for the purpose of rendering an opinion as to the validity of the Issuer's Retirement Facility Revenue Bonds (Northwest Senior Housing Corporation - Edgemere Project) Series 2017 (the "Series 2017 Bonds") under Texas law, and the status of the interest on the Series 2017 Bonds under federal income tax law, and for no other purpose. In such capacity, we do not take responsibility for any matters relating to such transaction except as covered below, and specifically we have not been requested to examine, and have not investigated or verified, any records, material or matters relating to the financial condition or capacity of the Issuer or Northwest Senior Housing Corporation (the "Obligor"), a Texas nonprofit corporation, or any of its affiliates, or any matter relating to the Obligor or any of its affiliates, other than as stated below, or the disclosure thereof in connection with the sale of the Series 2017 Bonds, and we express no opinion with respect thereto.

WE HAVE EXAMINED into the validity of the Series 2017 Bonds, bearing interest from their date, until maturity or redemption, at the interest rates set forth in the Indenture of Trust dated as of March 1, 2017 (the "Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the "Trustee"). Interest on the Series 2017 Bonds is payable and the Series 2017 Bonds mature on the dates set forth in the Indenture and the Series 2017 Bonds are subject to optional and mandatory redemption prior to maturity in accordance with the terms and conditions stated on the face of Series 2017 Bonds. The Series 2017 Bonds are issuable only as fully registered bonds in the denominations described in the Indenture.

WE HAVE EXAMINED certified copies of the proceedings of the Board of Directors of the Issuer; certificates and resolutions of the Obligor; the opinion of Thompson & Knight LLP, special counsel to the Obligor, upon which we rely to the extent described below; and other instruments authorizing and relating to the issuance of the Series 2017 Bonds, including one of the executed Series 2017 Bonds.

600 Congress Ave., Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood, Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

700 N. St. Mary's Street, Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the resolution of the Issuer authorizing the Series 2017 Bonds (the "Bond Resolution") has been duly and lawfully adopted by, and constitutes a valid and binding obligation of, the Issuer, and that the Series 2017 Bonds have been duly authorized, issued and delivered in accordance with Texas law and constitute valid and binding obligations of the Issuer. The principal of, redemption premium, if any, and interest on the Series 2017 Bonds are payable from, and secured by a pledge and assignment of, the revenues derived by the Issuer from the Obligor pursuant to a Loan Agreement, dated as of March 1, 2017 (the "Loan Agreement"), between the Issuer and the Obligor. The Obligor has agreed and is unconditionally obligated to the Issuer to make the payments due under the Loan Agreement to the Trustee under the Indenture for deposit into the Bond Fund or the Reserve Fund established by the Indenture in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Series 2017 Bonds, when due, as required by the Indenture. We do not, however, express any opinion nor make any comment with respect to the sufficiency of the security for or the marketability of the Series 2017 Bonds.

IT IS OUR OPINION that the Loan Agreement has been duly and lawfully authorized, executed, and delivered by, and is a valid and binding obligation of, the Issuer. We are relying upon the opinion, dated this date, of special counsel for the Obligor to the effect that the Loan Agreement has been duly and lawfully authorized, executed and delivered by the Obligor, and is a legal, valid and binding obligation of the Obligor, enforceable in accordance with its terms and conditions.

THE SERIES 2017 BONDS ARE FURTHER SECURED BY the Indenture whereunder the Trustee is custodian of the funds established by the Indenture and is obligated to enforce the rights of the Issuer and the owners of the Series 2017 Bonds secured by the Indenture and to perform other duties, in the manner and under the conditions stated in the Indenture; and it is our further opinion that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer, and is a valid and binding agreement of the Issuer.

AS FURTHER SECURITY FOR THE BONDS, the Obligor, under and pursuant to an Amended and Restated Master Trust Indenture, Deed of Trust and Security Agreement, dated as of November 15, 1999 and effective as of April 1 2006, as supplemented (the "Master Indenture"), between the Obligor and The Bank of New York Mellon Trust Company, National Association, as Master Trustee, has issued its Series 2017 Note (the "Series 2017 Note") in favor of the Issuer, who has assigned the Series 2017 Note to the Trustee, for the purpose of evidencing the obligation of the Obligor to make the payments due under the Loan Agreement and granted a lien on and security interest in certain of its property in connection therewith. Special counsel to the Obligor has rendered an opinion as to the validity and enforceability of the Master Indenture and the Series 2017 Note. We have not been requested to render, nor have we rendered, any opinion on such matters.

THE OWNERS OF THE SERIES 2017 BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, and the Series 2017 Bonds are payable solely from the sources described in the Indenture.



THE INDENTURE PERMITS, with certain exceptions as therein provided, the amendment thereof at any time by the Issuer with the consent of the registered owners of not less than a majority in aggregate principal amount of all bonds at the time outstanding thereunder.

IN OUR OPINION, except as discussed below for federal income tax purposes, the interest on the Series 2017 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Series 2017 Bonds are not "specified private activity bonds" (other than "qualified 501(c)(3) bonds") and that, accordingly, interest on the Series 2017 Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING OUR OPINION as to the exclusion of interest on the Series 2017 Bonds from the gross income of the owners as described above, we have relied upon, and assumed to be correct, (a) the representations, covenants and agreements of the Issuer and the Obligor in the Loan Agreement, and information furnished by and on behalf of the Issuer and the Obligor and particularly certificates and representations of officers and representatives of the Issuer and the Obligor with respect to certain material facts which are solely within their knowledge relating to the proposed use of the proceeds of the Series 2017 Bonds and the organization and operation of the Obligor and its affiliates that affect such exclusion and (b) an opinion of special counsel to the Obligor, upon which we rely, to the effect that the Obligor is a organization described in section 501(c)(3) of the Code and exempt from taxation under section 501(a) of the Code. We call your attention to the fact that failure by the Issuer or the Obligor and certain of its affiliates to comply with such representations and covenants may cause the interest on the Series 2017 Bonds to become includable in gross income of owners thereof retroactively to the date of issuance of the Series 2017 Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations such as the Series 2017 Bonds will be included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Series 2017 Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether



or not the Service will commence an audit of the Series 2017 Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that each of the Issuer and the Obligor has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, may result in the treatment of interest on the Series 2017 Bonds as includable in gross income for federal income tax purposes.

THE OPINIONS contained herein are limited to the extent that (a) enforceability of the Series 2017 Bonds, the Bond Resolution, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or remedies generally and (b) a particular court may refuse to grant certain equitable remedies, including, without limitation, specific performance, with respect to any of the provisions of the Series 2017 Bonds, the Bond Resolution, the Indenture and the Loan Agreement.

Respectfully,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Series 2017 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2017 Bonds are to be paid to and credited by DTC while the Series 2017 Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2017 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2017 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 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 Bond will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 Authority ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 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 Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

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

representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 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 Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2017 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 Paying Agent/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 Series 2017 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 the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption proceeds on the Series 2017 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 Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer 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.

1. Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Series 2017 Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2017 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indentures will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Issuer or the Underwriter.

2. Effect of Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Issuer, the following provisions will be applicable to the Series 2017 Bonds. The Series 2017 Bonds may be exchanged for an equal aggregate principal amount of the Series 2017 Bonds in authorized denominations and of the same maturity upon surrender thereof at the principal office for payment of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the surrender of such Bond to the Bond Trustee with a duly executed assignment in form satisfactory to the Bond Trustee. For every exchange or transfer of registration of Bonds, the Bond Trustee and the Issuer may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Issuer shall pay the fee, if any, charged by the Bond Trustee for the transfer or exchange. The Bond Trustee will not be required to transfer or exchange any Bond after its selection for redemption. The Issuer and the Bond Trustee may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on, such Bond.

3. Limitations

For so long as the Series 2017 Bonds are registered in the name of DTC or its nominee, Cede & Co., the Issuer and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2017 Bonds for all purposes, including payments, notices and voting.

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

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

Prior to any discontinuation of the book-entry only system described above, the Issuer and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2017 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2017 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2017 Bonds, (iii) registering transfers with respect to the Series 2017 Bonds, and (iv) the selection of Bonds for redemption.

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Landlord's

Exhibit 28

for hearing commencing March 7, 2023

EDGEMERE
DISCLOSURE STATEMENT

October 1, 2021

Continuing Care Retirement Community
Acknowledgement of Delivery of Disclosure Statement

**I/we hereby declare that I(we) have received a current disclosure statement from Edgemere, dated
[month/day _____, 2021] and numbered pages ____ through ____, including appendices.**

DATE SIGNED: _____

[print name]: _____

[resident or legal representative]

THE DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT OR BEFORE THE PAYMENT OF AN ENTRANCE FEE OR NONREFUNDABLE DEPOSIT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY ARTICLE 8876, TEXAS CIVIL STATUTES NOW CODIFIED AS SECTION 246.043 OF THE TEXAS HEALTH AND SAFETY CODE. HOWEVER THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE ACCURACY OF THE ENCLOSED INFORMATION.

Disclosure Statement

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Attachments

Attachment A: Life Care Agreement

Attachment B: 2019 and 2018 Audited Financial Statements

Attachment C: Financial Projections

Attachment D: Resident Handbo

EDGEMERE

DISCLOSURE STATEMENT

Name, Address and Type of Legal Entity

1. State the name and business address of the provider and a statement of whether the provider is a partnership, corporation or other type of legal entity. If the provider is not an individual, include the names and business address of each officer, director, trustee, managing or general partner and any other person who has at least a 10% interest in the provider, together with a description of that person's interest in or occupation with the partner.

The Owner (Provider)

The Owner is Northwest Senior Housing Corporation d/b/a Edgemere ("NSHC" or "Edgemere"), a Texas nonprofit corporation. NSHC is exempt from federal income taxation as a charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("the Code"). NSHC was formed for the purpose of developing, owning and operating a senior living community now known as Edgemere.

Lifespace Communities, Inc. ("Lifespace") is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Deerfield Retirement Community Urbandale, Iowa <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	Grand Lodge at the Preserve Lincoln, Nebraska
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way		Querencia at Barton Creek

Fort Worth, Texas
*An Affiliate of
Lifespace*

Austin, Texas
*An Affiliate of
Lifespace*

Lifespace acts as a supporting organization for Edgemere and the communities listed above, providing oversight, direction, and governance support, and may provide financial assistance.

Lifespace has established The Lifespace Foundation (“The Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, The Foundation supports and benefits Lifespace and its affiliates.

The current address of Northwest Senior Housing Corporation is:

Northwest Senior Housing Corporation
8523 Thackery Street
Dallas, TX 75225

NSHC is organized under the laws of Texas and is governed by a board of officers and directors made up of the following individuals:

Name	Title
Jesse Jantzen	Chair, President, CEO, Director
Nicholas Harshfield	Chief Financial Officer, Corporate Treasurer & Secretary, Director
Edward Fenoglio	Board Member

Management Other Than Direct Employee of Provider

- 2. Indicate whether the Community will be managed on a day-to-day basis by a person other than an individual directly employed by the provider. If so, provide:**

- a. A description of any business experience in the operation or management of similar communities that the person possesses;**

Day-to-day management is conducted by the community's Executive Director, with regional and operational support provided by Lifespace.

- b. The name and address of any professional service, firm, association, trust, partnership, or corporation in which the person has, or which has in that person, at least a 10 percent interest and that proposes to provide goods, leases, or services to the Community, or to residents of the Community, of an aggregate value of at least \$500 in any one year, including a description of the goods, leases or services, and their probable or anticipated cost to the Community, provider, or residents, or a statement that their cost cannot presently be estimated; and**

Lifespace's policies require any Board member with potential conflicts of interest to be excluded from, and be absent from, any discussions and decisions regarding Lifespace entering into contracts with respect to which the Board member has a potential conflict of interest. No Lifespace Board member currently has or has had any known potential conflicts of interest.

- c. A description of any matter in which the person has been convicted of a felony or pleaded nolo contendere to a felony charge, or has been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property.**

There have been no felony convictions or nolo contendere pleas or civil actions involving NSHC or Lifespace.

- d. Any matter in which the person is subject to an injunction or restrictive order of court of record, or has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency if the order or action arose out of or was related to any business activity in a health care field, including actions affecting a license to operate a foster care facility, a nursing home, a retirement home, a home for the aged, or a facility subject to Chapter 246 Health and Safety Code or to a similar Act in another state.**

Neither NSHC nor Lifespace have been subject to injunctive or restrictive orders of court record or revocations or suspensions of licenses or permits in connection with any business activities in a health care field.

Affiliation and IRS Tax Exemption Status

- 3. State whether or not the provider is affiliated with a religious, charitable, or other nonprofit organization and describe the extent of that affiliation, if any. If the provider is affiliated with such an organization, explain the extent to which the organization is responsible for the financial and contractual obligation of the provider. Cite any provision of the Internal Revenue Code under which the provider or affiliate claims to be exempt from the payment of income tax.**

NSHC is not, and never has been, affiliated with any religious organization. Persons of any faith, as well as those with no particular religious faith, are eligible to be considered for residency.

NSHC is exempt from federal income tax as a charitable organization described under Section 501(c)(3) of the Code. NSHC was formed for the purpose of construction, ownership, and operation of a senior living community now known as Edgemere.

Lifespace is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Deerfield Retirement Community Urbandale, Iowa <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	Grand Lodge at the Preserve Lincoln, Nebraska
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way Fort Worth, Texas <i>An Affiliate of Lifespace</i>		Querencia at Barton Creek Austin, Texas <i>An Affiliate of Lifespace</i>

Lifespace acts as a supporting organization for NSHC and the communities listed above, providing oversight, direction, and governance support, and may make grants and/or provide other forms of financial assistance.

Lifespace has established The Lifespace Foundation (“The “Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, the Foundation supports and benefits Lifespace and its affiliates.

Location and Description of Community

- 4. State the location and a description of the physical property of the Community, either existing or proposed. If proposed, state the estimated completion date, whether or not construction was begun, and any contingencies under which construction may be deferred.**

Edgemere is constructed on an approximately 16-acre tract of land located on the north side of Northwest Highway between Thackery and Edgemere streets in Dallas, Texas. The parcel of land has been leased from an unrelated third party for a term of 55 years.

As of December 31, 2020 Edgemere consists of 304 independent living apartment homes, 113 assisted living suites (“Assisted Living”) and 87 nursing beds (“Health Center”) in two- and three-story configurations with central commons and support areas providing services to residents and guests. The independent living apartment homes range in size from approximately 800 to 2,000 square feet. The assisted living suites range in size from approximately 530 to 640 square feet. Memory support assisted living suites range from approximately 270 to 530 square feet. The private nursing rooms range from approximately 300 to 500 square feet. The total net building square footage is approximately 1.55 million square feet.

The buildings are constructed using metal frame, concrete and masonry construction, stucco exterior, concrete tile roofs and concrete paving. Edgemere has been designed in a Mediterranean residential style consistent with and complementary to design styles prevalent in the Park Cities/Preston Hollow area of Dallas. The scale and detail of the buildings, as well as the choice of materials, replicate items commonly found in upscale single-family homes in the area. In addition, there are a number of ergonomically designed architectural features and design details which help create a comfortable, pleasing environment for the residents, such as lever hardware, emergency response system, minimal walking distances and non-glare lighting.

Construction of Edgemere began in November of 1999 and was substantially completed in May of 2002. The most recent expansion at Edgemere was complete in 2018 and there are no further planned expansions.

Services and Fees

- 5. Describe the services provided at the Community under a contract for continuing care, including the extent to which medical care is furnished, and must clearly describe which services are included for specified basic fees for continuing care and which are made available at extra charge. Include a description of all fees required of residents, including the entrance fee and any periodic charges.**

Services Provided Under the Life Care Agreement

A. Occupancy

Occupancy is provided in a specified independent living apartment home. Each independent living apartment home is equipped with a fire sprinkler and alert system and is furnished with floor coverings, window coverings, self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, garbage disposal, washer, dryer and emergency call system. Residents have use of the common areas of Edgemere, which includes formal and casual dining, private dining rooms, living rooms, libraries, lounges, creative arts center, card/game room, a business center, billiards room, dance studio, a large fitness facility, indoor pool, and dog park.

B. Services

Edgemere provides residents of independent living apartment homes with the following services, the cost of which is included in the monthly service fee:

Food Service. Residents receive one meal credit per person for each day of the month. Additionally, a complimentary continental breakfast is served daily, except Sunday. Accumulated meal credits may be used at any time during the month for resident meals or for guest meals.

Housekeeping. Edgemere provides weekly scheduled housekeeping of each resident's apartment home, including vacuuming, dusting, cleaning and changing of bed linens.

Utilities. The cost of sewer, water, waste disposal, electricity, heat, air-conditioning and basic cable television service for each resident's apartment home is included in the monthly service fee. The independent living apartment homes are centrally wired for cable television and telephone hook-up. Residents are responsible for paying all premium cable television and telephone charges.

Security and Emergency Call. Each apartment home is equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere monitors the emergency alert system and coordinates emergency responses, as appropriate.

Laundry. Residents receive scheduled weekly laundry service for their bed linens and towels. No laundry service is included under the Select Service Plan, but may be purchased for an additional fee.

Maintenance. Edgemere maintains all community areas and grounds and is responsible for providing repair, maintenance and replacement of any furnishings provided by Edgemere in a resident's apartment home.

Mail. A U.S. mailbox is provided in a central location for each independent living apartment home.

Transportation. Edgemere provides, on a regularly scheduled basis, transportation to designated local shopping centers, social events, medical facilities, places of worship and other local destinations. Personal transportation is also provided as available. Transportation outside business hours is available for an additional cost.

Social and Recreational Programs. Edgemere coordinates a variety of social, recreational, educational and cultural programs for those residents wishing to participate.

Property Taxes and Insurance. Edgemere pays for real property taxes or payments in lieu of taxes except for those assessed on residents' personal property. Edgemere has obtained property and casualty insurance coverage on the buildings and grounds. Such coverage does not insure against loss or damage to resident's personal property, or damage or injury to others caused by resident. Edgemere recommends that residents purchase appropriate comprehensive insurance.

Wellness Programming. Edgemere coordinates educational and screening programs promoting wellness and preventive health maintenance for those residents wishing to participate.

Home Health Care Services. Home health care services, as defined by and to the extent reimbursable under the Medicare program, may be provided under contract by a certified home health agency to qualified residents of an apartment home. The Home Health provider shall adhere to Edgemere's PSP policy. The resident has the option to select the home health care agency of his/her choice. Any resident needing home care services in connection with a temporary condition beyond that covered by Medicare is responsible for the cost of such services and can receive such services while residing in an apartment home upon approval of Edgemere. Residents who need assistance with the activities of daily living or nursing service on a continuing basis transfer to Assisted Living or the Health Center to receive such services.

Life Care Benefit. Independent living residents also receive a life care benefit which provides assisted living or nursing care in the Assisted Living or Health Center for the same monthly fee as a Two Bedroom Classic independent living apartment home, upon permanent transfer, should the need for such services arise. Residents requiring Memory Support Services are required to pay an additional fee as set forth in the Life Care Agreement.

For temporary transfers to Assisted Living or the Health Center, residents are required to pay for those services at the published monthly service fees in addition to the monthly service fee for the resident's independent living apartment home. See the attached Life Care Agreement for a more detailed explanation of the Life Care benefit.

Parking. Garage parking areas are provided for residents of Edgemere. Surface parking is available for Guests. One secured underground parking space is provided for each apartment home at the request of the resident and in conformance with the parking policy. Additional spaces may be purchased, if available.

Storage Area. An individual storage area located in Edgemere is assigned and available for each independent living apartment home.

C. Additional Services.

The following optional services are available on a fee-for-service basis:

1. Guest Meals
2. Catering for Special Occasions
3. Barber and Beauty Services
4. Tray Service when Medically Advisable
5. Additional Resident Meals
6. Additional Parking, subject to availability
7. Additional Housekeeping
8. Laundry Services for Personal Items
9. Personal Maintenance Requests
10. Personal Laundry Services

Charges for additional services are billed to residents on a monthly basis as provided in the Life Care Agreement.

Fees Required of Residents

1. Independent Living

Residents are charged two separate fees to be entitled to reside in an independent living apartment home at Edgemere: (a) a one-time, resident deposit; and (b) a first person (and, for double occupancy, a second person) monthly service fee. In addition, residents are billed monthly for optional services on a fee-for-service basis.

Upon initial occupancy, residents pay a one-time resident deposit. Under the Life Care Agreement, the resident deposit is 90% refundable (without interest) to the resident or the resident's estate on the later of the date of termination of the Life Care Agreement or the date a new resident deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. The amount of the Resident Deposit depends on the type of unit selected and ranges from \$345,000 to \$1,404,000.

Independent Living Monthly Service Fees, effective January 1, 2021, range from \$3,487 to \$8,673, depending on the unit selected. Monthly Service Fees will be adjusted in

accordance with the Life Care Agreement. For dual occupancy, regardless of unit type, an additional \$1,607 second person fee will be charged. The Monthly Service Fee is not expected to increase prior to January 1, 2022.

2. Assisted Living. The amount of the Monthly Service Fee charged to direct entrants who have not occupied an independent living apartment depends upon the assisted living unit type selected. The Monthly Service Fees, effective January 1, 2021, for single occupancy in an assisted living unit ranges from \$7,892 to \$10,486, depending on the unit selected. Dual occupancy is an additional \$2,047 per month. For direct entrants into assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2022.

3. Memory Support Assisted Living. In the specialized memory support assisted living area, direct entrants pay a Monthly Service Fee based on the unit type selected. The Monthly Service Fee rates, effective January 1, 2021, for single occupancy range from \$7,815 to \$9,402 dependent upon the size of the unit selected. These rates are subject to change upon 30 day advance notice. For direct entrants into memory support assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2022.

4. Nursing. Nursing care fees are on a per diem basis payable monthly for direct entrants into nursing care. The per diem rate ranges from \$389 per day to \$475 per day dependent upon the size of the room selected. These rates are subject to change upon 30 day advance notice. The per day rate is not expected to increase prior to January 1, 2022.

Community Policies

6.a State the Community's policy regarding changes in the number of people residing in the living unit, either because of marriage or other relationships, and a statement of the terms relating to the admission of a spouse to the Community and the consequences if the spouse does not meet the requirements for admission.

Double to Single Occupancy. If an apartment home is occupied by two residents and one surrenders possession of the apartment home to the other, other than by death or by a transfer covered by Section 4 of the Life Care Agreement, the obligations of the person remaining in the apartment home under the Life Care Agreement remain in full legal force and effect, except that the Monthly Service Fee is adjusted to reflect the single occupancy rate then in effect for the apartment home. The person not remaining in the apartment home receives no services or benefits under the Life Care Agreement but continues to be jointly and severally liable for the obligations of the person remaining in the apartment home. No refund of the Resident Deposit is made until both residents leave and the conditions of the Life Care Agreement are met.

In the event the joint occupants of an apartment home desire separate living accommodations at Edgemere, and one resident remains in the apartment home designated in the Life Care Agreement, no refund of the Resident Deposit shall be made until the conditions of the Life Care Agreement are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the apartment home. Upon occupancy of the second apartment home by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodation.

Sharing Unit/Marriage. In the event of the marriage of one resident to another resident, they may: (a) continue to maintain two apartment homes and pay the applicable Monthly Service Fee for single occupancy then in effect for each apartment home; or (b) release either apartment home and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the apartment home jointly occupied by them. There shall be no refund of the Resident Deposit to either resident, and all benefits provided in each Life Care Agreement shall remain and continue in effect.

If a resident and a non-resident (including a new spouse) desire to share an apartment home, the non-resident may become a resident and live in the apartment home only if he/she meets the qualifications set forth in the Life Care Agreement and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-resident may be required to make a Resident Deposit in accordance with the current policies established by Edgemere.

In the event a resident marries an individual while at Edgemere who does not meet the residency requirements, Edgemere, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under the Life Care Agreement.

Relocation. The resident may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, the Life Care Agreement will be amended to reflect the change in Residence status. If applicable, the resident will be required to pay an additional Resident Deposit equal to the difference between the then current Resident Deposit for the new Residence selected and the Resident Deposit initially paid. In the event the current Resident Deposit for the Residence selected is less than the Resident Deposit initially paid, refund of the difference in Resident Deposit will be issued at the time of relocation, in accordance with Section 7.4 of the Life Care Agreement. The resident will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at the expense of the resident.

Moving to a Higher Level of Care

(a) Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while still occupying your residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

(b) Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

See the Life Care Agreement in Attachment A for a more complete explanation of temporary and permanent transfers.

b. State the Community’s policy regarding the circumstances under which a resident is permitted to remain in the Community in the event of any financial difficulty of that resident.

The Life Care Agreement will not be terminated solely because of a resident’s financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of the Life Care Agreement by reason of circumstances beyond the resident’s control. If the resident presents facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by the resident under the terms of the Life Care Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, at its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide a resident with any financial assistance or subsidy, the resident agrees that Edgemere may charge such amounts, plus interest, against the refund of the resident's Resident Deposit. Furthermore, Edgemere may require that the resident move to a smaller or less expensive apartment home.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the resident and his/her estate. See Attachment A of the Life Care Agreement for a more complete description of this policy.

c. State the conditions under which a contract for continuing care may be cancelled by the provider or the resident

Notwithstanding its policy to defer monthly service fees owed by residents who become unable to pay, Edgemere may terminate the Life Care Agreement of a resident who fails to pay any amount owed to Edgemere within the 30-day cure period. Edgemere may also terminate the Life Care Agreement in the event that a default occurs under the provisions of the Life Care Agreement. Defaults include but are not limited to (a) a resident's failure to comply with any covenant of the resident contained in the Life Care Agreement, provided that the resident has thirty (30) days from the date of giving of notice to cure the same; (b) a resident's medical condition would endanger the resident or other persons, or if the resident becomes mentally or emotionally disturbed or creates a disturbance such that the resident's continued presence at Edgemere is deemed by Edgemere to be detrimental to the health, safety or welfare of the resident or other residents; and (c) if a resident is determined by a court of competent jurisdiction to be legally incapacitated or incompetent.

See sections entitled "Consumer Protection and Refund Provisions" and "Refund Prior to Occupancy" for discussion of conditions under which a contract for continuing care may be cancelled by the resident.

d. State the conditions, if any, under which all or part of the entrance fee is refundable on cancellation of the contract by the provider or by the resident, or in the event of the death of the resident before or during occupancy of a living unit.

Upon termination of the Life Care Agreement in accordance with the terms of the Life Care Agreement, or in the event of the resident's death, or in the case of double occupancy, both occupants' deaths, Edgemere will refund 90% of the Resident Deposit (without interest) paid for the vacating resident's apartment home, on the later of the date of termination of the Life Care Agreement or the date a new Resident Deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. After a resident has taken occupancy, the refund amount is ninety percent (90%) of the Resident Deposit paid for the apartment home. In the event Edgemere terminates the Life Care Agreement for just cause in accordance with provisions of the Life Care Agreement, Edgemere shall pay to the resident within 45 days of vacating the apartment home any refund due, less a

reasonable amount to cover the anticipated cost of utilities, telephone, or other obligations if applicable and documented by Edgemere.

- e. State the conditions under which a living unit occupied by a resident may be made available by the Community to a different resident other than on the death of the previous resident.**

Edgemere reserves the right to make a resident's apartment available to a different resident upon the resident's permanent transfer from the apartment home. If Edgemere determines that following a transfer from the resident's apartment home that it is unlikely that the resident will return to it, such that the transfer is permanent in nature, the resident's apartment home shall be released and made available by Edgemere to a new resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the apartment home with another resident. Residents grant Edgemere the right to remove the resident's personal property from the apartment home and to store it at the resident's expense. If, after a permanent transfer, the resident again meets the qualifications for entrance to Independent Living, the resident is given priority admission status for an apartment home.

- f. State the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on those adjustments.**

The Monthly Service Fee may be increased, upon sixty (60) days' written notice to the resident if Edgemere, in its sole discretion, deems it necessary to meet the financial, service and contractual obligations of Edgemere. It is Edgemere's intention to make any adjustments to the Monthly Service Fee only once per year.

Resident Qualifications

- 7. Describe the health and financial conditions required for acceptance as a resident and for continuation as a resident, including the effect of any change in the health or financial condition of an individual between the date of the contract for continuing care and the date of initial occupancy of a living unit by that individual.**

Each prospective independent living resident of Edgemere must submit an application for admission, be able to care for himself/herself and engage independently in activities of daily living. Admission is made without regard to race, color, sex, marital status, religion, creed, handicap or national origin to seniors with a minimum age of 62 years.

The decision to accept a resident for admission to Edgemere is within the sole discretion of Edgemere. Admission is conditional upon the resident's demonstrated financial ability to pay the then current Resident Deposit and Monthly Service Fees as evidenced in the Confidential Data Profile that the resident must complete and submit to Edgemere prior to execution of the Reservation Agreement and the completion, review and approval of a medical profile indicating the resident's ability to live independently.

During the term of the Life Care Agreement, the resident must obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare.

The resident must also maintain in effect supplemental insurance coverage or another form of comprehensive health coverage satisfactory to Edgemere.

Community Reserve Funding

- 8. Describe any provisions made or to be made to provide reserve funding or security to enable the provider to fully perform its obligations under a contract to provide continuing care at the Community, including the establishment of escrow accounts, trusts, or reserve funds together with the manner in which those funds will be invested, and the name and experience of any individual in the direct employment of the provider who will make the investment decisions.**

There is no reserve fund established specifically to provide for the Life Care benefit. It is anticipated the Resident Deposits and interest earnings derived thereon are sufficient to fund obligations under the Life Care Agreement.

As a condition of securing financing for Edgemere, the bondholders require a debt service reserve fund equal to 10% of the debt amount or maximum annual debt service on the long-term bonds.

NSHC invests the debt service reserve fund, Resident Deposits, and any other excess monies generated from project financing and operations in an investment portfolio comprised of government securities, insured deposits, high-grade corporate securities, and professionally-managed equities. All investment policy decisions are made by NSHC. The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help pay for operating and capital costs. As such, interest income generated from the investment of the Resident Deposit is paid to NSHC. At the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, early retirement of debt, costs of future expansions and other purposes deemed appropriate by NSHC. In addition, in order to obtain permanent financing and to secure the lender, NSHC has pledged the receipts and revenues of Edgemere, including the Resident Deposits to the extent allowable by the Texas Statutes. As a result, the Resident Deposits are not escrowed solely for resident refunds.

Financial Statements

- 9. Attach as an exhibit, financial statements of the provider, including a balance sheet as of the end of the most recent fiscal year, statement of cash flow, and the provider's income statements for the three most recent fiscal years or, if the provider has not been in existence for that long, for the period that the provider has been in existence.**

NSHC was organized in January 1998 solely for the purpose of planning, developing and operating Edgemere. See Attachment B for 2019 and 2018 audited financial statements.

Anticipated Sources and Applications of Funds Statement

10. If operations of the Community have not yet begun, include a statement of the anticipated source and application of the funds to be used in the purchase or construction of the Community. The statement should contain the following:

No longer applicable.

Estimated Annual Income Statements

11. Attach as an exhibit, estimated annual income statements for the Community for period of not less than five years. The statement should contain the following:

- a. a beginning cash balance consistent with the statement of anticipated source and application of funds required under Subsection 246.052 of the Act if operation of the Community has not begun;**
- b. anticipated earnings on any cash reserves;**
- c. estimates of net receipts from entrance fees, other than entrance fees included in the statement of anticipated source and application of funds required under Subsection 246.052 of this section less estimated entrance fee refunds, including a description of the actuarial basis and method of calculation for the projection of entrance fee receipts;**
- d. an estimate of gifts or bequests, if any are relied on to meet operating expenses;**
- e. a projection of estimated income from fees and charges other than entrance fees that states individual rates presently anticipated to be charge, including a description of the assumptions used for calculating the estimated occupancy rate of the facility and the effect on the income of the facility of any government subsidies for health care services to be provided under the contract for continuing care.**
- f. a projection of the facility's estimated operating expenses, including a description of the assumptions used in calculating the expenses, and any separate allowance for the replacement of equipment and furnishings and anticipated major structural repairs or additions, and**
- g. an estimate of annual payments of principal and interest required by any mortgage loan or other long-term financing arrangement relating to the facility.**
- h. an estimate of year-end number of occupied living units and the annual number of bed-days to be occupied in the nursing unit(s).**

- i. if estimates made under subsections (a)-(i) are different from those provided in the most recent actuarial review, for communities required to obtain such reviews, an explanation of the differences shall be included.**

See Attachment C for financial projections related to Edgemere's operations. The financial projections are based upon assumptions made by the management of NSHC. The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT'S FINANCIAL PROJECTIONS CONTAINED IN ATTACHMENT C WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

Other Information

- 12. The provider may include in the disclosure statement any other material information concerning the Community or the provider that the provider wishes to include.**

Edgemere failed to meet its Historical Debt Service Coverage Ratio Covenant in 2019 and 2020. The failure to satisfy the Historical Debt Service Coverage Ratio covenant for two consecutive fiscal years constitutes an event of default under the bond documents. Edgemere has retained FTI Consulting, Inc. to, among other things, (i) evaluate Edgemere's operations and marketing strategies; and (ii) provide strategic advice on addressing Edgemere's financial issues. The Trustee and Edgemere have initiated discussions to address the event of default and underlying issues.

Edgemere's occupancy is subject to a Ground Lease with Inter-City Property Investments, Inc. ("Inter-City") dated November__ 1999 ("the Ground Lease"). The Ground Lease is for a term of 55 years and at the end of the stated term, in November, 2054, Inter-City has the contractual right, but not the contractual obligation, to purchase the Edgemere's building and improvements for then fair market value. Additionally, upon the termination of the Ground Lease either because it reaches term or there is a default and termination Inter-City has the option to either continue the Residency Agreements and Life Care Contracts of the residents at the time of termination or to cancel the Residency Agreements and Life Care Contracts. Edgemere takes no position as to the enforceability of this lease or its provisions.

In order to preserve liquidity for the benefit of its residents, the Edgemere ceased making payments on its bond obligations and the Ground Lease as of October 1, 2021. The Edgemere is engaged in discussions with the all parties to resolve the financial situation of the Edgemere for the best outcome of the Edgemere residents; however, a forbearance agreement between the parties was allowed to expire on December 31, 2021 as the result of inaction by the landlord with respect to repeated attempts and desire by Edgemere, the bond trustee, and Lifespace to provide for an extension of the forbearance agreement.

Consumer Protection and Refund Provisions-Required Standard Contract Language

13. Attach as an exhibit a copy of the standard contract form used by the provider. The standard contract form must contain the following language.

- a. “You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract or you receive the Community’s disclosure statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice and you will be entitled to receive a**

refund of all assets transferred other than periodic charges applicable to your occupancy of a living unit.”

- b. A thirty-day refund provision must be in the standard contract: “If the contract is rescinded pursuant to “a” above, any money or property transferred to the provider other than periodic charges specified in the contract and applicable only to the resident must be returned in full within 30 days.”**
- c. “This document, if executed, constitutes a legal and binding contract between you and NSHC. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding.”**
- d. “A resident who executes a continuing care contract may not be required to move into the Community before the expiration of the seven (7) day rescission period.”**
- e. A provision for automatic cancellation of the contract upon death or incapacity prior to occupancy must be contained in the contract with the following statement or a substantially equivalent statement:**

“If a resident dies before occupying a living unit in the Community, or if, because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care, the contract is automatically canceled, and the resident or legal representative of the resident is entitled to a refund of all money or property transferred to the provider, less any non-standard cost specifically incurred by the provider or Community at the request of the resident that are described in the contract or in an addendum to the contract signed by the resident that are described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge if set out in the contract, not to exceed the greater of \$1,000 or 2% of the entrance fee.”

Refer to the Life Care Agreement at Attachment A.

Refund Prior to Occupancy

- 14. The standard residency contract shall contain language providing for automatic cancellation of the contract for continuing care and shall entitle a resident to a refund of all money or property transferred to the provider, less any nonstandard cost specifically incurred by the provider or Community at the request of the resident that is described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge, if set out in the contract, not to exceed the greater of \$1,000 or two percent of the entrance fee, if a resident dies before occupying a living unit in the Community, or if because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care.**

Refer to Section 7.1 of the Life Care Agreement at Attachment A.

Advertising

- 15. No provider shall engage in any type of advertisement which contains any statements or representations in conflict with the disclosures required under Chapter 246, Health and Safety Code.**

The resident or prospective resident may examine the advertising material and the disclosures made in this statement.

ATTACHMENT A

EDGEMERE

Life Care Agreement

EDGEMERE
LIFE CARE AGREEMENT

EDGEMERE

LIFE CARE AGREEMENT

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ADDENDUM A – CONFIDENTIAL DATA PROFILE

EDGEMERE

LIFE CARE AGREEMENT

NOTICES

- A. You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract (Rescission Period) or you receive the Edgemere Disclosure Statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice, and you will be entitled to receive a refund of all assets transferred (without interest), subject to the terms and conditions contained in this contract, other than the periodic charges applicable to your occupancy of a living unit.
- B. This document, if executed, constitutes a legal and binding contract between you and Northwest Senior Housing Corporation. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding. This Agreement provides certain rights of occupancy of a senior living community, hereinafter referred to as “Edgemere” located in Dallas, Texas.
- C. You shall not be required to move into Edgemere before the expiration of the seven (7) calendar day period (Rescission Period).

TERMS OF OCCUPANCY

This Life Care Agreement (“Agreement”) is entered into by _____

(individually and/or collectively “you” or “Resident”), and Northwest Senior Housing Corporation d/b/a Edgemere, which owns and operates Edgemere located in Dallas, Texas. The term “Edgemere” is used throughout this Agreement to denote Northwest Senior Housing Corporation, or the senior living community. The terms “we”, “our”, or “NSHC” are also used in lieu of Northwest Senior Housing Corporation.

Edgemere seeks to provide quality residential housing for retirement age men and women along with an array of personal services and amenities outlined in this Agreement, including certain assisted living and nursing services. Subject to the conditions contained in this Agreement, we agree to make available to you, an unfurnished independent living unit (“Residence”) in Edgemere and provide you with general services and amenities described in this Agreement. The Residence is described as follows:

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

1. **RESERVATION OF RESIDENCE**

In connection with this Agreement, Resident made a deposit equal to ten percent (10%) of the Resident Deposit (hereinafter defined) or \$_____ (the "Reservation Deposit") to reserve the Residence identified above located within Edgemere.

- 1.1 **Conditions of Occupancy.** Conditions of occupancy of the Residence are that Resident shall: (i) meet the health and financial conditions of acceptance into Edgemere; (ii) execute this Agreement; (iii) pay in full the remaining balance of the Resident Deposit ("Resident Deposit Balance") and (iv) pay the applicable ongoing Monthly Service Fee(s).
- 1.2 **Escrow of Reservation Deposit.** The Reservation Deposit shall be placed and maintained in an escrow account to the extent required by Texas law. The escrow agent is Regions Bank, 1717 St. James Place, Suite 500, Houston, TX 77056.
- 1.3 **Refund of Reservation Deposit for Involuntary Termination.** The Reservation Deposit shall be refunded in full to Resident within thirty (30) days of termination of this Agreement under the following circumstances: (i) Edgemere's failure to meet its obligations under this Agreement prior to occupancy of the Residence by Resident; or (ii) death, incapacity or serious illness of Resident prior to occupancy. If Resident's health status changes after Resident is accepted for Residency by Edgemere so that at the time of occupancy Resident is precluded from independent living for health reasons and certified by a licensed physician, the entire Reservation Deposit shall be refunded to Resident; provided, however, Resident may elect not to terminate this Agreement and may elect direct admission into Assisted Living (hereinafter defined) or the Health Center (hereinafter defined) at the appropriate level of care, as determined by Edgemere.
- 1.4 **Refund of Reservation Deposit for Voluntary Termination.** If Resident terminates this Agreement after seven (7) days from the date it is executed other than for reasons in Section 1.3, above, Edgemere shall refund the entire Reservation Deposit within thirty (30) days, less a processing fee of five hundred dollars (\$500.00).
- 1.5 **Disclosures.** Resident acknowledges that Resident has received a copy of the Disclosure Statement and other information which may be material to Resident's decision whether to occupy the Residence. Resident understands that Resident may not occupy the Residence and is not entitled to any services or benefits of the Life Care Agreement until the Resident Deposit has been paid in full.

2. **GENERAL SERVICES AND FACILITIES**

- 2.1 **Basic Agreement.** In consideration of payment of a Resident Deposit in the amount stated in Section 5.2 and payment of the applicable Monthly Service Fee, initially in the amount stated in Section 5.3, you will be entitled to occupy the Residence indicated above and to receive the services and use of the facilities described in this Agreement according to the provisions of this Agreement.

Your right to occupy the Residence or such other care accommodations to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The right to occupy the Residence and receive services under this Agreement shall apply exclusively to the named Resident hereunder, and to no other individual(s). No person other than the Resident entering into this Agreement shall be permitted to occupy the Residence without the express written permission of Edgemere as hereinafter provided.

- 2.2 Residence Furnishings.** The Residence will be furnished at our expense with floor coverings, , self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer, dryer, an emergency alert system, fire sprinkler system and a telephone/data communications port and cable TV hookup.
- 2.3 Parking.** Surface parking areas will be provided for you and for guests of Edgemere as defined in the Resident Handbook. One secured underground parking space will be provided for each Residence at the request of the Resident and in conformance with our parking policy.
- 2.4 Community Common Areas.** You will have use of Edgemere community common areas in accordance with the policies and procedures of Edgemere, as modified and amended from time to time. Community common areas are non-smoking and may include:
- a. Formal & Casual Dining Rooms
 - b. Private Dining Room
 - c. Performing Arts Center
 - d. Outdoor Dining Terrace
 - e. Library
 - f. Conference Room
 - g. Game & Card Room
 - h. Creative Arts Center
 - i. Beauty & Barber Shop
 - j. Business Center
 - k. Wellness and Fitness Center
 - l. Convenience Store
 - m. Swimming Pool
 - n. Living Rooms
 - o. Guest Suites
- 2.5 Included General Services.** So long as you are in compliance with your obligations hereunder, we will provide you with the following services covered by the Monthly Service Fee and Resident Deposit:
- a. **Food Service.** Meals will be served on a daily basis in the main dining room. You are entitled to one meal credit per person for each day of the month (for example, 30 meal credits for June and 31 meal credits for July). You may purchase guest meals or use accumulated meal credits at any time during the month for meals for you and/or your guests. Any unused meal credits for any month will be forfeited and may not be applied as a credit against meal charges for any other period. If you are absent from Edgemere for more than fourteen (14) consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give Edgemere written notice of your intended absence at least two (2)

weeks in advance. For health-related absences, no prior notice is required. Additional meals are available upon request for an additional fee.

- b. Housekeeping.** Housekeeping of the Residence, including vacuuming, mopping, sweeping and changing of bed linens occurs on a weekly scheduled basis.
- c. Utilities.** The costs of sewer, water, waste disposal, electricity, heat, air-conditioning, and basic cable television service are included in the Monthly Service Fee. The Residence will be centrally wired for cable television and telephone service, as well as a data communications port. You will be responsible for all telephone, premium cable television and internet service provider charges.
- d. Security and Emergency Alert System.** Each Residence will be equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere will monitor the emergency alert systems on a twenty-four hour basis and coordinate emergency responses as appropriate. Security personnel will be employed and exterior entrances will have secured access.
- e. Laundry.** We will provide scheduled weekly laundry service of your personal bed linens.
- f. Maintenance.** We will maintain all community common areas and grounds. Edgemere will be responsible for providing repair, maintenance and replacement of equipment and furnishings provided by Edgemere, provided that such repairs are not required as a result of your negligence. You are responsible for maintenance of your personal property and are encouraged to purchase a renter's insurance policy covering your personal property and personal liability.
- g. Mail.** A U.S. mailbox will be provided to you in a central location.
- h. Transportation.** We will provide local transportation to designated shopping, medical facilities, and other local destinations on a regularly scheduled basis.
- i. Social and Recreational Programs.** A full-time Lifestyle Director will coordinate a variety of social, recreational, educational and cultural programs for those residents wishing to participate. Specific programs will be based on residents' interest.
- j. Property Taxes and Insurance.** We will pay for real property taxes for the community, with the exception of those assessed on your personal property. We will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. Edgemere recommends that you purchase appropriate comprehensive insurance.
- k. Storage Area.** An individual storage area located in Edgemere will be assigned and available for your use.

- l. Wellness Programming.** We will coordinate educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.
- m. Medical Director.** We will retain the services of a qualified physician (“Medical Director”) to be responsible for the appropriateness and quality of medical services and medically related activities provided by Edgemere. The Medical Director is not expected to provide medical services to Residents and will be retained as a consultant to Edgemere.
- n. Life Care Benefit.** If it is determined that you require assisted living or nursing care in the future, we will provide you with assisted living services available in our assisted living center (“Assisted Living”) or nursing services available in our nursing center (“Health Center”), as described below and subject to changes in law.

 - (i) Admission.** When a determination is made by your physician and approved by the Medical Director that you need assisted living services or nursing care, then you will be transferred to Assisted Living or the Health Center as provided for in Section 4 of this Agreement. Transfers to Assisted Living or the Health Center will only occur after consultation with the Resident, the Resident’s family, and a licensed physician.

In the event that space for you, for any reason, is not available in Assisted Living or the Health Center upon determination that a permanent transfer is required, Edgemere will arrange and pay for your care in your Residence by a certified home health care agency of Edgemere’s choice, if reasonably possible, until space becomes available in Assisted Living or the Health Center. If home health care is not medically possible, Edgemere will arrange and pay for your care in another facility of Edgemere’s choice that can provide the same care that would otherwise have been provided by Edgemere until space becomes available. Edgemere will pay for care in another facility to the same extent as if it were provided by Edgemere.

- (ii) Assisted Living.** We will provide to you, in a Traditional Assisted Living Apartment, support services that are designed to assist you with activities of daily living in accordance with Texas law. Services may include assistance with dressing, bathing, grooming, medication administration, and ambulation. Additional services and ancillary products may also be provided for a specified charge identified in the resident handbook.
 - (iii) Nursing Care.** We will provide to you, in a Traditional Private Room, licensed nursing care services approved by our Medical Director (“Nursing Care”). The care provided will cover services included in the basic private nursing room published daily rate then in effect. Such care may include those services required by applicable law to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with activities of daily living and communication with physicians and other care providers. You will be

responsible for charges for supplies and services above those included in the basic published daily rate.

- (iv) **Fees and Charges.** We will provide without charge basic Assisted Living or Nursing Care as defined in Section 2.5.n.(ii) and (iii), to the extent that it is not covered by your insurance, Medicare or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to:

Effect on Monthly Service Fee.

a. Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while you are still occupying your Residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

b. Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

- o. Additional Charges.** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Center which are not covered by the basic published market daily rates for such care then in effect as described in Section 2.5n. (ii) and (iii). Additional charges apply in circumstances which include, but are not limited to, the following:

1. If you require Memory Support Deluxe Assisted Living you will be responsible for the difference between the then current Monthly Service Fee for a Traditional Assisted Living Apartment and the Memory Support Alcove Room.
2. If you require specialized memory support services at the Health Center, you will be responsible for the then current difference in daily rates between a Traditional Private Room in Nursing Care and a Memory Support Nursing Care Private Room.
3. In the event of a Temporary Transfer or Permanent Transfer, you will be responsible for all costs of relocation.

2.6 Additional Services. The following Additional Services may be available to Residents on a fee-for-service basis:

- a. Guest meals
- b. Catering for special occasions
- c. Barber and beauty services
- d. Tray service
- e. Additional resident meals
- f. Additional parking, subject to availability
- g. Additional housekeeping services
- h. Laundry services for personal items
- i. Usage of the guest suites

Charges for these Additional Services and others that may be offered will be made in accordance with the Resident Handbook then in effect and will be billed to you monthly.

2.7 Alteration to Residence. You may make alterations to your Residence at your cost, subject to Edgemere's policies and with Edgemere's prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor we approve. Any alterations of a permanent nature become the property of Edgemere. For your safety, you agree not to replace the existing locking device or add any locking devices to your Residence. Edgemere reserves the right to restore the apartment home to the pre-altered state upon vacancy of the apartment by Resident. The cost of the restoration is the responsibility of Resident and may be withheld from any refund due.

2.8 Advance Notice for Changes in Scope of Services. We will provide at least sixty (60) days advance notice before any change in the scope of care or services becomes effective unless an immediate transfer to Assisted Living or Health Center is deemed necessary as provided in Section 4 of this Agreement. This includes notification of any changes in charges for Additional Services.

3. **RESIDENT'S OBLIGATIONS**

- 3.1 Health Insurance.** Edgemere will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare. You shall also maintain in effect supplemental Medicare insurance coverage acceptable to us, and furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to us. You agree to provide evidence of such insurance to us upon request. You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future for health care services provided hereunder to you.

You will be responsible for paying separately for all health care services that are not covered by Edgemere, Medicare (or an equivalent substitute policy approved by Edgemere), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, Edgemere will assist you in obtaining answers.

- 3.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. If you should thereafter become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

- 3.3 Home Health Care Services.** It is the intent of Edgemere to enable you to maintain the highest level of independence possible. As such, home health care services may be provided to you in your Residence at your expense by a certified home health care agency of your choosing. Such services are typically intermittent and short-term in nature, often rendered following an acute care illness. Any assistance by Edgemere in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency, and Edgemere shall in no way be deemed responsible for the acts or failure to act of any such agency. You are to notify Edgemere if you are receiving or intend to receive home health care services. If you choose to receive home health care services, you are obligated to retain an aide who is employed by a licensed home health agency in Texas and to report the home health agency's periods of visitation to Edgemere. You must also comply with the provisions outlined in the Residents Handbook for retaining Private Duty Aides. Residents who need assistance with the activities of daily living or nursing service on a continuing basis will transfer to Assisted Living or Health Center to receive such services, in accordance with the provisions in Section 2.5.n.

- 3.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges which may be incurred by or on behalf of you for costs not covered by this

Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense.

3.5 Resident Handbook. We will establish and adopt policies and procedures (collectively “Policies”) for the occupancy and orderly operation and management of Edgemere. These Policies will be drafted to provide for the safety, welfare, peace and comfort of all Residents consistent with the provisions of the Life Care Agreement. These Policies will be published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.

3.6 Non-Impairment of Financial Responsibility. After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and cause any act such that you would no longer meet the financial qualifications as set by Edgemere for your Residence.

4. TRANSFERS AND READMISSION

There may come a time when you must move to Assisted Living or Health Center or to another facility which provides services not available at Edgemere. Edgemere is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

4.1 Consultations. Except in case of emergency, Edgemere agrees not to transfer you from your Residence to Assisted Living or Health Center, or to a care facility or hospital which is not on the campus of Edgemere, for health-related or other reasons unless it has consulted with you, your physician, your family and/or your designated representative, if applicable. Such a decision shall be made in the best interests of the Resident, and the decision of Edgemere shall be final and binding. In the case of an emergency transfer, Edgemere will schedule the consultations described above within seven (7) days after transfer.

Circumstances in which it is in the best interest of the Resident to be transferred include, but are not limited to, the following:

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with activities of daily living or nursing care;
- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term “ambulatory” is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or,

- c. A determination that the continued residency of the Resident at Edgemere would be harmful to either the Resident, other Residents or staff of Edgemere.

If we determine, after consultation, that your health requires that you be transferred (a) from the Residence covered by this Agreement to Assisted Living or Health Center or (b) to a care facility or hospital which provides services which Edgemere does not provide or is not licensed to provide, you agree to be relocated in accordance with that decision.

- 4.2 Consents.** When Edgemere determines, after consultations as described above, to transfer you to Assisted Living, Health Center, or to a suitable care facility or hospital for health care or other health-related services, Edgemere shall be authorized to transfer you without having to obtain your further consent.

Edgemere shall not be responsible for the cost of any services rendered to a Resident who is transferred from Edgemere to another facility, except as specifically provided otherwise hereunder.

- 4.3 Transfers.** Pursuant to Section 4.1 and 4.2, transfers are defined below as temporary and permanent.

- a. **Temporary Transfer.** A transfer is considered temporary when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Residence within ninety (90) days. Your residence will be held for your return.
- b. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer will not allow you to return to your Residence within ninety (90) days.

In the event of a Permanent Transfer of one Resident in the case of single occupancy or of both Residents in the case of double occupancy, you shall release your Residence in order for Edgemere to make your Residence available to a new Resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the Residence with a new Resident. You grant Edgemere the right to remove your personal property from the Residence fifteen (15) days after a Permanent Transfer and to store it at your expense. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished, at the then current Monthly Service Fee. While you are in Assisted Living or the Health Center, the Monthly Service Fee will continue to be due and payable as described in Section 2.5.n.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

5. RESIDENT DEPOSIT AND FEES

- 5.1 Occupancy Date.** The day you receive keys to your Residence is the occupancy date. You shall not be required to move into Edgemere before seven (7) days following the date you executed this Agreement and made the Reservation Deposit.

In the event you decide not to move into your Residence on the Occupancy Date, the obligation of Edgemere to provide care and services as provided hereunder shall not be effective until your Resident Deposit has been paid in full.

- 5.2 Resident Deposit.** You agree to make a non-transferable, non-interest bearing Resident Deposit in the total amount of \$_____. The Reservation Deposit of \$_____ is due at the time you execute this Agreement. The remaining balance of your Resident Deposit, being \$_____, is due on or before the Occupancy Date, unless otherwise previously agreed in writing. In the event the remaining balance of the Resident Deposit is not paid by the Occupancy Date, Edgemere in its sole discretion may terminate this Agreement and re-market your Residence to a new resident. Once paid, this Resident Deposit will not be increased or changed during the duration of this Agreement. The Resident Deposit shall in no way be considered or interpreted to be a security deposit.

The Resident Deposit shall be the property of Edgemere for use in accordance with the terms of this Agreement, and shall not be subject to the claims of creditors of the Resident. The Resident Deposit shall be refundable in accordance with Section 7.

- 5.3 Monthly Service Fees and Changes in Fees.** Your Monthly Service Fee will be initially \$_____ per month for one person and an additional \$_____ per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon sixty (60) days' written notice to you. It is our intention to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee, in addition to charges for additional services, shall be billed in advance to the Resident on or before the fifth business day of each month, and shall be paid on or before the fifteenth (15th) day of the month.

Fees for additional services will be charged in accordance with the Additional Services Fee Schedule we establish and will be on file in the management office.

- 5.4 Late Fee.** We will reserve the right to assess you a late fee of five percent (5%) per month (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Additional Services Fees are not paid in full on or before the twentieth day (20th) of the calendar month in which they are due.

- 5.5 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 4, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the

Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired. The refund of the Resident Deposit will be made in accordance with Section 7.7 and once all conditions of Section 7.4 are met.

In the event the joint occupants of a Residence desire separate living accommodations at Edgemere, and one (1) Resident remains in the Residence designated hereunder, no refund of the Resident Deposit shall be made until the conditions of Section 7.4 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Residence. Upon occupancy of the second Residence by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodations.

In the event of the marriage of a Resident to another Resident, they may: (a) continue to maintain two Residences and pay the applicable Monthly Service Fee for single occupancy then in effect; or (b) release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the Residence retained. All benefits provided in each Life Care Agreement shall remain and continue in effect. There shall be no refund of the Resident Deposit to either Resident until both Residents leave and the conditions of Section 7.4 have been met.

If you and a non-Resident (including a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for entrance set forth in Section 6 and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-Resident may be required to make a Resident Deposit in accordance with the then current policies established by Edgemere.

In the event you marry an individual while at Edgemere who does not meet the residency requirements for Edgemere, NSHC, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under this Agreement.

5.6 Liability for Charges. Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Additional Service Fees and all other amounts required to be paid to Edgemere, pursuant to the provisions of this Agreement. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Edgemere under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

5.7 Residents Who Become Unable to Pay. It is Edgemere's policy that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Edgemere's right to terminate this Agreement in accordance with its terms. If you present facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this

Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, in its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide you with any financial assistance or subsidy, you agree we may charge such amounts, plus interest, against the refund of your Resident Deposit. Furthermore, we may require you to move to a smaller or less expensive Residence.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate.

6. APPLICATION AND ACCEPTANCE FOR RESIDENCY.

The obligations of Edgemere to provide services and facilities hereunder are conditioned upon acceptance of the Resident for residency at Edgemere in accordance with this paragraph. The decision to accept a Resident for residency at Edgemere shall be within the sole discretion of NSHC.

6.1 Requirements for Acceptance for Residency. We require that you be capable of independent living and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income which are sufficient to meet ordinary and customary living expenses after assuming occupancy.

6.1.1 Confidential Data Profile. You shall complete and submit a Confidential Data Profile provided by Edgemere prior to or concurrent with the execution of this Agreement. You hereby certify to Edgemere that all information reflected on such Confidential Data Profile, which is hereby incorporated by reference and made a part of this Agreement, including all personal financial data, is complete and accurate.

6.1.2 Confidential Medical Profile Report. In addition to the Confidential Data Profile you will be required to submit a Confidential Medical Profile completed by your physician within fifteen (15) days after the execution of this Agreement.

6.1.3 Age. To be accepted for admission at Edgemere, you must be at least sixty-two (62) years of age at or before the Occupancy Date.

6.2 Notification of Decision. Within thirty (30) days of satisfaction by you of all of the requirements set forth in Section 6.1, Edgemere shall notify you in writing of its decision concerning your acceptance to Edgemere. In the event you are not accepted for residency at Edgemere, your Reservation Deposit specified in Section 5 and tendered upon execution of this Agreement shall be refunded within ten (10) days of the date of the written notification

to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.

6.3 Acceptance for Residency Conditional Upon No Material Changes Prior to Occupancy. Acceptance for residency to Edgemere shall be conditioned upon no material change in the matters covered by the Confidential Data Profile and Confidential Medical Profile prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Edgemere may request that additional information be provided. In the event of the existence of a material change in condition, Edgemere may revoke its acceptance of you for residency to Edgemere at any time prior to the Occupancy Date by written notification to you, and your Reservation Deposit as specified in Section 5 shall be refunded within ten (10) days of the date of such notification.

6.4 Duty of Resident to Notify Edgemere. You acknowledge and agree that Edgemere has relied upon all of the information contained in your Confidential Data Profile and Confidential Medical Profile to make its decision regarding your acceptance for residency at Edgemere. Any misrepresentation or omission by you shall render this Agreement null and void at the option of Edgemere. You agree to notify Edgemere prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Data Profile or the Confidential Medical Profile.

7. TERMINATION AND REFUNDS

7.1 Termination Prior to Occupancy.

- a. You will be entitled to full reimbursement of any monies paid to us within thirty (30) days of our receiving your written termination of this Agreement and will be released from liability to pay to us any other amount under this Agreement under any one of the following conditions:
 - (i) If you terminate this Agreement within seven (7) days from the date on which you signed this Agreement and paid the Reservation Deposit.
 - (ii) If you die before occupying your Residence at Edgemere, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Data Profile or the Confidential Medical Profile, this Agreement will be automatically canceled.

Interest on the Resident Deposit will NOT be due or payable.

- b. If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described above, you will be entitled to a reimbursement of any monies paid, less a processing fee of five hundred dollars (\$500.00). Interest on the Resident Deposit will NOT be due or payable. Thereupon, you shall be relieved of further liability to pay a Resident Deposit or Monthly Service Fees under this Agreement. In this circumstance, we will pay the refund due to you within thirty (30) days after the date we have received your written notice of termination of this Agreement.

7.2 Termination of Residency After Occupancy. After you have assumed occupancy of your Residence, this Agreement is subject to termination as follows:

- a. By you at any time upon thirty (30) days prior written notice to Edgemere.
- b. Edgemere may terminate this Agreement after the Occupancy Date for the following nonmedical reasons:
 - (i) A material misrepresentation or omission by you in the Confidential Data Profile, Confidential Medical Profile, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;
 - (ii) If you fail to comply with the policies and procedures of Edgemere or create a situation detrimental to the health, safety or quiet enjoyment of the community by other Residents or the staff;
 - (iii) If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however, it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that: (1) your inability to pay is not the result of your willful action; and (2) in the judgment of NSHC, the ability of Edgemere to operate on a sound financial basis will not be impaired.
 - (iv) Material breach by you of the terms and conditions of this Agreement; and,
 - (v) The Residence is no longer fit for occupancy and Edgemere elects not to restore the Residence to habitable condition.
- c. Edgemere may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director (after consultation “to the extent feasible” with you, your personal physician, and your family and/or designated representative) that:
 - (i) You have developed a dangerous or contagious disease or mental illness;
 - (ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which care cannot be provided by us without a significant and unique expenditure; or,
 - (iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence at Edgemere is determined to be detrimental to the health, safety and welfare of other Residents or staff.

Therefore, should any of these situations occur, we are expressly authorized (after consultation with the Medical Director, your personal physician and your family

and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital facility or alternative care facility.

If Edgemere seeks to terminate this Agreement and your occupancy, Edgemere shall give you sixty (60) days' prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place and date for a meeting between you and Edgemere's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination upon your showing to Edgemere's reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

- 7.3 Effect of Double Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident dies, this Agreement will continue in full legal force and effect as to the surviving Resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Residence occupied. No refund of the Resident Deposit will occur until the surviving Resident leaves and all conditions of Section 7.4 are met.
- 7.4 Refund of Resident Deposit.** After termination of this Agreement in accordance with Section 7.2 or in the event of your death, or in the case of double occupancy, both occupants' deaths, we will refund ninety percent (90%) of the Resident Deposit (without interest) that you paid for your Residence at Edgemere. Except as provided in the next paragraph, the refund will be paid on the later of: (i) ten (10) days after a new resident deposit has been received from a new resident and the new resident has taken occupancy of your former Residence, or (ii) termination of this Agreement.
- 7.5 Use of Resident Deposit.** The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help fund operating and capital costs. As such, interest income generated from the investment of the Resident Deposit will be paid to Edgemere. In addition, at the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future capital expenditures, resident refunds and other purposes deemed appropriate by NSHC. No reserve funding will be established pertaining to the refund of the Resident Deposit. In order to obtain permanent financing and to secure the lender or other party or parties who provide financing, NSHC pledged the gross receipts and revenues of Edgemere including Resident Deposits to the extent allowable by Texas law.
- 7.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Resident Deposit any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- 7.7 Relocation.** You may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, this Agreement will be amended to reflect the change in Residence status.

- a. **Relocation to a less expensive Residence.** You will receive a refund of the refundable portion of the Resident Deposit in excess of the refundable portion of the Resident Deposit then in effect for the new Residence in accordance with Section 7.4. No additional ten percent (10%) non refundable portion will be required. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.
- b. **Relocation to a more expensive Residence.** You will be required to pay the difference between the initial Resident Deposit and the Resident Deposit then in effect for the new Residence selected. A portion of the additional Resident Deposit will be nonrefundable. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.

8. MISCELLANEOUS

- 8.1 Resident's Interest.** You do not have any proprietary interest in Edgemere, its assets or properties by virtue of this Agreement. While Edgemere is interested in Resident's input and comments, this Agreement does not give you the right to participate in management or policy making decisions of Edgemere or related properties.
- 8.2 Responsibility for Protection of Resident's Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flooding or other casualty, or by leaking of water, bursting of pipes, theft or any other cause. You shall be solely responsible, at your own expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from Edgemere, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from Edgemere premises within sixty (60) days after termination of this Agreement, we reserve the right to have such property placed in a commercial bonded warehouse at the expense and risk of you or your estate.
- 8.3 Injury or Accident While Away from Edgemere.** If the Resident is injured in an accident or becomes ill while away from Edgemere, the Resident shall make every reasonable effort to notify Edgemere as soon as possible, and the Resident shall arrange to return to Edgemere as soon as reasonably possible if continued medical care is required. Edgemere shall not be responsible for or assume the cost of medical care for illness or injury incurred by the Resident while away from Edgemere. At such time as the Resident returns to Edgemere, Edgemere shall assume the responsibility for Assisted Living or Health Center services thereafter rendered as provided in this Agreement.
- 8.4 Injury Caused by Third Party.** In the event of an accident or injury to you caused by a third party, for which such third party may be liable for the cost of any medical, surgical, nursing or additional care for you resulting therefrom, you or your designated representative shall notify Edgemere promptly and you or your designated representative shall pursue diligently any claim for damages which may be due from such third party for the injury. Edgemere is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify NSHC for any expenses incurred by Edgemere in providing care to you for which a third party is liable.

NSHC may limit its actions as provided above to claims for recovery of the costs and expenses incurred by it, and in such event, NSHC shall not be obliged to assert any claim on behalf of you arising out of such accident or injury beyond the costs and expenses incurred by Edgemere.

8.5 INDEMNIFICATION FOR NEGLIGENCE. YOU HEREBY AGREE TO INDEMNIFY, PROTECT AND HOLD US HARMLESS FROM ANY LOSS, DAMAGE, INJURY OR EXPENSE INCURRED BY EDMERERE AS A RESULT OF YOUR NEGLIGENCE OR WILLFUL ACTS OR THE ACTS OF YOUR INVITEES OR GUESTS.

8.6 Right of Entry. You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Non-emergency or non-medical services will be scheduled in advance with Resident.

8.7 Guests. Occupancy of the Residence and use of Edgemere common areas and grounds is limited to you and your guests. Guests may not occupy your Residence for more than fourteen (14) days without the prior written approval of Edgemere. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests.

8.8 Absence from Edgemere. You agree to notify Edgemere in advance of any contemplated absence that is anticipated to exceed twenty-four (24) hours.

8.9 Damage to Residence. Resident is responsible for excessive wear or damage to the Residence caused by Resident action or neglect. The cost of repair due to damage or neglect is the responsibility of the Resident and may be withheld from any refund due.

If your Residence is damaged by fire, flood, storm or other casualty or cause and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type Residence at Edgemere, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Edgemere and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.

8.10 Entire Agreement. This Agreement constitutes the entire Agreement between you and NSHC with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent Edgemere unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.

8.11 Binding Effect. This Agreement is binding upon our successors and assigns and your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.

8.12 Severability. Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.

- 8.13 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Edgemere's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Edgemere's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 8.14 Nondiscrimination.** Edgemere will be operated on a non-discriminatory basis, and will provide the facilities and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap or national origin.
- 8.15 Notices.** Any notice to Edgemere by you will be given in writing and mailed or delivered to Edgemere at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing and mailed or delivered to your Residence or at such other address as you may designate to Edgemere in writing.
- 8.16 Potential Tax Benefit.** You may be eligible for a one-time medical expense tax deduction for a portion of the Resident Deposit (in the first year of occupancy) and annually for a portion of the Monthly Service Fee paid to Edgemere in that tax year. Edgemere will provide a statement prepared by its auditors each year for your use in tax preparation. Edgemere makes no representations regarding the availability of any tax deduction relating to your residency and care at Edgemere. You are advised to seek tax advice on this issue from your tax advisor.
- 8.17 Choice of Law.** This Agreement will be interpreted according to the laws of the State of Texas without regard to conflict of law principles.
- 8.18 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency.
- 8.19 Authorized Agent Signature.** This Agreement has been executed on behalf of Edgemere by its duly authorized agent and no officer, director, agent or employee of Edgemere shall have any personal liability hereunder to you under any circumstances.
- 8.20 No Third Party Rights.** No other persons or entities other than Edgemere and the Resident have any rights or obligations under this Agreement.
- 8.21 Failure to Act.** Failure or delay of any party to exercise any right, power, or privilege under this Agreement will not operate as a waiver of such right, power, or privilege.
- 8.22 Right of Subrogation.** If you are injured by a third party and such injury requires Edgemere to provide health care services under this Agreement, Edgemere shall be subrogated, to the extent allowed by Texas law, to your rights against such third party to the extent necessary to reimburse Edgemere for the costs incurred in providing services under this Agreement. To the extent allowed under Texas law, this right of subrogation authorizes Edgemere to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, NORTHWEST SENIOR HOUSING CORPORATION

and the Resident(s) have signed this Agreement on this _____ day of _____, 20____.

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

NORTHWEST SENIOR HOUSING CORPORATION,
a Texas nonprofit corporation

By: _____

Its: _____

Edgemere Marketing Representative

Addendum A

Confidential Data Profile

EDGEMERE

CONFIDENTIAL DATA PROFILE ***ALL INFORMATION WILL BE HELD CONFIDENTIAL*** **Addendum A**

Please Print Clearly or Type

1. Name: _____
Last First Middle
2. Address: _____
Street City State Zip Code
3. Telephone No: () _____ Birth Date: _____
Month Day Year
4. Marital Status: ___ Married ___ Single ___ Widowed ___ Divorced
Number of Children: _____ Anniversary Date: _____
5. Name of Spouse: _____ Birth Date: _____
Month Day Year
6. Your Social Security Number: _____
Spouse's Social Security Number: _____
7. Power of Attorney (if applicable): _____
Address: _____
Street City State Zip Code
8. Person to notify in case of emergency: _____
Address: _____
Street City State Zip Code
Telephone No: () _____
9. What was/is your occupation? _____
10. What are your hobbies or interests? _____
11. Church Affiliation: (Optional) _____
12. Driver's license #: _____ Would you bring a car? _____

13. Apartment size desired: _____ Location/floor desired: _____

14. Are you capable of Independent Living without help from anyone else?

1st Person: ___ Yes ___ No

2nd Person: ___ Yes ___ No

If no, please describe the kinds of assistance you currently need.

15. Medicare No. (1st Person): _____

Medicare No. (2nd Person): _____

Supplemental Health Insurance:

Insurer: _____ Policy No.: _____

Prospective Resident Signature

Date

FINANCIAL STATEMENT

(Must be completed by each individual; joint holdings must be so noted)

***ALL INFORMATION WILL BE MAINTAINED AS CONFIDENTIAL UNLESS
REQUIRED TO BE DISCLOSED BY LAW***

ASSETS						
		Is the asset security for a loan?			Is the asset security for a loan?	
		1st Person	Yes No		2nd Person	Yes No
Cash (Savings & Checking)	\$			\$		
CD's, Money Markets, etc.	\$			\$		
Stocks & Bonds	\$			\$		
IRA's, Annuities, etc.	\$			\$		
House	\$			\$		
Other Real Estate	\$			\$		
Trust Fund (indicate % beneficial int.)	\$			\$		
Cash Surrender Value of Life Insurance	\$			\$		
Other Assets (Describe Below: _____ _____ _____ _____ _____	\$			\$		
TOTAL ASSETS:	\$			\$		
LIABILITIES						
	1st Person			2nd Person		
Mortgage on Residence	\$				\$	
Mortgage(s) on Other Real Estate	\$				\$	
Other Bank Loans	\$				\$	
Loans Against Cash Surrender Value of Life Insurance	\$				\$	
Other Liabilities (Notes Payable, etc.)	\$				\$	
TOTAL LIABILITIES:	\$				\$	

HAVE YOU GUARANTEED ANY DEBT OWED BY ANOTHER?

_____ YES _____ NO

Guarantor(s)	Debtor	Relation	Amount of Debt Guaranteed

REGULAR MONTHLY INCOME

	1st Person	2nd Person
Social Security	\$	\$
Pension *	\$	\$
Dividends	\$	\$
Interest	\$	\$
Mortgage/Rental Income	\$	\$
IRA Income	\$	\$
Trust Income	\$	\$
Other Monthly Income	\$	\$
Total Regular Monthly Income	\$	\$

*With regard to monthly pension income reflected, will the monthly payment continue in the same amount for the life of the other person listed (generally, the surviving spouse)? _____ Yes _____ No. If no, what will the monthly payment be after the death of the recipient listed? _____/month.

I hereby declare that all statements made herein are true according to my best knowledge and belief. In witness whereof, I have hereunto set my hand to this application this _____ day of _____, _____.

Signature of 1st Person

Signature of 2nd Person

ATTACHMENT B

EDGEMERE

2019 and 2018 Audited Financial Statements

**NORTHWEST SENIOR HOUSING CORPORATION
(DBA EDMERE)
AND SENIOR QUALITY LIFESTYLE
CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR
QUALITY LIFESTYLE CORPORATION**

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, which comprise the balance sheets as of December 31, 2019, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the periods from January 1, 2019 to June 30, 2019 (Predecessor) and July 1, 2019 to December 31, 2019 (Successor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation as of December 31, 2019, and the results of its operations and its cash flows for the period from July 1, 2019 to December 31, 2019 (Successor) and the results of its operations and its cash flows for the period ended June 30, 2019 (Predecessor) in accordance with in accordance with the financial reporting provisions of the Master Trust Indenture Agreement as described in Note 2.

Report on Supplementary Information

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

Other Matter

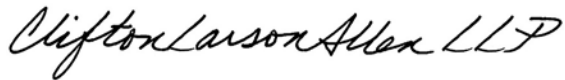
The 2018 consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation were audited by other auditors whose report dated May 30, 2019, expressed an unmodified opinion on those statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of the financial reporting provisions specified in the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the agreement referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, the holders of the Series 2015 and Series 2017 Bonds and their bond trustee, UMB Bank, N.A. and Ziegler Capital Markets, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2020

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,523	34,995
Accounts Receivable:		
Trade	1,074	2,764
Related Party	285	7,666
Inventories	56	80
Prepaid Insurance and Other	265	581
Assets Whose Use is Limited - Current	1,926	5,153
Total Current Assets	40,176	56,510
 ASSETS WHOSE USE IS LIMITED - Noncurrent	 9,695	 14,675
 PROPERTY AND EQUIPMENT, AT COST		
Land Lease	89,526	-
Land and Improvements	1,522	944
Buildings and Improvements	141,934	166,351
Furniture and Equipment	2,912	13,633
Construction-in-Progress	1,923	17,467
Subtotal	237,817	198,395
Less: Accumulated Depreciation	3,903	57,002
Net Property and Equipment	233,914	141,393
 GOODWILL, Net of Accumulated Amortization	 18,736	 -
 DEFERRED EXPENSES, Net of Accumulated Amortization	 36	 -
 INTANGIBLE ASSET, Net of Accumulated Amortization	 14,720	 -
Total Assets	\$ 317,277	\$ 212,578

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 2,126	\$ 1,898
Related Party	522	6,841
Accrued Liabilities:		
Employee Compensation Expense	981	865
Interest	689	705
Property Taxes	2,009	-
Other	67	56
Total Accrued Liabilities	3,746	1,626
Long-Term Debt Due within One Year	1,590	1,530
Long-Term Notes Payable and Intercompany Payable Due within One Year	533	789
Obligation under Land Lease Due within One Year	3,728	-
Total Current Liabilities	12,245	12,684
LONG-TERM LIABILITIES		
Entrance Fee Deposits	388	969
Long-Term Notes Payable and Intercompany Payable	-	533
Long-Term Debt Due after One Year	109,185	110,632
Obligation under Land Lease Due after One Year	86,921	-
Deferred Rent	-	37,053
Deferred Entrance Fees	8,283	12,941
Refundable Entrance Fees	107,242	157,514
Total Long-Term Liabilities	312,019	319,642
Total Liabilities	324,264	332,326
NET ASSETS		
Non-Controlling Interest	265	227
Without Donor Restrictions	(7,252)	(119,975)
Total Net Assets	(6,987)	(119,748)
Total Liabilities and Net Assets	\$ 317,277	\$ 212,578

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor	Predecessor	
	July 1 - December 31, 2019	January 1 - June 30, 2019	January 1 - December 31, 2018
REVENUES			
Residential Living Fees	\$ 9,470	\$ 10,088	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	2,003	674	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$3,397, \$3,498 and \$6,287 in July through December, 2019, January through June, 2019, and 2018, respectively	9,441	8,204	14,172
Other	113	571	977
Total Revenues	21,027	19,537	36,880
EXPENSES			
Operating Expenses:			
Salaries and Benefits	8,448	8,198	14,807
General and Administrative	7,499	7,864	14,170
Plant Operations	1,534	1,402	2,820
Housekeeping	243	203	364
Dietary	2,152	1,659	3,021
Medical and Other Resident Care	1,379	1,144	2,716
Depreciation	3,919	2,746	5,048
Amortization of Deferred Expenses	1,970	-	-
Interest	2,753	2,827	4,482
Gain on Disposal of Property and Equipment	-	(188)	(838)
Decrease in Obligation to Provide Future Services	-	-	(1,383)
Total Expenses	29,897	25,855	45,207
NONOPERATING INCOME (EXPENSE)			
Investment Income (Expense)	1,883	3,734	(849)
DEFICIT OF REVENUES OVER EXPENSES	(6,987)	(2,584)	(9,176)
OTHER CHANGES IN NET ASSETS			
Contributions to Related Parties	-	(300)	(300)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,987)	(2,884)	(9,476)
Net Assets without Donor Restrictions - Beginning of Period	-	(119,748)	(110,272)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (6,987)</u>	<u>\$ (122,632)</u>	<u>\$ (119,748)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
STATEMENTS OF CASH FLOWS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor July 1 - December 31, 2019	Predecessor January 1 - June 30, 2019	Predecessor January 1 - December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets Without Donor Restrictions	\$ (6,987)	\$ (2,884)	\$ (9,476)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:			
Entrance Fees Earned	(2,003)	(674)	(1,324)
Proceeds from Nonrefundable Entrance Fees and Deposits	1,372	942	3,286
Depreciation and Amortization	5,889	2,746	5,048
Amortization of Financing Costs	-	(85)	126
Net Accretion of Original Issue Premium and Discounts on Bonds	-	65	(166)
Change in Unrealized (Appreciation) Depreciation of Investments	(1,054)	(2,880)	2,991
Net Sales of Trading Investments	1,055	(809)	14,925
Decrease in Obligation to Provide Future Service	-	-	(1,383)
Gain on Disposal of Property and Equipment	-	(188)	(838)
Contribution to Related Party	-	300	300
Change in Entrance Fee Deposits	(304)	(277)	(486)
Non-cash Rent Expense	1,123	-	1,254
Changes in Operating Assets and Liabilities:			
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	107	(10,737)	672
Trade Accounts Payable and Accrued Liabilities	2,176	11,854	(5,196)
Net Cash Provided (Used) by Operating Activities	1,374	(2,627)	9,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(1,433)	(5,044)	(10,830)
Proceeds from Sale of Property and Equipment	-	-	851
Net Cash Used by Investing Activities	(1,433)	(5,044)	(9,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Long-Term Debt	(1,530)	(797)	(1,842)
Proceeds from Refundable Entrance Fees and Deposits	7,886	5,187	19,997
Refunds of Refundable Entrance Fees	(6,250)	(8,812)	(18,547)
Net Cash Provided (Used) by Financing Activities	106	(4,422)	(392)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	47	(12,093)	(638)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	10,765	22,858	23,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	\$ 10,812	\$ 10,765	\$ 22,858

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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NOTE 1 ORGANIZATION AND OPERATIONS

Northwest Senior Housing Corporation dba Edgemere ("Edgemere") is incorporated as a Texas nonprofit corporation to provide housing, health care, and other related services to the elderly through the operations of a retirement community. Edgemere operates under a "life care" concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

On June 20, 2019, Senior Quality Lifestyles Corporation ("SQLC") and Lifespace Communities, Inc. ("Lifespace") executed an affiliation agreement. SQLC is a Texas not-for-profit corporation. The affiliation agreement provided for a member substitution of Lifespace as the owner and operator of SQLC, along with two SQLC communities, Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek ("Querencia") and Tarrant County Senior Living Center, Inc. d/b/a The Stayton at Museum Way ("The Stayton"). SQLC was Edgemere's sole member until August 15, 2019, when, pursuant to the affiliation agreement, Lifespace became the sole member of Edgemere.

Edgemere and SQLC constitute the obligated group ("SQLC Obligated Group") under the amended and restated Master Trust indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006 ("Master Indenture"). The SQLC Obligated Group is solely responsible for the payment of the long-term debt described in Note 7. Lifespace, Querencia and The Stayton are not obligated in any manner to make any payments with respect to the obligations of the SQLC Obligated Group. In addition, the SQLC Obligated Group is not responsible in any manner to make payments with respect to the obligations of Lifespace, Querencia or the Stayton.

Edgemere and Augustine Management Texas, Inc. ("AMT") formed Augustine Home Health Texas, LLC ("AHHT"), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that offering personal assistance services to the residents of the Community. Edgemere is the controlling member of AHHT.

All intercompany transactions between Edgemere, SQLC and AHHT eliminate within the consolidation.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are presented for both the predecessor period (when SQLC was the sole member) and the successor period (when Lifespace was the sole member), which relate to the accounting periods preceding and succeeding the affiliation of SQLC and Edgemere on June 20, 2019. The date of June 30, 2019 is used in the presentation to allow for a more accurate cut-off. The ten days of activity from June 20th to June 30th was deemed immaterial to the presentation of the financial statements.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The successor and predecessor periods have been separated by a vertical line on the face of the consolidated financial statements and in the notes to the consolidated financial statements, when applicable.

These SQLC Obligated Group consolidated financial statements are not intended to represent the consolidated financial position and activities of SQLC and all of its subsidiaries. The Master Indenture requires the preparation of the SQLC Obligated Group consolidated financial statements which present the consolidated balance sheet, consolidated statement of operations and changes in net assets without donor restrictions, and consolidated cash flows of the SQLC Obligated Group. Accordingly, the SQLC Obligated Group consolidated financial statements present the financial position and activities of Edgemere and SQLC only and omit any other entities affiliated with SQLC, which prior to the affiliation would otherwise be required to be consolidated with SQLC under accounting principles generally accepted in the United States of America ("GAAP").

The assets and liabilities and net assets of the SQLC Obligated Group are reported as follows:

Without donor restrictions – Those resources over which the Board of Directors has discretionary control. "Board Designated" amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2019 and 2018, no net assets with donor restrictions were held by the SQLC Obligated Group.

Investments

Investments, including assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values. The investment portfolio is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the change in net assets without donor restrictions. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying statements of cash flows.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. The SQLC Obligated Group provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$0 and \$3 at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

The SQLC Obligated Group has approximately \$1,923 and \$17,467 in construction in progress at December 31, 2019 and 2018, respectively.

Credit Risk

The SQLC Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. The SQLC Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The SQLC Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Medicare	78 %	47 %
Residents and Other Third-Party Payors	22	53
Total	100 %	100 %

Inventory

Inventory consists principally of food, liquor, and kitchen supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of future resident funds held in trust by The SQLC Obligated Group as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the debt assumed over the fair value of assets acquired at the time of the Lifespace affiliation in June 2019 (see note 11). Lifespace has twelve months from the date of affiliation to adjust the goodwill balance based on facts and circumstances that become known. After the affiliation, goodwill was subsequently adjusted by \$49. Goodwill is amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Balance at December 31, 2018	\$ -
Addition	19,835
Balance at December 31, 2019	<u>\$ 19,835</u>

Accumulated Amortization

Balance at December 31, 2018	\$ -
Amortization	1,099
Balance at December 31, 2019	<u>\$ 1,099</u>

Deferred Expenses

Deferred expenses of \$36 and \$0 at December 31, 2019 and 2018, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The sales cost are \$42 and \$0 at December 31, 2019 and 2018, respectively. The accumulated amortization was \$6 and \$0 in 2019 and 2018, respectively.

Intangible Assets

Intangible assets include values assigned to the residency agreements in place at the time of the Lifespace affiliation in June 2019 (see note 11). The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were \$15,586. Amortization expense of \$866 was recorded in the period July 1 to December 31, 2019. Accumulated amortization at December 31, 2019 was \$866.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees

The SQLC Obligated Group presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred revenue. This deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital residency plan, a portion of the entrance fees (10% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Nonrefundable Entrance Fees	\$ 8,283	\$ 12,941
Refundable Entrance Fees	<u>107,242</u>	<u>157,514</u>
Total	<u>\$ 115,525</u>	<u>\$ 170,455</u>

Non-Controlling Interest

The non-controlling interest recorded in the accompanying consolidated balance sheet represents the fifty percent ownership in AHHT that is not owned by Edgemere. Non-controlling interest does not represent an obligation of Edgemere to pay cash or distribute other assets.

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which The SQLC Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. The SQLC Obligated Group bills all residents at the beginning of the month and third party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by The SQLC Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The SQLC Obligated Group believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in a residential or assisted living apartment, or receiving skilled nursing services over a period of time. The SQLC Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of The SQLC Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, The SQLC Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the Residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

The SQLC Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. The SQLC Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge The SQLC Obligated Group's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon The SQLC Obligated Group. In addition, the contracts The SQLC Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and The SQLC Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2019 or 2018.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The SQLC Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

The SQLC Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The composition of resident care service revenue by primary payor is as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Residency Plan Agreements	\$ 13,076	\$ 12,305	\$ 23,015
Private Pay	3,198	3,386	6,511
Medicare	2,664	2,767	5,053
HMO/Managed Care	(27)	(166)	-
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based its lines of business are as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Service Lines:			
Residential Living	\$ 9,470	\$ 10,088	\$ 20,407
Skilled Nursing Facility	5,066	5,152	9,794
Assisted Living	4,261	3,051	4,374
Home Health	114	1	4
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

The SQLC Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due The SQLC Obligated Group's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, The SQLC Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The SQLC Obligated Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The SQLC Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2019, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2019 and 2018, the customer contract acquisition costs are \$42 and \$0, respectively. During the years ended December 31, 2019 and 2018, The SQLC Obligated Group recognized amortization expense of \$6 and \$0, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Deficit of Revenues over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled "deficit of revenues over expenses" which is an important performance indicator for The SQLC Obligated Group. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

Income Taxes

The SQLC Obligated Group has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

The SQLC Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is "more likely than not" that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. For the years ended December 31, 2019 and 2018, The SQLC Obligated Group has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. The SQLC Obligated Group's federal income tax returns are open to examination for the years ended December 31, 2016 through December 31, 2018.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

	<u>Successor</u> 2019	<u>Predecessor</u> 2018
Cash and cash equivalents	\$ 5,047	\$ 5,271
Restricted cash included in assets whose use is limited - current	1,926	5,153
Restricted cash included in assets whose use is limited - non current	<u>3,839</u>	<u>12,434</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 10,812</u>	<u>\$ 22,858</u>

During the period July through December 2019, The SQLC Obligated Group received dividend and interest income of \$2,798 and paid interest charges of \$544. During the period January through June 2019, The SQLC Obligated Group received dividend and interest income of \$2,818 and paid interest charges of \$534.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2018 liabilities were reclassified to assets, expenses were reallocated, and the balance sheet was classified to conform with the 2019 presentation. These reclassifications had no effect on the overall net assets of The SQLC Obligated Group.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessee's to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Edgemere elected the practical expedients allowed under this guidance, and implemented the new standard in 2019 with no retrospective application. As a result of this change in accounting principle a lease right-of-use asset and lease liability have been recorded at December 31, 2019 (Note 9). This change in accounting principle had no impact on the consolidated statement of operations and changes in net assets without donor restriction.

In November 2016, the FASB issued amended guidance on the consolidated statement of cash flows. Under the new guidance, the consolidated statement of cash flows will be required to explain the change during the period in total cash, cash equivalents, and amounts designated as restricted cash or restricted cash equivalents. As a result of this change in accounting principle, restricted cash and cash equivalents are now included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by The SQLC Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price The SQLC Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of The SQLC Obligated Group. Unobservable inputs are inputs that reflect The SQLC Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including The SQLC Obligated Group's assumptions in determining the fair value of investments).

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the market place, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by The SQLC Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

Successor				
December 31, 2019				
ASSETS	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Money Market	\$ 5,765	\$ 5,765	\$ -	\$ -
Equity Securities	17,391	17,391	-	-
Corporate Bonds	1,126	-	1,126	-
US Government and Federal Agencies	5,054	-	5,054	-
Fixed Income	13,130	-	13,130	-
Total Assets	<u>\$ 42,466</u>	<u>\$ 23,156</u>	<u>\$ 19,310</u>	<u>\$ -</u>
Predecessor				
December 31, 2018				
ASSETS	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Money Market	\$ 17,587	\$ 17,587	\$ -	\$ -
Equity Securities	16,554	16,554	-	-
Corporate Bonds	2,511	-	2,511	-
US Government and Federal Agencies	4,075	-	4,075	-
Fixed Income	13,717	-	13,717	-
Private Equities	379	-	-	379
Total Assets	<u>\$ 54,823</u>	<u>\$ 34,141</u>	<u>\$ 20,303</u>	<u>\$ 379</u>

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NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Money Market	\$ 5,765	\$ 17,587
Equity Securities	17,391	16,554
Corporate Bonds	1,126	2,511
US Government and Federal Agencies	5,054	4,075
Fixed Income	13,130	13,717
Private Equities	-	379
Risk Sharing Group	316	-
Ziegler Link-Age Fund II, L.P.	362	-
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

The investments noted above are represented in the consolidated balance sheets in the following line items:

	Successor	Predecessor
	December 31,	
	2019	2018
Investments in Trading Portfolio, Excluding		
Assets Whose Use is Limited	\$ 31,523	\$ 34,995
Assets Whose Use is Limited - Current	1,926	5,153
Assets Whose Use is Limited - Noncurrent	9,695	14,675
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

Investment income is comprised of the following:

	Successor	Predecessor	
	July 1 - December 31 2019	January 1 - June 30 2019	January 1 - December 31 2018
Dividend and Interest Income	\$ 496	\$ 530	\$ 1,298
Net Realized Gains on Investments	333	324	844
Change in Unrealized Appreciation of Investments	1,054	2,880	(2,991)
Total Investment Income	<u>\$ 1,883</u>	<u>\$ 3,734</u>	<u>\$ (849)</u>

Investment management and custodial fees amounted to \$10 for the period of July through December 2019 and \$27 for the period of January through June 2019. The fees are included in general and administrative expense.

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NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2019, The SQLC Obligated Group has a working capital surplus of \$28,464 and days cash on hand of 282.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

	Successor	Predecessor
	December 31,	
	2019	2018
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, at Fair Value	31,523	34,995
Accounts Receivables, Trade	1,074	2,764
Accounts Receivables, Related Party	285	7,666
Assets Whose Use is Limited	11,621	19,828
Total Financial Assets	49,550	70,524
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	10,161	13,301
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Total Unavailable within One Year	11,621	19,828
Financial Expenditures Available to Meet Cash Needs within One Year	<u>\$ 37,929</u>	<u>\$ 50,696</u>

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10%, as a portion of the entrance fee, is collected. The balance of the fee is payable on or before the fifteenth day following the date that occupancy is offered to the resident. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance deposit.

At December 31, 2019 and 2018, deposits of \$388 and \$969, respectively, had been received from future residents who have signed residency agreements. Funds on deposit are classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2019 and 2018, The SQLC Obligated Group had two and four residents on the deferred entrance fee contract and will pay the final portion of \$428 and \$1,155, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

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NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	Successor	Predecessor
	December 31,	
	2019	2018
Series 2015A Revenue Bonds, 4.0% - 5.0%	51,410	51,930
Series 2015B Revenue Bonds, 4.0% - 5.0%	37,680	38,690
Series 2017 Revenue Bonds, 5.250%	21,685	21,685
Plus: Net Unamortized Original Issue (Discount)/Premium	-	1,880
Less: Net Unamortized Issuance Costs	-	(2,023)
	110,775	112,162
Less: Amounts Due within One Year	1,590	1,530
Amounts Due after One Year	<u>\$ 109,185</u>	<u>\$ 110,632</u>

The SQLC Obligated Group entered into loan agreements with a government entity to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of The SQLC Obligated Group through the issuer. Payments under a loan agreement between The SQLC Obligated Group and the issuer become the vehicle for servicing the debt on behalf of The SQLC Obligated Group. The bonds are reflected in the accompanying consolidated financial statements as financing arrangements of The SQLC Obligated Group.

The Series 2015A Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2045. The Series 2015B Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2036. The Series 2017 Revenue Bonds bear an annual fixed interest rate of 5.25% and mature on November 15, 2047.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense. The related premium and issuance costs were written off at the time of affiliation (note 11).

At December 31, 2019, schedule maturities are as follows

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,590
2021	1,660
2022	1,730
2023	1,805
2024	1,885
Thereafter	102,105
Total	<u>\$ 110,775</u>

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NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Assets Whose Use is Limited

Under the terms of the Series 2015 bonds, the loan agreement, trust indenture, credit and reimbursement agreement, and residency agreement, the following funds are restricted and shown as assets whose use is limited:

	Successor	Predecessor
	December 31,	
	2019	2018
Debt Service Reserve Fund	\$ 8,250	\$ 8,163
Principal and Interest Funds	1,002	636
Project Funds	909	4,502
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Subtotal	11,621	19,828
Less: Current Portion	1,926	5,153
Total	\$ 9,695	\$ 14,675

Debt Service Reserve Funds

Under the terms of the financing agreement, a debt service reserve fund is maintained for the Series 2015 and 2017 bonds. The required balance of the debt service reserve fund at December 31, 2019 and 2018 is the maximum annual debt service of \$8,041.

Debt Service Funds

The SQLC Obligated Group is required to make monthly deposits to the debt service fund in the amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2017 bond financing included approximately 23 months of funded interest that is included in this amount.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Team Member Appreciation Funds

Residents at Edgemere may voluntarily establish a fund to provide team member appreciation disbursements.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific residential living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the home and the community requests the funds be disbursed in accordance with the escrow agreement.

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, The SQLC Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

Successor July 1, 2019 - December 31, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,769	\$ 2,701	\$ 1,022	\$ 942	\$ 8,434
General and Administrative	4,117	1,034	1,343	1,019	7,513
Plant Operations	925	265	344	-	1,534
Housekeeping	147	42	54	-	243
Dietary	1,299	371	482	-	2,152
Medical and Other Resident Care	143	828	408	-	1,379
Depreciation	2,246	642	835	196	3,919
Amortization of Deferred Expense	871	-	-	1,099	1,970
Interest	1,660	475	618	-	2,753
Total Expense	<u>\$ 15,177</u>	<u>\$ 6,358</u>	<u>\$ 5,106</u>	<u>\$ 3,256</u>	<u>\$ 29,897</u>

Predecessor January 1 - June 30, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,935	\$ 2,539	\$ 740	\$ 984	\$ 8,198
General and Administrative	4,210	1,045	1,357	1,252	7,864
Plant Operations	846	242	314	-	1,402
Housekeeping	122	35	46	-	203
Dietary	1,001	286	372	-	1,659
Medical and Other Resident Care	118	837	189	-	1,144
Depreciation	1,574	450	585	137	2,746
Interest	1,705	488	634	-	2,827
Total Expense	<u>\$ 13,511</u>	<u>\$ 5,922</u>	<u>\$ 4,237</u>	<u>\$ 2,373</u>	<u>\$ 26,043</u>

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Predecessor Year-ending December 31, 2018				Supporting Services	
	Program Services			Total Program Services	Management and General	Total
	Residential Living	Skilled Nursing	Assisted Living			
Salaries and Benefits	\$ 7,274	\$ 4,341	\$ 1,374	\$ 12,989	\$ 1,818	\$ 14,807
General and Administrative	7,729	1,885	2,448	12,062	2,108	14,170
Plant Operations	1,701	487	632	2,820	-	2,820
Housekeeping	219	63	82	364	-	364
Dietary	1,823	521	677	3,021	-	3,021
Medical and Other Resident Care	266	2,129	321	2,716	-	2,716
Depreciation	2,893	828	1,075	4,796	252	5,048
Interest	2,703	774	1,005	4,482	-	4,482
Decrease in Obligation to Provide Future Service	(1,164)	(103)	(116)	(1,383)	-	(1,383)
Total Expense	<u>\$ 23,444</u>	<u>\$ 10,925</u>	<u>\$ 7,498</u>	<u>\$ 41,867</u>	<u>\$ 4,178</u>	<u>\$ 46,045</u>

NOTE 9 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, The SQLC Obligated Group elected the practical expedients allowed under the accounting standard, and has implemented this standard effective in 2019.

In November 2019, Edgemere entered into operating lease agreements for office equipment. The right-of-use asset for the agreement is \$112 at December 31, 2019. Payment and the related expenses for these leases in the period July 1 to December 31, 2019 was \$4. The lease has a discount rate of 3.98% and a remaining lease term of approximately 5 years.

The SQLC Obligated Group leases land under a fifty-five year ground lease for the land upon which Edgemere was constructed from Intercity Investment Properties, Inc. that expires November 2054. Upon expiration of the ground lease, all buildings and improvements will transfer to the lessor. The ground lease contains an escalation clause whereby the rental charge increases annually based on the consumer price index, subject to a minimum annual increase of 2.5% and a maximum annual increase of 5%. The right-of-use asset for the lease is \$89,526 at December 31, 2019. Payments for this lease were \$1,873 for the period July 1 to December 31, 2019, \$1,858 for the period January 1 to July 30, 2019 and \$3,637 for the year-ending December 31, 2018. Expense is recorded at the estimated average annual rent. Total expense for this lease was \$2,976 for the period July 1 to December 31, 2019, \$2,451 for the period January 1 to June 30, 2019, and \$4,892 for the year-ending December 31, 2018. The lease has a discount rate of 4.8%. The lease also requires payment of a broker fee of 2.5% of the underlying payments.

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NOTE 9 LEASES (CONTINUED)

The maturity of operating leases is as follows:

<u>Year Ending December 31,</u>	<u>Land leases Amount</u>	<u>Operating leases Amount</u>
2020	\$ 3,821	\$ 25
2021	4,009	25
2022	4,014	25
2023	4,114	25
2024	4,217	21
Thereafter	188,666	-
PV Discount	(118,192)	(9)
Total	<u>\$ 90,649</u>	<u>\$ 112</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on The SQLC Obligated Group.

General and Professional Liability

General and professional liability claims have been asserted against The SQLC Obligated Group by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of The SQLC Obligated Group. Incidents occurring through December 31, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position.

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NOTE 11 BUSINESS COMBINATIONS

As stated under Note 1 Organization and Operations, on June 20, 2019 Lifespace became the sole member SQLC including SQLC's management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia, The Stayton. No consideration was paid for this affiliation.

Lifespace is required to recognize and measure the identifiable assets acquired, and liabilities assumed at the affiliation date fair values, which have been pushed down to the applicable legal entity. The following tables summarizes the estimated fair values of the assets acquired and liabilities assumed for The SQLC Obligated Group as of the date of affiliation:

Financial assets	\$	36,457
Financial assets, limited use		11,829
Receivables		927
Inventory		49
Prepaid expenses		334
Property & equipment		146,874
Intangible assets - resident contracts		15,586
Goodwill		19,786
Financial liabilities		(4,920)
Refundable entrance fees		(104,937)
Non-refundable entrance fees		(9,155)
Bonds payable		(112,830)
Net assets acquired	\$	-

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce and synergies. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third party valuation specialists.

All related party receivables and payables, that were considered uncollectible once the affiliation occurred, were valued at \$0 on the affiliation date. Lifespace's intent when entering the affiliation agreement is not to continue with Seniority, and as a result SQLC's investment in Seniority was also fair valued at \$0.

Transaction-related costs of \$704 were recorded in general and administrative expense for the period January 1, 2019 through June 30, 2019. These costs consisted primarily of legal and professional fees related to due diligence.

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NOTE 12 RELATED PARTY TRANSACTIONS

Successor

As mentioned in Note 11, upon the affiliation date all related party receivables that were deemed uncollectible were assigned a fair value of \$0. See further information regarding these receivables in the predecessor section of this note.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and a monthly overhead fee equal to three percent of the monthly management fee. Beginning with the affiliation on June 20, 2019, the management services agreement was under the oversight of Lifespace. This management agreement was kept in place throughout the successor period, and expense of \$1,339 is included in the successor period consolidated financial statements.

Predecessor

At December 31, 2018, SQLC was the sole member of Buckingham Senior Living Community, Inc. ("Buckingham"), SQLC Senior Living Center at Corpus Christi, Inc. ("Mirador"), Mayflower Communities, Inc., ("The Barrington"), Edgemere, Querencia and The Stayton. During 2019, SQLC ceased being the sole member of the above corporations.

Accounts receivable – related party is comprised of balances due from related entities for management fees, liquidity support fees, development costs, and operating and payroll expenses. Accounts receivable – related party is made up of the following balances at December 31, 2018:

Buckingham	\$	325
Querencia		38
Mirador		2,288
Stayton		3,448
Barrington		2,631
Seniority, Inc.		<u>7,619</u>
Total accounts receivable - related party		16,349
Less: deferred management fees - related party		(7,421)
Less: allowance for doubtful accounts		<u>(1,262)</u>
Total accounts receivable - related party	\$	<u><u>7,666</u></u>

Due to the financial condition of Mirdaor, The Stayton, Barrington and Buckingham, repayment of the accounts receivable, above, is doubtful and as such, SQLC had established an allowance against these balances at December 31, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

In prior years, SQLC had entered into a number of note and deferred management fee agreements. The following is a summary of the accounts receivable – related party at December 31, 2018:

Subordinated notes receivable:	
SQLC - Mirador	\$ 6,289
SQLC - Stayton	664
SQLC - Barrington	<u>300</u>
Total subordinated notes receivable	<u>7,253</u>
Secured note receivable - SQLC - Mirador	2,830
Notes receivables under liquidity support agreements:	
SQLC - SQLC LSA, LLC - Mirador	2,500
SQLC - SQLC LSA, LLC - Stayton	6,000
SQLC - SQLC LSA, LLC - Barrington	<u>2,000</u>
Total notes receivables under liquidity support agreements	<u>10,500</u>
Accrued interest receivable on notes receivable from related parties	2,281
Deferred management fees	<u>7,421</u>
Total accrued interest receivable and deferred management fees	9,702
Gross notes receivable, accrued interest receivable, and deferred management fees	30,285
Less: allowance for doubtful accounts	<u>(30,285)</u>
Total notes receivable, accrued interest receivable, and deferred management fees - related party, net of allowance for doubtful accounts	<u>\$ -</u>

Due to the financial condition of Mirador, The Stayton, Barrington, and Buckingham, prepayment of the notes receivable, accrued interest receivable and deferred management fees, above, is doubtful and as such, SQLC had established an allowance against these balances.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and monthly overhead fee equal to three percent of the monthly management fee. Fees related to this agreement of \$942 were recorded for the period January 1 to June 30, 2019, and fees of \$2,619 were recorded for the year-ended December 31, 2018.

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NOTE 13 EMPLOYEE BENEFIT PLAN

The SQLC Obligated Group has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees of The SQLC Obligated Group. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from The SQLC Obligated Group. All employee contributions to the TDA are fully vested, while contributions made by The SQLC Obligated Group vest over a five-year period. Total expense under this plan was approximately \$42 the year ended December 31, 2019.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the SQLC Obligated Group, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the SQLC Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2020.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of December 31, 2019.

Lifespace allocates home office expenses to all communities it operates. Effective January 1, 2020, Lifespace began allocating home office expenses to Edgemere. This allocation of home office expenses replaces the Seniority, Inc. management fee disclosed in Note 12.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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CONSOLIDATING BALANCE SHEET (SUCCESSOR)
DECEMBER 31, 2019
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	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,884	\$ 163	\$ -	\$ 5,047
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,468	316	(261)	31,523
Accounts and Other Receivables	993	81	-	1,074
Receivable from related parties	278	141	(134)	285
Inventories	56	-	-	56
Prepaid Insurance and Other	258	7	-	265
Assets Whose Use is Limited - Current	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Total Current Assets	39,863	708	(395)	40,176
ASSETS WHOSE USE IS LIMITED - Noncurrent	9,695	-	-	9,695
PROPERTY AND EQUIPMENT, AT COST				
Land Lease	89,526			89,526
Land and Improvements	1,522	-	-	1,522
Buildings and Improvements	141,934	-	-	141,934
Furniture and Equipment	2,912	-	-	2,912
Construction-in-Progress	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>1,923</u>
Subtotal	237,817	-	-	237,817
Less: Accumulated Depreciation	<u>3,903</u>	<u>-</u>	<u>-</u>	<u>3,903</u>
Net Property and Equipment	233,914	-	-	233,914
GOODWILL, Net of Accumulated Amortization	18,584	152	-	18,736
DEFERRED EXPENSES, Net of Accumulated Amortization	36	-	-	36
INTANGIBLE ASSET, Net of Accumulated Amortization	<u>14,720</u>	<u>-</u>	<u>-</u>	<u>14,720</u>
Total Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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CONSOLIDATING BALANCE SHEET (SUCCESSOR) (CONTINUED)
DECEMBER 31, 2019
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 2,112	\$ 14	\$ -	\$ 2,126
Related Party	335	321	(134)	522
Accrued Liabilities:				
Employee Compensation Expense	981	-	-	981
Interest	689	-	-	689
Property Taxes	2,009	-	-	2,009
Other	67	-	-	67
Long-Term Debt Due within One Year	1,590	-	-	1,590
Long-Term Notes Payable and Intercompany Payable	-	533	-	533
Obligations under Capital Lease	<u>3,728</u>	<u>-</u>	<u>-</u>	<u>3,728</u>
Total Current Liabilities	11,511	868	(134)	12,245
LONG-TERM LIABILITIES				
Entrance Fee Deposits	388	-	-	388
Long-Term Debt Due After One Year	109,185	-	-	109,185
Obligations under Capital Lease	86,921	-	-	86,921
Deferred Entrance Fees	8,283	-	-	8,283
Refundable Entrance and Membership Fees	<u>107,242</u>	<u>-</u>	<u>-</u>	<u>107,242</u>
Total Long-Term Liabilities	<u>312,019</u>	<u>-</u>	<u>-</u>	<u>312,019</u>
Total Liabilities	323,530	868	(134)	324,264
NET ASSETS				
Non-Controlling Interest	265	-	-	265
Without Donor Restrictions	<u>(6,983)</u>	<u>(8)</u>	<u>(261)</u>	<u>(7,252)</u>
Total Net Assets	<u>(6,718)</u>	<u>(8)</u>	<u>(261)</u>	<u>(6,987)</u>
Total Liabilities and Net Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR)
(IN THOUSANDS)

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 9,540	\$ 33	\$ (103)	\$ 9,470
Entrance Fees Earned and Nonrefundable Fees	2,003	-	-	2,003
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	9,441	-	-	9,441
Other	-	208	(95)	113
Total Revenues	20,984	241	(198)	21,027
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,445	3	-	8,448
General and Administrative	7,203	233	63	7,499
Plant Operations	1,534	-	-	1,534
Housekeeping	243	-	-	243
Dietary	2,152	-	-	2,152
Medical and Other Resident Care	1,379	-	-	1,379
Depreciation	3,919	-	-	3,919
Amortization of Deferred Expenses	1,965	5	-	1,970
Interest, Net	2,745	8	-	2,753
Total Expenses	29,585	249	63	29,897
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	1,883	-	-	1,883
DEFICIT OF REVENUES OVER EXPENSES	(6,718)	(8)	(261)	(6,987)
CHANGE IN NET ASSETS	(6,718)	(8)	(261)	(6,987)
Net Assets - Beginning of Year	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ (6,718)</u>	<u>\$ (8)</u>	<u>\$ (261)</u>	<u>\$ (6,987)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JANUARY 1, 2019 THROUGH JUNE 30, 2019 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 10,140	\$ 33	\$ (85)	\$ 10,088
Entrance Fees Earned and Nonrefundable Fees	674	-	-	674
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	8,204	-	-	8,204
Other	<u>-</u>	<u>839</u>	<u>(268)</u>	<u>571</u>
Total Revenues	19,018	872	(353)	19,537
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,203	(5)	-	8,198
General and Administrative	7,285	847	(268)	7,864
Plant Operations	1,402	-	-	1,402
Housekeeping	203	-	-	203
Dietary	1,659	-	-	1,659
Medical and Other Resident Care	1,144	-	-	1,144
Depreciation	2,746	-	-	2,746
Interest, Net	2,799	28	-	2,827
Gain on Disposal of Fixed Assets	<u>(45)</u>	<u>(143)</u>	<u>-</u>	<u>(188)</u>
Total Expenses	25,396	727	(268)	25,855
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>3,736</u>	<u>(2)</u>	<u>-</u>	<u>3,734</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(2,642)	143	(85)	(2,584)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>(300)</u>
CHANGE IN NET ASSETS	(2,942)	143	(85)	(2,884)
Net Assets - Beginning of Year	<u>(114,110)</u>	<u>(29,243)</u>	<u>23,605</u>	<u>(119,748)</u>
NET ASSETS - END OF YEAR	<u>\$ (117,052)</u>	<u>\$ (29,100)</u>	<u>\$ 23,520</u>	<u>\$ (122,632)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,633	\$ 638	\$ -	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,387	3,831	(223)	34,995
Accounts and Other Receivables	2,764	-	-	2,764
Receivable from related parties	10,223	7,478	(10,035)	7,666
Inventories	80	-	-	80
Prepaid Insurance and Other	389	192	-	581
Assets Whose Use is Limited - Current	<u>5,153</u>	<u>-</u>	<u>-</u>	<u>5,153</u>
Total Current Assets	54,629	12,139	(10,258)	56,510
ASSETS WHOSE USE IS LIMITED - Noncurrent	14,675	-	-	14,675
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	944	-	-	944
Buildings and Improvements	166,351	-	-	166,351
Furniture and Equipment	13,633	-	-	13,633
Construction-in-Progress	<u>17,467</u>			<u>17,467</u>
Subtotal	198,395	-	-	198,395
Less: Accumulated Depreciation	<u>57,002</u>			<u>57,002</u>
Net Property and Equipment	141,393	-	-	141,393
Total Assets	<u>\$ 210,697</u>	<u>\$ 12,139</u>	<u>\$ (10,258)</u>	<u>\$ 212,578</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR) (CONTINUED)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 1,732	\$ 166	\$ -	\$ 1,898
Related Party	810	16,066	(10,035)	6,841
Accrued Liabilities:				
Employee Compensation Expense	865	-	-	865
Interest	705	-	-	705
Other	56	-	-	56
Long-Term Debt Due within One Year	1,530	-	-	1,530
Long-Term Notes Payable and				
Intercompany Payable	-	789	-	789
Total Current Liabilities	5,698	17,021	(10,035)	12,684
LONG-TERM LIABILITIES				
Entrance Fee Deposits	969	-	-	969
Long-Term Notes Payable and Intercompany				
Payable	-	24,361	(23,828)	533
Long-Term Debt Due After One Year	110,632	-	-	110,632
Deferred Rent	37,053	-	-	37,053
Deferred Entrance Fees	12,941	-	-	12,941
Refundable Entrance and				
Membership Fees	157,514	-	-	157,514
Total Long-Term Liabilities	319,109	24,361	(23,828)	319,642
Total Liabilities	324,807	41,382	(33,863)	332,326
NET ASSETS				
Non-Controlling Interest	227	-	-	227
Without Donor Restrictions	(114,337)	(29,243)	23,605	(119,975)
Total Net Assets	(114,110)	(29,243)	23,605	(119,748)
Total Liabilities and Net Assets	\$ 210,697	\$ 12,139	\$ (10,258)	\$ 212,578

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 20,567	\$ 63	\$ (223)	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	1,324	-	-	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	13,833	339	-	14,172
Other	-	1,259	(282)	977
Total Revenues	35,724	1,661	(505)	36,880
EXPENSES				
Operating Expenses:				
Salaries and Benefits	14,781	26	-	14,807
General and Administrative	13,501	1,580	(911)	14,170
Plant Operations	2,820	-	-	2,820
Housekeeping	364	-	-	364
Dietary	3,021	-	-	3,021
Medical and Other Resident Care	2,488	228	-	2,716
Depreciation	5,048	-	-	5,048
Interest, Net	4,149	333	-	4,482
Gain on Disposal of Fixed Assets	(21)	(817)	-	(838)
Decrease in Obligation to Provide Future Services	(1,383)	-	-	(1,383)
Total Expenses	44,768	1,350	(911)	45,207
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	(1,082)	319	(86)	(849)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(10,126)	630	320	(9,176)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	(300)	-	-	(300)
CHANGE IN NET ASSETS	(10,426)	630	320	(9,476)
Net Assets - Beginning of Year	(103,684)	(29,873)	23,285	(110,272)
NET ASSETS - END OF YEAR	<u>\$ (114,110)</u>	<u>\$ (29,243)</u>	<u>\$ 23,605</u>	<u>\$ (119,748)</u>

ATTACHMENT C

EDGEMERE

**Projected Cash Flow and Cash Reserves Summary
Five Year Projected Annual Financial Statements**

The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

EDGEMERE
PROFORMA CASH FLOW PROJECTIONS
For the Period Beginning January 1, 2021
(in thousands)

	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025
Beginning Cash (1)	21,812	17,707	15,827	15,270	16,440
Monthly Fees (2)	16,297	17,133	18,004	18,912	19,858
Double Occupancy Fees (3)	764	803	844	886	930
Health Center Income (4)	9,442	9,928	10,433	10,961	11,510
Assisted Living and Memory Support Income (5)	7,490	7,887	8,302	8,734	9,184
Miscellaneous Income (6)	(278)	(286)	(295)	(304)	(312)
Entrance Fee Income (7)	24,683	25,805	26,977	28,203	29,485
Interest Income (8)	1,151	1,153	1,187	1,215	1,245
Operating Expense (9)	(32,678)	(33,658)	(34,668)	(35,708)	(36,779)
Capital Expense - Operations (10)	(4,564)	(3,656)	(3,756)	(3,527)	(3,633)
Debt Service (11)	(7,104)	(7,102)	(7,102)	(7,104)	(7,102)
Entrance Fee Refunds (12)	(19,308)	(19,887)	(20,483)	(21,098)	(21,731)
Net Change (13)	(4,105)	(1,880)	(557)	1,170	2,655
Ending Cash	17,707	15,827	15,270	16,440	19,095

PRO FORMA CASH FLOW ASSUMPTIONS

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect”, “estimate”, “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect Edgemere’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting Edgemere’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

- (1) Beginning Cash represents an actual unrestricted cash balance at January 1, 2021 of \$21,812,000 contained in operating checking, revenue checking, payroll checking and investment savings.
- (2) Monthly Fees represents the total of first-person monthly charges for all independent living apartments based upon an occupancy level of:
 - 72.6 percent (average of 221 occupied apartments out of 304 available apartments) for 2021
 - 74.1 percent (average of 225 occupied apartments out of 304 available apartments) for 2022
 - 75.6 percent (average of 230 occupied apartments out of 304 available apartments) for 2023
 - 77.1 percent (average of 235 occupied apartments out of 304 available apartments) for 2024
 - 78.6 percent (average of 239 occupied apartments out of 304 available apartments) for 2025

In 2021, monthly fees were increased 1.0 percent over monthly fees in 2020 and are assumed to increase 3.0 percent annually in all succeeding years.

- (3) Double Occupancy Fees represents revenue from monthly fees required by the Residency Agreement for a second person occupying an independent living apartment. The amount of second-person fees was projected using the trend of past experience. The average number of independent living apartments occupied by more than one person projected increase from 40 in 2021 to 43 in 2025.

The monthly fee for second person increased at the same rate as the first-person monthly fees for all years.

- (4) Health Center Income represents income from rates paid by residents for care in the health center level of living. The beds available in 2021 and all succeeding years are 87.

The health center rates are shown at an average private pay rate of \$12,519 per month. Health center census is projected at an average increasing from 68 percent (59 beds occupied) in 2021 to 74 percent (64 beds occupied in 2025. The 2021 health center daily rates did not increase over the 2020 rates and the daily rates are assumed to increase 3.0 percent annually in 2022 and all succeeding years.

- (5) Assisted Living Income represents income from rates paid by residents for care in the assisted living level of living. The apartments available in 2021 and all succeeding years are 68.

The current assisted living rates are shown at an average of \$8,316 per month. Census is projected at an average increasing from 80 percent (54 apartments occupied out of the 68 apartments available) in 2021 to 85.8 percent (58 apartments occupied out of the 68 apartments available) in 2025. The assisted living daily rates were increased by 4.0 percent over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Memory Support Income represents income from rates paid by residents for care in the memory support level of living. The beds available in 2021 and in all succeeding years are 45.

The memory support rates are shown at an average of \$8,106 per month. Census is projected at an average increasing from 67 percent (30 beds occupied out of the 45 apartments available) in 2021 to 73.2 percent (33 beds occupied out of the 45 apartments available) in 2025. The memory support monthly rates for 2021 were not increased over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Health center, assisted living and memory support income is shown net of the life care discount which represents the discount that residents receive when entering the health center, assisted living or memory support versus a non-resident private pay. Both "temporary assignments" and "permanent assignments" to these higher levels of living are considered in determining the life care discount. Assumptions concerning both temporary and permanent assignments are based upon the total number of life care residents. The projected number of residents assigned to the health center, assisted living and memory support in each year is based upon actuarial trend history.

- (6) Miscellaneous Income represents revenue from such services as furnishing additional meals, space rents, café income, catering income, guest living apartment rental income, promotional apartment discounts and hardship discounts. The projected 2021 revenue is based in part upon the experience of Edgemere. Subsequent years are adjusted for inflation at 3.0 percent annually.
- (7) Entrance Fee Income represents the additional income from entrance fees received from new residents for independent living apartments released by previous occupants due to death, move out or permanent assignment to the higher levels of living. This is computed using the expertise of the marketing department and an attrition rate schedule, which is based upon Edgemere's experience and computed by an independent consulting actuarial firm, adjusted for move-ins. In 2021, entrance fees were not increased over 2020 entrance fees. Entrance fees are assumed to increase 3.0 percent in all succeeding years.
- (8) Interest Income represents interest to be earned on the unrestricted and restricted cash balance at an average interest rate of 1.6%.
- (9) Operating Expense represents disbursements to pay all operating expenses, salaries, supplies, utilities, insurance, and vendors. It excludes depreciation, amortization, and debt service interest.

In the table below, General and Administrative expense includes managerial salaries and fees, together with such miscellaneous administrative costs as general insurance and property taxes. Maintenance expense includes the maintenance, repair, and operation of the physical aspects of the Community, excluding Housekeeping expense which is shown separately. Dietary expense includes all costs of food service. Resident Care reflects the cost of operating the health center, assisted living and memory support. Leisure Services expense includes the cost of providing amenity services such as resident transportation, security, and social services.

Operating Budget – 2021 (in thousands)	
General and Administrative	\$13,247
Maintenance/Plant	3,048
Housekeeping	1,513
Dietary	5,021
Resident Care	8,599
Leisure Services	<u>1,250</u>
Total Operating Expense	\$32,678

- (10) Capital Expense - Operations represents expenditures resulting from major building repairs, fixed assets acquisitions, apartment refurbishments upon reoccupancy and/or replacement of fixed assets and moveable equipment.

- (11) Debt Service projections consist of the principal and interest payments on the Series 2015A bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$53,600,000, Series 2015B bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$40,590,000 and Series 2017 bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$21,685,000. The Series 2015A and the Series 2015B bonds have principal and interest payments due 2021 and going forward. The Series 2017 Bonds have interest only annual payments until 2037.
- (12) Entrance Fee Refunds is that portion of the entrance fee returned upon re-occupancy of the independent living apartment to a former resident (or estate) who vacates the independent living apartment through move-out or death.
- (13) Net Change is the difference between beginning cash and ending cash in a given year.

ATTACHMENT D

EDGEMERE

Resident Handbook



EDGEMERE RESIDENT HANDBOOK

This handbook supersedes previous versions and is effective May 1, 2021.

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WELCOME

Dear Resident:

We are delighted you have chosen a Lifespace community as your new home!

Edgemere is designed with you in mind. Each feature of the community encourages your social, intellectual, physical, and spiritual wellness. Our goal is to consistently enhance your living experience. Your happiness and satisfaction are our primary concern, and our team members are more than eager to provide you with exceptional service every day. We consider you part of our family!

Your community offers many amenities and services to help you continue living a vibrant life. As you begin your new journey with us, please take time to review this Resident Handbook so that you become familiar with your home. The handbook serves as a reference for community policies and guidelines to maintain a safe, comfortable, and well-managed community.

You will be provided with updates to this handbook from time to time as practices change. If you have any questions, do not hesitate to reach out to your executive director.

Once again, welcome! We're glad you're here!

Eddie Fenoglio



Chief Operating Officer

LIFESPACE
COMMUNITIES®

INTRODUCTION

This Resident Handbook has been developed to help you become familiar with general administrative policies in independent living which apply to all Lifespace independent living residents. This handbook does not alter or change the terms of your Residency or Life Care Agreement. If you are unable to find answers to your questions in this Resident Handbook, please call the front desk. The concierge will be able to direct your call or answer your questions. This handbook is not meant to be an exhaustive list of every situation which may come up. Rather, this is meant to be a reference tool to help guide you in your community living. As a supplement to the Resident Handbook, each community has a Resident Guidebook. This guidebook serves as the day-to-day manual community-specific details such as fitness center and dining hours, available TV stations, salon information, and more.

A separate Resident Handbook may be applicable to other community levels of living (i.e. health center, assisted living). Please contact your executive director for more information.

ABOUT LIFESPACE COMMUNITIES, INC.

Your new home is owned and operated by Lifespace Communities, Inc., (“Lifespace”). Lifespace is an Iowa not for profit corporation serving communities in Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska, Pennsylvania, and Texas. We are governed by the Lifespace Communities, Inc. Board of Directors, and the Lifespace home offices are located in West Des Moines, Iowa and Addison, Texas.

Edgemere is a Continuing Care Retirement Community. The Life Care concept is designed to provide our residents with a full spectrum of retirement living. You are now a member of a vibrant community offering many desired amenities and quality of community life. This includes the ability to access health care if and when needed while providing you with a security which allows for freedom.

The mission of Lifespace is “Creating Communities Celebrating the Lives of Seniors” and we do that by providing retirement housing, health care and other allied services for seniors seeking a community environment that includes companionship, recreation, personal growth, and health care on a financially sound basis in an independent, attractive, and secure independent setting.

The purpose of Lifespace is to provide an environment for retired persons who hold precious an independent way of living combined with personal dignity. Lifespace brings with it the experience, expertise and commitment needed to ensure that these purposes are fulfilled.

YOUR INDEPENDENT LIVING HOME

➤ ACCESS TO YOUR HOME

To assist in maintaining your safety and security, no one will be permitted access to your home without an Access Authorization/Preference Form unless in the event of an emergency or legal authorization. You will need to allow access into your home at reasonable times for pest control, housekeeping and maintenance. An Access Authorization/Preference Form can be obtained from the front desk to list those people authorized to enter your home while you are absent, and especially in the event of illness and/or transfer to the health center, assisted living or hospital.

In your absence, the community may be required to allow service personnel into your home. We will have a team member accompany any non-team member who must enter your home while you are away. All such entries are approved by the security department or assigned community designee. Any time entry has been made to your home in your absence, a written, signed report of the entry will be left in your home.

➤ APPLIANCES

Independent living homes are equipped with the following appliances:

- Refrigerator
- Dishwasher
- Garbage Disposal
- Microwave
- Electric range with Oven
- Washer and Dryer (availability may vary based upon home layout)

Lifespace is responsible for the general maintenance of these appliances.

Contact the front desk if you have any questions or concerns regarding the operation of your appliances. Please do not pay for or submit warranty requests on the appliances.

➤ ALTERATIONS TO YOUR HOME

We want you to feel at home and you are free to make minor alterations to your home. However, any structural or physical changes will require prior written approval from the executive director. Changes you request will be at your expense. Residents and/or

resident's estate may be responsible for the cost of returning the apartment home to its original condition upon vacating the home.

Outside workers: The executive director must approve any outside contractors prior to the resident engaging in services. The workers must check in/out with the front desk. Contractors must carry liability insurance and show proof of insurance. Entry doors shall not be open for long periods of time, even in extended periods of downtime during move-ins. All outside entry doors used must be secured on departure.

➤ BALCONIES AND COMMUNITY EXTERIOR

Independent living homes may offer a balcony or patio for the use and enjoyment of the resident. Balconies and patios are visible to guests, as well as present and prospective residents of the community. To retain a pleasing outside appearance, the following guidelines apply to all balconies and patios:

1. Appropriate furniture and small plants may be placed on the balcony. Any unsightly items such as signs, lighting, laundry, antennas, etc. may not be placed on the balcony or patio. We also ask that you not place bird feeders and wind chimes on the balcony or patio.

Feeding of Birds and Wind Chimes – Bird feeders require approval by the executive director prior to placement. Birds are not to be fed by a random distribution of food as doing so may attract rodents. Wind chimes are not allowed on patios or balconies.

2. In order to comply with fire safety requirements, personal outdoor grills are prohibited.

➤ CLIMATE CONTROL

Independent living homes may contain a thermostat for heating and cooling of which residents regulate the temperature to suit their personal preference. Please call and report any concerns with heating/cooling to the maintenance department.

➤ INSURANCE

As described in the Residency or Life Care Agreement, the community carries insurance on its own property and liability insurance for accidents that occur in common areas. The

resident may be required at his/her own expense to carry personal property insurance, liability insurance and, if a resident operates a vehicle on campus, automobile insurance in accordance with community guidelines and state requirements. All insurance policies held by the resident will be at the resident's expense and should be arranged with the agent of resident choice. Lifespace is not responsible for the loss of any personal property belonging to residents due to theft, fire or any other cause.

➤ KEYS/FOBS

Each resident is issued keys/FOBs that open his/her home, the outside entrances, and his/her personal mailbox. For security purposes, keys/FOBs should not be given to friends, relatives, or outside service personnel unless the Security or community services department is notified in advance. Also, keys should not be duplicated by anyone other than the community security/community services department. Should a key become lost, please contact the security/community services department. Additional fees may be applicable for replacement and/or additional keys.

➤ PETS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

This policy takes into account the needs of the Lifespace Community, pet owning Residents and non-pet owning Residents, as well as the needs of the pets themselves. The intent of this policy is to create a harmonious coexistence of all in the Lifespace Community by fostering an attitude of respect, cooperation and consideration.

Pet residency is not permitted in Health Centers or Memory Care communities. The opportunity for residents to keep pets is subordinate to the right of each community resident to be free from any inconvenience created by other residents' pets.

Dogs and cats, birds (kept inside a cage) and fish (maximum aquarium size: 30 gallons) are allowed in independent living homes. You are responsible for registering your pet with the executive director prior to bringing the pet to the community and adhering to the Community and/or Lifespace Pet Policy (which will be provided at time of registration).

If you are unable to care for the pet, the community may board the pet and the cost of such services will be your responsibility. Animals must be leashed at all times they are not inside your home and you must pick up and dispose of all pet waste.

Pets must be properly vaccinated and licensed and must wear license and identification tags with your name and phone number. The resident will be responsible for the treatment of fleas, ticks, etc., and for all damage or liability caused by your pet.

*Pets are not to be walked in the gardens, any outside dining areas, or in the common areas, at any time. More specifically, pets are not allowed in the common areas such as the beauty shop, the theater, library, dining rooms, games rooms, art room, exercise rooms, and any other common areas, at any time. **(Pets cannot be carried or transported on carts in these areas. In general, pets should be in the hallways only on a direct path from the resident's apartment to the nearest outdoor exit.) Exceptions must be approved by the executive director.***

➤ TRASH DISPOSAL

Trash/recycling rooms or designated drop locations are assigned within the community. Any trash rooms are marked at the entrance. Please use a sealed plastic bag to deposit trash in the receptacle. For disposal of large items, residents may call the front desk to arrange for a pick-up. In some cases there may be a charge for disposal of large items.

Recycling and Disposition of Trash –Trash must go in the trash bins or designated location areas. Recycling containers will be marked and for what contents (i.e. paper, plastic, glass).

HAZARDOUS MATERIALS

Any resident using needle syringes should dispose of the used syringes in a specially designed SHARPS CONTAINER ONLY. ABSOLUTELY DO NOT place syringes or any other sharp objects in your trash including inside other containers such as jars or soda cans. This is for the protection of the team members and residents of the community. The resident is responsible for ordering and disposing of his/her own SHARPS container. The environmental services department may make available ordering and disposal assistance for a charge. Please contact the environmental services department for more information.

ELECTRONIC PRODUCTS

Do not discard electronic products with regular waste as they may not be disposed into landfills.

This includes the following:

Televisions	Monitors	Computers
Laptops	Notebooks	Netbooks
Tablets	Desk Tops	Electronic Keyboards
Fax Machines	VCRs	Portable Digital Players
DVD Players	Video Game Consoles	Scanners
Electronic Mice	Digital Video Recorders	Electronic Readers

If a resident needs to dispose of any electronic products, he/she is responsible for contacting the proper disposal agency and paying any associated fees.

➤ **UTILITIES**

Utilities including water, sewer, electricity, heating and air conditioning are typically included in the resident's monthly fee. Lifespace is not responsible for any disruption of service and utility problems should be reported immediately to the front desk. Depending upon the Residency or Life Care Agreement, residents may be responsible for arranging, installing, and maintaining the monthly costs of telephone, internet access and/or cable television services, if not provided by the community.

➤ **HOUSEKEEPING/LAUNDRY**

Routine housekeeping services are offered in the monthly fee. If a resident would like more frequent or specific housekeeping services, additional services may be available for an additional fee. Resident bed linen laundering may be offered dependent upon the community and/or for an additional fee.

➤ **STORAGE**

Additional resident storage, outside of the independent living home, is limited and based upon community availability.

➤ **WINDOW TREATMENTS**

To maintain a more homelike environment, the resident is typically responsible for furnishing curtains or blinds for windows in their home. The resident should be mindful of preserving the community's exterior beauty when selecting window treatments that are visible from the outside.

SECURITY AND SAFETY

➤ GUEST ENTRANCE AND SIGN-IN

To assist in managing the safety and security of the community, primarily in the event of an emergency, family and guests are asked to sign in with security or the front desk upon arrival.

➤ PARKING/AUTOMOBILES

If the resident has a vehicle, a parking spot may be assigned while the resident maintains the vehicle at the community. Enclosed or covered parking is limited and may be available subject to an additional fee.

The resident will be provided with an Automobile Registration Form. This form contains the following information: resident's automobile make, year, color, and license plate number. You may obtain an Automobile Registration Form from the front desk. Please complete the form and turn this back to the front desk. Should a resident change vehicles or no longer own a vehicle, please notify the front desk.

Please be respectful of posted speed limits and a reminder to maintain current registration and insurance.

➤ MOTORIZED MOBILITY DEVICE (MMD)

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

A resident who requires a MMD is not required to prove that he or she needs such an aid. However, residents using a MMD shall be fully familiar with its operation, and be able to safely operate the MMD without creating a hazard to the safety of other

residents, team members and/or guests or causing damage to the community and property of others. Residents, guests and vendors must comply with a community's safety rules, including those related to MMD use.

Residents and guests are permitted to use motorized mobility devices (i.e. motorized wheelchair, cart or scooter) to allow an individual to move within and around the community as necessary for equal and safe access to its facilities and services. If a resident is considering obtaining a MMD or has already obtained one prior to moving into the community, the executive director must be notified to review and provide a copy of the MMD policy.

➤ ELEVATORS

In the unlikely event of an elevator malfunction, a call button or phone located within the control panel will connect residents with the community or elevator monitoring company. As a safety measure, elevators should not be used during a fire.

➤ EMERGENCY CALL SYSTEM AND PROCEDURES

For the purpose of summoning help in an emergency, all homes are equipped with an emergency pull cord or call button. The pull cord or call button is connected to the community's central system which is monitored twenty-four (24) hours a day. The pull cord or call button can be found on the wall in each bathroom; additional pull cords or call buttons may be present in the home. In addition, the community may provide, or residents may request a mobile alert pendant to wear for an additional fee.

Procedures for use:

1. The resident will pull the pull cord/call button or push the personal pendant button. *In the event of an emergency, the resident should immediately dial 911 if able.
2. Team member(s) will respond to the home.
3. If medical attention is needed, 911 will be called by the team member.

Emergency Medical Information – It is the responsibility of the resident to maintain an updated emergency medical information form in an identifiable location such as the back of the front door, refrigerator or another community recommended location for ease of access. In case of a problem, emergency personnel will then have access to this vital

information that will assist in your care. If you are in need of a new packet please see the front desk.

➤ EXPLOSIVES AND HIGHLY FLAMMABLE MATERIALS

To ensure a safe community, no explosives or highly flammable materials, such as kerosene or paint stripper, may be brought into any area of the community, including garages.

No open-flame candles or ignitable fuels are allowed at any time.

➤ FIRE SAFETY

For resident safety, the community is equipped with a sprinkler system, fire extinguishers, smoke alarms and a fire alarm system. Emergency exits and stairwells are conveniently located throughout the community. A diagram identifying the nearest exit to each apartment home is also located in the hallway of each building.

Please do not leave your bicycles, shopping carts, luggage racks, motorized mobility aids, wheelchairs or walkers in the stairwells, along hallways or in the dining rooms. Minimum fire safety standards require that stairwells and hallways be free of all equipment and furnishings.

➤ WEAPONS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

To promote a safe community and the well-being of everyone who lives and visits the community, Lifespace regards the possession of weapons (e.g. firearms, bows, hunting knives) on Lifespace property as creating high potential for unsafe consequences to its residents, guests and team members. As allowed by state regulation, Lifespace has implemented a Weapon-Free Communities Policy which prohibits all new residents and guests from displaying, wearing, transporting, storing, possessing or using any weapon (operable or inoperable) in the community or on Lifespace property. Please speak with the executive director to learn of the community's specific policy.

➤ EVACUATION OF HOMES / BUILDING(S)

All residents will be notified of an evacuation by the Community's Notification System. Once notified, residents must report to the designated area for the resident's home. A Lifespace team member will be assigned to the area to take attendance of the residents, communicate with the community's point person for those not in attendance and update and assist residents with next steps during the process.

In the event of an evacuation of the community, transportation will be provided to a designated area. Lifespace team members will be assigned to stay with the residents, account for the residents, and communicate to the residents throughout the process. Team members will notify residents if they may bring additional items to the designated area. Once transportation arrives, team members will evacuate each floor, one at a time. Residents need to remain with their designated Lifespace team member during the process at all times so they may be accounted for.

Also, in the event of an evacuation of the community, Lifespace will notify residents' families of the evacuation and the area they have been evacuated to. A hotline will be established so that family members may be updated during the process.

The Community's Evacuation Plan including the process for any drills is located at the front desk.

➤ TOXIC CHEMICAL SPILL PROCEDURE

In the event of a toxic chemical spill, appropriate Lifespace team members will be appointed to assist with the incident. Team members will alert anyone in the area of the spill who may be affected. If necessary, residents may be moved to a place of safety. Team members will attempt to keep the chemicals involved confined within the room by keeping doors shut and opening windows if possible to increase exhaust efficiency. Team members will clean up the chemical spill according to the information provided on the Safety Data Sheet (SDS) for that chemical. If necessary, outside authorities may be contacted to assist with appropriate clean up.

➤ VIOLENCE, CIVIL DISORDERS AND RIOTS PROCEDURE

In the event there is an act of violence, civil disorder or riot, all team members on duty will be asked to remain on duty to assist with keeping residents, family members, visitors, etc., safe. Law enforcement will be contacted for assistance. All windows and doors

should be locked. Residents should remain in their apartments until law enforcement officials declare that there is no longer a threat to your safety.

➤ SMOKING

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

Lifespace Communities, Inc. ("Lifespace") will comply with Federal, State and local laws and regulations regarding smoking, smoking areas, and smoking safety. In order to comply with individual State Clean Indoor Air Acts, to support Lifespace's successful aging and wellness philosophy, and to respect Lifespace's non-smoking residents, Lifespace has adopted this policy and will enforce procedures requiring a smoke free environment at each of its communities.

Smoking of cigarettes, cigars, pipes, vapes and any other medium of consuming tobacco smoke shall be prohibited in all independent living residences (unless grandfathered) and indoor and outdoor common areas on the property including, but not limited to, hallways, stairways, elevators, foyers, common rooms and facilities, patios, exterior landings, entrance ways, walkways, gardens, adjoining grounds and building facilities. Residents are not permitted to smoke in any health center areas (this includes assisted living and memory care). Team members and residents may smoke only in designated areas where applicable.

- Grandfathered residents living in an independent residence and assessed to be competent to smoke safely will be allowed to smoke in their residence and required to utilize a HEPA air purifier to minimize smoke infiltration into adjoining residences/corridors.
- For a grandfathered resident, the community will provide a HEPA air purifier and the resident will be responsible for paying the purchase cost of the machine and replacement filters. The HEPA air purifier will then be the property of the resident and need not be returned to the community. The environmental service department will be responsible for the changing of the filters and any required maintenance on a regularly scheduled basis.

➤ VALUABLES

Due to the number of guests accessing the community, the community cannot be responsible for the loss or theft of valuables from a residents' home. Lifespace encourages the resident to purchase a home safe for securing valuables. In the event of loss or theft,

please make the front desk or security aware of any disappearance so they may assist the resident with completion of a community incident report. The community may also encourage the resident to file a police report as necessary. Please remember to lock the front door while at home or away.

➤ NON-SOLICITATION

To avoid disruption of the quiet and peaceful environment of the community or disturbance of residents, team members and visitors, a Non-solicitation Policy is in place. The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

- Lifespace residents and third parties may not engage in solicitation on community property at any time.
- Commercial solicitation by residents or third parties on community property is also strictly prohibited (including door-to-door solicitation, hanging door hangers or other materials or notices distributed door-to-door or via resident mail boxes).
- The Non-solicitation Policy does not prohibit normal business contacts by authorized vendor representatives engaging in business with Lifespace in compliance with other Lifespace policies, provided such contacts are made with the consent of Lifespace management.
- The Non-solicitation Policy does not prohibit residents or third parties from entering into a resident's apartment/villa for purposes of solicitation or commercial solicitation if done at the express invitation of the resident.
- Third parties who enter community property to engage in solicitation or commercial solicitation without authorization shall be considered trespassers and will be removed from community property, given trespass warnings not to return, and may be subject to arrest and prosecution.

BUSINESS AND FINANCE

➤ ABSENCE FROM THE COMMUNITY

If you are planning to be away from the community overnight or longer, we request that you notify the front desk with this information. This will prove helpful if someone tries to contact you while you are away or in the event of an emergency.

➤ BILLING

Bills are distributed to residents monthly. Each bill will include the current month's fee, and any additional charges incurred and payments received in the previous month. Monthly bills are placed in in-house mail boxes approximately the 6th working day of each month. Payment is due by the date statement on the monthly bill and can be paid by check or automatic (ACH) withdrawal.

The monthly fee may be adjusted periodically. Residents will receive thirty (30) to ninety (90) days' notice of any monthly fee changes as outlined in the Residency or Life Care Agreement.

Late Fee – Residents may be billed a late payment charge if bills are not paid in a timely manner, per the terms of the Residency or Life Care Agreement.

➤ INDEPENDENT LIVING TRANSFER/RELOCATION POLICY

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

This policy spells out under what conditions new buyers and existing residents will be allowed to transfer from one apartment (living unit) to another or to a new contract type (Residency or Life Care agreement). The policy also directs the Community on how to calculate any refunds due under the current residency or Life Care agreement or additional payments required in relation to the new residency or Life Care agreement.

Any transfer from one apartment or independent living home to another while you are a resident of your community is subject to the current Lifespace policy. An addendum to the Residency or Life Care Agreement must be signed and executed before a transfer will be allowed. There may be adjustments in entry fees and monthly fees resulting from a transfer. Transfer charges may also be applicable.

Lifespace reserves the right, in our sole discretion, to relocate residents either temporarily or permanently to another home in the community if such relocation is necessitated by the construction, redesign, permitting or like constraints of a redevelopment project for the community. Lifespace will seek to meet the requests of the residents to be relocated to a home of their choice, as long as the entrance fee of the selected home does not exceed that of the original residence. Lifespace will pay all moving and transfer costs.

Please contact the executive director for further details.

➤ FINANCIAL DISCLOSURE

The annual audited financial statements are kept in each community's library. The audited financial statements are available no later than May 30th of the following year.

A condensed, audited financial statement will be made available to the residents each year. Routine reviews of the financial operation statements and assumptions will be presented to the resident Finance Committee. Various reports and other data required to be disclosed under various statutes will also be made available (i.e. Homestead Exemption where applicable).

➤ TAX DEDUCTIONS

Because Lifespace is a Life Care community, residents may have certain tax benefits. Residents may be able to deduct a percentage of the monthly fee as medical expense on individual income tax returns. In the year that a resident moves into the community, a percentage of the entrance fee also may be deductible.

The percentage that may be deductible as medical expense is based on the costs of operating the community's health center (this includes assisted living and memory care) and therefore, the percentage may change each year. The community will provide the residents with a recommendation of the percentage of monthly fees that can be attributable to the operations of the health center by January 31st of each year.

This information is not to be construed as tax advice. Residents should consult a tax advisor to learn more about the current tax rules and individual applicability to which monthly fees may be taken as a deduction.

➤ CONFLICTS OF INTEREST

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

To ensure that no workforce member or his/her immediate family members personally benefit from business activities with any community or program within Lifespace. Team members are not allowed to provide services, functions or have dealings with residents which could constitute a conflict of interest such as:

1. Witnessing documents;
2. Being the executor / executrix of an estate;
3. Having Power of Attorney (Durable or Healthcare);
4. Guardianship;
5. Buying or selling of goods or services; or
6. Employment of the team member to include his / her family for any services.
Any exceptions must be disclosed and approved by the executive director prior to engaging.

➤ RESIDENCY OR LIFE CARE AGREEMENT

Refer to your Residency or Life Care Agreement for specific terms and obligations. Should you have any questions or concerns, please contact the executive director.

➤ INABILITY TO PAY

Lifespace will not request that a resident leave the community solely because of inability to pay the monthly fee due to the exhaustion of their resources through no fault of their own. Any determination to provide financial assistance will be within the sole discretion of Lifespace. Residents receiving financial assistance may be asked to move to a less expensive apartment and to apply for government medical assistance programs, if eligible.

➤ MEAL CREDITS

In the event the resident is absent from the community for a certain number of days, the resident will be given a credit at the established community rate for meals included in the monthly fee but not used during such absence, providing that the resident gives the community 30 days advance notice. Please reach out to your executive director for more specifics and details.

➤ POWER OF ATTORNEY

Residents are asked to execute and maintain a Power of Attorney for Healthcare which designates an agent to act on the residents' behalf. Please provide a copy of this Power of Attorney to the executive director.

➤ INCIDENTS OF SUSPECTED FRAUD OR ABUSE

Fraud in the health care industry does happen. Lifespace has implemented procedures to address allegations of fraud and abuse. If you suspect any of the following, please call the Lifespace Compliance Hotline at 1-877-219-1121. Your call will be treated as confidentially as possible and the information you provide will be shared on a “need to know” basis only.

If you suspect fraud or abuse, the first option is to report suspicions to a member of Lifespace management. If you suspect a member of management may be involved, or past reports have not been acted upon, you should follow the procedure given below.

Neither Lifespace nor any of its affiliates and subsidiaries will permit any form of retaliation against a resident for reporting fraud or abuse issues.

GENERAL TIPS TO HELP PROTECT YOU AS MUCH AS POSSIBLE:

- Never give out personal information to anyone over the phone.
- If it sounds too good to be true, it probably is.
- Resist high pressure, fast talking and often very official sounding callers. Hang up.
- Only give to charities that you are very familiar with.
- Never give out your social security or Medicare number to anyone.
- When you receive an application for a credit card in the mail don’t just throw it away. Shred or rip it up. These applications can be used to obtain a credit card in your name, with a different address.

Remember, even some legitimate businesses will try to sell you items and services that you do not need.

HOW TO REPORT:

Before calling the toll-free Compliance Hotline carefully review the facts as you know them. It is helpful to write down your concerns before calling so you remember to include all of the information. Some information that can be helpful when you report includes:

1. The name and any identifying information you have about the team member, health care provider or other persons involved, such as job title or an identifying number;
2. The item or service you are questioning;
3. The date the item or service was supposedly furnished;

4. The reason you believe Medicare or you (if you are paying privately and directly) should not be required to pay the provider; and
5. The name of the community where you live so the incident can be reviewed and investigated by the Lifespace Compliance Officer.

HEALTH CARE

Community healthcare services may include the following:

➤ ASSISTED LIVING

Assisted living is for residents who need minimal assistance with the activities of daily living. Assisted living offers three meals a day and a variety of social and therapeutic activities and is staffed 24 hours a day. These services are provided within the scope of state licensure.

➤ MEMORY CARE

Memory care is for residents with memory impairment and who are in need of a secure environment in an assisted living type setting. In addition to the services provided in assisted living, the activity program is tailored to meet memory impairments and behaviors in an individual and group setting.

➤ HEALTHCARE AND SKILLED REHAB SERVICES

The health center is for residents who have either a short-term or long-term acute or chronic illness that requires an environment which provides licensed nursing care.

NOTE: Residents who are temporarily transferred to assisted living, memory care, or the health center from independent living continue to pay the monthly fee for their independent living home. Residents who are permanently transferred to assisted living, memory care, or the health center from independent living will pay the established monthly fee in accordance with the Residency or Life Care Agreement.

➤ PERSONAL SERVICE PROVIDERS

Residents may receive care services in the independent living home. Service may be provided by the community or vendor of the resident's choice. A resident must contact the front desk to register the outside vendor and the vendor must meet the

requirement set forth in the Lifespace Personal Service Provider (PSP) Handbook and Policy. For the communities with a Lifespace personal service provider onsite, the resident may contact Lifespace Personal Services for a consultation.

NOTE: All personal service providers must sign-in with the front desk and carry appropriate identification. In addition, personal service providers must wear an identification name tag. Failure to do so will result in denied access to the community.

1. Any expenses incurred by use of a personal service provider will be the responsibility of the resident.
2. Healthcare Restriction: Lifespace will not be responsible for healthcare or nursing assistance provided by a personal service provider. The personal service provider is not allowed to provide hands-on care to any resident residing in the health center (this includes assisted living and memory care); the personal service provider is allowed to provide companion care to the resident.

The Lifespace Personal Service Provider Handbook addresses each area such as cell phone use in the common areas, personal appearance, parking, waste management, along with many other topics. Personal service providers are not permitted to use the common areas, fitness center, the business center and may not take food for personal use from the resident dining rooms, social events, and any other activities where food and drink are served (designated bistros/cafes for resident, guest, team members may be used). Cell phones are not to be used in common areas. Personal service providers are prohibited from bringing in pets.

Residents and families are responsible for ensuring these guidelines are followed.

➤ PHYSICIANS

All residents of the community are free to retain their own personal physician. Please note that the community is not financially responsible for residents' personal medical services or outside hospitalization.

➤ HIPAA

Lifespace adheres to the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and has implemented policies to protect all residents and team members' Protected

Health Information (PHI). Residents and team members will be educated on HIPAA privacy rules upon move-in or employment.

New residents will be given the opportunity to “opt out” of their PHI being shared within the community (i.e.; phone directory, birthday lists or other pertinent information possibly published in the community or newsletters). New residents will be required to sign an authorization form to allow us to receive information regarding the pre-admission physical requirements.

Upon a resident’s first admission to the health center, the resident will be required to review the “Notice of Privacy Practices” and sign an acknowledgement form. An Authorization “A” Form regarding the sharing of the resident’s information will be offered and filled out at that time.

Your health related information will be shared with only those team members or outside entities (physicians, hospitals, etc.) who must have access to the information in order to provide services to you. Upon signing a Residency or Life Care Agreement in our sales department, you were asked to sign an authorization form which enabled us to have access to your medical history as required in our contract. You will be asked to sign additional forms when you use our health center services for the first time.

If you are interested in additional information regarding HIPAA, please contact the Lifespace Compliance Officer at the Lifespace home office.

➤ GIFTS AND GRATUITIES TO TEAM MEMBERS

Lifespace does not permit team members to accept gratuities of any nature, monetary or material, from residents, their family members or guests. Acceptance of a gratuity by a team member may result in disciplinary action of the team member up to and including termination. A compliment or verbal thank you is always appreciated.

Appreciation Fund for Team Members – Lifespace has approved a one-time per year event (typically in advance of the December holidays), during which residents may contribute to an appreciation fund managed by the Resident Council and its resident committee for distribution to the community team members. A detailed policy is located with the executive director.

Acknowledgement of Receipt

The undersigned hereby acknowledge(s) receipt of a Resident Handbook dated May 1,
2021 relating to Edgemere on this _____ day of _____, 20____.

Resident: _____
PRINT NAME SIGNATURE

Resident: _____
PRINT NAME SIGNATURE

Landlord's

Exhibit 29

for hearing commencing March 7, 2023

QUARTERLY REPORT
for the year ended December 31, 2022



A Lifespace Community

February 8, 2023

UMB Bank
Irina Palchuk
100 William Street, Suite 1850
New York, NY 10038

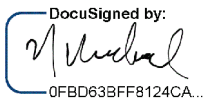
RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements, historical debt service coverage and days cash on hand ratio calculations for:

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation – Obligated Group

Are complete, correct and fairly present the financial conditions and results of operations for the year ended December 31, 2022, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

0FBD63BFF8124CA...

Nick Harshfield



**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Overview:

Northwest Senior Housing Corporation d/b/a Edgemere (“Edgemere”, as the Obligated Group representative) is a Texas not-for-profit corporation. Edgemere was formed for the purpose of constructing, owning and operating a continuing care retirement community in Dallas, Texas, providing housing, health care and other related services to its residents. Lifespace Communities, Inc. (“Lifespace”) an Iowa nonprofit corporation, is the sole member of Edgemere.

Edgemere and Augustine Management Texas, Inc. formed Augustine Home Health Texas, LLC (“AHHT”), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that will offer personal assistance services to residents of the Community. Edgemere is the controlling member of AHHT.

Collectively, Edgemere and SQLC constitute the obligated group (“SQLC Obligated Group”) under the amended and restated Master Trust Indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006.

Edgemere failed to meet the Historical Debt Service Coverage Ratio covenant at December 31, 2019, 2020, 2021 and 2022. The failure to satisfy the Historical Debt Service Coverage Ratio Covenant for two consecutive years constitutes a present event of default under the bond documents. In addition, at December 31, 2021, June 30, 2022, and December 31, 2022 Edgemere did not meet the days cash on hand covenant. Edgemere has retained FTI Consulting, Inc. to, among other things, (i) evaluate operations and marketing strategies; and (ii) provide strategic advice on addressing financial issues. Additionally, Edgemere has retained Polsinelli as legal counsel.

On February 24, 2021, UMB Bank, N.A. (the “Trustee”) and Edgemere filed a joint notice regarding the event of default and their mutual intentions to enter into negotiations relative to a forbearance agreement.

On March 19, 2021, Fitch released its rating report, lowering Edgemere’s credit rating from a B+ with a negative outlook to a CC.

On October 26, 2021, Edgemere filed a material event notice on EMMA, disclosing the notice of an event of default issued by the Trustee which stated the failures among other things: (i) failure to timely pay the monthly payment of principal of, and interest, on the bonds due in October 2021, (ii) failure to pay rent under the ground lease and (iii) failure to maintain a debt service coverage ratio of at least 1.0x as of December 31, 2020.

On November 2, 2021, FITCH released its rating report, lowering Edgemere’s credit rating from a CC to a D.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

On December 30, 2021, Edgemere filed a material event notice on EMMA as notification of the entering into a forbearance agreement with the Trustee and Intercity Investment Properties, Inc., a Texas corporation (the “Landlord”).

On January 14, 2021, Edgemere filed a material event notice on EMMA as notification of the termination of the forbearance agreement.

On April 29, 2022, Edgemere filed a material event notice on EMMA as notification that on April 14, 2022, the Obligated Group filed for Chapter 11 protection with the U.S. Bankruptcy Court for the Northern District of Texas, (Northwest Senior Housing Corp. et al., case number 3:22-bk-30659).

On December 19, 2022, the Bankruptcy Court entered its order approving the Third Amended Disclosure Statement for the Plan of Reorganization of the Plan Sponsors Dated December 19, 2022. The Third Amended Plan is proposed by the Debtors and UMB Bank, N.A., in its capacity as successor bond trustee and master trustee for the Original Bonds and in its capacity as the debtor in possession lender, and supported by the official committee of unsecured creditors in the Chapter 11 Cases (the “Committee”) and Lifespace Communities, Inc. (“Lifespace”). Solicitation packages have been sent to creditors, including residents, with voting rights with respect to the Third Amended Plan. Additionally, the Bankruptcy Court has approved the bidding procedures in connection with the proposed sale of the facility, and a bidding procedures order has been entered on the docket in the Chapter 11 Cases. The sale and confirmation hearing is scheduled for February 21, 2023 at 9:30 a.m. CT.

Related notices may be filed on EMMA from time to time, and all documents filed in the Obligated Group’s chapter 11 cases may be obtained from Kurtzman Carson Consultants LLC (“KCC”), by (a) calling (866) 967-0269 (toll free) or +1 (310) 751-2669 (international); (b) writing to Northwest Senior Housing Corporation Solicitation, c/o Kurtzman Carson Consultants LLC, 222 N. Pacific Coast Highway, Suite 300, El Segundo, CA 90245; or (c) emailing at EdgemereInfo@kccllc.com with a reference to “Edgemere” in the subject line. Interested parties may also review these Documents free of charge at <http://www.kccllc.net/edgemere>.

Calendar year-end financial information for December 31, 2020 and prior is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

Edgemere

Apartments/Units Available

	Independent Living	Assisted Living		Health Center	Total	CMS 5-Star Rating *
	Apartments	Assisted Living	Memory Support			
Edgemere	304	68	45	87	504	5

* The CMS 5-Star ratings are as of January 2023.

Average Occupancy

	Fiscal Year Ended December 31,			
	2019	2020	2021	2022
Independent Living	85.3%	80.3%	74.4%	74.7%
Assisted Living	84.1%	78.6%	47.5%	55.5%
Memory Support	67.6%	60.2%	43.1%	52.3%
Health Center	80.9%	55.7%	54.4%	55.1%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			
	2019	2020	2021	2022
Beginning Independent Living Occupied	281	256	233	242
IL Move-Ins	27	17	48	5
Transfers to the Health Center	(30)	(6)	(8)	(11)
IL Move-Outs and Death	(22)	(34)	(31)	(20)
Ending Independent Living Occupied	256	233	242	216
Ending Occupancy Percentage	84.2%	76.6%	79.6%	71.1%

Health Center Payor Mix

The Health Center beds are certified for Medicare. The average payor mix in the Health Center for the fiscal years ending December 31, 2019 through 2022 are shown below:

	Fiscal Year Ended December 31,			
	2019	2020	2021	2022
Lifecare	34.3%	37.0%	32.0%	24.5%
Medicare	34.3%	24.1%	40.7%	40.0%
Non-Life Care Resident	31.4%	38.9%	27.3%	35.5%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group
Consolidated Balance Sheets
As of December 31 (Unaudited)
(Thousands of \$)**

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$3,460	\$1,068
Investments	567	5,657
Accounts Receivable	934	1,076
Accounts Receivable - Related Parties	-	19
Inventories	97	61
Prepaid Insurance & Other	549	274
Assets whose use is limited	17,976	25,595
Total Current Assets	<u>23,583</u>	<u>33,750</u>
Property and equipment, at cost:		
Land Lease	84,751	86,362
Land and improvements	1,668	1,586
Buildings and improvements	150,567	148,406
Furniture and equipment	1,638	1,452
	<u>238,624</u>	<u>237,806</u>
Less accum. deprec.	<u>(19,507)</u>	<u>(12,152)</u>
Net property and equipment	219,117	225,654
Net deferred assets	202	219
Net intangible assets	9,525	11,257
TOTAL ASSETS	<u><u>\$252,427</u></u>	<u><u>\$270,880</u></u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group
Consolidated Balance Sheets
As of December 31 (Unaudited)
(Thousands of \$)**

	<u>2022</u>	<u>2021</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	\$7,703	\$3,198
Related Parties	3,998	798
	<u>11,701</u>	<u>3,996</u>
Accrued liabilities:		
Employee compensation expense	763	589
Interest	5,454	977
Property taxes	1,985	2,145
Other	110	208
	<u>8,312</u>	<u>3,919</u>
Entrance fee refunds	718	-
Reserve for health center refunds	6,691	6,587
Long-term debt due within one year	114,573	109,185
Obligation under cap lease due within one year	4,039	3,940
Total current liabilities	<u>146,034</u>	<u>127,627</u>
Entrance fee deposits	2,975	618
Wait list deposits	125	125
Obligation under cap lease due after one year	87,925	87,702
Deferred entrance fees	6,739	8,819
Refundable entrance and membership fees	129,227	124,820
Total liabilities	<u>373,025</u>	<u>349,711</u>
Controlling interest	(120,678)	(79,044)
Non-controlling Interest	80	213
Net assets without donor restrictions	<u>(120,598)</u>	<u>(78,831)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$252,427</u>	<u>\$270,880</u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group
Statements of Operations and Changes in Unrestricted Assets
For the Year Ended December 31 (Unaudited)
(Thousands of \$)**

	<u>2022</u>	<u>2021</u>
Revenues		
Independent Living Fees	\$17,822	\$17,225
Entrance fees earned/cancellation penalties	1,545	1,958
Skilled nursing, assisted living and memory support fees	12,660	11,319
Other	75	30
	<u>32,102</u>	<u>30,532</u>
Expenses		
Operating expenses:		
Salaries and benefits	15,199	12,756
General and administrative	31,194	16,961
Plant operations	2,173	2,724
Housekeeping	148	267
Dietary	3,030	2,747
Medical and other resident care	796	934
Depreciation	7,355	6,910
Amortization	7,426	10,201
Interest	6,287	5,435
Loss on disposal of fixed assets	-	29
	<u>73,608</u>	<u>58,964</u>
Non Operating Income (Expense)		
Investment Income (Expense)	<u>(86)</u>	<u>826</u>
Deficit of revenues over expenses	(41,592)	(27,606)
Other Changes in Net Assets		
Contributions from (to) Lifespace Communities, Inc	-	222
Distributions to Related Parties	<u>(175)</u>	<u>(125)</u>
Changes in net assets	(41,767)	(27,509)
Net assets at beginning of year	(78,831)	(51,322)
Net assets at end of the period	<u>(\$120,598)</u>	<u>(\$78,831)</u>

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation - Obligated Group
Consolidated Statements of Cash Flow
For the Year Ended December 31 (Unaudited)
(Thousands of \$)

	2022	2021
Operating activities		
Changes in unrestricted net assets	(\$41,767)	(\$27,509)
Adjustments to reconcile changes in net asset to net cash (used) provided in operating activities:		
Entrance fees earned	(1,545)	(1,958)
Proceeds from nonrefundable entrance fees and deposits	163	3,464
Depreciation and Amortization	14,781	17,111
Change in unrealized (appreciation) depreciation of investments	398	163
Net sales (purchases) of trading investments	12,311	4,032
Contributions from Lifespace Communities, Inc.	-	(222)
Distributions to related parties	(175)	(125)
Loss on disposal of property and equipment	-	29
Change in entrance fee deposits and waitlists	2,357	357
Non-cash rent expense	1,933	2,031
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	8	(315)
Accounts payables and accrued liabilities	12,098	1,442
Net cash (used) provided in operating activities	<u>562</u>	<u>(1,500)</u>
Investing activities		
Purchases of property and equipment	(2,429)	(6,619)
Financing activities		
Repayment of long-term debt	(8,089)	-
Proceeds from Intercompany Notes	3,377	-
Proceeds from DIP Financing	10,100	-
Contributions from Lifespace Communities, Inc.	-	222
Proceeds from refundable entrance fees and deposits	26	23,491
Refunds of entrance fees	(1,155)	(15,075)
Net cash provided in financing activities	<u>4,259</u>	<u>8,638</u>
Net increase in cash and cash equivalents	2,392	519
Cash and cash equivalents at beginning of year	1,068	549
Cash and cash equivalents at end of period	<u>\$3,460</u>	<u>\$1,068</u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Year Ended December 31, 2022 versus Year Ended December 31, 2021:

Edgemere's average year-to-date independent living occupancy through December 31, 2022, was 227.0 independent living homes (74.7% of the 304 available homes). The average year-to-date occupancy through December 31, 2021 was 226.2 independent living homes (74.4% of the 304 available homes).

Revenues from independent living monthly fees and related charges amounted to \$17,822,000 in 2022, a 3.5% increase from \$17,225,000 for the same revenue sources in 2021. The increase is due to the increased independent living occupancy and the monthly fees increase of 3.0% on January 1, 2022.

Revenues from the health center, assisted living, and memory support fees were \$12,660,000 in 2022 compared to \$11,319,000 in 2021, an increase of 11.8%. This increase is the result of increased occupancy in assisted living, memory support and the health center. Year-to-date average assisted living occupancy is 55.5% compared to the same period in 2021 of 47.5%. Year-to-date average memory support occupancy is 52.3% compared to the same period in 2021 of 43.1%. Year-to-date average health center occupancy is 55.1% compared to the same period in 2021 of 54.4%. These increases in occupancy were offset by monthly fees decreases of 2.4% that started January 1, 2022.

In the second quarter of 2022, Edgemere received \$75,000 in nursing facilities COVID relief funds from The State of Texas. As of December 31, 2021, there was \$30,000 of stimulus payments received. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses for the SQLC Obligated Group, excluding depreciation and interest expense, were \$52,540,000 in 2022, an increase of \$16,151,000 or 44.4% from comparable expenses of \$36,389,000 in 2021. Salaries and benefits increased \$2,443,000 or 19.2% mainly as a result of wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021 and for all remaining team members that took effect January 1, 2022. General and administrative increased \$14,233,000 or 85.8% mainly as a result of financing related costs. Plant operations decreased \$551,000 or 20.2% mainly due to the winter storm costs that occurred in 2021. Dietary costs increased \$283,000 or 10.3% mainly due to higher occupancy in all levels of living and higher raw food costs.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Year Ended December 31, 2022 SQLC Obligated Group Actual versus Edgemere Budget:

The Board of Directors annually approves the budget. The following chart shows line item comparisons of the SQLC Obligated Group actual to the board approved budgeted net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

(In Thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent Living Fees	\$17,822	\$19,339	(\$1,517)
Skilled nursing, assisted living and memory support fees	12,660	14,554	(1,894)
Other	75	-	75
	30,557	33,893	(3,336)
Expenses			
Operating expenses:			
Salaries and benefits	15,199	15,246	47
General and administrative	31,194	16,600	(14,594)
Plant operations	2,173	2,386	213
Housekeeping	148	172	24
Dietary	3,030	2,663	(367)
Medical and other resident care	796	645	(151)
	52,540	37,712	(14,828)
Net operating margin	(21,983)	(3,819)	(18,164)
Net entrance fees (includes impact of escrowed entrance fees)	(966)	(271)	(695)
Capital expenditures	2,429	7,720	5,291
Debt Service Coverage Ratio	(2.9)	(0.3)	(2.6)
Days Cash on Hand Ratio	26	35	(9)

Net operating margin is unfavorable to budget by \$18,164,000.

Independent living fees are unfavorable to budget by \$1,517,000 mainly due to more apartment discounts and lower occupancy than budgeted. Year-to-date average independent living occupancy is 74.7% compared to a budget of 80.0%.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by \$1,894,000 as a result of assisted living, memory support and the health center not meeting budgeted occupancy. Year-to-date average assisted living occupancy is 55.5% compared to a budget of 63.6%. Year-to-date average memory support occupancy is 52.3% compared to a budget of 54.8%. Year-to-date average health center occupancy is 55.1% compared to a budget of 67.7%.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

General and administrative expense is unfavorable to budget by \$14,594,000, or 87.9%, mainly due to financing related costs.

Net entrance fees are unfavorable to budget by \$695,000 primarily due to the timing of refunds. On September 29, 2021, entrance fee proceeds began being held in an escrow and will be released subsequent to the Chapter 11 reorganization. As of December 31, 2022, approximately \$17,253,000 of entrance fees are held in escrow.

Capital expenditures are \$5,291,000 favorable to budget which is the result of timing.

Ratios:

Lifespace uses the Fitch investment grade medians as benchmarks. The ratios for both the investment grade and the BBB ratings are shown in the footnote to the ratio calculation schedule.

Liquidity and Capital Requirements – Year Ended December 31, 2022 versus Year Ended December 31, 2021:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were (\$966,000) in 2022 compared to (\$2,344,000) for 2021. As mentioned previously, since September 29, 2021, entrance fee proceeds are held in escrow, with no refunds paid until the escrow is released. There was five reoccupancies in the year ended December 31, 2022 versus 48 reoccupancies in the year ended December 31, 2021. However, approximately \$6,271,000 in refunds was paid in the year ended December 31, 2021 where there were no corresponding entrance fees received. These refunds consist of refunds for residents who passed away that were in independent living or permanently assigned to higher levels of care and the apartment had previously been resold in prior years.

Daily operating expenses for the year ended December 31, 2022 increased to \$156,000 from \$109,000 for the year ended December 31, 2021, an increase of 43.1%. The overall unrestricted cash position decreased from \$6,725,000 at December 31, 2021 to \$4,027,000 at December 31, 2022, a change of 40.1%.

Capital expenditures for the community for the year ended December 31, 2022 were \$2,429,000, while depreciation expense for the same period was \$7,355,000. Capital expenditures for the community for the year ended December 31, 2021 were \$6,619,000, while depreciation expense for the same period was \$6,910,000.

To evaluate the financial aspect of the needed re-investment in the community, Lifespace management targets capital expenditures for all communities it manages as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view to assist with the annual capital expenditure decisions. The 5-year historical ratio for Edgemere at December 31, 2021 is 142% and is above the targeted range of Lifespace guidelines. Routine capital projects are expected to be funded from internal cash flows.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Forward-Looking Statements:

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect” “estimate” “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect Edgemere’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting Edgemere’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation - Obligated Group
Selected Historical Financial Information
(Thousands of \$)

	Year Ended December 31 (Unaudited)		Year Ended December 31 (Audited)	
	2022	2021	2020	2019
Historical Debt Service Coverage				
Excess (deficit) of revenues over expenses	(41,592)	(27,606)	(44,115)	(9,571)
Less:				
Entrance fees earned	(1,545)	(1,958)	(2,305)	(2,677)
Add:				
Depreciation	7,355	6,910	7,895	6,665
Amortization	7,426	10,201	18,466	1,970
Interest Expense	6,287	5,435	5,509	5,580
Unrealized (gain) loss on securities	398	163	3,559	(3,934)
Realized (gain) loss on sale of assets	-	29	17	(188)
Impairment Loss	-	-	16,616	-
Change in deferred rent	1,933	2,031	2,126	1,123
Entrance fee proceeds (less refunds)	(966)	11,880	(5,457)	325
Entrance fee proceeds held in escrow (f)	-	(14,224)	-	-
Income available for debt service	<u>(20,704)</u>	<u>(7,139)</u>	<u>2,311</u>	<u>(707)</u>
Annual debt service payment	7,102	7,104	7,108	7,109
Annual debt service coverage (a)(b)(c)	(2.9)	(1.0)	0.3	(0.1)
Annual debt service coverage covenant	1.2	1.2	1.2	1.2
Cash to Debt				
Unrestricted cash and investments	4,027	6,725	22,287	36,570
Debt service reserve fund	<u>-</u>	<u>7,608</u>	<u>8,387</u>	<u>8,250</u>
	<u>4,027</u>	<u>14,333</u>	<u>30,674</u>	<u>44,820</u>
Bonds outstanding long-term (g)	-	-	-	109,185
Annual debt service	7,102	7,104	7,108	7,109
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	0.6	2.0	4.3	6.3
Department operating expenses plus interest (e)	56,894	39,793	38,695	46,182
Daily expenses	156	109	106	127
Days of unrestricted cash & investments on hand (a)(b)(c)(d)	26	62	210	289
Days of unrestricted cash & investments on hand covenant	150	150	150	150
Other Ratios				
Net operating margin (b)(c)	-71.9%	-27.4%	-2.2%	-10.1%
Net operating margin, adjusted (b)(c)	-77.6%	10.0%	-21.3%	-9.2%
Adjusted debt to capitalization (b)(c)	18071.5%	278.7%	167.8%	98.8%

(a) The financial ratios that are required by the financing documents.

(b) The financial ratios that are monitored monthly by Lifespace.

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.

(d) Each June 30 and December 31, the Obligated Group must maintain Days Cash on Hand equal to or greater than 150 days.

(e) Operating expenses excludes the non cash rent expense per the bond documents.

(f) Entrance fee proceeds received as of September 29, 2021 are held in escrow during forbearance and will not be included in the net entrance fees used for the debt service coverage ratio.

(g) Outstanding debt is classified as current debt and nothing for long-term debt since 2020.

Landlord's

Exhibit 30

for hearing commencing March 7, 2023

EDGEMERE
DISCLOSURE STATEMENT

February 4, 2022

Continuing Care Retirement Community
Acknowledgement of Delivery of Disclosure Statement

I/we hereby declare that I(we) have received a current disclosure statement from Edgemere, dated [month/day _____, 2021] and numbered pages ____ through ____, including appendices.

DATE SIGNED: _____

[print name]: _____

[resident or legal representative]

THE DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT OR BEFORE THE PAYMENT OF AN ENTRANCE FEE OR NONREFUNDABLE DEPOSIT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY ARTICLE 8876, TEXAS CIVIL STATUTES NOW CODIFIED AS SECTION 246.043 OF THE TEXAS HEALTH AND SAFETY CODE. HOWEVER THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE ACCURACY OF THE ENCLOSED INFORMATION.

Disclosure Statement

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Attachments

Attachment A: Life Care Agreement

Attachment B: 2019 and 2018 Audited Financial Statements

Attachment C: Financial Projections

Attachment D: Resident Handbook

EDGEMERE

DISCLOSURE STATEMENT

Name, Address and Type of Legal Entity

1. State the name and business address of the provider and a statement of whether the provider is a partnership, corporation or other type of legal entity. If the provider is not an individual, include the names and business address of each officer, director, trustee, managing or general partner and any other person who has at least a 10% interest in the provider, together with a description of that person's interest in or occupation with the partner.

The Owner (Provider)

The Owner is Northwest Senior Housing Corporation d/b/a Edgemere ("NSHC" or "Edgemere"), a Texas nonprofit corporation. NSHC is exempt from federal income taxation as a charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("the Code"). NSHC was formed for the purpose of developing, owning and operating a senior living community now known as Edgemere.

Lifespace Communities, Inc. ("Lifespace") is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Newcastle Place Mequon, Wisconsin <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way		Querencia at Barton Creek

Fort Worth, Texas
*An Affiliate of
Lifespace*

Austin, Texas
*An Affiliate of
Lifespace*

Lifespace acts as a supporting organization for Edgemere and the communities listed above, providing oversight, direction, and governance support, and may provide financial assistance.

Lifespace has established The Lifespace Foundation (“The Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, The Foundation supports and benefits Lifespace and its affiliates.

The current address of Northwest Senior Housing Corporation is:

Northwest Senior Housing Corporation
8523 Thackery Street
Dallas, TX 75225

NSHC is organized under the laws of Texas and is governed by a board of officers and directors made up of the following individuals:

Name	Title
Jesse Jantzen	Chair, President, CEO, Director
Nicholas Harshfield	Chief Financial Officer, Corporate Treasurer & Secretary, Director
Edward Fenoglio	Board Member

Management Other Than Direct Employee of Provider

- 2. Indicate whether the Community will be managed on a day-to-day basis by a person other than an individual directly employed by the provider. If so, provide:**

- a. A description of any business experience in the operation or management of similar communities that the person possesses;**

Day-to-day management is conducted by the community's Executive Director, with regional and operational support provided by Lifespace.

- b. The name and address of any professional service, firm, association, trust, partnership, or corporation in which the person has, or which has in that person, at least a 10 percent interest and that proposes to provide goods, leases, or services to the Community, or to residents of the Community, of an aggregate value of at least \$500 in any one year, including a description of the goods, leases or services, and their probable or anticipated cost to the Community, provider, or residents, or a statement that their cost cannot presently be estimated; and**

Lifespace's policies require any Board member with potential conflicts of interest to be excluded from, and be absent from, any discussions and decisions regarding Lifespace entering into contracts with respect to which the Board member has a potential conflict of interest. No Lifespace Board member currently has or has had any known potential conflicts of interest.

- c. A description of any matter in which the person has been convicted of a felony or pleaded nolo contendere to a felony charge, or has been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property.**

There have been no felony convictions or nolo contendere pleas or civil actions involving NSHC or Lifespace.

- d. Any matter in which the person is subject to an injunction or restrictive order of court of record, or has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency if the order or action arose out of or was related to any business activity in a health care field, including actions affecting a license to operate a foster care facility, a nursing home, a retirement home, a home for the aged, or a facility subject to Chapter 246 Health and Safety Code or to a similar Act in another state.**

Neither NSHC nor Lifespace have been subject to injunctive or restrictive orders of court record or revocations or suspensions of licenses or permits in connection with any business activities in a health care field.

Affiliation and IRS Tax Exemption Status

- 3. State whether or not the provider is affiliated with a religious, charitable, or other nonprofit organization and describe the extent of that affiliation, if any. If the provider is affiliated with such an organization, explain the extent to which the organization is responsible for the financial and contractual obligation of the provider. Cite any provision of the Internal Revenue Code under which the provider or affiliate claims to be exempt from the payment of income tax.**

NSHC is not, and never has been, affiliated with any religious organization. Persons of any faith, as well as those with no particular religious faith, are eligible to be considered for residency.

NSHC is exempt from federal income tax as a charitable organization described under Section 501(c)(3) of the Code. NSHC was formed for the purpose of construction, ownership, and operation of a senior living community now known as Edgemere.

Lifespace is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Newcastle Place Mequon, Wisconsin <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way Fort Worth, Texas <i>An Affiliate of Lifespace</i>		Querencia at Barton Creek Austin, Texas <i>An Affiliate of Lifespace</i>

Lifespace acts as a supporting organization for NSHC and the communities listed above, providing oversight, direction, and governance support, and may make grants and/or provide other forms of financial assistance.

Lifespace has established The Lifespace Foundation (“The “Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, the Foundation supports and benefits Lifespace and its affiliates.

Location and Description of Community

- 4. State the location and a description of the physical property of the Community, either existing or proposed. If proposed, state the estimated completion date, whether or not construction was begun, and any contingencies under which construction may be deferred.**

Edgemere is constructed on an approximately 16-acre tract of land located on the north side of Northwest Highway between Thackery and Edgemere streets in Dallas, Texas. The parcel of land has been leased from an unrelated third party for a term of 55 years.

As of December 31, 2020 Edgemere consists of 304 independent living apartment homes, 113 assisted living suites (“Assisted Living”) and 87 nursing beds (“Health Center”) in two- and three-story configurations with central commons and support areas providing services to residents and guests. The independent living apartment homes range in size from approximately 800 to 2,000 square feet. The assisted living suites range in size from approximately 530 to 640 square feet. Memory support assisted living suites range from approximately 270 to 530 square feet. The private nursing rooms range from approximately 300 to 500 square feet. The total net building square footage is approximately 1.55 million square feet.

The buildings are constructed using metal frame, concrete and masonry construction, stucco exterior, concrete tile roofs and concrete paving. Edgemere has been designed in a Mediterranean residential style consistent with and complementary to design styles prevalent in the Park Cities/Preston Hollow area of Dallas. The scale and detail of the buildings, as well as the choice of materials, replicate items commonly found in upscale single-family homes in the area. In addition, there are a number of ergonomically designed architectural features and design details which help create a comfortable, pleasing environment for the residents, such as lever hardware, emergency response system, minimal walking distances and non-glare lighting.

Construction of Edgemere began in November of 1999 and was substantially completed in May of 2002. The most recent expansion at Edgemere was complete in 2018 and there are no further planned expansions.

Services and Fees

- 5. Describe the services provided at the Community under a contract for continuing care, including the extent to which medical care is furnished, and must clearly describe which services are included for specified basic fees for continuing care and which are made available at extra charge. Include a description of all fees required of residents, including the entrance fee and any periodic charges.**

Services Provided Under the Life Care Agreement

A. Occupancy

Occupancy is provided in a specified independent living apartment home. Each independent living apartment home is equipped with a fire sprinkler and alert system and is furnished with floor coverings, window coverings, self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, garbage disposal, washer, dryer and emergency call system. Residents have use of the common areas of Edgemere, which includes formal and casual dining, private dining rooms, living rooms, libraries, lounges, creative arts center, card/game room, a business center, billiards room, dance studio, a large fitness facility, indoor pool, and dog park.

B. Services

Edgemere provides residents of independent living apartment homes with the following services, the cost of which is included in the monthly service fee:

Food Service. Residents receive one meal credit per person for each day of the month. Additionally, a complimentary continental breakfast is served daily, except Sunday. Accumulated meal credits may be used at any time during the month for resident meals or for guest meals.

Housekeeping. Edgemere provides weekly scheduled housekeeping of each resident's apartment home, including vacuuming, dusting, cleaning and changing of bed linens.

Utilities. The cost of sewer, water, waste disposal, electricity, heat, air-conditioning and basic cable television service for each resident's apartment home is included in the monthly service fee. The independent living apartment homes are centrally wired for cable television and telephone hook-up. Residents are responsible for paying all premium cable television and telephone charges.

Security and Emergency Call. Each apartment home is equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere monitors the emergency alert system and coordinates emergency responses, as appropriate.

Laundry. Residents receive scheduled weekly laundry service for their bed linens and towels. No laundry service is included under the Select Service Plan, but may be purchased for an additional fee.

Maintenance. Edgemere maintains all community areas and grounds and is responsible for providing repair, maintenance and replacement of any furnishings provided by Edgemere in a resident's apartment home.

Mail. A U.S. mailbox is provided in a central location for each independent living apartment home.

Transportation. Edgemere provides, on a regularly scheduled basis, transportation to designated local shopping centers, social events, medical facilities, places of worship and other local destinations. Personal transportation is also provided as available. Transportation outside business hours is available for an additional cost.

Social and Recreational Programs. Edgemere coordinates a variety of social, recreational, educational and cultural programs for those residents wishing to participate.

Property Taxes and Insurance. Edgemere pays for real property taxes or payments in lieu of taxes except for those assessed on residents' personal property. Edgemere has obtained property and casualty insurance coverage on the buildings and grounds. Such coverage does not insure against loss or damage to resident's personal property, or damage or injury to others caused by resident. Edgemere recommends that residents purchase appropriate comprehensive insurance.

Wellness Programming. Edgemere coordinates educational and screening programs promoting wellness and preventive health maintenance for those residents wishing to participate.

Home Health Care Services. Home health care services, as defined by and to the extent reimbursable under the Medicare program, may be provided under contract by a certified home health agency to qualified residents of an apartment home. The Home Health provider shall adhere to Edgemere's PSP policy. The resident has the option to select the home health care agency of his/her choice. Any resident needing home care services in connection with a temporary condition beyond that covered by Medicare is responsible for the cost of such services and can receive such services while residing in an apartment home upon approval of Edgemere. Residents who need assistance with the activities of daily living or nursing service on a continuing basis transfer to Assisted Living or the Health Center to receive such services.

Life Care Benefit. Independent living residents also receive a life care benefit which provides assisted living or nursing care in the Assisted Living or Health Center for the same monthly fee as a Two Bedroom Classic independent living apartment home, upon permanent transfer, should the need for such services arise. Residents requiring Memory Support Services are required to pay an additional fee as set forth in the Life Care Agreement.

For temporary transfers to Assisted Living or the Health Center, residents are required to pay for those services at the published monthly service fees in addition to the monthly service fee for the resident's independent living apartment home. See the attached Life Care Agreement for a more detailed explanation of the Life Care benefit.

Parking. Garage parking areas are provided for residents of Edgemere. Surface parking is available for Guests. One secured underground parking space is provided for each apartment home at the request of the resident and in conformance with the parking policy. Additional spaces may be purchased, if available.

Storage Area. An individual storage area located in Edgemere is assigned and available for each independent living apartment home.

C. Additional Services.

The following optional services are available on a fee-for-service basis:

1. Guest Meals
2. Catering for Special Occasions
3. Barber and Beauty Services
4. Tray Service when Medically Advisable
5. Additional Resident Meals
6. Additional Parking, subject to availability
7. Additional Housekeeping
8. Laundry Services for Personal Items
9. Personal Maintenance Requests
10. Personal Laundry Services

Charges for additional services are billed to residents on a monthly basis as provided in the Life Care Agreement.

Fees Required of Residents

1. Independent Living

Residents are charged two separate fees to be entitled to reside in an independent living apartment home at Edgemere: (a) a one-time, resident deposit; and (b) a first person (and, for double occupancy, a second person) monthly service fee. In addition, residents are billed monthly for optional services on a fee-for-service basis.

Upon initial occupancy, residents pay a one-time resident deposit. Under the Life Care Agreement, the resident deposit is 90% refundable (without interest) to the resident or the resident's estate on the later of the date of termination of the Life Care Agreement or the date a new resident deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. The amount of the Resident Deposit depends on the type of unit selected and ranges from \$346,000 to \$1,454,000.

Independent Living Monthly Service Fees, effective January 1, 2022, range from \$4,176 to \$8,933, depending on the unit selected. Monthly Service Fees will be adjusted in

accordance with the Life Care Agreement. For dual occupancy, regardless of unit type, an additional \$1,639 second person fee will be charged. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

2. Assisted Living. The amount of the Monthly Service Fee charged to direct entrants who have not occupied an independent living apartment depends upon the assisted living unit type selected. The Monthly Service Fees, effective January 1, 2022, for single occupancy in an assisted living unit ranges from \$7,103 to \$10,486, depending on the unit selected. Dual occupancy is an additional \$2,047 per month. For direct entrants into assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

3. Memory Support Assisted Living. In the specialized memory support assisted living area, direct entrants pay a Monthly Service Fee based on the unit type selected. The Monthly Service Fee rates, effective January 1, 2022, for single occupancy range from \$7,033 to \$9,402 dependent upon the size of the unit selected. These rates are subject to change upon 30 day advance notice. For direct entrants into memory support assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

4. Nursing. Nursing care fees are on a per diem basis payable monthly for direct entrants into nursing care. The per diem rate ranges from \$389 per day to \$475 per day dependent upon the size of the room selected. These rates are subject to change upon 30 day advance notice. The per day rate is not expected to increase prior to January 1, 2023.

Community Policies

6.a State the Community's policy regarding changes in the number of people residing in the living unit, either because of marriage or other relationships, and a statement of the terms relating to the admission of a spouse to the Community and the consequences if the spouse does not meet the requirements for admission.

Double to Single Occupancy. If an apartment home is occupied by two residents and one surrenders possession of the apartment home to the other, other than by death or by a transfer covered by Section 4 of the Life Care Agreement, the obligations of the person remaining in the apartment home under the Life Care Agreement remain in full legal force and effect, except that the Monthly Service Fee is adjusted to reflect the single occupancy rate then in effect for the apartment home. The person not remaining in the apartment home receives no services or benefits under the Life Care Agreement but continues to be jointly and severally liable for the obligations of the person remaining in the apartment home. No refund of the Resident Deposit is made until both residents leave and the conditions of the Life Care Agreement are met.

In the event the joint occupants of an apartment home desire separate living accommodations at Edgemere, and one resident remains in the apartment home designated in the Life Care Agreement, no refund of the Resident Deposit shall be made until the conditions of the Life Care Agreement are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the apartment home. Upon occupancy of the second apartment home by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodation.

Sharing Unit/Marriage. In the event of the marriage of one resident to another resident, they may: (a) continue to maintain two apartment homes and pay the applicable Monthly Service Fee for single occupancy then in effect for each apartment home; or (b) release either apartment home and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the apartment home jointly occupied by them. There shall be no refund of the Resident Deposit to either resident, and all benefits provided in each Life Care Agreement shall remain and continue in effect.

If a resident and a non-resident (including a new spouse) desire to share an apartment home, the non-resident may become a resident and live in the apartment home only if he/she meets the qualifications set forth in the Life Care Agreement and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-resident may be required to make a Resident Deposit in accordance with the current policies established by Edgemere.

In the event a resident marries an individual while at Edgemere who does not meet the residency requirements, Edgemere, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under the Life Care Agreement.

Relocation. The resident may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, the Life Care Agreement will be amended to reflect the change in Residence status. If applicable, the resident will be required to pay an additional Resident Deposit equal to the difference between the then current Resident Deposit for the new Residence selected and the Resident Deposit initially paid. In the event the current Resident Deposit for the Residence selected is less than the Resident Deposit initially paid, refund of the difference in Resident Deposit will be issued at the time of relocation, in accordance with Section 7.4 of the Life Care Agreement. The resident will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at the expense of the resident.

Moving to a Higher Level of Care

(a) Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while still occupying your residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

(b) Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

See the Life Care Agreement in Attachment A for a more complete explanation of temporary and permanent transfers.

b. State the Community’s policy regarding the circumstances under which a resident is permitted to remain in the Community in the event of any financial difficulty of that resident.

The Life Care Agreement will not be terminated solely because of a resident’s financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of the Life Care Agreement by reason of circumstances beyond the resident’s control. If the resident presents facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by the resident under the terms of the Life Care Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, at its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide a resident with any financial assistance or subsidy, the resident agrees that Edgemere may charge such amounts, plus interest, against the refund of the resident's Resident Deposit. Furthermore, Edgemere may require that the resident move to a smaller or less expensive apartment home.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the resident and his/her estate. See Attachment A of the Life Care Agreement for a more complete description of this policy.

c. State the conditions under which a contract for continuing care may be cancelled by the provider or the resident

Notwithstanding its policy to defer monthly service fees owed by residents who become unable to pay, Edgemere may terminate the Life Care Agreement of a resident who fails to pay any amount owed to Edgemere within the 30-day cure period. Edgemere may also terminate the Life Care Agreement in the event that a default occurs under the provisions of the Life Care Agreement. Defaults include but are not limited to (a) a resident's failure to comply with any covenant of the resident contained in the Life Care Agreement, provided that the resident has thirty (30) days from the date of giving of notice to cure the same; (b) a resident's medical condition would endanger the resident or other persons, or if the resident becomes mentally or emotionally disturbed or creates a disturbance such that the resident's continued presence at Edgemere is deemed by Edgemere to be detrimental to the health, safety or welfare of the resident or other residents; and (c) if a resident is determined by a court of competent jurisdiction to be legally incapacitated or incompetent.

See sections entitled "Consumer Protection and Refund Provisions" and "Refund Prior to Occupancy" for discussion of conditions under which a contract for continuing care may be cancelled by the resident.

d. State the conditions, if any, under which all or part of the entrance fee is refundable on cancellation of the contract by the provider or by the resident, or in the event of the death of the resident before or during occupancy of a living unit.

Upon termination of the Life Care Agreement in accordance with the terms of the Life Care Agreement, or in the event of the resident's death, or in the case of double occupancy, both occupants' deaths, Edgemere will refund 90% of the Resident Deposit (without interest) paid for the vacating resident's apartment home, on the later of the date of termination of the Life Care Agreement or the date a new Resident Deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. After a resident has taken occupancy, the refund amount is ninety percent (90%) of the Resident Deposit paid for the apartment home. In the event Edgemere terminates the Life Care Agreement for just cause in accordance with provisions of the Life Care Agreement, Edgemere shall pay to the resident within 45 days of vacating the apartment home any refund due, less a

reasonable amount to cover the anticipated cost of utilities, telephone, or other obligations if applicable and documented by Edgemere.

- e. State the conditions under which a living unit occupied by a resident may be made available by the Community to a different resident other than on the death of the previous resident.**

Edgemere reserves the right to make a resident's apartment available to a different resident upon the resident's permanent transfer from the apartment home. If Edgemere determines that following a transfer from the resident's apartment home that it is unlikely that the resident will return to it, such that the transfer is permanent in nature, the resident's apartment home shall be released and made available by Edgemere to a new resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the apartment home with another resident. Residents grant Edgemere the right to remove the resident's personal property from the apartment home and to store it at the resident's expense. If, after a permanent transfer, the resident again meets the qualifications for entrance to Independent Living, the resident is given priority admission status for an apartment home.

- f. State the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on those adjustments.**

The Monthly Service Fee may be increased, upon sixty (60) days' written notice to the resident if Edgemere, in its sole discretion, deems it necessary to meet the financial, service and contractual obligations of Edgemere. It is Edgemere's intention to make any adjustments to the Monthly Service Fee only once per year.

Resident Qualifications

- 7. Describe the health and financial conditions required for acceptance as a resident and for continuation as a resident, including the effect of any change in the health or financial condition of an individual between the date of the contract for continuing care and the date of initial occupancy of a living unit by that individual.**

Each prospective independent living resident of Edgemere must submit an application for admission, be able to care for himself/herself and engage independently in activities of daily living. Admission is made without regard to race, color, sex, marital status, religion, creed, handicap or national origin to seniors with a minimum age of 62 years.

The decision to accept a resident for admission to Edgemere is within the sole discretion of Edgemere. Admission is conditional upon the resident's demonstrated financial ability to pay the then current Resident Deposit and Monthly Service Fees as evidenced in the Confidential Data Profile that the resident must complete and submit to Edgemere prior to execution of the Reservation Agreement and the completion, review and approval of a medical profile indicating the resident's ability to live independently.

During the term of the Life Care Agreement, the resident must obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare.

The resident must also maintain in effect supplemental insurance coverage or another form of comprehensive health coverage satisfactory to Edgemere.

Community Reserve Funding

- 8. Describe any provisions made or to be made to provide reserve funding or security to enable the provider to fully perform its obligations under a contract to provide continuing care at the Community, including the establishment of escrow accounts, trusts, or reserve funds together with the manner in which those funds will be invested, and the name and experience of any individual in the direct employment of the provider who will make the investment decisions.**

There is no reserve fund established specifically to provide for the Life Care benefit. It is anticipated the Resident Deposits and interest earnings derived thereon are sufficient to fund obligations under the Life Care Agreement.

As a condition of securing financing for Edgemere, the bondholders require a debt service reserve fund equal to 10% of the debt amount or maximum annual debt service on the long-term bonds.

NSHC invests the debt service reserve fund, Resident Deposits, and any other excess monies generated from project financing and operations in an investment portfolio comprised of government securities, insured deposits, high-grade corporate securities, and professionally-managed equities. All investment policy decisions are made by NSHC. The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help pay for operating and capital costs. As such, interest income generated from the investment of the Resident Deposit is paid to NSHC. At the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, early retirement of debt, costs of future expansions and other purposes deemed appropriate by NSHC. In addition, in order to obtain permanent financing and to secure the lender, NSHC has pledged the receipts and revenues of Edgemere, including the Resident Deposits to the extent allowable by the Texas Statutes. As a result, the Resident Deposits are not escrowed solely for resident refunds.

Financial Statements

- 9. Attach as an exhibit, financial statements of the provider, including a balance sheet as of the end of the most recent fiscal year, statement of cash flow, and the provider's income statements for the three most recent fiscal years or, if the provider has not been in existence for that long, for the period that the provider has been in existence.**

NSHC was organized in January 1998 solely for the purpose of planning, developing and operating Edgemere. See Attachment B for 2019 and 2018 audited financial statements.

Anticipated Sources and Applications of Funds Statement

10. If operations of the Community have not yet begun, include a statement of the anticipated source and application of the funds to be used in the purchase or construction of the Community. The statement should contain the following:

No longer applicable.

Estimated Annual Income Statements

11. Attach as an exhibit, estimated annual income statements for the Community for period of not less than five years. The statement should contain the following:

- a. a beginning cash balance consistent with the statement of anticipated source and application of funds required under Subsection 246.052 of the Act if operation of the Community has not begun;**
- b. anticipated earnings on any cash reserves;**
- c. estimates of net receipts from entrance fees, other than entrance fees included in the statement of anticipated source and application of funds required under Subsection 246.052 of this section less estimated entrance fee refunds, including a description of the actuarial basis and method of calculation for the projection of entrance fee receipts;**
- d. an estimate of gifts or bequests, if any are relied on to meet operating expenses;**
- e. a projection of estimated income from fees and charges other than entrance fees that states individual rates presently anticipated to be charge, including a description of the assumptions used for calculating the estimated occupancy rate of the facility and the effect on the income of the facility of any government subsidies for health care services to be provided under the contract for continuing care.**
- f. a projection of the facility's estimated operating expenses, including a description of the assumptions used in calculating the expenses, and any separate allowance for the replacement of equipment and furnishings and anticipated major structural repairs or additions, and**
- g. an estimate of annual payments of principal and interest required by any mortgage loan or other long-term financing arrangement relating to the facility.**
- h. an estimate of year-end number of occupied living units and the annual number of bed-days to be occupied in the nursing unit(s).**

- i. if estimates made under subsections (a)-(i) are different from those provided in the most recent actuarial review, for communities required to obtain such reviews, an explanation of the differences shall be included.**

See Attachment C for financial projections related to Edgemere's operations. The financial projections are based upon assumptions made by the management of NSHC. The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT'S FINANCIAL PROJECTIONS CONTAINED IN ATTACHMENT C WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

Other Information

- 12. The provider may include in the disclosure statement any other material information concerning the Community or the provider that the provider wishes to include.**

Edgemere failed to meet its Historical Debt Service Coverage Ratio Covenant in 2019 and 2020. The failure to satisfy the Historical Debt Service Coverage Ratio covenant for two consecutive fiscal years constitutes an event of default under the bond documents. Edgemere has retained FTI Consulting, Inc. to, among other things, (i) evaluate Edgemere's operations and marketing strategies; and (ii) provide strategic advice on addressing Edgemere's financial issues. The Trustee and Edgemere have initiated discussions to address the event of default and underlying issues.

Edgemere's occupancy is subject to a Ground Lease with Inter-City Property Investments, Inc. ("Inter-City") dated November__ 1999 ("the Ground Lease"). The Ground Lease is for a term of 55 years and at the end of the stated term, in November, 2054, all buildings and improvements will transfer to Inter-City. Additionally, upon the termination of the Ground Lease either because it reaches term or there is a default and termination Inter-City has the option to either continue the Residency Agreements and Life Care Contracts of the residents at the time of termination or to cancel the Residency Agreements and Life Care Contracts. Edgemere takes no position as to the enforceability of this lease or its provisions.

In order to preserve liquidity for the benefit of its residents, the Edgemere ceased making payments on its bond obligations and the Ground Lease as of October 1, 2021. The Edgemere is engaged in discussions with the all parties to resolve the financial situation of the Edgemere for the best outcome of the Edgemere residents; however, a forbearance agreement between the parties was allowed to expire on December 31, 2021 as the result of inaction by the landlord with respect to repeated attempts and desire by Edgemere, the bond trustee, and Lifespace to provide for an extension of the forbearance agreement.

Consumer Protection and Refund Provisions-Required Standard Contract Language

- 13. Attach as an exhibit a copy of the standard contract form used by the provider. The standard contract form must contain the following language.**
 - a. “You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract or you receive the Community’s disclosure statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice and you will be entitled to receive a**

refund of all assets transferred other than periodic charges applicable to your occupancy of a living unit.”

- b. A thirty-day refund provision must be in the standard contract: “If the contract is rescinded pursuant to “a” above, any money or property transferred to the provider other than periodic charges specified in the contract and applicable only to the resident must be returned in full within 30 days.”**
- c. “This document, if executed, constitutes a legal and binding contract between you and NSHC. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding.”**
- d. “A resident who executes a continuing care contract may not be required to move into the Community before the expiration of the seven (7) day rescission period.”**
- e. A provision for automatic cancellation of the contract upon death or incapacity prior to occupancy must be contained in the contract with the following statement or a substantially equivalent statement:**

“If a resident dies before occupying a living unit in the Community, or if, because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care, the contract is automatically canceled, and the resident or legal representative of the resident is entitled to a refund of all money or property transferred to the provider, less any non-standard cost specifically incurred by the provider or Community at the request of the resident that are described in the contract or in an addendum to the contract signed by the resident that are described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge if set out in the contract, not to exceed the greater of \$1,000 or 2% of the entrance fee.”

Refer to the Life Care Agreement at Attachment A.

Refund Prior to Occupancy

- 14. The standard residency contract shall contain language providing for automatic cancellation of the contract for continuing care and shall entitle a resident to a refund of all money or property transferred to the provider, less any nonstandard cost specifically incurred by the provider or Community at the request of the resident that is described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge, if set out in the contract, not to exceed the greater of \$1,000 or two percent of the entrance fee, if a resident dies before occupying a living unit in the Community, or if because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care.**

Refer to Section 7.1 of the Life Care Agreement at Attachment A.

Advertising

- 15. No provider shall engage in any type of advertisement which contains any statements or representations in conflict with the disclosures required under Chapter 246, Health and Safety Code.**

The resident or prospective resident may examine the advertising material and the disclosures made in this statement.

ATTACHMENT A

EDGEMERE

Life Care Agreement

EDGEMERE
LIFE CARE AGREEMENT

EDGEMERE

LIFE CARE AGREEMENT

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ADDENDUM A – CONFIDENTIAL DATA PROFILE

EDGEMERE

LIFE CARE AGREEMENT

NOTICES

- A. You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract (Rescission Period) or you receive the Edgemere Disclosure Statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice, and you will be entitled to receive a refund of all assets transferred (without interest), subject to the terms and conditions contained in this contract, other than the periodic charges applicable to your occupancy of a living unit.
- B. This document, if executed, constitutes a legal and binding contract between you and Northwest Senior Housing Corporation. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding. This Agreement provides certain rights of occupancy of a senior living community, hereinafter referred to as “Edgemere” located in Dallas, Texas.
- C. You shall not be required to move into Edgemere before the expiration of the seven (7) calendar day period (Rescission Period).

TERMS OF OCCUPANCY

This Life Care Agreement (“Agreement”) is entered into by _____

(individually and/or collectively “you” or “Resident”), and Northwest Senior Housing Corporation d/b/a Edgemere, which owns and operates Edgemere located in Dallas, Texas. The term “Edgemere” is used throughout this Agreement to denote Northwest Senior Housing Corporation, or the senior living community. The terms “we”, “our”, or “NSHC” are also used in lieu of Northwest Senior Housing Corporation.

Edgemere seeks to provide quality residential housing for retirement age men and women along with an array of personal services and amenities outlined in this Agreement, including certain assisted living and nursing services. Subject to the conditions contained in this Agreement, we agree to make available to you, an unfurnished independent living unit (“Residence”) in Edgemere and provide you with general services and amenities described in this Agreement. The Residence is described as follows:

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

1. **RESERVATION OF RESIDENCE**

In connection with this Agreement, Resident made a deposit equal to ten percent (10%) of the Resident Deposit (hereinafter defined) or \$_____ (the "Reservation Deposit") to reserve the Residence identified above located within Edgemere.

- 1.1 **Conditions of Occupancy.** Conditions of occupancy of the Residence are that Resident shall: (i) meet the health and financial conditions of acceptance into Edgemere; (ii) execute this Agreement; (iii) pay in full the remaining balance of the Resident Deposit ("Resident Deposit Balance") and (iv) pay the applicable ongoing Monthly Service Fee(s).
- 1.2 **Escrow of Reservation Deposit.** The Reservation Deposit shall be placed and maintained in an escrow account to the extent required by Texas law. The escrow agent is Regions Bank, 1717 St. James Place, Suite 500, Houston, TX 77056.
- 1.3 **Refund of Reservation Deposit for Involuntary Termination.** The Reservation Deposit shall be refunded in full to Resident within thirty (30) days of termination of this Agreement under the following circumstances: (i) Edgemere's failure to meet its obligations under this Agreement prior to occupancy of the Residence by Resident; or (ii) death, incapacity or serious illness of Resident prior to occupancy. If Resident's health status changes after Resident is accepted for Residency by Edgemere so that at the time of occupancy Resident is precluded from independent living for health reasons and certified by a licensed physician, the entire Reservation Deposit shall be refunded to Resident; provided, however, Resident may elect not to terminate this Agreement and may elect direct admission into Assisted Living (hereinafter defined) or the Health Center (hereinafter defined) at the appropriate level of care, as determined by Edgemere.
- 1.4 **Refund of Reservation Deposit for Voluntary Termination.** If Resident terminates this Agreement after seven (7) days from the date it is executed other than for reasons in Section 1.3, above, Edgemere shall refund the entire Reservation Deposit within thirty (30) days, less a processing fee of five hundred dollars (\$500.00).
- 1.5 **Disclosures.** Resident acknowledges that Resident has received a copy of the Disclosure Statement and other information which may be material to Resident's decision whether to occupy the Residence. Resident understands that Resident may not occupy the Residence and is not entitled to any services or benefits of the Life Care Agreement until the Resident Deposit has been paid in full.

2. **GENERAL SERVICES AND FACILITIES**

- 2.1 **Basic Agreement.** In consideration of payment of a Resident Deposit in the amount stated in Section 5.2 and payment of the applicable Monthly Service Fee, initially in the amount stated in Section 5.3, you will be entitled to occupy the Residence indicated above and to receive the services and use of the facilities described in this Agreement according to the provisions of this Agreement.

Your right to occupy the Residence or such other care accommodations to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The right to occupy the Residence and receive services under this Agreement shall apply exclusively to the named Resident hereunder, and to no other individual(s). No person other than the Resident entering into this Agreement shall be permitted to occupy the Residence without the express written permission of Edgemere as hereinafter provided.

- 2.2 Residence Furnishings.** The Residence will be furnished at our expense with floor coverings, , self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer, dryer, an emergency alert system, fire sprinkler system and a telephone/data communications port and cable TV hookup.
- 2.3 Parking.** Surface parking areas will be provided for you and for guests of Edgemere as defined in the Resident Handbook. One secured underground parking space will be provided for each Residence at the request of the Resident and in conformance with our parking policy.
- 2.4 Community Common Areas.** You will have use of Edgemere community common areas in accordance with the policies and procedures of Edgemere, as modified and amended from time to time. Community common areas are non-smoking and may include:
- a. Formal & Casual Dining Rooms
 - b. Private Dining Room
 - c. Performing Arts Center
 - d. Outdoor Dining Terrace
 - e. Library
 - f. Conference Room
 - g. Game & Card Room
 - h. Creative Arts Center
 - i. Beauty & Barber Shop
 - j. Business Center
 - k. Wellness and Fitness Center
 - l. Convenience Store
 - m. Swimming Pool
 - n. Living Rooms
 - o. Guest Suites
- 2.5 Included General Services.** So long as you are in compliance with your obligations hereunder, we will provide you with the following services covered by the Monthly Service Fee and Resident Deposit:
- a. **Food Service.** Meals will be served on a daily basis in the main dining room. You are entitled to one meal credit per person for each day of the month (for example, 30 meal credits for June and 31 meal credits for July). You may purchase guest meals or use accumulated meal credits at any time during the month for meals for you and/or your guests. Any unused meal credits for any month will be forfeited and may not be applied as a credit against meal charges for any other period. If you are absent from Edgemere for more than fourteen (14) consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give Edgemere written notice of your intended absence at least two (2)

weeks in advance. For health-related absences, no prior notice is required. Additional meals are available upon request for an additional fee.

- b. Housekeeping.** Housekeeping of the Residence, including vacuuming, mopping, sweeping and changing of bed linens occurs on a weekly scheduled basis.
- c. Utilities.** The costs of sewer, water, waste disposal, electricity, heat, air-conditioning, and basic cable television service are included in the Monthly Service Fee. The Residence will be centrally wired for cable television and telephone service, as well as a data communications port. You will be responsible for all telephone, premium cable television and internet service provider charges.
- d. Security and Emergency Alert System.** Each Residence will be equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere will monitor the emergency alert systems on a twenty-four hour basis and coordinate emergency responses as appropriate. Security personnel will be employed and exterior entrances will have secured access.
- e. Laundry.** We will provide scheduled weekly laundry service of your personal bed linens.
- f. Maintenance.** We will maintain all community common areas and grounds. Edgemere will be responsible for providing repair, maintenance and replacement of equipment and furnishings provided by Edgemere, provided that such repairs are not required as a result of your negligence. You are responsible for maintenance of your personal property and are encouraged to purchase a renter's insurance policy covering your personal property and personal liability.
- g. Mail.** A U.S. mailbox will be provided to you in a central location.
- h. Transportation.** We will provide local transportation to designated shopping, medical facilities, and other local destinations on a regularly scheduled basis.
- i. Social and Recreational Programs.** A full-time Lifestyle Director will coordinate a variety of social, recreational, educational and cultural programs for those residents wishing to participate. Specific programs will be based on residents' interest.
- j. Property Taxes and Insurance.** We will pay for real property taxes for the community, with the exception of those assessed on your personal property. We will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. Edgemere recommends that you purchase appropriate comprehensive insurance.
- k. Storage Area.** An individual storage area located in Edgemere will be assigned and available for your use.

- l. Wellness Programming.** We will coordinate educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.
- m. Medical Director.** We will retain the services of a qualified physician (“Medical Director”) to be responsible for the appropriateness and quality of medical services and medically related activities provided by Edgemere. The Medical Director is not expected to provide medical services to Residents and will be retained as a consultant to Edgemere.
- n. Life Care Benefit.** If it is determined that you require assisted living or nursing care in the future, we will provide you with assisted living services available in our assisted living center (“Assisted Living”) or nursing services available in our nursing center (“Health Center”), as described below and subject to changes in law.

 - (i) Admission.** When a determination is made by your physician and approved by the Medical Director that you need assisted living services or nursing care, then you will be transferred to Assisted Living or the Health Center as provided for in Section 4 of this Agreement. Transfers to Assisted Living or the Health Center will only occur after consultation with the Resident, the Resident’s family, and a licensed physician.

In the event that space for you, for any reason, is not available in Assisted Living or the Health Center upon determination that a permanent transfer is required, Edgemere will arrange and pay for your care in your Residence by a certified home health care agency of Edgemere’s choice, if reasonably possible, until space becomes available in Assisted Living or the Health Center. If home health care is not medically possible, Edgemere will arrange and pay for your care in another facility of Edgemere’s choice that can provide the same care that would otherwise have been provided by Edgemere until space becomes available. Edgemere will pay for care in another facility to the same extent as if it were provided by Edgemere.

- (ii) Assisted Living.** We will provide to you, in a Traditional Assisted Living Apartment, support services that are designed to assist you with activities of daily living in accordance with Texas law. Services may include assistance with dressing, bathing, grooming, medication administration, and ambulation. Additional services and ancillary products may also be provided for a specified charge identified in the resident handbook.
 - (iii) Nursing Care.** We will provide to you, in a Traditional Private Room, licensed nursing care services approved by our Medical Director (“Nursing Care”). The care provided will cover services included in the basic private nursing room published daily rate then in effect. Such care may include those services required by applicable law to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with activities of daily living and communication with physicians and other care providers. You will be

responsible for charges for supplies and services above those included in the basic published daily rate.

- (iv) **Fees and Charges.** We will provide without charge basic Assisted Living or Nursing Care as defined in Section 2.5.n.(ii) and (iii), to the extent that it is not covered by your insurance, Medicare or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to:

Effect on Monthly Service Fee.

a. Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while you are still occupying your Residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

b. Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

- o. Additional Charges.** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Center which are not covered by the basic published market daily rates for such care then in effect as described in Section 2.5n. (ii) and (iii). Additional charges apply in circumstances which include, but are not limited to, the following:

1. If you require Memory Support Deluxe Assisted Living you will be responsible for the difference between the then current Monthly Service Fee for a Traditional Assisted Living Apartment and the Memory Support Alcove Room.
2. If you require specialized memory support services at the Health Center, you will be responsible for the then current difference in daily rates between a Traditional Private Room in Nursing Care and a Memory Support Nursing Care Private Room.
3. In the event of a Temporary Transfer or Permanent Transfer, you will be responsible for all costs of relocation.

2.6 Additional Services. The following Additional Services may be available to Residents on a fee-for-service basis:

- a. Guest meals
- b. Catering for special occasions
- c. Barber and beauty services
- d. Tray service
- e. Additional resident meals
- f. Additional parking, subject to availability
- g. Additional housekeeping services
- h. Laundry services for personal items
- i. Usage of the guest suites

Charges for these Additional Services and others that may be offered will be made in accordance with the Resident Handbook then in effect and will be billed to you monthly.

2.7 Alteration to Residence. You may make alterations to your Residence at your cost, subject to Edgemere's policies and with Edgemere's prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor we approve. Any alterations of a permanent nature become the property of Edgemere. For your safety, you agree not to replace the existing locking device or add any locking devices to your Residence. Edgemere reserves the right to restore the apartment home to the pre-altered state upon vacancy of the apartment by Resident. The cost of the restoration is the responsibility of Resident and may be withheld from any refund due.

2.8 Advance Notice for Changes in Scope of Services. We will provide at least sixty (60) days advance notice before any change in the scope of care or services becomes effective unless an immediate transfer to Assisted Living or Health Center is deemed necessary as provided in Section 4 of this Agreement. This includes notification of any changes in charges for Additional Services.

3. **RESIDENT'S OBLIGATIONS**

- 3.1 Health Insurance.** Edgemere will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare. You shall also maintain in effect supplemental Medicare insurance coverage acceptable to us, and furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to us. You agree to provide evidence of such insurance to us upon request. You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future for health care services provided hereunder to you.

You will be responsible for paying separately for all health care services that are not covered by Edgemere, Medicare (or an equivalent substitute policy approved by Edgemere), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, Edgemere will assist you in obtaining answers.

- 3.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. If you should thereafter become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

- 3.3 Home Health Care Services.** It is the intent of Edgemere to enable you to maintain the highest level of independence possible. As such, home health care services may be provided to you in your Residence at your expense by a certified home health care agency of your choosing. Such services are typically intermittent and short-term in nature, often rendered following an acute care illness. Any assistance by Edgemere in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency, and Edgemere shall in no way be deemed responsible for the acts or failure to act of any such agency. You are to notify Edgemere if you are receiving or intend to receive home health care services. If you choose to receive home health care services, you are obligated to retain an aide who is employed by a licensed home health agency in Texas and to report the home health agency's periods of visitation to Edgemere. You must also comply with the provisions outlined in the Residents Handbook for retaining Private Duty Aides. Residents who need assistance with the activities of daily living or nursing service on a continuing basis will transfer to Assisted Living or Health Center to receive such services, in accordance with the provisions in Section 2.5.n.

- 3.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges which may be incurred by or on behalf of you for costs not covered by this

Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense.

3.5 Resident Handbook. We will establish and adopt policies and procedures (collectively “Policies”) for the occupancy and orderly operation and management of Edgemere. These Policies will be drafted to provide for the safety, welfare, peace and comfort of all Residents consistent with the provisions of the Life Care Agreement. These Policies will be published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.

3.6 Non-Impairment of Financial Responsibility. After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and cause any act such that you would no longer meet the financial qualifications as set by Edgemere for your Residence.

4. TRANSFERS AND READMISSION

There may come a time when you must move to Assisted Living or Health Center or to another facility which provides services not available at Edgemere. Edgemere is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

4.1 Consultations. Except in case of emergency, Edgemere agrees not to transfer you from your Residence to Assisted Living or Health Center, or to a care facility or hospital which is not on the campus of Edgemere, for health-related or other reasons unless it has consulted with you, your physician, your family and/or your designated representative, if applicable. Such a decision shall be made in the best interests of the Resident, and the decision of Edgemere shall be final and binding. In the case of an emergency transfer, Edgemere will schedule the consultations described above within seven (7) days after transfer.

Circumstances in which it is in the best interest of the Resident to be transferred include, but are not limited to, the following:

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with activities of daily living or nursing care;
- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term “ambulatory” is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or,

- c. A determination that the continued residency of the Resident at Edgemere would be harmful to either the Resident, other Residents or staff of Edgemere.

If we determine, after consultation, that your health requires that you be transferred (a) from the Residence covered by this Agreement to Assisted Living or Health Center or (b) to a care facility or hospital which provides services which Edgemere does not provide or is not licensed to provide, you agree to be relocated in accordance with that decision.

- 4.2 Consents.** When Edgemere determines, after consultations as described above, to transfer you to Assisted Living, Health Center, or to a suitable care facility or hospital for health care or other health-related services, Edgemere shall be authorized to transfer you without having to obtain your further consent.

Edgemere shall not be responsible for the cost of any services rendered to a Resident who is transferred from Edgemere to another facility, except as specifically provided otherwise hereunder.

- 4.3 Transfers.** Pursuant to Section 4.1 and 4.2, transfers are defined below as temporary and permanent.

- a. **Temporary Transfer.** A transfer is considered temporary when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Residence within ninety (90) days. Your residence will be held for your return.
- b. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer will not allow you to return to your Residence within ninety (90) days.

In the event of a Permanent Transfer of one Resident in the case of single occupancy or of both Residents in the case of double occupancy, you shall release your Residence in order for Edgemere to make your Residence available to a new Resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the Residence with a new Resident. You grant Edgemere the right to remove your personal property from the Residence fifteen (15) days after a Permanent Transfer and to store it at your expense. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished, at the then current Monthly Service Fee. While you are in Assisted Living or the Health Center, the Monthly Service Fee will continue to be due and payable as described in Section 2.5.n.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

5. RESIDENT DEPOSIT AND FEES

- 5.1 Occupancy Date.** The day you receive keys to your Residence is the occupancy date. You shall not be required to move into Edgemere before seven (7) days following the date you executed this Agreement and made the Reservation Deposit.

In the event you decide not to move into your Residence on the Occupancy Date, the obligation of Edgemere to provide care and services as provided hereunder shall not be effective until your Resident Deposit has been paid in full.

- 5.2 Resident Deposit.** You agree to make a non-transferable, non-interest bearing Resident Deposit in the total amount of \$_____. The Reservation Deposit of \$_____ is due at the time you execute this Agreement. The remaining balance of your Resident Deposit, being \$_____, is due on or before the Occupancy Date, unless otherwise previously agreed in writing. In the event the remaining balance of the Resident Deposit is not paid by the Occupancy Date, Edgemere in its sole discretion may terminate this Agreement and re-market your Residence to a new resident. Once paid, this Resident Deposit will not be increased or changed during the duration of this Agreement. The Resident Deposit shall in no way be considered or interpreted to be a security deposit.

The Resident Deposit shall be the property of Edgemere for use in accordance with the terms of this Agreement, and shall not be subject to the claims of creditors of the Resident. The Resident Deposit shall be refundable in accordance with Section 7.

- 5.3 Monthly Service Fees and Changes in Fees.** Your Monthly Service Fee will be initially \$_____ per month for one person and an additional \$_____ per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon sixty (60) days' written notice to you. It is our intention to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee, in addition to charges for additional services, shall be billed in advance to the Resident on or before the fifth business day of each month, and shall be paid on or before the fifteenth (15th) day of the month.

Fees for additional services will be charged in accordance with the Additional Services Fee Schedule we establish and will be on file in the management office.

- 5.4 Late Fee.** We will reserve the right to assess you a late fee of five percent (5%) per month (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Additional Services Fees are not paid in full on or before the twentieth day (20th) of the calendar month in which they are due.

- 5.5 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 4, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the

Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired. The refund of the Resident Deposit will be made in accordance with Section 7.7 and once all conditions of Section 7.4 are met.

In the event the joint occupants of a Residence desire separate living accommodations at Edgemere, and one (1) Resident remains in the Residence designated hereunder, no refund of the Resident Deposit shall be made until the conditions of Section 7.4 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Residence. Upon occupancy of the second Residence by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodations.

In the event of the marriage of a Resident to another Resident, they may: (a) continue to maintain two Residences and pay the applicable Monthly Service Fee for single occupancy then in effect; or (b) release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the Residence retained. All benefits provided in each Life Care Agreement shall remain and continue in effect. There shall be no refund of the Resident Deposit to either Resident until both Residents leave and the conditions of Section 7.4 have been met.

If you and a non-Resident (including a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for entrance set forth in Section 6 and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-Resident may be required to make a Resident Deposit in accordance with the then current policies established by Edgemere.

In the event you marry an individual while at Edgemere who does not meet the residency requirements for Edgemere, NSHC, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under this Agreement.

5.6 Liability for Charges. Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Additional Service Fees and all other amounts required to be paid to Edgemere, pursuant to the provisions of this Agreement. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Edgemere under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

5.7 Residents Who Become Unable to Pay. It is Edgemere's policy that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Edgemere's right to terminate this Agreement in accordance with its terms. If you present facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this

Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, in its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide you with any financial assistance or subsidy, you agree we may charge such amounts, plus interest, against the refund of your Resident Deposit. Furthermore, we may require you to move to a smaller or less expensive Residence.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate.

6. APPLICATION AND ACCEPTANCE FOR RESIDENCY.

The obligations of Edgemere to provide services and facilities hereunder are conditioned upon acceptance of the Resident for residency at Edgemere in accordance with this paragraph. The decision to accept a Resident for residency at Edgemere shall be within the sole discretion of NSHC.

6.1 Requirements for Acceptance for Residency. We require that you be capable of independent living and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income which are sufficient to meet ordinary and customary living expenses after assuming occupancy.

6.1.1 Confidential Data Profile. You shall complete and submit a Confidential Data Profile provided by Edgemere prior to or concurrent with the execution of this Agreement. You hereby certify to Edgemere that all information reflected on such Confidential Data Profile, which is hereby incorporated by reference and made a part of this Agreement, including all personal financial data, is complete and accurate.

6.1.2 Confidential Medical Profile Report. In addition to the Confidential Data Profile you will be required to submit a Confidential Medical Profile completed by your physician within fifteen (15) days after the execution of this Agreement.

6.1.3 Age. To be accepted for admission at Edgemere, you must be at least sixty-two (62) years of age at or before the Occupancy Date.

6.2 Notification of Decision. Within thirty (30) days of satisfaction by you of all of the requirements set forth in Section 6.1, Edgemere shall notify you in writing of its decision concerning your acceptance to Edgemere. In the event you are not accepted for residency at Edgemere, your Reservation Deposit specified in Section 5 and tendered upon execution of this Agreement shall be refunded within ten (10) days of the date of the written notification

to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.

6.3 Acceptance for Residency Conditional Upon No Material Changes Prior to Occupancy. Acceptance for residency to Edgemere shall be conditioned upon no material change in the matters covered by the Confidential Data Profile and Confidential Medical Profile prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Edgemere may request that additional information be provided. In the event of the existence of a material change in condition, Edgemere may revoke its acceptance of you for residency to Edgemere at any time prior to the Occupancy Date by written notification to you, and your Reservation Deposit as specified in Section 5 shall be refunded within ten (10) days of the date of such notification.

6.4 Duty of Resident to Notify Edgemere. You acknowledge and agree that Edgemere has relied upon all of the information contained in your Confidential Data Profile and Confidential Medical Profile to make its decision regarding your acceptance for residency at Edgemere. Any misrepresentation or omission by you shall render this Agreement null and void at the option of Edgemere. You agree to notify Edgemere prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Data Profile or the Confidential Medical Profile.

7. TERMINATION AND REFUNDS

7.1 Termination Prior to Occupancy.

- a. You will be entitled to full reimbursement of any monies paid to us within thirty (30) days of our receiving your written termination of this Agreement and will be released from liability to pay to us any other amount under this Agreement under any one of the following conditions:
 - (i) If you terminate this Agreement within seven (7) days from the date on which you signed this Agreement and paid the Reservation Deposit.
 - (ii) If you die before occupying your Residence at Edgemere, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Data Profile or the Confidential Medical Profile, this Agreement will be automatically canceled.

Interest on the Resident Deposit will NOT be due or payable.

- b. If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described above, you will be entitled to a reimbursement of any monies paid, less a processing fee of five hundred dollars (\$500.00). Interest on the Resident Deposit will NOT be due or payable. Thereupon, you shall be relieved of further liability to pay a Resident Deposit or Monthly Service Fees under this Agreement. In this circumstance, we will pay the refund due to you within thirty (30) days after the date we have received your written notice of termination of this Agreement.

7.2 Termination of Residency After Occupancy. After you have assumed occupancy of your Residence, this Agreement is subject to termination as follows:

- a. By you at any time upon thirty (30) days prior written notice to Edgemere.
- b. Edgemere may terminate this Agreement after the Occupancy Date for the following nonmedical reasons:
 - (i) A material misrepresentation or omission by you in the Confidential Data Profile, Confidential Medical Profile, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;
 - (ii) If you fail to comply with the policies and procedures of Edgemere or create a situation detrimental to the health, safety or quiet enjoyment of the community by other Residents or the staff;
 - (iii) If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however, it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that: (1) your inability to pay is not the result of your willful action; and (2) in the judgment of NSHC, the ability of Edgemere to operate on a sound financial basis will not be impaired.
 - (iv) Material breach by you of the terms and conditions of this Agreement; and,
 - (v) The Residence is no longer fit for occupancy and Edgemere elects not to restore the Residence to habitable condition.
- c. Edgemere may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director (after consultation “to the extent feasible” with you, your personal physician, and your family and/or designated representative) that:
 - (i) You have developed a dangerous or contagious disease or mental illness;
 - (ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which care cannot be provided by us without a significant and unique expenditure; or,
 - (iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence at Edgemere is determined to be detrimental to the health, safety and welfare of other Residents or staff.

Therefore, should any of these situations occur, we are expressly authorized (after consultation with the Medical Director, your personal physician and your family

and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital facility or alternative care facility.

If Edgemere seeks to terminate this Agreement and your occupancy, Edgemere shall give you sixty (60) days' prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place and date for a meeting between you and Edgemere's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination upon your showing to Edgemere's reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

- 7.3 Effect of Double Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident dies, this Agreement will continue in full legal force and effect as to the surviving Resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Residence occupied. No refund of the Resident Deposit will occur until the surviving Resident leaves and all conditions of Section 7.4 are met.
- 7.4 Refund of Resident Deposit.** After termination of this Agreement in accordance with Section 7.2 or in the event of your death, or in the case of double occupancy, both occupants' deaths, we will refund ninety percent (90%) of the Resident Deposit (without interest) that you paid for your Residence at Edgemere. Except as provided in the next paragraph, the refund will be paid on the later of: (i) ten (10) days after a new resident deposit has been received from a new resident and the new resident has taken occupancy of your former Residence, or (ii) termination of this Agreement.
- 7.5 Use of Resident Deposit.** The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help fund operating and capital costs. As such, interest income generated from the investment of the Resident Deposit will be paid to Edgemere. In addition, at the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future capital expenditures, resident refunds and other purposes deemed appropriate by NSHC. No reserve funding will be established pertaining to the refund of the Resident Deposit. In order to obtain permanent financing and to secure the lender or other party or parties who provide financing, NSHC pledged the gross receipts and revenues of Edgemere including Resident Deposits to the extent allowable by Texas law.
- 7.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Resident Deposit any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- 7.7 Relocation.** You may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, this Agreement will be amended to reflect the change in Residence status.

- a. **Relocation to a less expensive Residence.** You will receive a refund of the refundable portion of the Resident Deposit in excess of the refundable portion of the Resident Deposit then in effect for the new Residence in accordance with Section 7.4. No additional ten percent (10%) non refundable portion will be required. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.
- b. **Relocation to a more expensive Residence.** You will be required to pay the difference between the initial Resident Deposit and the Resident Deposit then in effect for the new Residence selected. A portion of the additional Resident Deposit will be nonrefundable. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.

8. **MISCELLANEOUS**

- 8.1 **Resident's Interest.** You do not have any proprietary interest in Edgemere, its assets or properties by virtue of this Agreement. While Edgemere is interested in Resident's input and comments, this Agreement does not give you the right to participate in management or policy making decisions of Edgemere or related properties.
- 8.2 **Responsibility for Protection of Resident's Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flooding or other casualty, or by leaking of water, bursting of pipes, theft or any other cause. You shall be solely responsible, at your own expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from Edgemere, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from Edgemere premises within sixty (60) days after termination of this Agreement, we reserve the right to have such property placed in a commercial bonded warehouse at the expense and risk of you or your estate.
- 8.3 **Injury or Accident While Away from Edgemere.** If the Resident is injured in an accident or becomes ill while away from Edgemere, the Resident shall make every reasonable effort to notify Edgemere as soon as possible, and the Resident shall arrange to return to Edgemere as soon as reasonably possible if continued medical care is required. Edgemere shall not be responsible for or assume the cost of medical care for illness or injury incurred by the Resident while away from Edgemere. At such time as the Resident returns to Edgemere, Edgemere shall assume the responsibility for Assisted Living or Health Center services thereafter rendered as provided in this Agreement.
- 8.4 **Injury Caused by Third Party.** In the event of an accident or injury to you caused by a third party, for which such third party may be liable for the cost of any medical, surgical, nursing or additional care for you resulting therefrom, you or your designated representative shall notify Edgemere promptly and you or your designated representative shall pursue diligently any claim for damages which may be due from such third party for the injury. Edgemere is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify NSHC for any expenses incurred by Edgemere in providing care to you for which a third party is liable.

NSHC may limit its actions as provided above to claims for recovery of the costs and expenses incurred by it, and in such event, NSHC shall not be obliged to assert any claim on behalf of you arising out of such accident or injury beyond the costs and expenses incurred by Edgemere.

8.5 INDEMNIFICATION FOR NEGLIGENCE. YOU HEREBY AGREE TO INDEMNIFY, PROTECT AND HOLD US HARMLESS FROM ANY LOSS, DAMAGE, INJURY OR EXPENSE INCURRED BY EDMERERE AS A RESULT OF YOUR NEGLIGENCE OR WILLFUL ACTS OR THE ACTS OF YOUR INVITEES OR GUESTS.

8.6 Right of Entry. You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Non-emergency or non-medical services will be scheduled in advance with Resident.

8.7 Guests. Occupancy of the Residence and use of Edgemere common areas and grounds is limited to you and your guests. Guests may not occupy your Residence for more than fourteen (14) days without the prior written approval of Edgemere. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests.

8.8 Absence from Edgemere. You agree to notify Edgemere in advance of any contemplated absence that is anticipated to exceed twenty-four (24) hours.

8.9 Damage to Residence. Resident is responsible for excessive wear or damage to the Residence caused by Resident action or neglect. The cost of repair due to damage or neglect is the responsibility of the Resident and may be withheld from any refund due.

If your Residence is damaged by fire, flood, storm or other casualty or cause and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type Residence at Edgemere, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Edgemere and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.

8.10 Entire Agreement. This Agreement constitutes the entire Agreement between you and NSHC with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent Edgemere unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.

8.11 Binding Effect. This Agreement is binding upon our successors and assigns and your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.

8.12 Severability. Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.

- 8.13 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Edgemere's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Edgemere's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 8.14 Nondiscrimination.** Edgemere will be operated on a non-discriminatory basis, and will provide the facilities and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap or national origin.
- 8.15 Notices.** Any notice to Edgemere by you will be given in writing and mailed or delivered to Edgemere at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing and mailed or delivered to your Residence or at such other address as you may designate to Edgemere in writing.
- 8.16 Potential Tax Benefit.** You may be eligible for a one-time medical expense tax deduction for a portion of the Resident Deposit (in the first year of occupancy) and annually for a portion of the Monthly Service Fee paid to Edgemere in that tax year. Edgemere will provide a statement prepared by its auditors each year for your use in tax preparation. Edgemere makes no representations regarding the availability of any tax deduction relating to your residency and care at Edgemere. You are advised to seek tax advice on this issue from your tax advisor.
- 8.17 Choice of Law.** This Agreement will be interpreted according to the laws of the State of Texas without regard to conflict of law principles.
- 8.18 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency.
- 8.19 Authorized Agent Signature.** This Agreement has been executed on behalf of Edgemere by its duly authorized agent and no officer, director, agent or employee of Edgemere shall have any personal liability hereunder to you under any circumstances.
- 8.20 No Third Party Rights.** No other persons or entities other than Edgemere and the Resident have any rights or obligations under this Agreement.
- 8.21 Failure to Act.** Failure or delay of any party to exercise any right, power, or privilege under this Agreement will not operate as a waiver of such right, power, or privilege.
- 8.22 Right of Subrogation.** If you are injured by a third party and such injury requires Edgemere to provide health care services under this Agreement, Edgemere shall be subrogated, to the extent allowed by Texas law, to your rights against such third party to the extent necessary to reimburse Edgemere for the costs incurred in providing services under this Agreement. To the extent allowed under Texas law, this right of subrogation authorizes Edgemere to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, NORTHWEST SENIOR HOUSING CORPORATION

and the Resident(s) have signed this Agreement on this _____ day of _____, 20____.

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

NORTHWEST SENIOR HOUSING CORPORATION,
a Texas nonprofit corporation

By: _____

Its: _____

Edgemere Marketing Representative

Addendum A

Confidential Data Profile

EDGEMERE

CONFIDENTIAL DATA PROFILE ***ALL INFORMATION WILL BE HELD CONFIDENTIAL*** **Addendum A**

Please Print Clearly or Type

1. Name: _____
Last First Middle
2. Address: _____
Street City State Zip Code
3. Telephone No: () _____ Birth Date: _____
Month Day Year
4. Marital Status: ___ Married ___ Single ___ Widowed ___ Divorced
Number of Children: _____ Anniversary Date: _____
5. Name of Spouse: _____ Birth Date: _____
Month Day Year
6. Your Social Security Number: _____
Spouse's Social Security Number: _____
7. Power of Attorney (if applicable): _____
Address: _____
Street City State Zip Code
8. Person to notify in case of emergency: _____
Address: _____
Street City State Zip Code
Telephone No: () _____
9. What was/is your occupation? _____
10. What are your hobbies or interests? _____
11. Church Affiliation: (Optional) _____
12. Driver's license #: _____ Would you bring a car? _____

13. Apartment size desired: _____ Location/floor desired: _____

14. Are you capable of Independent Living without help from anyone else?

1st Person: ___ Yes ___ No

2nd Person: ___ Yes ___ No

If no, please describe the kinds of assistance you currently need.

15. Medicare No. (1st Person): _____

Medicare No. (2nd Person): _____

Supplemental Health Insurance:

Insurer: _____ Policy No.: _____

Prospective Resident Signature

Date

FINANCIAL STATEMENT

(Must be completed by each individual; joint holdings must be so noted)

***ALL INFORMATION WILL BE MAINTAINED AS CONFIDENTIAL UNLESS
REQUIRED TO BE DISCLOSED BY LAW***

ASSETS						
		Is the asset security for a loan?			Is the asset security for a loan?	
		1st Person	Yes		No	2nd Person
Cash (Savings & Checking)	\$				\$	
CD's, Money Markets, etc.	\$				\$	
Stocks & Bonds	\$				\$	
IRA's, Annuities, etc.	\$				\$	
House	\$				\$	
Other Real Estate	\$				\$	
Trust Fund (indicate % beneficial int.)	\$				\$	
Cash Surrender Value of Life Insurance	\$				\$	
Other Assets (Describe Below:)	\$				\$	

TOTAL ASSETS:	\$				\$	
LIABILITIES						
		1st Person			2nd Person	
Mortgage on Residence	\$				\$	
Mortgage(s) on Other Real Estate	\$				\$	
Other Bank Loans	\$				\$	
Loans Against Cash Surrender Value of Life Insurance	\$				\$	
Other Liabilities (Notes Payable, etc.)	\$				\$	
TOTAL LIABILITIES:	\$				\$	

HAVE YOU GUARANTEED ANY DEBT OWED BY ANOTHER?

_____ YES _____ NO

Guarantor(s)	Debtor	Relation	Amount of Debt Guaranteed

REGULAR MONTHLY INCOME

	1st Person	2nd Person
Social Security	\$	\$
Pension *	\$	\$
Dividends	\$	\$
Interest	\$	\$
Mortgage/Rental Income	\$	\$
IRA Income	\$	\$
Trust Income	\$	\$
Other Monthly Income	\$	\$
Total Regular Monthly Income	\$	\$

*With regard to monthly pension income reflected, will the monthly payment continue in the same amount for the life of the other person listed (generally, the surviving spouse)? _____ Yes _____ No. If no, what will the monthly payment be after the death of the recipient listed? _____/month.

I hereby declare that all statements made herein are true according to my best knowledge and belief. In witness whereof, I have hereunto set my hand to this application this _____ day of _____, _____.

Signature of 1st Person

Signature of 2nd Person

ATTACHMENT B

EDGEMERE

2019 and 2018 Audited Financial Statements

**NORTHWEST SENIOR HOUSING CORPORATION
(DBA EDGEMERE)
AND SENIOR QUALITY LIFESTYLE
CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR
QUALITY LIFESTYLE CORPORATION**

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, which comprise the balance sheets as of December 31, 2019, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the periods from January 1, 2019 to June 30, 2019 (Predecessor) and July 1, 2019 to December 31, 2019 (Successor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation as of December 31, 2019, and the results of its operations and its cash flows for the period from July 1, 2019 to December 31, 2019 (Successor) and the results of its operations and its cash flows for the period ended June 30, 2019 (Predecessor) in accordance with in accordance with the financial reporting provisions of the Master Trust Indenture Agreement as described in Note 2.

Report on Supplementary Information

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

Other Matter

The 2018 consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation were audited by other auditors whose report dated May 30, 2019, expressed an unmodified opinion on those statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of the financial reporting provisions specified in the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the agreement referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, the holders of the Series 2015 and Series 2017 Bonds and their bond trustee, UMB Bank, N.A. and Ziegler Capital Markets, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2020

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,523	34,995
Accounts Receivable:		
Trade	1,074	2,764
Related Party	285	7,666
Inventories	56	80
Prepaid Insurance and Other	265	581
Assets Whose Use is Limited - Current	1,926	5,153
Total Current Assets	40,176	56,510
 ASSETS WHOSE USE IS LIMITED - Noncurrent	 9,695	 14,675
 PROPERTY AND EQUIPMENT, AT COST		
Land Lease	89,526	-
Land and Improvements	1,522	944
Buildings and Improvements	141,934	166,351
Furniture and Equipment	2,912	13,633
Construction-in-Progress	1,923	17,467
Subtotal	237,817	198,395
Less: Accumulated Depreciation	3,903	57,002
Net Property and Equipment	233,914	141,393
 GOODWILL, Net of Accumulated Amortization	 18,736	 -
 DEFERRED EXPENSES, Net of Accumulated Amortization	 36	 -
 INTANGIBLE ASSET, Net of Accumulated Amortization	 14,720	 -
Total Assets	<u>\$ 317,277</u>	<u>\$ 212,578</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 2,126	\$ 1,898
Related Party	522	6,841
Accrued Liabilities:		
Employee Compensation Expense	981	865
Interest	689	705
Property Taxes	2,009	-
Other	<u>67</u>	<u>56</u>
Total Accrued Liabilities	3,746	1,626
Long-Term Debt Due within One Year	1,590	1,530
Long-Term Notes Payable and Intercompany Payable Due within One Year	533	789
Obligation under Land Lease Due within One Year	<u>3,728</u>	<u>-</u>
Total Current Liabilities	12,245	12,684
LONG-TERM LIABILITIES		
Entrance Fee Deposits	388	969
Long-Term Notes Payable and Intercompany Payable	-	533
Long-Term Debt Due after One Year	109,185	110,632
Obligation under Land Lease Due after One Year	86,921	-
Deferred Rent	-	37,053
Deferred Entrance Fees	8,283	12,941
Refundable Entrance Fees	<u>107,242</u>	<u>157,514</u>
Total Long-Term Liabilities	<u>312,019</u>	<u>319,642</u>
Total Liabilities	324,264	332,326
NET ASSETS		
Non-Controlling Interest	265	227
Without Donor Restrictions	<u>(7,252)</u>	<u>(119,975)</u>
Total Net Assets	<u>(6,987)</u>	<u>(119,748)</u>
Total Liabilities and Net Assets	<u>\$ 317,277</u>	<u>\$ 212,578</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor	Predecessor	
	July 1 - December 31, 2019	January 1 - June 30, 2019	January 1 - December 31, 2018
REVENUES			
Residential Living Fees	\$ 9,470	\$ 10,088	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	2,003	674	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$3,397, \$3,498 and \$6,287 in July through December, 2019, January through June, 2019, and 2018, respectively	9,441	8,204	14,172
Other	113	571	977
Total Revenues	21,027	19,537	36,880
EXPENSES			
Operating Expenses:			
Salaries and Benefits	8,448	8,198	14,807
General and Administrative	7,499	7,864	14,170
Plant Operations	1,534	1,402	2,820
Housekeeping	243	203	364
Dietary	2,152	1,659	3,021
Medical and Other Resident Care	1,379	1,144	2,716
Depreciation	3,919	2,746	5,048
Amortization of Deferred Expenses	1,970	-	-
Interest	2,753	2,827	4,482
Gain on Disposal of Property and Equipment	-	(188)	(838)
Decrease in Obligation to Provide Future Services	-	-	(1,383)
Total Expenses	29,897	25,855	45,207
NONOPERATING INCOME (EXPENSE)			
Investment Income (Expense)	1,883	3,734	(849)
DEFICIT OF REVENUES OVER EXPENSES	(6,987)	(2,584)	(9,176)
OTHER CHANGES IN NET ASSETS			
Contributions to Related Parties	-	(300)	(300)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,987)	(2,884)	(9,476)
Net Assets without Donor Restrictions - Beginning of Period	-	(119,748)	(110,272)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (6,987)</u>	<u>\$ (122,632)</u>	<u>\$ (119,748)</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
STATEMENTS OF CASH FLOWS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor July 1 - December 31, 2019	Predecessor January 1 - June 30, 2019	Predecessor January 1 - December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets Without Donor Restrictions	\$ (6,987)	\$ (2,884)	\$ (9,476)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:			
Entrance Fees Earned	(2,003)	(674)	(1,324)
Proceeds from Nonrefundable Entrance Fees and Deposits	1,372	942	3,286
Depreciation and Amortization	5,889	2,746	5,048
Amortization of Financing Costs	-	(85)	126
Net Accretion of Original Issue Premium and Discounts on Bonds	-	65	(166)
Change in Unrealized (Appreciation) Depreciation of Investments	(1,054)	(2,880)	2,991
Net Sales of Trading Investments	1,055	(809)	14,925
Decrease in Obligation to Provide Future Service	-	-	(1,383)
Gain on Disposal of Property and Equipment	-	(188)	(838)
Contribution to Related Party	-	300	300
Change in Entrance Fee Deposits	(304)	(277)	(486)
Non-cash Rent Expense	1,123	-	1,254
Changes in Operating Assets and Liabilities:			
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	107	(10,737)	672
Trade Accounts Payable and Accrued Liabilities	2,176	11,854	(5,196)
Net Cash Provided (Used) by Operating Activities	1,374	(2,627)	9,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(1,433)	(5,044)	(10,830)
Proceeds from Sale of Property and Equipment	-	-	851
Net Cash Used by Investing Activities	(1,433)	(5,044)	(9,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Long-Term Debt	(1,530)	(797)	(1,842)
Proceeds from Refundable Entrance Fees and Deposits	7,886	5,187	19,997
Refunds of Refundable Entrance Fees	(6,250)	(8,812)	(18,547)
Net Cash Provided (Used) by Financing Activities	106	(4,422)	(392)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	47	(12,093)	(638)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	10,765	22,858	23,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	\$ 10,812	\$ 10,765	\$ 22,858

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 1 ORGANIZATION AND OPERATIONS

Northwest Senior Housing Corporation dba Edgemere ("Edgemere") is incorporated as a Texas nonprofit corporation to provide housing, health care, and other related services to the elderly through the operations of a retirement community. Edgemere operates under a "life care" concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

On June 20, 2019, Senior Quality Lifestyles Corporation ("SQLC") and Lifespace Communities, Inc. ("Lifespace") executed an affiliation agreement. SQLC is a Texas not-for-profit corporation. The affiliation agreement provided for a member substitution of Lifespace as the owner and operator of SQLC, along with two SQLC communities, Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek ("Querencia") and Tarrant County Senior Living Center, Inc. d/b/a The Stayton at Museum Way ("The Stayton"). SQLC was Edgemere's sole member until August 15, 2019, when, pursuant to the affiliation agreement, Lifespace became the sole member of Edgemere.

Edgemere and SQLC constitute the obligated group ("SQLC Obligated Group") under the amended and restated Master Trust indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006 ("Master Indenture"). The SQLC Obligated Group is solely responsible for the payment of the long-term debt described in Note 7. Lifespace, Querencia and The Stayton are not obligated in any manner to make any payments with respect to the obligations of the SQLC Obligated Group. In addition, the SQLC Obligated Group is not responsible in any manner to make payments with respect to the obligations of Lifespace, Querencia or the Stayton.

Edgemere and Augustine Management Texas, Inc. ("AMT") formed Augustine Home Health Texas, LLC ("AHHT"), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that offering personal assistance services to the residents of the Community. Edgemere is the controlling member of AHHT.

All intercompany transactions between Edgemere, SQLC and AHHT eliminate within the consolidation.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are presented for both the predecessor period (when SQLC was the sole member) and the successor period (when Lifespace was the sole member), which relate to the accounting periods preceding and succeeding the affiliation of SQLC and Edgemere on June 20, 2019. The date of June 30, 2019 is used in the presentation to allow for a more accurate cut-off. The ten days of activity from June 20th to June 30th was deemed immaterial to the presentation of the financial statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The successor and predecessor periods have been separated by a vertical line on the face of the consolidated financial statements and in the notes to the consolidated financial statements, when applicable.

These SQLC Obligated Group consolidated financial statements are not intended to represent the consolidated financial position and activities of SQLC and all of its subsidiaries. The Master Indenture requires the preparation of the SQLC Obligated Group consolidated financial statements which present the consolidated balance sheet, consolidated statement of operations and changes in net assets without donor restrictions, and consolidated cash flows of the SQLC Obligated Group. Accordingly, the SQLC Obligated Group consolidated financial statements present the financial position and activities of Edgemere and SQLC only and omit any other entities affiliated with SQLC, which prior to the affiliation would otherwise be required to be consolidated with SQLC under accounting principles generally accepted in the United States of America ("GAAP").

The assets and liabilities and net assets of the SQLC Obligated Group are reported as follows:

Without donor restrictions – Those resources over which the Board of Directors has discretionary control. "Board Designated" amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2019 and 2018, no net assets with donor restrictions were held by the SQLC Obligated Group.

Investments

Investments, including assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values. The investment portfolio is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the change in net assets without donor restrictions. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying statements of cash flows.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. The SQLC Obligated Group provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$0 and \$3 at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

The SQLC Obligated Group has approximately \$1,923 and \$17,467 in construction in progress at December 31, 2019 and 2018, respectively.

Credit Risk

The SQLC Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. The SQLC Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The SQLC Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Medicare	78 %	47 %
Residents and Other Third-Party Payors	22	53
Total	100 %	100 %

Inventory

Inventory consists principally of food, liquor, and kitchen supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of future resident funds held in trust by The SQLC Obligated Group as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the debt assumed over the fair value of assets acquired at the time of the Lifespace affiliation in June 2019 (see note 11). Lifespace has twelve months from the date of affiliation to adjust the goodwill balance based on facts and circumstances that become known. After the affiliation, goodwill was subsequently adjusted by \$49. Goodwill is amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Balance at December 31, 2018	\$ -
Addition	19,835
Balance at December 31, 2019	<u>\$ 19,835</u>

Accumulated Amortization

Balance at December 31, 2018	\$ -
Amortization	1,099
Balance at December 31, 2019	<u>\$ 1,099</u>

Deferred Expenses

Deferred expenses of \$36 and \$0 at December 31, 2019 and 2018, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The sales cost are \$42 and \$0 at December 31, 2019 and 2018, respectively. The accumulated amortization was \$6 and \$0 in 2019 and 2018, respectively.

Intangible Assets

Intangible assets include values assigned to the residency agreements in place at the time of the Lifespace affiliation in June 2019 (see note 11). The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were \$15,586. Amortization expense of \$866 was recorded in the period July 1 to December 31, 2019. Accumulated amortization at December 31, 2019 was \$866.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees

The SQLC Obligated Group presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred revenue. This deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital residency plan, a portion of the entrance fees (10% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	Successor	Predecessor
	December 31,	
	2019	2018
Nonrefundable Entrance Fees	\$ 8,283	\$ 12,941
Refundable Entrance Fees	107,242	157,514
Total	\$ 115,525	\$ 170,455

Non-Controlling Interest

The non-controlling interest recorded in the accompanying consolidated balance sheet represents the fifty percent ownership in AHHT that is not owned by Edgemere. Non-controlling interest does not represent an obligation of Edgemere to pay cash or distribute other assets.

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which The SQLC Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. The SQLC Obligated Group bills all residents at the beginning of the month and third party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by The SQLC Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The SQLC Obligated Group believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in a residential or assisted living apartment, or receiving skilled nursing services over a period of time. The SQLC Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of The SQLC Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, The SQLC Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the Residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

The SQLC Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. The SQLC Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge The SQLC Obligated Group's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon The SQLC Obligated Group. In addition, the contracts The SQLC Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and The SQLC Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2019 or 2018.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The SQLC Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

The SQLC Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The composition of resident care service revenue by primary payor is as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Residency Plan Agreements	\$ 13,076	\$ 12,305	\$ 23,015
Private Pay	3,198	3,386	6,511
Medicare	2,664	2,767	5,053
HMO/Managed Care	(27)	(166)	-
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based its lines of business are as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Service Lines:			
Residential Living	\$ 9,470	\$ 10,088	\$ 20,407
Skilled Nursing Facility	5,066	5,152	9,794
Assisted Living	4,261	3,051	4,374
Home Health	114	1	4
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

The SQLC Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due The SQLC Obligated Group's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, The SQLC Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The SQLC Obligated Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The SQLC Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2019, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2019 and 2018, the customer contract acquisition costs are \$42 and \$0, respectively. During the years ended December 31, 2019 and 2018, The SQLC Obligated Group recognized amortization expense of \$6 and \$0, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Deficit of Revenues over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled "deficit of revenues over expenses" which is an important performance indicator for The SQLC Obligated Group. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

Income Taxes

The SQLC Obligated Group has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

The SQLC Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is "more likely than not" that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. For the years ended December 31, 2019 and 2018, The SQLC Obligated Group has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. The SQLC Obligated Group's federal income tax returns are open to examination for the years ended December 31, 2016 through December 31, 2018.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

	<u>Successor</u> 2019	<u>Predecessor</u> 2018
Cash and cash equivalents	\$ 5,047	\$ 5,271
Restricted cash included in assets whose use is limited - current	1,926	5,153
Restricted cash included in assets whose use is limited - non current	<u>3,839</u>	<u>12,434</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 10,812</u>	<u>\$ 22,858</u>

During the period July through December 2019, The SQLC Obligated Group received dividend and interest income of \$2,798 and paid interest charges of \$544. During the period January through June 2019, The SQLC Obligated Group received dividend and interest income of \$2,818 and paid interest charges of \$534.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2018 liabilities were reclassified to assets, expenses were reallocated, and the balance sheet was classified to conform with the 2019 presentation. These reclassifications had no effect on the overall net assets of The SQLC Obligated Group.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessee's to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Edgemere elected the practical expedients allowed under this guidance, and implemented the new standard in 2019 with no retrospective application. As a result of this change in accounting principle a lease right-of-use asset and lease liability have been recorded at December 31, 2019 (Note 9). This change in accounting principle had no impact on the consolidated statement of operations and changes in net assets without donor restriction.

In November 2016, the FASB issued amended guidance on the consolidated statement of cash flows. Under the new guidance, the consolidated statement of cash flows will be required to explain the change during the period in total cash, cash equivalents, and amounts designated as restricted cash or restricted cash equivalents. As a result of this change in accounting principle, restricted cash and cash equivalents are now included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by The SQLC Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price The SQLC Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of The SQLC Obligated Group. Unobservable inputs are inputs that reflect The SQLC Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including The SQLC Obligated Group's assumptions in determining the fair value of investments).

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the market place, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by The SQLC Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

Successor				
December 31, 2019				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 5,765	\$ 5,765	\$ -	\$ -
Equity Securities	17,391	17,391	-	-
Corporate Bonds	1,126	-	1,126	-
US Government and Federal Agencies	5,054	-	5,054	-
Fixed Income	13,130	-	13,130	-
Total Assets	<u>\$ 42,466</u>	<u>\$ 23,156</u>	<u>\$ 19,310</u>	<u>\$ -</u>
Predecessor				
December 31, 2018				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 17,587	\$ 17,587	\$ -	\$ -
Equity Securities	16,554	16,554	-	-
Corporate Bonds	2,511	-	2,511	-
US Government and Federal Agencies	4,075	-	4,075	-
Fixed Income	13,717	-	13,717	-
Private Equities	379	-	-	379
Total Assets	<u>\$ 54,823</u>	<u>\$ 34,141</u>	<u>\$ 20,303</u>	<u>\$ 379</u>

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NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Money Market	\$ 5,765	\$ 17,587
Equity Securities	17,391	16,554
Corporate Bonds	1,126	2,511
US Government and Federal Agencies	5,054	4,075
Fixed Income	13,130	13,717
Private Equities	-	379
Risk Sharing Group	316	-
Ziegler Link-Age Fund II, L.P.	362	-
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

The investments noted above are represented in the consolidated balance sheets in the following line items:

	Successor	Predecessor
	December 31,	
	2019	2018
Investments in Trading Portfolio, Excluding		
Assets Whose Use is Limited	\$ 31,523	\$ 34,995
Assets Whose Use is Limited - Current	1,926	5,153
Assets Whose Use is Limited - Noncurrent	9,695	14,675
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

Investment income is comprised of the following:

	Successor	Predecessor	
	July 1 - December 31 2019	January 1 - June 30 2019	January 1 - December 31 2018
Dividend and Interest Income	\$ 496	\$ 530	\$ 1,298
Net Realized Gains on Investments	333	324	844
Change in Unrealized Appreciation of Investments	1,054	2,880	(2,991)
Total Investment Income	<u>\$ 1,883</u>	<u>\$ 3,734</u>	<u>\$ (849)</u>

Investment management and custodial fees amounted to \$10 for the period of July through December 2019 and \$27 for the period of January through June 2019. The fees are included in general and administrative expense.

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NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2019, The SQLC Obligated Group has a working capital surplus of \$28,464 and days cash on hand of 282.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

	Successor	Predecessor
	December 31,	
	2019	2018
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, at Fair Value	31,523	34,995
Accounts Receivables, Trade	1,074	2,764
Accounts Receivables, Related Party	285	7,666
Assets Whose Use is Limited	11,621	19,828
Total Financial Assets	49,550	70,524
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	10,161	13,301
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Total Unavailable within One Year	11,621	19,828
Financial Expenditures Available to Meet Cash Needs within One Year	<u>\$ 37,929</u>	<u>\$ 50,696</u>

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10%, as a portion of the entrance fee, is collected. The balance of the fee is payable on or before the fifteenth day following the date that occupancy is offered to the resident. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance deposit.

At December 31, 2019 and 2018, deposits of \$388 and \$969, respectively, had been received from future residents who have signed residency agreements. Funds on deposit are classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2019 and 2018, The SQLC Obligated Group had two and four residents on the deferred entrance fee contract and will pay the final portion of \$428 and \$1,155, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

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NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	Successor	Predecessor
	December 31,	
	2019	2018
Series 2015A Revenue Bonds, 4.0% - 5.0%	51,410	51,930
Series 2015B Revenue Bonds, 4.0% - 5.0%	37,680	38,690
Series 2017 Revenue Bonds, 5.250%	21,685	21,685
Plus: Net Unamortized Original Issue (Discount)/Premium	-	1,880
Less: Net Unamortized Issuance Costs	-	(2,023)
	110,775	112,162
Less: Amounts Due within One Year	1,590	1,530
Amounts Due after One Year	<u>\$ 109,185</u>	<u>\$ 110,632</u>

The SQLC Obligated Group entered into loan agreements with a government entity to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of The SQLC Obligated Group through the issuer. Payments under a loan agreement between The SQLC Obligated Group and the issuer become the vehicle for servicing the debt on behalf of The SQLC Obligated Group. The bonds are reflected in the accompanying consolidated financial statements as financing arrangements of The SQLC Obligated Group.

The Series 2015A Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2045. The Series 2015B Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2036. The Series 2017 Revenue Bonds bear an annual fixed interest rate of 5.25% and mature on November 15, 2047.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense. The related premium and issuance costs were written off at the time of affiliation (note 11).

At December 31, 2019, schedule maturities are as follows

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,590
2021	1,660
2022	1,730
2023	1,805
2024	1,885
Thereafter	<u>102,105</u>
Total	<u>\$ 110,775</u>

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NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Assets Whose Use is Limited

Under the terms of the Series 2015 bonds, the loan agreement, trust indenture, credit and reimbursement agreement, and residency agreement, the following funds are restricted and shown as assets whose use is limited:

	Successor	Predecessor
	December 31,	December 31,
	2019	2018
Debt Service Reserve Fund	\$ 8,250	\$ 8,163
Principal and Interest Funds	1,002	636
Project Funds	909	4,502
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Subtotal	11,621	19,828
Less: Current Portion	1,926	5,153
Total	<u>\$ 9,695</u>	<u>\$ 14,675</u>

Debt Service Reserve Funds

Under the terms of the financing agreement, a debt service reserve fund is maintained for the Series 2015 and 2017 bonds. The required balance of the debt service reserve fund at December 31, 2019 and 2018 is the maximum annual debt service of \$8,041.

Debt Service Funds

The SQLC Obligated Group is required to make monthly deposits to the debt service fund in the amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2017 bond financing included approximately 23 months of funded interest that is included in this amount.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Team Member Appreciation Funds

Residents at Edgemere may voluntarily establish a fund to provide team member appreciation disbursements.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific residential living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the home and the community requests the funds be disbursed in accordance with the escrow agreement.

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, The SQLC Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

Successor July 1, 2019 - December 31, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,769	\$ 2,701	\$ 1,022	\$ 942	\$ 8,434
General and Administrative	4,117	1,034	1,343	1,019	7,513
Plant Operations	925	265	344	-	1,534
Housekeeping	147	42	54	-	243
Dietary	1,299	371	482	-	2,152
Medical and Other Resident Care	143	828	408	-	1,379
Depreciation	2,246	642	835	196	3,919
Amortization of Deferred Expense	871	-	-	1,099	1,970
Interest	1,660	475	618	-	2,753
Total Expense	<u>\$ 15,177</u>	<u>\$ 6,358</u>	<u>\$ 5,106</u>	<u>\$ 3,256</u>	<u>\$ 29,897</u>
Predecessor January 1 - June 30, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,935	\$ 2,539	\$ 740	\$ 984	\$ 8,198
General and Administrative	4,210	1,045	1,357	1,252	7,864
Plant Operations	846	242	314	-	1,402
Housekeeping	122	35	46	-	203
Dietary	1,001	286	372	-	1,659
Medical and Other Resident Care	118	837	189	-	1,144
Depreciation	1,574	450	585	137	2,746
Interest	1,705	488	634	-	2,827
Total Expense	<u>\$ 13,511</u>	<u>\$ 5,922</u>	<u>\$ 4,237</u>	<u>\$ 2,373</u>	<u>\$ 26,043</u>

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Predecessor Year-ending December 31, 2018				Supporting Services	
	Program Services			Total Program Services	Management and General	Total
	Residential Living	Skilled Nursing	Assisted Living			
Salaries and Benefits	\$ 7,274	\$ 4,341	\$ 1,374	\$ 12,989	\$ 1,818	\$ 14,807
General and Administrative	7,729	1,885	2,448	12,062	2,108	14,170
Plant Operations	1,701	487	632	2,820	-	2,820
Housekeeping	219	63	82	364	-	364
Dietary	1,823	521	677	3,021	-	3,021
Medical and Other Resident Care	266	2,129	321	2,716	-	2,716
Depreciation	2,893	828	1,075	4,796	252	5,048
Interest	2,703	774	1,005	4,482	-	4,482
Decrease in Obligation to Provide Future Service	(1,164)	(103)	(116)	(1,383)	-	(1,383)
Total Expense	<u>\$ 23,444</u>	<u>\$ 10,925</u>	<u>\$ 7,498</u>	<u>\$ 41,867</u>	<u>\$ 4,178</u>	<u>\$ 46,045</u>

NOTE 9 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, The SQLC Obligated Group elected the practical expedients allowed under the accounting standard, and has implemented this standard effective in 2019.

In November 2019, Edgemere entered into operating lease agreements for office equipment. The right-of-use asset for the agreement is \$112 at December 31, 2019. Payment and the related expenses for these leases in the period July 1 to December 31, 2019 was \$4. The lease has a discount rate of 3.98% and a remaining lease term of approximately 5 years.

The SQLC Obligated Group leases land under a fifty-five year ground lease for the land upon which Edgemere was constructed from Intercity Investment Properties, Inc. that expires November 2054. Upon expiration of the ground lease, all buildings and improvements will transfer to the lessor. The ground lease contains an escalation clause whereby the rental charge increases annually based on the consumer price index, subject to a minimum annual increase of 2.5% and a maximum annual increase of 5%. The right-of-use asset for the lease is \$89,526 at December 31, 2019. Payments for this lease were \$1,873 for the period July 1 to December 31, 2019, \$1,858 for the period January 1 to July 30, 2019 and \$3,637 for the year-ending December 31, 2018. Expense is recorded at the estimated average annual rent. Total expense for this lease was \$2,976 for the period July 1 to December 31, 2019, \$2,451 for the period January 1 to June 30, 2019, and \$4,892 for the year-ending December 31, 2018. The lease has a discount rate of 4.8%. The lease also requires payment of a broker fee of 2.5% of the underlying payments.

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NOTE 9 LEASES (CONTINUED)

The maturity of operating leases is as follows:

<u>Year Ending December 31,</u>	<u>Land leases Amount</u>	<u>Operating leases Amount</u>
2020	\$ 3,821	\$ 25
2021	4,009	25
2022	4,014	25
2023	4,114	25
2024	4,217	21
Thereafter	188,666	-
PV Discount	(118,192)	(9)
Total	<u>\$ 90,649</u>	<u>\$ 112</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on The SQLC Obligated Group.

General and Professional Liability

General and professional liability claims have been asserted against The SQLC Obligated Group by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of The SQLC Obligated Group. Incidents occurring through December 31, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position.

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NOTE 11 BUSINESS COMBINATIONS

As stated under Note 1 Organization and Operations, on June 20, 2019 Lifespace became the sole member SQLC including SQLC's management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia, The Stayton. No consideration was paid for this affiliation.

Lifespace is required to recognize and measure the identifiable assets acquired, and liabilities assumed at the affiliation date fair values, which have been pushed down to the applicable legal entity. The following tables summarizes the estimated fair values of the assets acquired and liabilities assumed for The SQLC Obligated Group as of the date of affiliation:

Financial assets	\$	36,457
Financial assets, limited use		11,829
Receivables		927
Inventory		49
Prepaid expenses		334
Property & equipment		146,874
Intangible assets - resident contracts		15,586
Goodwill		19,786
Financial liabilities		(4,920)
Refundable entrance fees		(104,937)
Non-refundable entrance fees		(9,155)
Bonds payable		(112,830)
Net assets acquired	\$	-

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce and synergies. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third party valuation specialists.

All related party receivables and payables, that were considered uncollectible once the affiliation occurred, were valued at \$0 on the affiliation date. Lifespace's intent when entering the affiliation agreement is not to continue with Seniority, and as a result SQLC's investment in Seniority was also fair valued at \$0.

Transaction-related costs of \$704 were recorded in general and administrative expense for the period January 1, 2019 through June 30, 2019. These costs consisted primarily of legal and professional fees related to due diligence.

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NOTE 12 RELATED PARTY TRANSACTIONS

Successor

As mentioned in Note 11, upon the affiliation date all related party receivables that were deemed uncollectible were assigned a fair value of \$0. See further information regarding these receivables in the predecessor section of this note.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and a monthly overhead fee equal to three percent of the monthly management fee. Beginning with the affiliation on June 20, 2019, the management services agreement was under the oversight of Lifespace. This management agreement was kept in place throughout the successor period, and expense of \$1,339 is included in the successor period consolidated financial statements.

Predecessor

At December 31, 2018, SQLC was the sole member of Buckingham Senior Living Community, Inc. ("Buckingham"), SQLC Senior Living Center at Corpus Christi, Inc. ("Mirador"), Mayflower Communities, Inc., ("The Barrington"), Edgemere, Querencia and The Stayton. During 2019, SQLC ceased being the sole member of the above corporations.

Accounts receivable – related party is comprised of balances due from related entities for management fees, liquidity support fees, development costs, and operating and payroll expenses. Accounts receivable – related party is made up of the following balances at December 31, 2018:

Buckingham	\$	325
Querencia		38
Mirador		2,288
Stayton		3,448
Barrington		2,631
Seniority, Inc.		<u>7,619</u>
Total accounts receivable - related party		16,349
Less: deferred management fees - related party		(7,421)
Less: allowance for doubtful accounts		<u>(1,262)</u>
Total accounts receivable - related party	\$	<u><u>7,666</u></u>

Due to the financial condition of Mirdaor, The Stayton, Barrington and Buckingham, repayment of the accounts receivable, above, is doubtful and as such, SQLC had established an allowance against these balances at December 31, 2018.

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NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

In prior years, SQLC had entered into a number of note and deferred management fee agreements. The following is a summary of the accounts receivable – related party at December 31, 2018:

Subordinated notes receivable:	
SQLC - Mirador	\$ 6,289
SQLC - Stayton	664
SQLC - Barrington	<u>300</u>
Total subordinated notes receivable	<u>7,253</u>
Secured note receivable - SQLC - Mirador	2,830
Notes receivables under liquidity support agreements:	
SQLC - SQLC LSA, LLC - Mirador	2,500
SQLC - SQLC LSA, LLC - Stayton	6,000
SQLC - SQLC LSA, LLC - Barrington	<u>2,000</u>
Total notes receivables under liquidity support agreements	<u>10,500</u>
Accrued interest receivable on notes receivable from related parties	2,281
Deferred management fees	<u>7,421</u>
Total accrued interest receivable and deferred management fees	9,702
Gross notes receivable, accrued interest receivable, and deferred management fees	30,285
Less: allowance for doubtful accounts	<u>(30,285)</u>
Total notes receivable, accrued interest receivable, and deferred management fees - related party, net of allowance for doubtful accounts	<u>\$ -</u>

Due to the financial condition of Mirador, The Stayton, Barrington, and Buckingham, prepayment of the notes receivable, accrued interest receivable and deferred management fees, above, is doubtful and as such, SQLC had established an allowance against these balances.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and monthly overhead fee equal to three percent of the monthly management fee. Fees related to this agreement of \$942 were recorded for the period January 1 to June 30, 2019, and fees of \$2,619 were recorded for the year-ended December 31, 2018.

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NOTE 13 EMPLOYEE BENEFIT PLAN

The SQLC Obligated Group has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees of The SQLC Obligated Group. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from The SQLC Obligated Group. All employee contributions to the TDA are fully vested, while contributions made by The SQLC Obligated Group vest over a five-year period. Total expense under this plan was approximately \$42 the year ended December 31, 2019.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the SQLC Obligated Group, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the SQLC Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2020.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of December 31, 2019.

Lifespace allocates home office expenses to all communities it operates. Effective January 1, 2020, Lifespace began allocating home office expenses to Edgemere. This allocation of home office expenses replaces the Seniority, Inc. management fee disclosed in Note 12.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (SUCCESSOR)
DECEMBER 31, 2019
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,884	\$ 163	\$ -	\$ 5,047
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,468	316	(261)	31,523
Accounts and Other Receivables	993	81	-	1,074
Receivable from related parties	278	141	(134)	285
Inventories	56	-	-	56
Prepaid Insurance and Other	258	7	-	265
Assets Whose Use is Limited - Current	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Total Current Assets	39,863	708	(395)	40,176
ASSETS WHOSE USE IS LIMITED - Noncurrent	9,695	-	-	9,695
PROPERTY AND EQUIPMENT, AT COST				
Land Lease	89,526			89,526
Land and Improvements	1,522	-	-	1,522
Buildings and Improvements	141,934	-	-	141,934
Furniture and Equipment	2,912	-	-	2,912
Construction-in-Progress	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>1,923</u>
Subtotal	237,817	-	-	237,817
Less: Accumulated Depreciation	<u>3,903</u>	<u>-</u>	<u>-</u>	<u>3,903</u>
Net Property and Equipment	233,914	-	-	233,914
GOODWILL, Net of Accumulated Amortization	18,584	152	-	18,736
DEFERRED EXPENSES, Net of Accumulated Amortization	36	-	-	36
INTANGIBLE ASSET, Net of Accumulated Amortization	<u>14,720</u>	<u>-</u>	<u>-</u>	<u>14,720</u>
Total Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (SUCCESSOR) (CONTINUED)
DECEMBER 31, 2019
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 2,112	\$ 14	\$ -	\$ 2,126
Related Party	335	321	(134)	522
Accrued Liabilities:				
Employee Compensation Expense	981	-	-	981
Interest	689	-	-	689
Property Taxes	2,009	-	-	2,009
Other	67	-	-	67
Long-Term Debt Due within One Year	1,590	-	-	1,590
Long-Term Notes Payable and Intercompany Payable	-	533	-	533
Obligations under Capital Lease	<u>3,728</u>	<u>-</u>	<u>-</u>	<u>3,728</u>
Total Current Liabilities	11,511	868	(134)	12,245
LONG-TERM LIABILITIES				
Entrance Fee Deposits	388	-	-	388
Long-Term Debt Due After One Year	109,185	-	-	109,185
Obligations under Capital Lease	86,921	-	-	86,921
Deferred Entrance Fees	8,283	-	-	8,283
Refundable Entrance and Membership Fees	<u>107,242</u>	<u>-</u>	<u>-</u>	<u>107,242</u>
Total Long-Term Liabilities	<u>312,019</u>	<u>-</u>	<u>-</u>	<u>312,019</u>
Total Liabilities	323,530	868	(134)	324,264
NET ASSETS				
Non-Controlling Interest	265	-	-	265
Without Donor Restrictions	<u>(6,983)</u>	<u>(8)</u>	<u>(261)</u>	<u>(7,252)</u>
Total Net Assets	<u>(6,718)</u>	<u>(8)</u>	<u>(261)</u>	<u>(6,987)</u>
Total Liabilities and Net Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR)
(IN THOUSANDS)

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 9,540	\$ 33	\$ (103)	\$ 9,470
Entrance Fees Earned and Nonrefundable Fees	2,003	-	-	2,003
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	9,441	-	-	9,441
Other	-	208	(95)	113
Total Revenues	20,984	241	(198)	21,027
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,445	3	-	8,448
General and Administrative	7,203	233	63	7,499
Plant Operations	1,534	-	-	1,534
Housekeeping	243	-	-	243
Dietary	2,152	-	-	2,152
Medical and Other Resident Care	1,379	-	-	1,379
Depreciation	3,919	-	-	3,919
Amortization of Deferred Expenses	1,965	5	-	1,970
Interest, Net	2,745	8	-	2,753
Total Expenses	29,585	249	63	29,897
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	1,883	-	-	1,883
DEFICIT OF REVENUES OVER EXPENSES	<u>(6,718)</u>	<u>(8)</u>	<u>(261)</u>	<u>(6,987)</u>
CHANGE IN NET ASSETS	(6,718)	(8)	(261)	(6,987)
Net Assets - Beginning of Year	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ (6,718)</u>	<u>\$ (8)</u>	<u>\$ (261)</u>	<u>\$ (6,987)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JANUARY 1, 2019 THROUGH JUNE 30, 2019 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 10,140	\$ 33	\$ (85)	\$ 10,088
Entrance Fees Earned and Nonrefundable Fees	674	-	-	674
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	8,204	-	-	8,204
Other	-	839	(268)	571
Total Revenues	19,018	872	(353)	19,537
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,203	(5)	-	8,198
General and Administrative	7,285	847	(268)	7,864
Plant Operations	1,402	-	-	1,402
Housekeeping	203	-	-	203
Dietary	1,659	-	-	1,659
Medical and Other Resident Care	1,144	-	-	1,144
Depreciation	2,746	-	-	2,746
Interest, Net	2,799	28	-	2,827
Gain on Disposal of Fixed Assets	(45)	(143)	-	(188)
Total Expenses	25,396	727	(268)	25,855
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	3,736	(2)	-	3,734
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(2,642)	143	(85)	(2,584)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	(300)	-	-	(300)
CHANGE IN NET ASSETS	(2,942)	143	(85)	(2,884)
Net Assets - Beginning of Year	(114,110)	(29,243)	23,605	(119,748)
NET ASSETS - END OF YEAR	<u>\$ (117,052)</u>	<u>\$ (29,100)</u>	<u>\$ 23,520</u>	<u>\$ (122,632)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,633	\$ 638	\$ -	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,387	3,831	(223)	34,995
Accounts and Other Receivables	2,764	-	-	2,764
Receivable from related parties	10,223	7,478	(10,035)	7,666
Inventories	80	-	-	80
Prepaid Insurance and Other	389	192	-	581
Assets Whose Use is Limited - Current	<u>5,153</u>	<u>-</u>	<u>-</u>	<u>5,153</u>
Total Current Assets	54,629	12,139	(10,258)	56,510
ASSETS WHOSE USE IS LIMITED - Noncurrent	14,675	-	-	14,675
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	944	-	-	944
Buildings and Improvements	166,351	-	-	166,351
Furniture and Equipment	13,633	-	-	13,633
Construction-in-Progress	<u>17,467</u>			<u>17,467</u>
Subtotal	198,395	-	-	198,395
Less: Accumulated Depreciation	<u>57,002</u>			<u>57,002</u>
Net Property and Equipment	141,393	-	-	141,393
Total Assets	<u>\$ 210,697</u>	<u>\$ 12,139</u>	<u>\$ (10,258)</u>	<u>\$ 212,578</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR) (CONTINUED)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 1,732	\$ 166	\$ -	\$ 1,898
Related Party	810	16,066	(10,035)	6,841
Accrued Liabilities:				
Employee Compensation Expense	865	-	-	865
Interest	705	-	-	705
Other	56	-	-	56
Long-Term Debt Due within One Year	1,530	-	-	1,530
Long-Term Notes Payable and				
Intercompany Payable	-	789	-	789
Total Current Liabilities	5,698	17,021	(10,035)	12,684
LONG-TERM LIABILITIES				
Entrance Fee Deposits	969	-	-	969
Long-Term Notes Payable and Intercompany				
Payable	-	24,361	(23,828)	533
Long-Term Debt Due After One Year	110,632	-	-	110,632
Deferred Rent	37,053	-	-	37,053
Deferred Entrance Fees	12,941	-	-	12,941
Refundable Entrance and				
Membership Fees	157,514	-	-	157,514
Total Long-Term Liabilities	319,109	24,361	(23,828)	319,642
 Total Liabilities	 324,807	 41,382	 (33,863)	 332,326
NET ASSETS				
Non-Controlling Interest	227	-	-	227
Without Donor Restrictions	(114,337)	(29,243)	23,605	(119,975)
Total Net Assets	(114,110)	(29,243)	23,605	(119,748)
 Total Liabilities and Net Assets	 \$ 210,697	 \$ 12,139	 \$ (10,258)	 \$ 212,578

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 20,567	\$ 63	\$ (223)	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	1,324	-	-	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	13,833	339	-	14,172
Other	-	1,259	(282)	977
Total Revenues	35,724	1,661	(505)	36,880
EXPENSES				
Operating Expenses:				
Salaries and Benefits	14,781	26	-	14,807
General and Administrative	13,501	1,580	(911)	14,170
Plant Operations	2,820	-	-	2,820
Housekeeping	364	-	-	364
Dietary	3,021	-	-	3,021
Medical and Other Resident Care	2,488	228	-	2,716
Depreciation	5,048	-	-	5,048
Interest, Net	4,149	333	-	4,482
Gain on Disposal of Fixed Assets	(21)	(817)	-	(838)
Decrease in Obligation to Provide Future Services	(1,383)	-	-	(1,383)
Total Expenses	44,768	1,350	(911)	45,207
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	(1,082)	319	(86)	(849)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(10,126)	630	320	(9,176)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	(300)	-	-	(300)
CHANGE IN NET ASSETS	(10,426)	630	320	(9,476)
Net Assets - Beginning of Year	(103,684)	(29,873)	23,285	(110,272)
NET ASSETS - END OF YEAR	<u>\$ (114,110)</u>	<u>\$ (29,243)</u>	<u>\$ 23,605</u>	<u>\$ (119,748)</u>

ATTACHMENT C

EDGEMERE

**Projected Cash Flow and Cash Reserves Summary
Five Year Projected Annual Financial Statements**

The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

EDGEMERE
PROFORMA CASH FLOW PROJECTIONS
For the Period Beginning January 1, 2021
(in thousands)

	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025
Beginning Cash (1)	21,812	17,707	15,827	15,270	16,440
Monthly Fees (2)	16,297	17,133	18,004	18,912	19,858
Double Occupancy Fees (3)	764	803	844	886	930
Health Center Income (4)	9,442	9,928	10,433	10,961	11,510
Assisted Living and Memory Support Income (5)	7,490	7,887	8,302	8,734	9,184
Miscellaneous Income (6)	(278)	(286)	(295)	(304)	(312)
Entrance Fee Income (7)	24,683	25,805	26,977	28,203	29,485
Interest Income (8)	1,151	1,153	1,187	1,215	1,245
Operating Expense (9)	(32,678)	(33,658)	(34,668)	(35,708)	(36,779)
Capital Expense - Operations (10)	(4,564)	(3,656)	(3,756)	(3,527)	(3,633)
Debt Service (11)	(7,104)	(7,102)	(7,102)	(7,104)	(7,102)
Entrance Fee Refunds (12)	(19,308)	(19,887)	(20,483)	(21,098)	(21,731)
Net Change (13)	(4,105)	(1,880)	(557)	1,170	2,655
Ending Cash	17,707	15,827	15,270	16,440	19,095

PRO FORMA CASH FLOW ASSUMPTIONS

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect”, “estimate”, “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect Edgemere’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting Edgemere’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

- (1) Beginning Cash represents an actual unrestricted cash balance at January 1, 2021 of \$21,812,000 contained in operating checking, revenue checking, payroll checking and investment savings.
- (2) Monthly Fees represents the total of first-person monthly charges for all independent living apartments based upon an occupancy level of:
 - 72.6 percent (average of 221 occupied apartments out of 304 available apartments) for 2021
 - 74.1 percent (average of 225 occupied apartments out of 304 available apartments) for 2022
 - 75.6 percent (average of 230 occupied apartments out of 304 available apartments) for 2023
 - 77.1 percent (average of 235 occupied apartments out of 304 available apartments) for 2024
 - 78.6 percent (average of 239 occupied apartments out of 304 available apartments) for 2025

In 2021, monthly fees were increased 1.0 percent over monthly fees in 2020 and are assumed to increase 3.0 percent annually in all succeeding years.

- (3) Double Occupancy Fees represents revenue from monthly fees required by the Residency Agreement for a second person occupying an independent living apartment. The amount of second-person fees was projected using the trend of past experience. The average number of independent living apartments occupied by more than one person projected increase from 40 in 2021 to 43 in 2025.

The monthly fee for second person increased at the same rate as the first-person monthly fees for all years.

- (4) Health Center Income represents income from rates paid by residents for care in the health center level of living. The beds available in 2021 and all succeeding years are 87.

The health center rates are shown at an average private pay rate of \$12,519 per month. Health center census is projected at an average increasing from 68 percent (59 beds occupied) in 2021 to 74 percent (64 beds occupied in 2025. The 2021 health center daily rates did not increase over the 2020 rates and the daily rates are assumed to increase 3.0 percent annually in 2022 and all succeeding years.

- (5) Assisted Living Income represents income from rates paid by residents for care in the assisted living level of living. The apartments available in 2021 and all succeeding years are 68.

The current assisted living rates are shown at an average of \$8,316 per month. Census is projected at an average increasing from 80 percent (54 apartments occupied out of the 68 apartments available) in 2021 to 85.8 percent (58 apartments occupied out of the 68 apartments available) in 2025. The assisted living daily rates were increased by 4.0 percent over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Memory Support Income represents income from rates paid by residents for care in the memory support level of living. The beds available in 2021 and in all succeeding years are 45.

The memory support rates are shown at an average of \$8,106 per month. Census is projected at an average increasing from 67 percent (30 beds occupied out of the 45 apartments available) in 2021 to 73.2 percent (33 beds occupied out of the 45 apartments available) in 2025. The memory support monthly rates for 2021 were not increased over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Health center, assisted living and memory support income is shown net of the life care discount which represents the discount that residents receive when entering the health center, assisted living or memory support versus a non-resident private pay. Both "temporary assignments" and "permanent assignments" to these higher levels of living are considered in determining the life care discount. Assumptions concerning both temporary and permanent assignments are based upon the total number of life care residents. The projected number of residents assigned to the health center, assisted living and memory support in each year is based upon actuarial trend history.

- (6) Miscellaneous Income represents revenue from such services as furnishing additional meals, space rents, café income, catering income, guest living apartment rental income, promotional apartment discounts and hardship discounts. The projected 2021 revenue is based in part upon the experience of Edgemere. Subsequent years are adjusted for inflation at 3.0 percent annually.
- (7) Entrance Fee Income represents the additional income from entrance fees received from new residents for independent living apartments released by previous occupants due to death, move out or permanent assignment to the higher levels of living. This is computed using the expertise of the marketing department and an attrition rate schedule, which is based upon Edgemere's experience and computed by an independent consulting actuarial firm, adjusted for move-ins. In 2021, entrance fees were not increased over 2020 entrance fees. Entrance fees are assumed to increase 3.0 percent in all succeeding years.
- (8) Interest Income represents interest to be earned on the unrestricted and restricted cash balance at an average interest rate of 1.6%.
- (9) Operating Expense represents disbursements to pay all operating expenses, salaries, supplies, utilities, insurance, and vendors. It excludes depreciation, amortization, and debt service interest.

In the table below, General and Administrative expense includes managerial salaries and fees, together with such miscellaneous administrative costs as general insurance and property taxes. Maintenance expense includes the maintenance, repair, and operation of the physical aspects of the Community, excluding Housekeeping expense which is shown separately. Dietary expense includes all costs of food service. Resident Care reflects the cost of operating the health center, assisted living and memory support. Leisure Services expense includes the cost of providing amenity services such as resident transportation, security, and social services.

Operating Budget – 2021 (in thousands)	
General and Administrative	\$13,247
Maintenance/Plant	3,048
Housekeeping	1,513
Dietary	5,021
Resident Care	8,599
Leisure Services	<u>1,250</u>
Total Operating Expense	\$32,678

- (10) Capital Expense - Operations represents expenditures resulting from major building repairs, fixed assets acquisitions, apartment refurbishments upon reoccupancy and/or replacement of fixed assets and moveable equipment.

- (11) Debt Service projections consist of the principal and interest payments on the Series 2015A bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$53,600,000, Series 2015B bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$40,590,000 and Series 2017 bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$21,685,000. The Series 2015A and the Series 2015B bonds have principal and interest payments due 2021 and going forward. The Series 2017 Bonds have interest only annual payments until 2037.
- (12) Entrance Fee Refunds is that portion of the entrance fee returned upon re-occupancy of the independent living apartment to a former resident (or estate) who vacates the independent living apartment through move-out or death.
- (13) Net Change is the difference between beginning cash and ending cash in a given year.

ATTACHMENT D

EDGEMERE

Resident Handbook



EDGEMERE RESIDENT HANDBOOK

This handbook supersedes previous versions and is effective May 1, 2021.

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WELCOME

Dear Resident:

We are delighted you have chosen a Lifespace community as your new home!

Edgemere is designed with you in mind. Each feature of the community encourages your social, intellectual, physical, and spiritual wellness. Our goal is to consistently enhance your living experience. Your happiness and satisfaction are our primary concern, and our team members are more than eager to provide you with exceptional service every day. We consider you part of our family!

Your community offers many amenities and services to help you continue living a vibrant life. As you begin your new journey with us, please take time to review this Resident Handbook so that you become familiar with your home. The handbook serves as a reference for community policies and guidelines to maintain a safe, comfortable, and well-managed community.

You will be provided with updates to this handbook from time to time as practices change. If you have any questions, do not hesitate to reach out to your executive director.

Once again, welcome! We're glad you're here!

Eddie Fenoglio



Chief Operating Officer

LIFESPACE
COMMUNITIES®

INTRODUCTION

This Resident Handbook has been developed to help you become familiar with general administrative policies in independent living which apply to all Lifespace independent living residents. This handbook does not alter or change the terms of your Residency or Life Care Agreement. If you are unable to find answers to your questions in this Resident Handbook, please call the front desk. The concierge will be able to direct your call or answer your questions. This handbook is not meant to be an exhaustive list of every situation which may come up. Rather, this is meant to be a reference tool to help guide you in your community living. As a supplement to the Resident Handbook, each community has a Resident Guidebook. This guidebook serves as the day-to-day manual community-specific details such as fitness center and dining hours, available TV stations, salon information, and more.

A separate Resident Handbook may be applicable to other community levels of living (i.e. health center, assisted living). Please contact your executive director for more information.

ABOUT LIFESPACE COMMUNITIES, INC.

Your new home is owned and operated by Lifespace Communities, Inc., (“Lifespace”). Lifespace is an Iowa not for profit corporation serving communities in Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska, Pennsylvania, and Texas. We are governed by the Lifespace Communities, Inc. Board of Directors, and the Lifespace home offices are located in West Des Moines, Iowa and Addison, Texas.

Edgemere is a Continuing Care Retirement Community. The Life Care concept is designed to provide our residents with a full spectrum of retirement living. You are now a member of a vibrant community offering many desired amenities and quality of community life. This includes the ability to access health care if and when needed while providing you with a security which allows for freedom.

The mission of Lifespace is “Creating Communities Celebrating the Lives of Seniors” and we do that by providing retirement housing, health care and other allied services for seniors seeking a community environment that includes companionship, recreation, personal growth, and health care on a financially sound basis in an independent, attractive, and secure independent setting.

The purpose of Lifespace is to provide an environment for retired persons who hold precious an independent way of living combined with personal dignity. Lifespace brings with it the experience, expertise and commitment needed to ensure that these purposes are fulfilled.

YOUR INDEPENDENT LIVING HOME

➤ ACCESS TO YOUR HOME

To assist in maintaining your safety and security, no one will be permitted access to your home without an Access Authorization/Preference Form unless in the event of an emergency or legal authorization. You will need to allow access into your home at reasonable times for pest control, housekeeping and maintenance. An Access Authorization/Preference Form can be obtained from the front desk to list those people authorized to enter your home while you are absent, and especially in the event of illness and/or transfer to the health center, assisted living or hospital.

In your absence, the community may be required to allow service personnel into your home. We will have a team member accompany any non-team member who must enter your home while you are away. All such entries are approved by the security department or assigned community designee. Any time entry has been made to your home in your absence, a written, signed report of the entry will be left in your home.

➤ APPLIANCES

Independent living homes are equipped with the following appliances:

- Refrigerator
- Dishwasher
- Garbage Disposal
- Microwave
- Electric range with Oven
- Washer and Dryer (availability may vary based upon home layout)

Lifespace is responsible for the general maintenance of these appliances.

Contact the front desk if you have any questions or concerns regarding the operation of your appliances. Please do not pay for or submit warranty requests on the appliances.

➤ ALTERATIONS TO YOUR HOME

We want you to feel at home and you are free to make minor alterations to your home. However, any structural or physical changes will require prior written approval from the executive director. Changes you request will be at your expense. Residents and/or

resident's estate may be responsible for the cost of returning the apartment home to its original condition upon vacating the home.

Outside workers: The executive director must approve any outside contractors prior to the resident engaging in services. The workers must check in/out with the front desk. Contractors must carry liability insurance and show proof of insurance. Entry doors shall not be open for long periods of time, even in extended periods of downtime during move-ins. All outside entry doors used must be secured on departure.

➤ BALCONIES AND COMMUNITY EXTERIOR

Independent living homes may offer a balcony or patio for the use and enjoyment of the resident. Balconies and patios are visible to guests, as well as present and prospective residents of the community. To retain a pleasing outside appearance, the following guidelines apply to all balconies and patios:

1. Appropriate furniture and small plants may be placed on the balcony. Any unsightly items such as signs, lighting, laundry, antennas, etc. may not be placed on the balcony or patio. We also ask that you not place bird feeders and wind chimes on the balcony or patio.

Feeding of Birds and Wind Chimes – Bird feeders require approval by the executive director prior to placement. Birds are not to be fed by a random distribution of food as doing so may attract rodents. Wind chimes are not allowed on patios or balconies.

2. In order to comply with fire safety requirements, personal outdoor grills are prohibited.

➤ CLIMATE CONTROL

Independent living homes may contain a thermostat for heating and cooling of which residents regulate the temperature to suit their personal preference. Please call and report any concerns with heating/cooling to the maintenance department.

➤ INSURANCE

As described in the Residency or Life Care Agreement, the community carries insurance on its own property and liability insurance for accidents that occur in common areas. The

resident may be required at his/her own expense to carry personal property insurance, liability insurance and, if a resident operates a vehicle on campus, automobile insurance in accordance with community guidelines and state requirements. All insurance policies held by the resident will be at the resident's expense and should be arranged with the agent of resident choice. Lifespace is not responsible for the loss of any personal property belonging to residents due to theft, fire or any other cause.

➤ KEYS/FOBS

Each resident is issued keys/FOBs that open his/her home, the outside entrances, and his/her personal mailbox. For security purposes, keys/FOBs should not be given to friends, relatives, or outside service personnel unless the Security or community services department is notified in advance. Also, keys should not be duplicated by anyone other than the community security/community services department. Should a key become lost, please contact the security/community services department. Additional fees may be applicable for replacement and/or additional keys.

➤ PETS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

This policy takes into account the needs of the Lifespace Community, pet owning Residents and non-pet owning Residents, as well as the needs of the pets themselves. The intent of this policy is to create a harmonious coexistence of all in the Lifespace Community by fostering an attitude of respect, cooperation and consideration.

Pet residency is not permitted in Health Centers or Memory Care communities. The opportunity for residents to keep pets is subordinate to the right of each community resident to be free from any inconvenience created by other residents' pets.

Dogs and cats, birds (kept inside a cage) and fish (maximum aquarium size: 30 gallons) are allowed in independent living homes. You are responsible for registering your pet with the executive director prior to bringing the pet to the community and adhering to the Community and/or Lifespace Pet Policy (which will be provided at time of registration).

If you are unable to care for the pet, the community may board the pet and the cost of such services will be your responsibility. Animals must be leashed at all times they are not inside your home and you must pick up and dispose of all pet waste.

Pets must be properly vaccinated and licensed and must wear license and identification tags with your name and phone number. The resident will be responsible for the treatment of fleas, ticks, etc., and for all damage or liability caused by your pet.

*Pets are not to be walked in the gardens, any outside dining areas, or in the common areas, at any time. More specifically, pets are not allowed in the common areas such as the beauty shop, the theater, library, dining rooms, games rooms, art room, exercise rooms, and any other common areas, at any time. **(Pets cannot be carried or transported on carts in these areas. In general, pets should be in the hallways only on a direct path from the resident's apartment to the nearest outdoor exit.) Exceptions must be approved by the executive director.***

➤ TRASH DISPOSAL

Trash/recycling rooms or designated drop locations are assigned within the community. Any trash rooms are marked at the entrance. Please use a sealed plastic bag to deposit trash in the receptacle. For disposal of large items, residents may call the front desk to arrange for a pick-up. In some cases there may be a charge for disposal of large items.

Recycling and Disposition of Trash –Trash must go in the trash bins or designated location areas. Recycling containers will be marked and for what contents (i.e. paper, plastic, glass).

HAZARDOUS MATERIALS

Any resident using needle syringes should dispose of the used syringes in a specially designed SHARPS CONTAINER ONLY. ABSOLUTELY DO NOT place syringes or any other sharp objects in your trash including inside other containers such as jars or soda cans. This is for the protection of the team members and residents of the community. The resident is responsible for ordering and disposing of his/her own SHARPS container. The environmental services department may make available ordering and disposal assistance for a charge. Please contact the environmental services department for more information.

ELECTRONIC PRODUCTS

Do not discard electronic products with regular waste as they may not be disposed into landfills.

This includes the following:

Televisions	Monitors	Computers
Laptops	Notebooks	Netbooks
Tablets	Desk Tops	Electronic Keyboards
Fax Machines	VCRs	Portable Digital Players
DVD Players	Video Game Consoles	Scanners
Electronic Mice	Digital Video Recorders	Electronic Readers

If a resident needs to dispose of any electronic products, he/she is responsible for contacting the proper disposal agency and paying any associated fees.

➤ **UTILITIES**

Utilities including water, sewer, electricity, heating and air conditioning are typically included in the resident's monthly fee. Lifespace is not responsible for any disruption of service and utility problems should be reported immediately to the front desk. Depending upon the Residency or Life Care Agreement, residents may be responsible for arranging, installing, and maintaining the monthly costs of telephone, internet access and/or cable television services, if not provided by the community.

➤ **HOUSEKEEPING/LAUNDRY**

Routine housekeeping services are offered in the monthly fee. If a resident would like more frequent or specific housekeeping services, additional services may be available for an additional fee. Resident bed linen laundering may be offered dependent upon the community and/or for an additional fee.

➤ **STORAGE**

Additional resident storage, outside of the independent living home, is limited and based upon community availability.

➤ **WINDOW TREATMENTS**

To maintain a more homelike environment, the resident is typically responsible for furnishing curtains or blinds for windows in their home. The resident should be mindful of preserving the community's exterior beauty when selecting window treatments that are visible from the outside.

SECURITY AND SAFETY

➤ GUEST ENTRANCE AND SIGN-IN

To assist in managing the safety and security of the community, primarily in the event of an emergency, family and guests are asked to sign in with security or the front desk upon arrival.

➤ PARKING/AUTOMOBILES

If the resident has a vehicle, a parking spot may be assigned while the resident maintains the vehicle at the community. Enclosed or covered parking is limited and may be available subject to an additional fee.

The resident will be provided with an Automobile Registration Form. This form contains the following information: resident's automobile make, year, color, and license plate number. You may obtain an Automobile Registration Form from the front desk. Please complete the form and turn this back to the front desk. Should a resident change vehicles or no longer own a vehicle, please notify the front desk.

Please be respectful of posted speed limits and a reminder to maintain current registration and insurance.

➤ MOTORIZED MOBILITY DEVICE (MMD)

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

A resident who requires a MMD is not required to prove that he or she needs such an aid. However, residents using a MMD shall be fully familiar with its operation, and be able to safely operate the MMD without creating a hazard to the safety of other

residents, team members and/or guests or causing damage to the community and property of others. Residents, guests and vendors must comply with a community's safety rules, including those related to MMD use.

Residents and guests are permitted to use motorized mobility devices (i.e. motorized wheelchair, cart or scooter) to allow an individual to move within and around the community as necessary for equal and safe access to its facilities and services. If a resident is considering obtaining a MMD or has already obtained one prior to moving into the community, the executive director must be notified to review and provide a copy of the MMD policy.

➤ ELEVATORS

In the unlikely event of an elevator malfunction, a call button or phone located within the control panel will connect residents with the community or elevator monitoring company. As a safety measure, elevators should not be used during a fire.

➤ EMERGENCY CALL SYSTEM AND PROCEDURES

For the purpose of summoning help in an emergency, all homes are equipped with an emergency pull cord or call button. The pull cord or call button is connected to the community's central system which is monitored twenty-four (24) hours a day. The pull cord or call button can be found on the wall in each bathroom; additional pull cords or call buttons may be present in the home. In addition, the community may provide, or residents may request a mobile alert pendant to wear for an additional fee.

Procedures for use:

1. The resident will pull the pull cord/call button or push the personal pendant button. *In the event of an emergency, the resident should immediately dial 911 if able.
2. Team member(s) will respond to the home.
3. If medical attention is needed, 911 will be called by the team member.

Emergency Medical Information – It is the responsibility of the resident to maintain an updated emergency medical information form in an identifiable location such as the back of the front door, refrigerator or another community recommended location for ease of access. In case of a problem, emergency personnel will then have access to this vital

information that will assist in your care. If you are in need of a new packet please see the front desk.

➤ EXPLOSIVES AND HIGHLY FLAMMABLE MATERIALS

To ensure a safe community, no explosives or highly flammable materials, such as kerosene or paint stripper, may be brought into any area of the community, including garages.

No open-flame candles or ignitable fuels are allowed at any time.

➤ FIRE SAFETY

For resident safety, the community is equipped with a sprinkler system, fire extinguishers, smoke alarms and a fire alarm system. Emergency exits and stairwells are conveniently located throughout the community. A diagram identifying the nearest exit to each apartment home is also located in the hallway of each building.

Please do not leave your bicycles, shopping carts, luggage racks, motorized mobility aids, wheelchairs or walkers in the stairwells, along hallways or in the dining rooms. Minimum fire safety standards require that stairwells and hallways be free of all equipment and furnishings.

➤ WEAPONS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

To promote a safe community and the well-being of everyone who lives and visits the community, Lifespace regards the possession of weapons (e.g. firearms, bows, hunting knives) on Lifespace property as creating high potential for unsafe consequences to its residents, guests and team members. As allowed by state regulation, Lifespace has implemented a Weapon-Free Communities Policy which prohibits all new residents and guests from displaying, wearing, transporting, storing, possessing or using any weapon (operable or inoperable) in the community or on Lifespace property. Please speak with the executive director to learn of the community's specific policy.

➤ EVACUATION OF HOMES / BUILDING(S)

All residents will be notified of an evacuation by the Community's Notification System. Once notified, residents must report to the designated area for the resident's home. A Lifespace team member will be assigned to the area to take attendance of the residents, communicate with the community's point person for those not in attendance and update and assist residents with next steps during the process.

In the event of an evacuation of the community, transportation will be provided to a designated area. Lifespace team members will be assigned to stay with the residents, account for the residents, and communicate to the residents throughout the process. Team members will notify residents if they may bring additional items to the designated area. Once transportation arrives, team members will evacuate each floor, one at a time. Residents need to remain with their designated Lifespace team member during the process at all times so they may be accounted for.

Also, in the event of an evacuation of the community, Lifespace will notify residents' families of the evacuation and the area they have been evacuated to. A hotline will be established so that family members may be updated during the process.

The Community's Evacuation Plan including the process for any drills is located at the front desk.

➤ TOXIC CHEMICAL SPILL PROCEDURE

In the event of a toxic chemical spill, appropriate Lifespace team members will be appointed to assist with the incident. Team members will alert anyone in the area of the spill who may be affected. If necessary, residents may be moved to a place of safety. Team members will attempt to keep the chemicals involved confined within the room by keeping doors shut and opening windows if possible to increase exhaust efficiency. Team members will clean up the chemical spill according to the information provided on the Safety Data Sheet (SDS) for that chemical. If necessary, outside authorities may be contacted to assist with appropriate clean up.

➤ VIOLENCE, CIVIL DISORDERS AND RIOTS PROCEDURE

In the event there is an act of violence, civil disorder or riot, all team members on duty will be asked to remain on duty to assist with keeping residents, family members, visitors, etc., safe. Law enforcement will be contacted for assistance. All windows and doors

should be locked. Residents should remain in their apartments until law enforcement officials declare that there is no longer a threat to your safety.

➤ SMOKING

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

Lifespace Communities, Inc. ("Lifespace") will comply with Federal, State and local laws and regulations regarding smoking, smoking areas, and smoking safety. In order to comply with individual State Clean Indoor Air Acts, to support Lifespace's successful aging and wellness philosophy, and to respect Lifespace's non-smoking residents, Lifespace has adopted this policy and will enforce procedures requiring a smoke free environment at each of its communities.

Smoking of cigarettes, cigars, pipes, vapes and any other medium of consuming tobacco smoke shall be prohibited in all independent living residences (unless grandfathered) and indoor and outdoor common areas on the property including, but not limited to, hallways, stairways, elevators, foyers, common rooms and facilities, patios, exterior landings, entrance ways, walkways, gardens, adjoining grounds and building facilities. Residents are not permitted to smoke in any health center areas (this includes assisted living and memory care). Team members and residents may smoke only in designated areas where applicable.

- Grandfathered residents living in an independent residence and assessed to be competent to smoke safely will be allowed to smoke in their residence and required to utilize a HEPA air purifier to minimize smoke infiltration into adjoining residences/corridors.
- For a grandfathered resident, the community will provide a HEPA air purifier and the resident will be responsible for paying the purchase cost of the machine and replacement filters. The HEPA air purifier will then be the property of the resident and need not be returned to the community. The environmental service department will be responsible for the changing of the filters and any required maintenance on a regularly scheduled basis.

➤ VALUABLES

Due to the number of guests accessing the community, the community cannot be responsible for the loss or theft of valuables from a residents' home. Lifespace encourages the resident to purchase a home safe for securing valuables. In the event of loss or theft,

please make the front desk or security aware of any disappearance so they may assist the resident with completion of a community incident report. The community may also encourage the resident to file a police report as necessary. Please remember to lock the front door while at home or away.

➤ NON-SOLICITATION

To avoid disruption of the quiet and peaceful environment of the community or disturbance of residents, team members and visitors, a Non-solicitation Policy is in place. The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

- Lifespace residents and third parties may not engage in solicitation on community property at any time.
- Commercial solicitation by residents or third parties on community property is also strictly prohibited (including door-to-door solicitation, hanging door hangers or other materials or notices distributed door-to-door or via resident mail boxes).
- The Non-solicitation Policy does not prohibit normal business contacts by authorized vendor representatives engaging in business with Lifespace in compliance with other Lifespace policies, provided such contacts are made with the consent of Lifespace management.
- The Non-solicitation Policy does not prohibit residents or third parties from entering into a resident's apartment/villa for purposes of solicitation or commercial solicitation if done at the express invitation of the resident.
- Third parties who enter community property to engage in solicitation or commercial solicitation without authorization shall be considered trespassers and will be removed from community property, given trespass warnings not to return, and may be subject to arrest and prosecution.

BUSINESS AND FINANCE

➤ ABSENCE FROM THE COMMUNITY

If you are planning to be away from the community overnight or longer, we request that you notify the front desk with this information. This will prove helpful if someone tries to contact you while you are away or in the event of an emergency.

➤ BILLING

Bills are distributed to residents monthly. Each bill will include the current month's fee, and any additional charges incurred and payments received in the previous month. Monthly bills are placed in in-house mail boxes approximately the 6th working day of each month. Payment is due by the date statement on the monthly bill and can be paid by check or automatic (ACH) withdrawal.

The monthly fee may be adjusted periodically. Residents will receive thirty (30) to ninety (90) days' notice of any monthly fee changes as outlined in the Residency or Life Care Agreement.

Late Fee – Residents may be billed a late payment charge if bills are not paid in a timely manner, per the terms of the Residency or Life Care Agreement.

➤ INDEPENDENT LIVING TRANSFER/RELOCATION POLICY

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

This policy spells out under what conditions new buyers and existing residents will be allowed to transfer from one apartment (living unit) to another or to a new contract type (Residency or Life Care agreement). The policy also directs the Community on how to calculate any refunds due under the current residency or Life Care agreement or additional payments required in relation to the new residency or Life Care agreement.

Any transfer from one apartment or independent living home to another while you are a resident of your community is subject to the current Lifespace policy. An addendum to the Residency or Life Care Agreement must be signed and executed before a transfer will be allowed. There may be adjustments in entry fees and monthly fees resulting from a transfer. Transfer charges may also be applicable.

Lifespace reserves the right, in our sole discretion, to relocate residents either temporarily or permanently to another home in the community if such relocation is necessitated by the construction, redesign, permitting or like constraints of a redevelopment project for the community. Lifespace will seek to meet the requests of the residents to be relocated to a home of their choice, as long as the entrance fee of the selected home does not exceed that of the original residence. Lifespace will pay all moving and transfer costs.

Please contact the executive director for further details.

➤ FINANCIAL DISCLOSURE

The annual audited financial statements are kept in each community's library. The audited financial statements are available no later than May 30th of the following year.

A condensed, audited financial statement will be made available to the residents each year. Routine reviews of the financial operation statements and assumptions will be presented to the resident Finance Committee. Various reports and other data required to be disclosed under various statutes will also be made available (i.e. Homestead Exemption where applicable).

➤ TAX DEDUCTIONS

Because Lifespace is a Life Care community, residents may have certain tax benefits. Residents may be able to deduct a percentage of the monthly fee as medical expense on individual income tax returns. In the year that a resident moves into the community, a percentage of the entrance fee also may be deductible.

The percentage that may be deductible as medical expense is based on the costs of operating the community's health center (this includes assisted living and memory care) and therefore, the percentage may change each year. The community will provide the residents with a recommendation of the percentage of monthly fees that can be attributable to the operations of the health center by January 31st of each year.

This information is not to be construed as tax advice. Residents should consult a tax advisor to learn more about the current tax rules and individual applicability to which monthly fees may be taken as a deduction.

➤ CONFLICTS OF INTEREST

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

To ensure that no workforce member or his/her immediate family members personally benefit from business activities with any community or program within Lifespace. Team members are not allowed to provide services, functions or have dealings with residents which could constitute a conflict of interest such as:

1. Witnessing documents;
2. Being the executor / executrix of an estate;
3. Having Power of Attorney (Durable or Healthcare);
4. Guardianship;
5. Buying or selling of goods or services; or
6. Employment of the team member to include his / her family for any services.
Any exceptions must be disclosed and approved by the executive director prior to engaging.

➤ RESIDENCY OR LIFE CARE AGREEMENT

Refer to your Residency or Life Care Agreement for specific terms and obligations. Should you have any questions or concerns, please contact the executive director.

➤ INABILITY TO PAY

Lifespace will not request that a resident leave the community solely because of inability to pay the monthly fee due to the exhaustion of their resources through no fault of their own. Any determination to provide financial assistance will be within the sole discretion of Lifespace. Residents receiving financial assistance may be asked to move to a less expensive apartment and to apply for government medical assistance programs, if eligible.

➤ MEAL CREDITS

In the event the resident is absent from the community for a certain number of days, the resident will be given a credit at the established community rate for meals included in the monthly fee but not used during such absence, providing that the resident gives the community 30 days advance notice. Please reach out to your executive director for more specifics and details.

➤ POWER OF ATTORNEY

Residents are asked to execute and maintain a Power of Attorney for Healthcare which designates an agent to act on the residents' behalf. Please provide a copy of this Power of Attorney to the executive director.

➤ INCIDENTS OF SUSPECTED FRAUD OR ABUSE

Fraud in the health care industry does happen. Lifespace has implemented procedures to address allegations of fraud and abuse. If you suspect any of the following, please call the Lifespace Compliance Hotline at 1-877-219-1121. Your call will be treated as confidentially as possible and the information you provide will be shared on a “need to know” basis only.

If you suspect fraud or abuse, the first option is to report suspicions to a member of Lifespace management. If you suspect a member of management may be involved, or past reports have not been acted upon, you should follow the procedure given below.

Neither Lifespace nor any of its affiliates and subsidiaries will permit any form of retaliation against a resident for reporting fraud or abuse issues.

GENERAL TIPS TO HELP PROTECT YOU AS MUCH AS POSSIBLE:

- Never give out personal information to anyone over the phone.
- If it sounds too good to be true, it probably is.
- Resist high pressure, fast talking and often very official sounding callers. Hang up.
- Only give to charities that you are very familiar with.
- Never give out your social security or Medicare number to anyone.
- When you receive an application for a credit card in the mail don’t just throw it away. Shred or rip it up. These applications can be used to obtain a credit card in your name, with a different address.

Remember, even some legitimate businesses will try to sell you items and services that you do not need.

HOW TO REPORT:

Before calling the toll-free Compliance Hotline carefully review the facts as you know them. It is helpful to write down your concerns before calling so you remember to include all of the information. Some information that can be helpful when you report includes:

1. The name and any identifying information you have about the team member, health care provider or other persons involved, such as job title or an identifying number;
2. The item or service you are questioning;
3. The date the item or service was supposedly furnished;

4. The reason you believe Medicare or you (if you are paying privately and directly) should not be required to pay the provider; and
5. The name of the community where you live so the incident can be reviewed and investigated by the Lifespace Compliance Officer.

HEALTH CARE

Community healthcare services may include the following:

➤ ASSISTED LIVING

Assisted living is for residents who need minimal assistance with the activities of daily living. Assisted living offers three meals a day and a variety of social and therapeutic activities and is staffed 24 hours a day. These services are provided within the scope of state licensure.

➤ MEMORY CARE

Memory care is for residents with memory impairment and who are in need of a secure environment in an assisted living type setting. In addition to the services provided in assisted living, the activity program is tailored to meet memory impairments and behaviors in an individual and group setting.

➤ HEALTHCARE AND SKILLED REHAB SERVICES

The health center is for residents who have either a short-term or long-term acute or chronic illness that requires an environment which provides licensed nursing care.

NOTE: Residents who are temporarily transferred to assisted living, memory care, or the health center from independent living continue to pay the monthly fee for their independent living home. Residents who are permanently transferred to assisted living, memory care, or the health center from independent living will pay the established monthly fee in accordance with the Residency or Life Care Agreement.

➤ PERSONAL SERVICE PROVIDERS

Residents may receive care services in the independent living home. Service may be provided by the community or vendor of the resident's choice. A resident must contact the front desk to register the outside vendor and the vendor must meet the

requirement set forth in the Lifespace Personal Service Provider (PSP) Handbook and Policy. For the communities with a Lifespace personal service provider onsite, the resident may contact Lifespace Personal Services for a consultation.

NOTE: All personal service providers must sign-in with the front desk and carry appropriate identification. In addition, personal service providers must wear an identification name tag. Failure to do so will result in denied access to the community.

1. Any expenses incurred by use of a personal service provider will be the responsibility of the resident.
2. Healthcare Restriction: Lifespace will not be responsible for healthcare or nursing assistance provided by a personal service provider. The personal service provider is not allowed to provide hands-on care to any resident residing in the health center (this includes assisted living and memory care); the personal service provider is allowed to provide companion care to the resident.

The Lifespace Personal Service Provider Handbook addresses each area such as cell phone use in the common areas, personal appearance, parking, waste management, along with many other topics. Personal service providers are not permitted to use the common areas, fitness center, the business center and may not take food for personal use from the resident dining rooms, social events, and any other activities where food and drink are served (designated bistros/cafes for resident, guest, team members may be used). Cell phones are not to be used in common areas. Personal service providers are prohibited from bringing in pets.

Residents and families are responsible for ensuring these guidelines are followed.

➤ PHYSICIANS

All residents of the community are free to retain their own personal physician. Please note that the community is not financially responsible for residents' personal medical services or outside hospitalization.

➤ HIPAA

Lifespace adheres to the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and has implemented policies to protect all residents and team members' Protected

Health Information (PHI). Residents and team members will be educated on HIPAA privacy rules upon move-in or employment.

New residents will be given the opportunity to “opt out” of their PHI being shared within the community (i.e.; phone directory, birthday lists or other pertinent information possibly published in the community or newsletters). New residents will be required to sign an authorization form to allow us to receive information regarding the pre-admission physical requirements.

Upon a resident’s first admission to the health center, the resident will be required to review the “Notice of Privacy Practices” and sign an acknowledgement form. An Authorization “A” Form regarding the sharing of the resident’s information will be offered and filled out at that time.

Your health related information will be shared with only those team members or outside entities (physicians, hospitals, etc.) who must have access to the information in order to provide services to you. Upon signing a Residency or Life Care Agreement in our sales department, you were asked to sign an authorization form which enabled us to have access to your medical history as required in our contract. You will be asked to sign additional forms when you use our health center services for the first time.

If you are interested in additional information regarding HIPAA, please contact the Lifespace Compliance Officer at the Lifespace home office.

➤ GIFTS AND GRATUITIES TO TEAM MEMBERS

Lifespace does not permit team members to accept gratuities of any nature, monetary or material, from residents, their family members or guests. Acceptance of a gratuity by a team member may result in disciplinary action of the team member up to and including termination. A compliment or verbal thank you is always appreciated.

Appreciation Fund for Team Members – Lifespace has approved a one-time per year event (typically in advance of the December holidays), during which residents may contribute to an appreciation fund managed by the Resident Council and its resident committee for distribution to the community team members. A detailed policy is located with the executive director.

Acknowledgement of Receipt

The undersigned hereby acknowledge(s) receipt of a Resident Handbook dated May 1,
2021 relating to Edgemere on this _____ day of _____, 20____.

Resident: _____
PRINT NAME SIGNATURE

Resident: _____
PRINT NAME SIGNATURE

Landlord's

Exhibit 31

for hearing commencing March 7, 2023

EDGEMERE
DISCLOSURE STATEMENT

February 17, 2022

Continuing Care Retirement Community
Acknowledgement of Delivery of Disclosure Statement

I/we hereby declare that I(we) have received a current disclosure statement from Edgemere, dated [month/day _____, 2022] and numbered pages ____ through ____, including appendices.

DATE SIGNED: _____

[print name]: _____

[resident or legal representative]

THE DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT OR BEFORE THE PAYMENT OF AN ENTRANCE FEE OR NONREFUNDABLE DEPOSIT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY ARTICLE 8876, TEXAS CIVIL STATUTES NOW CODIFIED AS SECTION 246.043 OF THE TEXAS HEALTH AND SAFETY CODE. HOWEVER THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE ACCURACY OF THE ENCLOSED INFORMATION.

Disclosure Statement

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Attachments

Attachment A: Life Care Agreement

Attachment B: 2019 and 2018 Audited Financial Statements

Attachment C: Financial Projections

Attachment D: Resident Handbook

EDGEMERE

DISCLOSURE STATEMENT

Name, Address and Type of Legal Entity

1. State the name and business address of the provider and a statement of whether the provider is a partnership, corporation or other type of legal entity. If the provider is not an individual, include the names and business address of each officer, director, trustee, managing or general partner and any other person who has at least a 10% interest in the provider, together with a description of that person's interest in or occupation with the partner.

The Owner (Provider)

The Owner is Northwest Senior Housing Corporation d/b/a Edgemere ("NSHC" or "Edgemere"), a Texas nonprofit corporation. NSHC is exempt from federal income taxation as a charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("the Code"). NSHC was formed for the purpose of developing, owning and operating a senior living community now known as Edgemere.

Lifespace Communities, Inc. ("Lifespace") is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Newcastle Place Mequon, Wisconsin <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way		Querencia at Barton Creek

Fort Worth, Texas
*An Affiliate of
Lifespace*

Austin, Texas
*An Affiliate of
Lifespace*

Lifespace acts as a supporting organization for Edgemere and the communities listed above, providing oversight, direction, and governance support, and may provide financial assistance.

Lifespace has established The Lifespace Foundation (“The Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, The Foundation supports and benefits Lifespace and its affiliates.

The current address of Northwest Senior Housing Corporation is:

Northwest Senior Housing Corporation
8523 Thackery Street
Dallas, TX 75225

NSHC is organized under the laws of Texas and is governed by a board of officers and directors made up of the following individuals:

Name	Title
Jesse Jantzen	Chair, President, CEO, Director
Nicholas Harshfield	Chief Financial Officer, Corporate Treasurer & Secretary, Director
Edward Fenoglio	Board Member

Management Other Than Direct Employee of Provider

- 2. Indicate whether the Community will be managed on a day-to-day basis by a person other than an individual directly employed by the provider. If so, provide:**

- a. A description of any business experience in the operation or management of similar communities that the person possesses;**

Day-to-day management is conducted by the community's Executive Director, with regional and operational support provided by Lifespace.

- b. The name and address of any professional service, firm, association, trust, partnership, or corporation in which the person has, or which has in that person, at least a 10 percent interest and that proposes to provide goods, leases, or services to the Community, or to residents of the Community, of an aggregate value of at least \$500 in any one year, including a description of the goods, leases or services, and their probable or anticipated cost to the Community, provider, or residents, or a statement that their cost cannot presently be estimated; and**

Lifespace's policies require any Board member with potential conflicts of interest to be excluded from, and be absent from, any discussions and decisions regarding Lifespace entering into contracts with respect to which the Board member has a potential conflict of interest. No Lifespace Board member currently has or has had any known potential conflicts of interest.

- c. A description of any matter in which the person has been convicted of a felony or pleaded nolo contendere to a felony charge, or has been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property.**

There have been no felony convictions or nolo contendere pleas or civil actions involving NSHC or Lifespace.

- d. Any matter in which the person is subject to an injunction or restrictive order of court of record, or has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency if the order or action arose out of or was related to any business activity in a health care field, including actions affecting a license to operate a foster care facility, a nursing home, a retirement home, a home for the aged, or a facility subject to Chapter 246 Health and Safety Code or to a similar Act in another state.**

Neither NSHC nor Lifespace have been subject to injunctive or restrictive orders of court record or revocations or suspensions of licenses or permits in connection with any business activities in a health care field.

Affiliation and IRS Tax Exemption Status

- 3. State whether or not the provider is affiliated with a religious, charitable, or other nonprofit organization and describe the extent of that affiliation, if any. If the provider is affiliated with such an organization, explain the extent to which the organization is responsible for the financial and contractual obligation of the provider. Cite any provision of the Internal Revenue Code under which the provider or affiliate claims to be exempt from the payment of income tax.**

NSHC is not, and never has been, affiliated with any religious organization. Persons of any faith, as well as those with no particular religious faith, are eligible to be considered for residency.

NSHC is exempt from federal income tax as a charitable organization described under Section 501(c)(3) of the Code. NSHC was formed for the purpose of construction, ownership, and operation of a senior living community now known as Edgemere.

Lifespace is NSHC's sole member. Lifespace is an Iowa not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Lifespace is also affiliated with the following continuing care retirement communities:

Name of Community and Location

Abbey Delray Delray Beach, Florida	Abbey Delray South Delray Beach, Florida	Beacon Hill Lombard, Illinois
Claridge Court Prairie Village, Kansas	Newcastle Place Mequon, Wisconsin <i>An Affiliate of Lifespace</i>	Harbour's Edge Delray Beach, Florida
Friendship Village of Bloomington Bloomington, Minnesota	Friendship Village of South Hills Upper St. Clair, Pennsylvania	
The Waterford Juno Beach, Florida	Village on the Green Longwood, Florida	Oak Trace Downers Grove, Illinois
The Stayton at Museum Way Fort Worth, Texas <i>An Affiliate of Lifespace</i>		Querencia at Barton Creek Austin, Texas <i>An Affiliate of Lifespace</i>

Lifespace acts as a supporting organization for NSHC and the communities listed above, providing oversight, direction, and governance support, and may make grants and/or provide other forms of financial assistance.

Lifespace has established The Lifespace Foundation (“The “Foundation”) that operates primarily to make grants and otherwise support programs and services that advance the interests of residents and team members. In particular, the Foundation supports and benefits Lifespace and its affiliates.

Location and Description of Community

- 4. State the location and a description of the physical property of the Community, either existing or proposed. If proposed, state the estimated completion date, whether or not construction was begun, and any contingencies under which construction may be deferred.**

Edgemere is constructed on an approximately 16-acre tract of land located on the north side of Northwest Highway between Thackery and Edgemere streets in Dallas, Texas. The parcel of land has been leased from an unrelated third party for a term of 55 years.

As of December 31, 2020 Edgemere consists of 304 independent living apartment homes, 113 assisted living suites (“Assisted Living”) and 87 nursing beds (“Health Center”) in two- and three-story configurations with central commons and support areas providing services to residents and guests. The independent living apartment homes range in size from approximately 800 to 2,000 square feet. The assisted living suites range in size from approximately 530 to 640 square feet. Memory support assisted living suites range from approximately 270 to 530 square feet. The private nursing rooms range from approximately 300 to 500 square feet. The total net building square footage is approximately 1.55 million square feet.

The buildings are constructed using metal frame, concrete and masonry construction, stucco exterior, concrete tile roofs and concrete paving. Edgemere has been designed in a Mediterranean residential style consistent with and complementary to design styles prevalent in the Park Cities/Preston Hollow area of Dallas. The scale and detail of the buildings, as well as the choice of materials, replicate items commonly found in upscale single-family homes in the area. In addition, there are a number of ergonomically designed architectural features and design details which help create a comfortable, pleasing environment for the residents, such as lever hardware, emergency response system, minimal walking distances and non-glare lighting.

Construction of Edgemere began in November of 1999 and was substantially completed in May of 2002. The most recent expansion at Edgemere was complete in 2018 and there are no further planned expansions.

Services and Fees

- 5. Describe the services provided at the Community under a contract for continuing care, including the extent to which medical care is furnished, and must clearly describe which services are included for specified basic fees for continuing care and which are made available at extra charge. Include a description of all fees required of residents, including the entrance fee and any periodic charges.**

Services Provided Under the Life Care Agreement

A. Occupancy

Occupancy is provided in a specified independent living apartment home. Each independent living apartment home is equipped with a fire sprinkler and alert system and is furnished with floor coverings, window coverings, self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, garbage disposal, washer, dryer and emergency call system. Residents have use of the common areas of Edgemere, which includes formal and casual dining, private dining rooms, living rooms, libraries, lounges, creative arts center, card/game room, a business center, billiards room, dance studio, a large fitness facility, indoor pool, and dog park.

B. Services

Edgemere provides residents of independent living apartment homes with the following services, the cost of which is included in the monthly service fee:

Food Service. Residents receive one meal credit per person for each day of the month. Additionally, a complimentary continental breakfast is served daily, except Sunday. Accumulated meal credits may be used at any time during the month for resident meals or for guest meals.

Housekeeping. Edgemere provides weekly scheduled housekeeping of each resident's apartment home, including vacuuming, dusting, cleaning and changing of bed linens.

Utilities. The cost of sewer, water, waste disposal, electricity, heat, air-conditioning and basic cable television service for each resident's apartment home is included in the monthly service fee. The independent living apartment homes are centrally wired for cable television and telephone hook-up. Residents are responsible for paying all premium cable television and telephone charges.

Security and Emergency Call. Each apartment home is equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere monitors the emergency alert system and coordinates emergency responses, as appropriate.

Laundry. Residents receive scheduled weekly laundry service for their bed linens and towels. No laundry service is included under the Select Service Plan, but may be purchased for an additional fee.

Maintenance. Edgemere maintains all community areas and grounds and is responsible for providing repair, maintenance and replacement of any furnishings provided by Edgemere in a resident's apartment home.

Mail. A U.S. mailbox is provided in a central location for each independent living apartment home.

Transportation. Edgemere provides, on a regularly scheduled basis, transportation to designated local shopping centers, social events, medical facilities, places of worship and other local destinations. Personal transportation is also provided as available. Transportation outside business hours is available for an additional cost.

Social and Recreational Programs. Edgemere coordinates a variety of social, recreational, educational and cultural programs for those residents wishing to participate.

Property Taxes and Insurance. Edgemere pays for real property taxes or payments in lieu of taxes except for those assessed on residents' personal property. Edgemere has obtained property and casualty insurance coverage on the buildings and grounds. Such coverage does not insure against loss or damage to resident's personal property, or damage or injury to others caused by resident. Edgemere recommends that residents purchase appropriate comprehensive insurance.

Wellness Programming. Edgemere coordinates educational and screening programs promoting wellness and preventive health maintenance for those residents wishing to participate.

Home Health Care Services. Home health care services, as defined by and to the extent reimbursable under the Medicare program, may be provided under contract by a certified home health agency to qualified residents of an apartment home. The Home Health provider shall adhere to Edgemere's PSP policy. The resident has the option to select the home health care agency of his/her choice. Any resident needing home care services in connection with a temporary condition beyond that covered by Medicare is responsible for the cost of such services and can receive such services while residing in an apartment home upon approval of Edgemere. Residents who need assistance with the activities of daily living or nursing service on a continuing basis transfer to Assisted Living or the Health Center to receive such services.

Life Care Benefit. Independent living residents also receive a life care benefit which provides assisted living or nursing care in the Assisted Living or Health Center for the same monthly fee as a Two Bedroom Classic independent living apartment home, upon permanent transfer, should the need for such services arise. Residents requiring Memory Support Services are required to pay an additional fee as set forth in the Life Care Agreement.

For temporary transfers to Assisted Living or the Health Center, residents are required to pay for those services at the published monthly service fees in addition to the monthly service fee for the resident's independent living apartment home. See the attached Life Care Agreement for a more detailed explanation of the Life Care benefit.

Parking. Garage parking areas are provided for residents of Edgemere. Surface parking is available for Guests. One secured underground parking space is provided for each apartment home at the request of the resident and in conformance with the parking policy. Additional spaces may be purchased, if available.

Storage Area. An individual storage area located in Edgemere is assigned and available for each independent living apartment home.

C. Additional Services.

The following optional services are available on a fee-for-service basis:

1. Guest Meals
2. Catering for Special Occasions
3. Barber and Beauty Services
4. Tray Service when Medically Advisable
5. Additional Resident Meals
6. Additional Parking, subject to availability
7. Additional Housekeeping
8. Laundry Services for Personal Items
9. Personal Maintenance Requests
10. Personal Laundry Services

Charges for additional services are billed to residents on a monthly basis as provided in the Life Care Agreement.

Fees Required of Residents

1. Independent Living

Residents are charged two separate fees to be entitled to reside in an independent living apartment home at Edgemere: (a) a one-time, resident deposit; and (b) a first person (and, for double occupancy, a second person) monthly service fee. In addition, residents are billed monthly for optional services on a fee-for-service basis.

Upon initial occupancy, residents pay a one-time resident deposit. Under the Life Care Agreement, the resident deposit is 90% refundable (without interest) to the resident or the resident's estate on the later of the date of termination of the Life Care Agreement or the date a new resident deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. The amount of the Resident Deposit depends on the type of unit selected and ranges from \$346,000 to \$1,454,000.

Independent Living Monthly Service Fees, effective January 1, 2022, range from \$4,176 to \$8,933, depending on the unit selected. Monthly Service Fees will be adjusted in

accordance with the Life Care Agreement. For dual occupancy, regardless of unit type, an additional \$1,639 second person fee will be charged. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

2. Assisted Living. The amount of the Monthly Service Fee charged to direct entrants who have not occupied an independent living apartment depends upon the assisted living unit type selected. The Monthly Service Fees, effective January 1, 2022, for single occupancy in an assisted living unit ranges from \$7,103 to \$10,486, depending on the unit selected. Dual occupancy is an additional \$2,047 per month. For direct entrants into assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

3. Memory Support Assisted Living. In the specialized memory support assisted living area, direct entrants pay a Monthly Service Fee based on the unit type selected. The Monthly Service Fee rates, effective January 1, 2022, for single occupancy range from \$7,033 to \$9,402 dependent upon the size of the unit selected. These rates are subject to change upon 30 day advance notice. For direct entrants into memory support assisted living, no resident deposit is required; however, a security deposit may be required. The Monthly Service Fee is not expected to increase prior to January 1, 2023.

4. Nursing. Nursing care fees are on a per diem basis payable monthly for direct entrants into nursing care. The per diem rate ranges from \$389 per day to \$475 per day dependent upon the size of the room selected. These rates are subject to change upon 30 day advance notice. The per day rate is not expected to increase prior to January 1, 2023.

Community Policies

6.a State the Community's policy regarding changes in the number of people residing in the living unit, either because of marriage or other relationships, and a statement of the terms relating to the admission of a spouse to the Community and the consequences if the spouse does not meet the requirements for admission.

Double to Single Occupancy. If an apartment home is occupied by two residents and one surrenders possession of the apartment home to the other, other than by death or by a transfer covered by Section 4 of the Life Care Agreement, the obligations of the person remaining in the apartment home under the Life Care Agreement remain in full legal force and effect, except that the Monthly Service Fee is adjusted to reflect the single occupancy rate then in effect for the apartment home. The person not remaining in the apartment home receives no services or benefits under the Life Care Agreement but continues to be jointly and severally liable for the obligations of the person remaining in the apartment home. No refund of the Resident Deposit is made until both residents leave and the conditions of the Life Care Agreement are met.

In the event the joint occupants of an apartment home desire separate living accommodations at Edgemere, and one resident remains in the apartment home designated in the Life Care Agreement, no refund of the Resident Deposit shall be made until the conditions of the Life Care Agreement are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the apartment home. Upon occupancy of the second apartment home by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodation.

Sharing Unit/Marriage. In the event of the marriage of one resident to another resident, they may: (a) continue to maintain two apartment homes and pay the applicable Monthly Service Fee for single occupancy then in effect for each apartment home; or (b) release either apartment home and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the apartment home jointly occupied by them. There shall be no refund of the Resident Deposit to either resident, and all benefits provided in each Life Care Agreement shall remain and continue in effect.

If a resident and a non-resident (including a new spouse) desire to share an apartment home, the non-resident may become a resident and live in the apartment home only if he/she meets the qualifications set forth in the Life Care Agreement and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-resident may be required to make a Resident Deposit in accordance with the current policies established by Edgemere.

In the event a resident marries an individual while at Edgemere who does not meet the residency requirements, Edgemere, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under the Life Care Agreement.

Relocation. The resident may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, the Life Care Agreement will be amended to reflect the change in Residence status. If applicable, the resident will be required to pay an additional Resident Deposit equal to the difference between the then current Resident Deposit for the new Residence selected and the Resident Deposit initially paid. In the event the current Resident Deposit for the Residence selected is less than the Resident Deposit initially paid, refund of the difference in Resident Deposit will be issued at the time of relocation, in accordance with Section 7.4 of the Life Care Agreement. The resident will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at the expense of the resident.

Moving to a Higher Level of Care

(a) Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while still occupying your residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

(b) Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

See the Life Care Agreement in Attachment A for a more complete explanation of temporary and permanent transfers.

b. State the Community’s policy regarding the circumstances under which a resident is permitted to remain in the Community in the event of any financial difficulty of that resident.

The Life Care Agreement will not be terminated solely because of a resident’s financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of the Life Care Agreement by reason of circumstances beyond the resident’s control. If the resident presents facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by the resident under the terms of the Life Care Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, at its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide a resident with any financial assistance or subsidy, the resident agrees that Edgemere may charge such amounts, plus interest, against the refund of the resident's Resident Deposit. Furthermore, Edgemere may require that the resident move to a smaller or less expensive apartment home.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the resident and his/her estate. See Attachment A of the Life Care Agreement for a more complete description of this policy.

c. State the conditions under which a contract for continuing care may be cancelled by the provider or the resident

Notwithstanding its policy to defer monthly service fees owed by residents who become unable to pay, Edgemere may terminate the Life Care Agreement of a resident who fails to pay any amount owed to Edgemere within the 30-day cure period. Edgemere may also terminate the Life Care Agreement in the event that a default occurs under the provisions of the Life Care Agreement. Defaults include but are not limited to (a) a resident's failure to comply with any covenant of the resident contained in the Life Care Agreement, provided that the resident has thirty (30) days from the date of giving of notice to cure the same; (b) a resident's medical condition would endanger the resident or other persons, or if the resident becomes mentally or emotionally disturbed or creates a disturbance such that the resident's continued presence at Edgemere is deemed by Edgemere to be detrimental to the health, safety or welfare of the resident or other residents; and (c) if a resident is determined by a court of competent jurisdiction to be legally incapacitated or incompetent.

See sections entitled "Consumer Protection and Refund Provisions" and "Refund Prior to Occupancy" for discussion of conditions under which a contract for continuing care may be cancelled by the resident.

d. State the conditions, if any, under which all or part of the entrance fee is refundable on cancellation of the contract by the provider or by the resident, or in the event of the death of the resident before or during occupancy of a living unit.

Upon termination of the Life Care Agreement in accordance with the terms of the Life Care Agreement, or in the event of the resident's death, or in the case of double occupancy, both occupants' deaths, Edgemere will refund 90% of the Resident Deposit (without interest) paid for the vacating resident's apartment home, on the later of the date of termination of the Life Care Agreement or the date a new Resident Deposit has been received from a new resident and the new resident has taken occupancy of the resident's apartment home. After a resident has taken occupancy, the refund amount is ninety percent (90%) of the Resident Deposit paid for the apartment home. In the event Edgemere terminates the Life Care Agreement for just cause in accordance with provisions of the Life Care Agreement, Edgemere shall pay to the resident within 45 days of vacating the apartment home any refund due, less a

reasonable amount to cover the anticipated cost of utilities, telephone, or other obligations if applicable and documented by Edgemere.

- e. State the conditions under which a living unit occupied by a resident may be made available by the Community to a different resident other than on the death of the previous resident.**

Edgemere reserves the right to make a resident's apartment available to a different resident upon the resident's permanent transfer from the apartment home. If Edgemere determines that following a transfer from the resident's apartment home that it is unlikely that the resident will return to it, such that the transfer is permanent in nature, the resident's apartment home shall be released and made available by Edgemere to a new resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the apartment home with another resident. Residents grant Edgemere the right to remove the resident's personal property from the apartment home and to store it at the resident's expense. If, after a permanent transfer, the resident again meets the qualifications for entrance to Independent Living, the resident is given priority admission status for an apartment home.

- f. State the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on those adjustments.**

The Monthly Service Fee may be increased, upon sixty (60) days' written notice to the resident if Edgemere, in its sole discretion, deems it necessary to meet the financial, service and contractual obligations of Edgemere. It is Edgemere's intention to make any adjustments to the Monthly Service Fee only once per year.

Resident Qualifications

- 7. Describe the health and financial conditions required for acceptance as a resident and for continuation as a resident, including the effect of any change in the health or financial condition of an individual between the date of the contract for continuing care and the date of initial occupancy of a living unit by that individual.**

Each prospective independent living resident of Edgemere must submit an application for admission, be able to care for himself/herself and engage independently in activities of daily living. Admission is made without regard to race, color, sex, marital status, religion, creed, handicap or national origin to seniors with a minimum age of 62 years.

The decision to accept a resident for admission to Edgemere is within the sole discretion of Edgemere. Admission is conditional upon the resident's demonstrated financial ability to pay the then current Resident Deposit and Monthly Service Fees as evidenced in the Confidential Data Profile that the resident must complete and submit to Edgemere prior to execution of the Reservation Agreement and the completion, review and approval of a medical profile indicating the resident's ability to live independently.

During the term of the Life Care Agreement, the resident must obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare.

The resident must also maintain in effect supplemental insurance coverage or another form of comprehensive health coverage satisfactory to Edgemere.

Community Reserve Funding

- 8. Describe any provisions made or to be made to provide reserve funding or security to enable the provider to fully perform its obligations under a contract to provide continuing care at the Community, including the establishment of escrow accounts, trusts, or reserve funds together with the manner in which those funds will be invested, and the name and experience of any individual in the direct employment of the provider who will make the investment decisions.**

There is no reserve fund established specifically to provide for the Life Care benefit. It is anticipated the Resident Deposits and interest earnings derived thereon are sufficient to fund obligations under the Life Care Agreement.

As a condition of securing financing for Edgemere, the bondholders require a debt service reserve fund equal to 10% of the debt amount or maximum annual debt service on the long-term bonds.

NSHC invests the debt service reserve fund, Resident Deposits, and any other excess monies generated from project financing and operations in an investment portfolio comprised of government securities, insured deposits, high-grade corporate securities, and professionally-managed equities. All investment policy decisions are made by NSHC. The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help pay for operating and capital costs. As such, interest income generated from the investment of the Resident Deposit is paid to NSHC. At the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, early retirement of debt, costs of future expansions and other purposes deemed appropriate by NSHC. In addition, in order to obtain permanent financing and to secure the lender, NSHC has pledged the receipts and revenues of Edgemere, including the Resident Deposits to the extent allowable by the Texas Statutes. As a result, the Resident Deposits are not escrowed solely for resident refunds.

Financial Statements

- 9. Attach as an exhibit, financial statements of the provider, including a balance sheet as of the end of the most recent fiscal year, statement of cash flow, and the provider's income statements for the three most recent fiscal years or, if the provider has not been in existence for that long, for the period that the provider has been in existence.**

NSHC was organized in January 1998 solely for the purpose of planning, developing and operating Edgemere. See Attachment B for 2019 and 2018 audited financial statements as well as the most recent quarterly financial statement for the fourth quarter of 2021. Note that the 2019 financials do not accurately reflect the financial condition of Edgemere as more fully described in Section 12 below.

Edgemere is working with its auditors to complete the 2020 Audited Financials, and these 2020 Audited Financials will be provided to you as soon as they are completed.

Anticipated Sources and Applications of Funds Statement

10. If operations of the Community have not yet begun, include a statement of the anticipated source and application of the funds to be used in the purchase or construction of the Community. The statement should contain the following:

No longer applicable.

Estimated Annual Income Statements

11. Attach as an exhibit, estimated annual income statements for the Community for period of not less than five years. The statement should contain the following:

- a. a beginning cash balance consistent with the statement of anticipated source and application of funds required under Subsection 246.052 of the Act if operation of the Community has not begun;
- b. anticipated earnings on any cash reserves;
- c. estimates of net receipts from entrance fees, other than entrance fees included in the statement of anticipated source and application of funds required under Subsection 246.052 of this section less estimated entrance fee refunds, including a description of the actuarial basis and method of calculation for the projection of entrance fee receipts;
- d. an estimate of gifts or bequests, if any are relied on to meet operating expenses;
- e. a projection of estimated income from fees and charges other than entrance fees that states individual rates presently anticipated to be charge, including a description of the assumptions used for calculating the estimated occupancy rate of the facility and the effect on the income of the facility of any government subsidies for health care services to be provided under the contract for continuing care.
- f. a projection of the facility's estimated operating expenses, including a description of the assumptions used in calculating the expenses, and any separate allowance for the replacement of equipment and furnishings and anticipated major structural repairs or additions, and
- g. an estimate of annual payments of principal and interest required by any mortgage loan or other long-term financing arrangement relating to the facility.
- h. an estimate of year-end number of occupied living units and the annual number of bed-days to be occupied in the nursing unit(s).

- i. if estimates made under subsections (a)-(i) are different from those provided in the most recent actuarial review, for communities required to obtain such reviews, an explanation of the differences shall be included.**

See Attachment C for financial projections related to Edgemere's operations. The financial projections are based upon assumptions made by the management of NSHC. The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT'S FINANCIAL PROJECTIONS CONTAINED IN ATTACHMENT C WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

Other Information

- 12. The provider may include in the disclosure statement any other material information concerning the Community or the provider that the provider wishes to include.**

Edgemere failed to meet its Historical Debt Service Coverage Ratio Covenant in 2019 and 2020. The failure to satisfy the Historical Debt Service Coverage Ratio covenant for two consecutive fiscal years constitutes an event of default under the bond documents. Edgemere has retained FTI Consulting, Inc. to, among other things, (i) evaluate Edgemere's operations and marketing strategies; and (ii) provide strategic advice on addressing Edgemere's financial issues. The Trustee and Edgemere have initiated discussions to address the event of default and underlying issues.

Edgemere's occupancy is subject to a Ground Lease with Inter-City Property Investments, Inc. ("Inter-City") dated November__ 1999 ("the Ground Lease"). The Ground Lease is for a term of 55 years and at the end of the stated term, in November, 2054, all buildings and improvements will transfer to Inter-City. Additionally, upon the termination of the Ground Lease either because it reaches term or there is a default and termination Inter-City has the option to either continue the Residency Agreements and Life Care Contracts of the residents at the time of termination or to cancel the Residency Agreements and Life Care Contracts. Edgemere takes no position as to the enforceability of this lease or its provisions.

In order to preserve liquidity for the benefit of its residents, the Edgemere ceased making payments on its bond obligations and the Ground Lease as of October 1, 2021. The Edgemere is engaged in discussions with the all parties to resolve the financial situation of the Edgemere for the best outcome of the Edgemere residents; however, a forbearance agreement between the parties was allowed to expire on December 31, 2021 as the result of inaction by the landlord with respect to repeated attempts and desire by Edgemere, the bond trustee, and Lifespace to provide for an extension of the forbearance agreement.

Consumer Protection and Refund Provisions-Required Standard Contract Language

- 13. Attach as an exhibit a copy of the standard contract form used by the provider. The standard contract form must contain the following language.**
 - a. “You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract or you receive the Community’s disclosure statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice and you will be entitled to receive a**

refund of all assets transferred other than periodic charges applicable to your occupancy of a living unit.”

- b. A thirty-day refund provision must be in the standard contract: “If the contract is rescinded pursuant to “a” above, any money or property transferred to the provider other than periodic charges specified in the contract and applicable only to the resident must be returned in full within 30 days.”**
- c. “This document, if executed, constitutes a legal and binding contract between you and NSHC. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding.”**
- d. “A resident who executes a continuing care contract may not be required to move into the Community before the expiration of the seven (7) day rescission period.”**
- e. A provision for automatic cancellation of the contract upon death or incapacity prior to occupancy must be contained in the contract with the following statement or a substantially equivalent statement:**

“If a resident dies before occupying a living unit in the Community, or if, because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care, the contract is automatically canceled, and the resident or legal representative of the resident is entitled to a refund of all money or property transferred to the provider, less any non-standard cost specifically incurred by the provider or Community at the request of the resident that are described in the contract or in an addendum to the contract signed by the resident that are described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge if set out in the contract, not to exceed the greater of \$1,000 or 2% of the entrance fee.”

Refer to the Life Care Agreement at Attachment A.

Refund Prior to Occupancy

- 14. The standard residency contract shall contain language providing for automatic cancellation of the contract for continuing care and shall entitle a resident to a refund of all money or property transferred to the provider, less any nonstandard cost specifically incurred by the provider or Community at the request of the resident that is described in the contract or in an addendum to the contract signed by the resident, and a reasonable service charge, if set out in the contract, not to exceed the greater of \$1,000 or two percent of the entrance fee, if a resident dies before occupying a living unit in the Community, or if because of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the Community under the terms of the contract for continuing care.**

Refer to Section 7.1 of the Life Care Agreement at Attachment A.

Advertising

- 15. No provider shall engage in any type of advertisement which contains any statements or representations in conflict with the disclosures required under Chapter 246, Health and Safety Code.**

The resident or prospective resident may examine the advertising material and the disclosures made in this statement.

ATTACHMENT A

EDGEMERE

Life Care Agreement

EDGEMERE
LIFE CARE AGREEMENT

EDGEMERE

LIFE CARE AGREEMENT

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ADDENDUM A – CONFIDENTIAL DATA PROFILE

EDGEMERE

LIFE CARE AGREEMENT

NOTICES

- A. You may cancel this contract at any time prior to midnight of the seventh day after the date on which you sign this contract (Rescission Period) or you receive the Edgemere Disclosure Statement, whichever occurs later. If you elect to cancel the contract, you must do so by written notice, and you will be entitled to receive a refund of all assets transferred (without interest), subject to the terms and conditions contained in this contract, other than the periodic charges applicable to your occupancy of a living unit.
- B. This document, if executed, constitutes a legal and binding contract between you and Northwest Senior Housing Corporation. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding. This Agreement provides certain rights of occupancy of a senior living community, hereinafter referred to as “Edgemere” located in Dallas, Texas.
- C. You shall not be required to move into Edgemere before the expiration of the seven (7) calendar day period (Rescission Period).

TERMS OF OCCUPANCY

This Life Care Agreement (“Agreement”) is entered into by _____

(individually and/or collectively “you” or “Resident”), and Northwest Senior Housing Corporation d/b/a Edgemere, which owns and operates Edgemere located in Dallas, Texas. The term “Edgemere” is used throughout this Agreement to denote Northwest Senior Housing Corporation, or the senior living community. The terms “we”, “our”, or “NSHC” are also used in lieu of Northwest Senior Housing Corporation.

Edgemere seeks to provide quality residential housing for retirement age men and women along with an array of personal services and amenities outlined in this Agreement, including certain assisted living and nursing services. Subject to the conditions contained in this Agreement, we agree to make available to you, an unfurnished independent living unit (“Residence”) in Edgemere and provide you with general services and amenities described in this Agreement. The Residence is described as follows:

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

1. **RESERVATION OF RESIDENCE**

In connection with this Agreement, Resident made a deposit equal to ten percent (10%) of the Resident Deposit (hereinafter defined) or \$_____ (the "Reservation Deposit") to reserve the Residence identified above located within Edgemere.

- 1.1 **Conditions of Occupancy.** Conditions of occupancy of the Residence are that Resident shall: (i) meet the health and financial conditions of acceptance into Edgemere; (ii) execute this Agreement; (iii) pay in full the remaining balance of the Resident Deposit ("Resident Deposit Balance") and (iv) pay the applicable ongoing Monthly Service Fee(s).
- 1.2 **Escrow of Reservation Deposit.** The Reservation Deposit shall be placed and maintained in an escrow account to the extent required by Texas law. The escrow agent is Regions Bank, 1717 St. James Place, Suite 500, Houston, TX 77056.
- 1.3 **Refund of Reservation Deposit for Involuntary Termination.** The Reservation Deposit shall be refunded in full to Resident within thirty (30) days of termination of this Agreement under the following circumstances: (i) Edgemere's failure to meet its obligations under this Agreement prior to occupancy of the Residence by Resident; or (ii) death, incapacity or serious illness of Resident prior to occupancy. If Resident's health status changes after Resident is accepted for Residency by Edgemere so that at the time of occupancy Resident is precluded from independent living for health reasons and certified by a licensed physician, the entire Reservation Deposit shall be refunded to Resident; provided, however, Resident may elect not to terminate this Agreement and may elect direct admission into Assisted Living (hereinafter defined) or the Health Center (hereinafter defined) at the appropriate level of care, as determined by Edgemere.
- 1.4 **Refund of Reservation Deposit for Voluntary Termination.** If Resident terminates this Agreement after seven (7) days from the date it is executed other than for reasons in Section 1.3, above, Edgemere shall refund the entire Reservation Deposit within thirty (30) days, less a processing fee of five hundred dollars (\$500.00).
- 1.5 **Disclosures.** Resident acknowledges that Resident has received a copy of the Disclosure Statement and other information which may be material to Resident's decision whether to occupy the Residence. Resident understands that Resident may not occupy the Residence and is not entitled to any services or benefits of the Life Care Agreement until the Resident Deposit has been paid in full.

2. **GENERAL SERVICES AND FACILITIES**

- 2.1 **Basic Agreement.** In consideration of payment of a Resident Deposit in the amount stated in Section 5.2 and payment of the applicable Monthly Service Fee, initially in the amount stated in Section 5.3, you will be entitled to occupy the Residence indicated above and to receive the services and use of the facilities described in this Agreement according to the provisions of this Agreement.

Your right to occupy the Residence or such other care accommodations to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The right to occupy the Residence and receive services under this Agreement shall apply exclusively to the named Resident hereunder, and to no other individual(s). No person other than the Resident entering into this Agreement shall be permitted to occupy the Residence without the express written permission of Edgemere as hereinafter provided.

- 2.2 Residence Furnishings.** The Residence will be furnished at our expense with floor coverings, , self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer, dryer, an emergency alert system, fire sprinkler system and a telephone/data communications port and cable TV hookup.
- 2.3 Parking.** Surface parking areas will be provided for you and for guests of Edgemere as defined in the Resident Handbook. One secured underground parking space will be provided for each Residence at the request of the Resident and in conformance with our parking policy.
- 2.4 Community Common Areas.** You will have use of Edgemere community common areas in accordance with the policies and procedures of Edgemere, as modified and amended from time to time. Community common areas are non-smoking and may include:
- a. Formal & Casual Dining Rooms
 - b. Private Dining Room
 - c. Performing Arts Center
 - d. Outdoor Dining Terrace
 - e. Library
 - f. Conference Room
 - g. Game & Card Room
 - h. Creative Arts Center
 - i. Beauty & Barber Shop
 - j. Business Center
 - k. Wellness and Fitness Center
 - l. Convenience Store
 - m. Swimming Pool
 - n. Living Rooms
 - o. Guest Suites
- 2.5 Included General Services.** So long as you are in compliance with your obligations hereunder, we will provide you with the following services covered by the Monthly Service Fee and Resident Deposit:
- a. **Food Service.** Meals will be served on a daily basis in the main dining room. You are entitled to one meal credit per person for each day of the month (for example, 30 meal credits for June and 31 meal credits for July). You may purchase guest meals or use accumulated meal credits at any time during the month for meals for you and/or your guests. Any unused meal credits for any month will be forfeited and may not be applied as a credit against meal charges for any other period. If you are absent from Edgemere for more than fourteen (14) consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give Edgemere written notice of your intended absence at least two (2)

weeks in advance. For health-related absences, no prior notice is required. Additional meals are available upon request for an additional fee.

- b. Housekeeping.** Housekeeping of the Residence, including vacuuming, mopping, sweeping and changing of bed linens occurs on a weekly scheduled basis.
- c. Utilities.** The costs of sewer, water, waste disposal, electricity, heat, air-conditioning, and basic cable television service are included in the Monthly Service Fee. The Residence will be centrally wired for cable television and telephone service, as well as a data communications port. You will be responsible for all telephone, premium cable television and internet service provider charges.
- d. Security and Emergency Alert System.** Each Residence will be equipped with smoke detectors, a sprinkler system and an emergency alert system. Edgemere will monitor the emergency alert systems on a twenty-four hour basis and coordinate emergency responses as appropriate. Security personnel will be employed and exterior entrances will have secured access.
- e. Laundry.** We will provide scheduled weekly laundry service of your personal bed linens.
- f. Maintenance.** We will maintain all community common areas and grounds. Edgemere will be responsible for providing repair, maintenance and replacement of equipment and furnishings provided by Edgemere, provided that such repairs are not required as a result of your negligence. You are responsible for maintenance of your personal property and are encouraged to purchase a renter's insurance policy covering your personal property and personal liability.
- g. Mail.** A U.S. mailbox will be provided to you in a central location.
- h. Transportation.** We will provide local transportation to designated shopping, medical facilities, and other local destinations on a regularly scheduled basis.
- i. Social and Recreational Programs.** A full-time Lifestyle Director will coordinate a variety of social, recreational, educational and cultural programs for those residents wishing to participate. Specific programs will be based on residents' interest.
- j. Property Taxes and Insurance.** We will pay for real property taxes for the community, with the exception of those assessed on your personal property. We will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. Edgemere recommends that you purchase appropriate comprehensive insurance.
- k. Storage Area.** An individual storage area located in Edgemere will be assigned and available for your use.

- l. Wellness Programming.** We will coordinate educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.
- m. Medical Director.** We will retain the services of a qualified physician (“Medical Director”) to be responsible for the appropriateness and quality of medical services and medically related activities provided by Edgemere. The Medical Director is not expected to provide medical services to Residents and will be retained as a consultant to Edgemere.
- n. Life Care Benefit.** If it is determined that you require assisted living or nursing care in the future, we will provide you with assisted living services available in our assisted living center (“Assisted Living”) or nursing services available in our nursing center (“Health Center”), as described below and subject to changes in law.

 - (i) Admission.** When a determination is made by your physician and approved by the Medical Director that you need assisted living services or nursing care, then you will be transferred to Assisted Living or the Health Center as provided for in Section 4 of this Agreement. Transfers to Assisted Living or the Health Center will only occur after consultation with the Resident, the Resident’s family, and a licensed physician.

In the event that space for you, for any reason, is not available in Assisted Living or the Health Center upon determination that a permanent transfer is required, Edgemere will arrange and pay for your care in your Residence by a certified home health care agency of Edgemere’s choice, if reasonably possible, until space becomes available in Assisted Living or the Health Center. If home health care is not medically possible, Edgemere will arrange and pay for your care in another facility of Edgemere’s choice that can provide the same care that would otherwise have been provided by Edgemere until space becomes available. Edgemere will pay for care in another facility to the same extent as if it were provided by Edgemere.

- (ii) Assisted Living.** We will provide to you, in a Traditional Assisted Living Apartment, support services that are designed to assist you with activities of daily living in accordance with Texas law. Services may include assistance with dressing, bathing, grooming, medication administration, and ambulation. Additional services and ancillary products may also be provided for a specified charge identified in the resident handbook.
 - (iii) Nursing Care.** We will provide to you, in a Traditional Private Room, licensed nursing care services approved by our Medical Director (“Nursing Care”). The care provided will cover services included in the basic private nursing room published daily rate then in effect. Such care may include those services required by applicable law to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with activities of daily living and communication with physicians and other care providers. You will be

responsible for charges for supplies and services above those included in the basic published daily rate.

- (iv) **Fees and Charges.** We will provide without charge basic Assisted Living or Nursing Care as defined in Section 2.5.n.(ii) and (iii), to the extent that it is not covered by your insurance, Medicare or any other governmental programs or entitlements which you are required to maintain under this Agreement, subject to:

Effect on Monthly Service Fee.

a. Temporary Transfers.

Should you have a temporary need for Assisted Living or Health Center services while you are still occupying your Residence, you will continue to pay both the then current Monthly Service Fee for your Residence and the then current applicable pro-rated monthly rate at Assisted Living or the then current daily rate at the Health Center. By “temporary” we mean a Temporary Transfer as defined in Section 4.3.

b. Permanent Transfers.

1. Single Occupancy. Should you have a permanent need for Assisted Living or Health Center services, you will be required to release your Residence as provided under Section 4.3. Your Monthly Service Fee will be adjusted to the then current Monthly Service Fee for a Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.
2. Double Occupancy. Should one Resident have a permanent need for Assisted Living or Health Center services, you will continue to pay the then current Monthly Service Fee for your residence, and the relocated Resident will pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. Should both Residents have a permanent need for Assisted Living or Health Center services, the Residents will be required to release the Residence as provided under Section 4.3. The first Resident will be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. The second Resident will also be required to pay the then current Monthly Service Fee for the Two Bedroom Classic independent living residence. By “permanent” we mean a Permanent Transfer as defined in Section 4.3.

- o. Additional Charges.** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Center which are not covered by the basic published market daily rates for such care then in effect as described in Section 2.5n. (ii) and (iii). Additional charges apply in circumstances which include, but are not limited to, the following:

1. If you require Memory Support Deluxe Assisted Living you will be responsible for the difference between the then current Monthly Service Fee for a Traditional Assisted Living Apartment and the Memory Support Alcove Room.
2. If you require specialized memory support services at the Health Center, you will be responsible for the then current difference in daily rates between a Traditional Private Room in Nursing Care and a Memory Support Nursing Care Private Room.
3. In the event of a Temporary Transfer or Permanent Transfer, you will be responsible for all costs of relocation.

2.6 Additional Services. The following Additional Services may be available to Residents on a fee-for-service basis:

- a. Guest meals
- b. Catering for special occasions
- c. Barber and beauty services
- d. Tray service
- e. Additional resident meals
- f. Additional parking, subject to availability
- g. Additional housekeeping services
- h. Laundry services for personal items
- i. Usage of the guest suites

Charges for these Additional Services and others that may be offered will be made in accordance with the Resident Handbook then in effect and will be billed to you monthly.

2.7 Alteration to Residence. You may make alterations to your Residence at your cost, subject to Edgemere's policies and with Edgemere's prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor we approve. Any alterations of a permanent nature become the property of Edgemere. For your safety, you agree not to replace the existing locking device or add any locking devices to your Residence. Edgemere reserves the right to restore the apartment home to the pre-altered state upon vacancy of the apartment by Resident. The cost of the restoration is the responsibility of Resident and may be withheld from any refund due.

2.8 Advance Notice for Changes in Scope of Services. We will provide at least sixty (60) days advance notice before any change in the scope of care or services becomes effective unless an immediate transfer to Assisted Living or Health Center is deemed necessary as provided in Section 4 of this Agreement. This includes notification of any changes in charges for Additional Services.

3. **RESIDENT'S OBLIGATIONS**

- 3.1 Health Insurance.** Edgemere will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare. You shall also maintain in effect supplemental Medicare insurance coverage acceptable to us, and furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to us. You agree to provide evidence of such insurance to us upon request. You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future for health care services provided hereunder to you.

You will be responsible for paying separately for all health care services that are not covered by Edgemere, Medicare (or an equivalent substitute policy approved by Edgemere), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, Edgemere will assist you in obtaining answers.

- 3.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. If you should thereafter become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

- 3.3 Home Health Care Services.** It is the intent of Edgemere to enable you to maintain the highest level of independence possible. As such, home health care services may be provided to you in your Residence at your expense by a certified home health care agency of your choosing. Such services are typically intermittent and short-term in nature, often rendered following an acute care illness. Any assistance by Edgemere in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency, and Edgemere shall in no way be deemed responsible for the acts or failure to act of any such agency. You are to notify Edgemere if you are receiving or intend to receive home health care services. If you choose to receive home health care services, you are obligated to retain an aide who is employed by a licensed home health agency in Texas and to report the home health agency's periods of visitation to Edgemere. You must also comply with the provisions outlined in the Residents Handbook for retaining Private Duty Aides. Residents who need assistance with the activities of daily living or nursing service on a continuing basis will transfer to Assisted Living or Health Center to receive such services, in accordance with the provisions in Section 2.5.n.

- 3.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges which may be incurred by or on behalf of you for costs not covered by this

Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense.

3.5 Resident Handbook. We will establish and adopt policies and procedures (collectively “Policies”) for the occupancy and orderly operation and management of Edgemere. These Policies will be drafted to provide for the safety, welfare, peace and comfort of all Residents consistent with the provisions of the Life Care Agreement. These Policies will be published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.

3.6 Non-Impairment of Financial Responsibility. After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and cause any act such that you would no longer meet the financial qualifications as set by Edgemere for your Residence.

4. TRANSFERS AND READMISSION

There may come a time when you must move to Assisted Living or Health Center or to another facility which provides services not available at Edgemere. Edgemere is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

4.1 Consultations. Except in case of emergency, Edgemere agrees not to transfer you from your Residence to Assisted Living or Health Center, or to a care facility or hospital which is not on the campus of Edgemere, for health-related or other reasons unless it has consulted with you, your physician, your family and/or your designated representative, if applicable. Such a decision shall be made in the best interests of the Resident, and the decision of Edgemere shall be final and binding. In the case of an emergency transfer, Edgemere will schedule the consultations described above within seven (7) days after transfer.

Circumstances in which it is in the best interest of the Resident to be transferred include, but are not limited to, the following:

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with activities of daily living or nursing care;
- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term “ambulatory” is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or,

- c. A determination that the continued residency of the Resident at Edgemere would be harmful to either the Resident, other Residents or staff of Edgemere.

If we determine, after consultation, that your health requires that you be transferred (a) from the Residence covered by this Agreement to Assisted Living or Health Center or (b) to a care facility or hospital which provides services which Edgemere does not provide or is not licensed to provide, you agree to be relocated in accordance with that decision.

- 4.2 Consents.** When Edgemere determines, after consultations as described above, to transfer you to Assisted Living, Health Center, or to a suitable care facility or hospital for health care or other health-related services, Edgemere shall be authorized to transfer you without having to obtain your further consent.

Edgemere shall not be responsible for the cost of any services rendered to a Resident who is transferred from Edgemere to another facility, except as specifically provided otherwise hereunder.

- 4.3 Transfers.** Pursuant to Section 4.1 and 4.2, transfers are defined below as temporary and permanent.

- a. **Temporary Transfer.** A transfer is considered temporary when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer has the potential to be resolved in a manner which may allow you to return to your Residence within ninety (90) days. Your residence will be held for your return.
- b. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 4.1 and 4.2 the determination is made that the condition that requires your transfer will not allow you to return to your Residence within ninety (90) days.

In the event of a Permanent Transfer of one Resident in the case of single occupancy or of both Residents in the case of double occupancy, you shall release your Residence in order for Edgemere to make your Residence available to a new Resident. In such event, Edgemere may enter into a new Life Care Agreement for occupancy of the Residence with a new Resident. You grant Edgemere the right to remove your personal property from the Residence fifteen (15) days after a Permanent Transfer and to store it at your expense. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished, at the then current Monthly Service Fee. While you are in Assisted Living or the Health Center, the Monthly Service Fee will continue to be due and payable as described in Section 2.5.n.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

5. RESIDENT DEPOSIT AND FEES

- 5.1 Occupancy Date.** The day you receive keys to your Residence is the occupancy date. You shall not be required to move into Edgemere before seven (7) days following the date you executed this Agreement and made the Reservation Deposit.

In the event you decide not to move into your Residence on the Occupancy Date, the obligation of Edgemere to provide care and services as provided hereunder shall not be effective until your Resident Deposit has been paid in full.

- 5.2 Resident Deposit.** You agree to make a non-transferable, non-interest bearing Resident Deposit in the total amount of \$_____. The Reservation Deposit of \$_____ is due at the time you execute this Agreement. The remaining balance of your Resident Deposit, being \$_____, is due on or before the Occupancy Date, unless otherwise previously agreed in writing. In the event the remaining balance of the Resident Deposit is not paid by the Occupancy Date, Edgemere in its sole discretion may terminate this Agreement and re-market your Residence to a new resident. Once paid, this Resident Deposit will not be increased or changed during the duration of this Agreement. The Resident Deposit shall in no way be considered or interpreted to be a security deposit.

The Resident Deposit shall be the property of Edgemere for use in accordance with the terms of this Agreement, and shall not be subject to the claims of creditors of the Resident. The Resident Deposit shall be refundable in accordance with Section 7.

- 5.3 Monthly Service Fees and Changes in Fees.** Your Monthly Service Fee will be initially \$_____ per month for one person and an additional \$_____ per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon sixty (60) days' written notice to you. It is our intention to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee, in addition to charges for additional services, shall be billed in advance to the Resident on or before the fifth business day of each month, and shall be paid on or before the fifteenth (15th) day of the month.

Fees for additional services will be charged in accordance with the Additional Services Fee Schedule we establish and will be on file in the management office.

- 5.4 Late Fee.** We will reserve the right to assess you a late fee of five percent (5%) per month (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Additional Services Fees are not paid in full on or before the twentieth day (20th) of the calendar month in which they are due.

- 5.5 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 4, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the

Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired. The refund of the Resident Deposit will be made in accordance with Section 7.7 and once all conditions of Section 7.4 are met.

In the event the joint occupants of a Residence desire separate living accommodations at Edgemere, and one (1) Resident remains in the Residence designated hereunder, no refund of the Resident Deposit shall be made until the conditions of Section 7.4 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Residence. Upon occupancy of the second Residence by the departing joint occupant, a new Life Care Agreement must be executed and submitted for approval by Edgemere, accompanied by the then current Resident Deposit, for the second living accommodations.

In the event of the marriage of a Resident to another Resident, they may: (a) continue to maintain two Residences and pay the applicable Monthly Service Fee for single occupancy then in effect; or (b) release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the Residence retained. All benefits provided in each Life Care Agreement shall remain and continue in effect. There shall be no refund of the Resident Deposit to either Resident until both Residents leave and the conditions of Section 7.4 have been met.

If you and a non-Resident (including a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for entrance set forth in Section 6 and both persons execute a new Life Care Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-Resident may be required to make a Resident Deposit in accordance with the then current policies established by Edgemere.

In the event you marry an individual while at Edgemere who does not meet the residency requirements for Edgemere, NSHC, at its sole discretion, may allow such person to reside at Edgemere. However, this person would not have any rights, privileges or protection under this Agreement.

5.6 Liability for Charges. Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Additional Service Fees and all other amounts required to be paid to Edgemere, pursuant to the provisions of this Agreement. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Edgemere under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

5.7 Residents Who Become Unable to Pay. It is Edgemere's policy that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Edgemere's right to terminate this Agreement in accordance with its terms. If you present facts which, in the opinion of Edgemere, justify special financial consideration, Edgemere will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this

Agreement so long as such subsidy can be made without impairing the ability of Edgemere to attain its objectives while operating on a sound financial basis. Any determination by Edgemere with regard to the granting of financial assistance shall be within the sole discretion of Edgemere, and any decision to provide such financial assistance shall continue in effect only so long as Edgemere, in its sole discretion, determines that it can continue to operate for the benefit of all residents on a sound basis.

In the event Edgemere determines to provide you with any financial assistance or subsidy, you agree we may charge such amounts, plus interest, against the refund of your Resident Deposit. Furthermore, we may require you to move to a smaller or less expensive Residence.

The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate.

6. APPLICATION AND ACCEPTANCE FOR RESIDENCY.

The obligations of Edgemere to provide services and facilities hereunder are conditioned upon acceptance of the Resident for residency at Edgemere in accordance with this paragraph. The decision to accept a Resident for residency at Edgemere shall be within the sole discretion of NSHC.

6.1 Requirements for Acceptance for Residency. We require that you be capable of independent living and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income which are sufficient to meet ordinary and customary living expenses after assuming occupancy.

6.1.1 Confidential Data Profile. You shall complete and submit a Confidential Data Profile provided by Edgemere prior to or concurrent with the execution of this Agreement. You hereby certify to Edgemere that all information reflected on such Confidential Data Profile, which is hereby incorporated by reference and made a part of this Agreement, including all personal financial data, is complete and accurate.

6.1.2 Confidential Medical Profile Report. In addition to the Confidential Data Profile you will be required to submit a Confidential Medical Profile completed by your physician within fifteen (15) days after the execution of this Agreement.

6.1.3 Age. To be accepted for admission at Edgemere, you must be at least sixty-two (62) years of age at or before the Occupancy Date.

6.2 Notification of Decision. Within thirty (30) days of satisfaction by you of all of the requirements set forth in Section 6.1, Edgemere shall notify you in writing of its decision concerning your acceptance to Edgemere. In the event you are not accepted for residency at Edgemere, your Reservation Deposit specified in Section 5 and tendered upon execution of this Agreement shall be refunded within ten (10) days of the date of the written notification

to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.

6.3 Acceptance for Residency Conditional Upon No Material Changes Prior to Occupancy. Acceptance for residency to Edgemere shall be conditioned upon no material change in the matters covered by the Confidential Data Profile and Confidential Medical Profile prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Edgemere may request that additional information be provided. In the event of the existence of a material change in condition, Edgemere may revoke its acceptance of you for residency to Edgemere at any time prior to the Occupancy Date by written notification to you, and your Reservation Deposit as specified in Section 5 shall be refunded within ten (10) days of the date of such notification.

6.4 Duty of Resident to Notify Edgemere. You acknowledge and agree that Edgemere has relied upon all of the information contained in your Confidential Data Profile and Confidential Medical Profile to make its decision regarding your acceptance for residency at Edgemere. Any misrepresentation or omission by you shall render this Agreement null and void at the option of Edgemere. You agree to notify Edgemere prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Data Profile or the Confidential Medical Profile.

7. TERMINATION AND REFUNDS

7.1 Termination Prior to Occupancy.

- a. You will be entitled to full reimbursement of any monies paid to us within thirty (30) days of our receiving your written termination of this Agreement and will be released from liability to pay to us any other amount under this Agreement under any one of the following conditions:
 - (i) If you terminate this Agreement within seven (7) days from the date on which you signed this Agreement and paid the Reservation Deposit.
 - (ii) If you die before occupying your Residence at Edgemere, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Data Profile or the Confidential Medical Profile, this Agreement will be automatically canceled.

Interest on the Resident Deposit will NOT be due or payable.

- b. If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described above, you will be entitled to a reimbursement of any monies paid, less a processing fee of five hundred dollars (\$500.00). Interest on the Resident Deposit will NOT be due or payable. Thereupon, you shall be relieved of further liability to pay a Resident Deposit or Monthly Service Fees under this Agreement. In this circumstance, we will pay the refund due to you within thirty (30) days after the date we have received your written notice of termination of this Agreement.

7.2 Termination of Residency After Occupancy. After you have assumed occupancy of your Residence, this Agreement is subject to termination as follows:

- a. By you at any time upon thirty (30) days prior written notice to Edgemere.
- b. Edgemere may terminate this Agreement after the Occupancy Date for the following nonmedical reasons:
 - (i) A material misrepresentation or omission by you in the Confidential Data Profile, Confidential Medical Profile, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;
 - (ii) If you fail to comply with the policies and procedures of Edgemere or create a situation detrimental to the health, safety or quiet enjoyment of the community by other Residents or the staff;
 - (iii) If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however, it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that: (1) your inability to pay is not the result of your willful action; and (2) in the judgment of NSHC, the ability of Edgemere to operate on a sound financial basis will not be impaired.
 - (iv) Material breach by you of the terms and conditions of this Agreement; and,
 - (v) The Residence is no longer fit for occupancy and Edgemere elects not to restore the Residence to habitable condition.
- c. Edgemere may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director (after consultation “to the extent feasible” with you, your personal physician, and your family and/or designated representative) that:
 - (i) You have developed a dangerous or contagious disease or mental illness;
 - (ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which care cannot be provided by us without a significant and unique expenditure; or,
 - (iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence at Edgemere is determined to be detrimental to the health, safety and welfare of other Residents or staff.

Therefore, should any of these situations occur, we are expressly authorized (after consultation with the Medical Director, your personal physician and your family

and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital facility or alternative care facility.

If Edgemere seeks to terminate this Agreement and your occupancy, Edgemere shall give you sixty (60) days' prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place and date for a meeting between you and Edgemere's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination upon your showing to Edgemere's reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

- 7.3 Effect of Double Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident dies, this Agreement will continue in full legal force and effect as to the surviving Resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Residence occupied. No refund of the Resident Deposit will occur until the surviving Resident leaves and all conditions of Section 7.4 are met.
- 7.4 Refund of Resident Deposit.** After termination of this Agreement in accordance with Section 7.2 or in the event of your death, or in the case of double occupancy, both occupants' deaths, we will refund ninety percent (90%) of the Resident Deposit (without interest) that you paid for your Residence at Edgemere. Except as provided in the next paragraph, the refund will be paid on the later of: (i) ten (10) days after a new resident deposit has been received from a new resident and the new resident has taken occupancy of your former Residence, or (ii) termination of this Agreement.
- 7.5 Use of Resident Deposit.** The purpose of the Resident Deposit is to generate investment income to contribute to the operating income of Edgemere and to help fund operating and capital costs. As such, interest income generated from the investment of the Resident Deposit will be paid to Edgemere. In addition, at the sole discretion of NSHC, Resident Deposits may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future capital expenditures, resident refunds and other purposes deemed appropriate by NSHC. No reserve funding will be established pertaining to the refund of the Resident Deposit. In order to obtain permanent financing and to secure the lender or other party or parties who provide financing, NSHC pledged the gross receipts and revenues of Edgemere including Resident Deposits to the extent allowable by Texas law.
- 7.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Resident Deposit any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- 7.7 Relocation.** You may elect to move to another Residence, subject to availability. An administrative fee of \$500 will be applied to your account in the event of a relocation to a different residence. In such event, this Agreement will be amended to reflect the change in Residence status.

- a. **Relocation to a less expensive Residence.** You will receive a refund of the refundable portion of the Resident Deposit in excess of the refundable portion of the Resident Deposit then in effect for the new Residence in accordance with Section 7.4. No additional ten percent (10%) non refundable portion will be required. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.
- b. **Relocation to a more expensive Residence.** You will be required to pay the difference between the initial Resident Deposit and the Resident Deposit then in effect for the new Residence selected. A portion of the additional Resident Deposit will be nonrefundable. You will pay the then current Monthly Service Fee for the new Residence. All moving costs will be at your expense.

8. MISCELLANEOUS

- 8.1 Resident's Interest.** You do not have any proprietary interest in Edgemere, its assets or properties by virtue of this Agreement. While Edgemere is interested in Resident's input and comments, this Agreement does not give you the right to participate in management or policy making decisions of Edgemere or related properties.
- 8.2 Responsibility for Protection of Resident's Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flooding or other casualty, or by leaking of water, bursting of pipes, theft or any other cause. You shall be solely responsible, at your own expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from Edgemere, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from Edgemere premises within sixty (60) days after termination of this Agreement, we reserve the right to have such property placed in a commercial bonded warehouse at the expense and risk of you or your estate.
- 8.3 Injury or Accident While Away from Edgemere.** If the Resident is injured in an accident or becomes ill while away from Edgemere, the Resident shall make every reasonable effort to notify Edgemere as soon as possible, and the Resident shall arrange to return to Edgemere as soon as reasonably possible if continued medical care is required. Edgemere shall not be responsible for or assume the cost of medical care for illness or injury incurred by the Resident while away from Edgemere. At such time as the Resident returns to Edgemere, Edgemere shall assume the responsibility for Assisted Living or Health Center services thereafter rendered as provided in this Agreement.
- 8.4 Injury Caused by Third Party.** In the event of an accident or injury to you caused by a third party, for which such third party may be liable for the cost of any medical, surgical, nursing or additional care for you resulting therefrom, you or your designated representative shall notify Edgemere promptly and you or your designated representative shall pursue diligently any claim for damages which may be due from such third party for the injury. Edgemere is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify NSHC for any expenses incurred by Edgemere in providing care to you for which a third party is liable.

NSHC may limit its actions as provided above to claims for recovery of the costs and expenses incurred by it, and in such event, NSHC shall not be obliged to assert any claim on behalf of you arising out of such accident or injury beyond the costs and expenses incurred by Edgemere.

8.5 INDEMNIFICATION FOR NEGLIGENCE. YOU HEREBY AGREE TO INDEMNIFY, PROTECT AND HOLD US HARMLESS FROM ANY LOSS, DAMAGE, INJURY OR EXPENSE INCURRED BY EDMERE AS A RESULT OF YOUR NEGLIGENCE OR WILLFUL ACTS OR THE ACTS OF YOUR INVITEES OR GUESTS.

8.6 Right of Entry. You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Non-emergency or non-medical services will be scheduled in advance with Resident.

8.7 Guests. Occupancy of the Residence and use of Edgemere common areas and grounds is limited to you and your guests. Guests may not occupy your Residence for more than fourteen (14) days without the prior written approval of Edgemere. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests.

8.8 Absence from Edgemere. You agree to notify Edgemere in advance of any contemplated absence that is anticipated to exceed twenty-four (24) hours.

8.9 Damage to Residence. Resident is responsible for excessive wear or damage to the Residence caused by Resident action or neglect. The cost of repair due to damage or neglect is the responsibility of the Resident and may be withheld from any refund due.

If your Residence is damaged by fire, flood, storm or other casualty or cause and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type Residence at Edgemere, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Edgemere and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.

8.10 Entire Agreement. This Agreement constitutes the entire Agreement between you and NSHC with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent Edgemere unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.

8.11 Binding Effect. This Agreement is binding upon our successors and assigns and your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.

8.12 Severability. Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.

- 8.13 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Edgemere's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Edgemere's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 8.14 Nondiscrimination.** Edgemere will be operated on a non-discriminatory basis, and will provide the facilities and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap or national origin.
- 8.15 Notices.** Any notice to Edgemere by you will be given in writing and mailed or delivered to Edgemere at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing and mailed or delivered to your Residence or at such other address as you may designate to Edgemere in writing.
- 8.16 Potential Tax Benefit.** You may be eligible for a one-time medical expense tax deduction for a portion of the Resident Deposit (in the first year of occupancy) and annually for a portion of the Monthly Service Fee paid to Edgemere in that tax year. Edgemere will provide a statement prepared by its auditors each year for your use in tax preparation. Edgemere makes no representations regarding the availability of any tax deduction relating to your residency and care at Edgemere. You are advised to seek tax advice on this issue from your tax advisor.
- 8.17 Choice of Law.** This Agreement will be interpreted according to the laws of the State of Texas without regard to conflict of law principles.
- 8.18 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency.
- 8.19 Authorized Agent Signature.** This Agreement has been executed on behalf of Edgemere by its duly authorized agent and no officer, director, agent or employee of Edgemere shall have any personal liability hereunder to you under any circumstances.
- 8.20 No Third Party Rights.** No other persons or entities other than Edgemere and the Resident have any rights or obligations under this Agreement.
- 8.21 Failure to Act.** Failure or delay of any party to exercise any right, power, or privilege under this Agreement will not operate as a waiver of such right, power, or privilege.
- 8.22 Right of Subrogation.** If you are injured by a third party and such injury requires Edgemere to provide health care services under this Agreement, Edgemere shall be subrogated, to the extent allowed by Texas law, to your rights against such third party to the extent necessary to reimburse Edgemere for the costs incurred in providing services under this Agreement. To the extent allowed under Texas law, this right of subrogation authorizes Edgemere to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, NORTHWEST SENIOR HOUSING CORPORATION

and the Resident(s) have signed this Agreement on this _____ day of _____, 20____.

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

NORTHWEST SENIOR HOUSING CORPORATION,
a Texas nonprofit corporation

By: _____

Its: _____

Edgemere Marketing Representative

Addendum A

Confidential Data Profile

EDGEMERE

CONFIDENTIAL DATA PROFILE ***ALL INFORMATION WILL BE HELD CONFIDENTIAL*** **Addendum A**

Please Print Clearly or Type

1. Name: _____
Last First Middle
2. Address: _____
Street City State Zip Code
3. Telephone No: () _____ Birth Date: _____
Month Day Year
4. Marital Status: ___ Married ___ Single ___ Widowed ___ Divorced
Number of Children: _____ Anniversary Date: _____
5. Name of Spouse: _____ Birth Date: _____
Month Day Year
6. Your Social Security Number: _____
Spouse's Social Security Number: _____
7. Power of Attorney (if applicable): _____
Address: _____
Street City State Zip Code
8. Person to notify in case of emergency: _____
Address: _____
Street City State Zip Code
Telephone No: () _____
9. What was/is your occupation? _____
10. What are your hobbies or interests? _____
11. Church Affiliation: (Optional) _____
12. Driver's license #: _____ Would you bring a car? _____

13. Apartment size desired: _____ Location/floor desired: _____

14. Are you capable of Independent Living without help from anyone else?

1st Person: ___ Yes ___ No

2nd Person: ___ Yes ___ No

If no, please describe the kinds of assistance you currently need.

15. Medicare No. (1st Person): _____

Medicare No. (2nd Person): _____

Supplemental Health Insurance:

Insurer: _____ Policy No.: _____

Prospective Resident Signature

Date

FINANCIAL STATEMENT

(Must be completed by each individual; joint holdings must be so noted)

***ALL INFORMATION WILL BE MAINTAINED AS CONFIDENTIAL UNLESS
REQUIRED TO BE DISCLOSED BY LAW***

ASSETS						
		Is the asset security for a loan?			Is the asset security for a loan?	
		1st Person	Yes No		2nd Person	Yes No
Cash (Savings & Checking)	\$			\$		
CD's, Money Markets, etc.	\$			\$		
Stocks & Bonds	\$			\$		
IRA's, Annuities, etc.	\$			\$		
House	\$			\$		
Other Real Estate	\$			\$		
Trust Fund (indicate % beneficial int.)	\$			\$		
Cash Surrender Value of Life Insurance	\$			\$		
Other Assets (Describe Below:)	\$			\$		

TOTAL ASSETS:	\$			\$		
LIABILITIES						
		1st Person			2nd Person	
Mortgage on Residence	\$			\$		
Mortgage(s) on Other Real Estate	\$			\$		
Other Bank Loans	\$			\$		
Loans Against Cash Surrender Value of Life Insurance	\$			\$		
Other Liabilities (Notes Payable, etc.)	\$			\$		
TOTAL LIABILITIES:	\$			\$		

HAVE YOU GUARANTEED ANY DEBT OWED BY ANOTHER?

_____ YES _____ NO

Guarantor(s)	Debtor	Relation	Amount of Debt Guaranteed

REGULAR MONTHLY INCOME

	1st Person	2nd Person
Social Security	\$	\$
Pension *	\$	\$
Dividends	\$	\$
Interest	\$	\$
Mortgage/Rental Income	\$	\$
IRA Income	\$	\$
Trust Income	\$	\$
Other Monthly Income	\$	\$
Total Regular Monthly Income	\$	\$

*With regard to monthly pension income reflected, will the monthly payment continue in the same amount for the life of the other person listed (generally, the surviving spouse)? _____ Yes _____ No. If no, what will the monthly payment be after the death of the recipient listed? _____/month.

I hereby declare that all statements made herein are true according to my best knowledge and belief. In witness whereof, I have hereunto set my hand to this application this _____ day of _____, _____.

Signature of 1st Person

Signature of 2nd Person

ATTACHMENT B

EDGEMERE

**2019 and 2018 Audited Financial Statements
And Quarterly Report for the year ended
December 31, 2021**

December 31, 2020 Disclosure Statement

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**NORTHWEST SENIOR HOUSING CORPORATION
(DBA EDGEMERE)
AND SENIOR QUALITY LIFESTYLE
CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR
QUALITY LIFESTYLE CORPORATION**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, which comprise the balance sheets as of December 31, 2019, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the periods from January 1, 2019 to June 30, 2019 (Predecessor) and July 1, 2019 to December 31, 2019 (Successor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors

Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation as of December 31, 2019, and the results of its operations and its cash flows for the period from July 1, 2019 to December 31, 2019 (Successor) and the results of its operations and its cash flows for the period ended June 30, 2019 (Predecessor) in accordance with in accordance with the financial reporting provisions of the Master Trust Indenture Agreement as described in Note 2.

Report on Supplementary Information

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

Other Matter

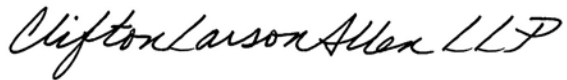
The 2018 consolidated financial statements of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation were audited by other auditors whose report dated May 30, 2019, expressed an unmodified opinion on those statements in accordance with the financial reporting provisions of the Master Trust Indenture Agreement.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of the financial reporting provisions specified in the Master Trust Indenture Agreement dated as of November 15, 1999 and effective as of April 1, 2006, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the agreement referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of Northwest Senior Housing Corporation (dba Edgemere) and Senior Quality Lifestyles Corporation, the holders of the Series 2015 and Series 2017 Bonds and their bond trustee, UMB Bank, N.A. and Ziegler Capital Markets, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2020

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,523	34,995
Accounts Receivable:		
Trade	1,074	2,764
Related Party	285	7,666
Inventories	56	80
Prepaid Insurance and Other	265	581
Assets Whose Use is Limited - Current	1,926	5,153
Total Current Assets	40,176	56,510
 ASSETS WHOSE USE IS LIMITED - Noncurrent	 9,695	 14,675
 PROPERTY AND EQUIPMENT, AT COST		
Land Lease	89,526	-
Land and Improvements	1,522	944
Buildings and Improvements	141,934	166,351
Furniture and Equipment	2,912	13,633
Construction-in-Progress	1,923	17,467
Subtotal	237,817	198,395
Less: Accumulated Depreciation	3,903	57,002
Net Property and Equipment	233,914	141,393
 GOODWILL, Net of Accumulated Amortization	 18,736	 -
 DEFERRED EXPENSES, Net of Accumulated Amortization	 36	 -
 INTANGIBLE ASSET, Net of Accumulated Amortization	 14,720	 -
Total Assets	<u>\$ 317,277</u>	<u>\$ 212,578</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor 2019	Predecessor 2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 2,126	\$ 1,898
Related Party	522	6,841
Accrued Liabilities:		
Employee Compensation Expense	981	865
Interest	689	705
Property Taxes	2,009	-
Other	<u>67</u>	<u>56</u>
Total Accrued Liabilities	3,746	1,626
Long-Term Debt Due within One Year	1,590	1,530
Long-Term Notes Payable and Intercompany Payable Due within One Year	533	789
Obligation under Land Lease Due within One Year	<u>3,728</u>	<u>-</u>
Total Current Liabilities	12,245	12,684
LONG-TERM LIABILITIES		
Entrance Fee Deposits	388	969
Long-Term Notes Payable and Intercompany Payable	-	533
Long-Term Debt Due after One Year	109,185	110,632
Obligation under Land Lease Due after One Year	86,921	-
Deferred Rent	-	37,053
Deferred Entrance Fees	8,283	12,941
Refundable Entrance Fees	<u>107,242</u>	<u>157,514</u>
Total Long-Term Liabilities	<u>312,019</u>	<u>319,642</u>
Total Liabilities	324,264	332,326
NET ASSETS		
Non-Controlling Interest	265	227
Without Donor Restrictions	<u>(7,252)</u>	<u>(119,975)</u>
Total Net Assets	<u>(6,987)</u>	<u>(119,748)</u>
Total Liabilities and Net Assets	<u>\$ 317,277</u>	<u>\$ 212,578</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor	Predecessor	
	July 1 - December 31, 2019	January 1 - June 30, 2019	January 1 - December 31, 2018
REVENUES			
Residential Living Fees	\$ 9,470	\$ 10,088	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	2,003	674	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$3,397, \$3,498 and \$6,287 in July through December, 2019, January through June, 2019, and 2018, respectively	9,441	8,204	14,172
Other	113	571	977
Total Revenues	21,027	19,537	36,880
EXPENSES			
Operating Expenses:			
Salaries and Benefits	8,448	8,198	14,807
General and Administrative	7,499	7,864	14,170
Plant Operations	1,534	1,402	2,820
Housekeeping	243	203	364
Dietary	2,152	1,659	3,021
Medical and Other Resident Care	1,379	1,144	2,716
Depreciation	3,919	2,746	5,048
Amortization of Deferred Expenses	1,970	-	-
Interest	2,753	2,827	4,482
Gain on Disposal of Property and Equipment	-	(188)	(838)
Decrease in Obligation to Provide Future Services	-	-	(1,383)
Total Expenses	29,897	25,855	45,207
NONOPERATING INCOME (EXPENSE)			
Investment Income (Expense)	1,883	3,734	(849)
DEFICIT OF REVENUES OVER EXPENSES	(6,987)	(2,584)	(9,176)
OTHER CHANGES IN NET ASSETS			
Contributions to Related Parties	-	(300)	(300)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,987)	(2,884)	(9,476)
Net Assets without Donor Restrictions - Beginning of Period	-	(119,748)	(110,272)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (6,987)</u>	<u>\$ (122,632)</u>	<u>\$ (119,748)</u>

See accompanying Notes to Consolidated Financial Statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
STATEMENTS OF CASH FLOWS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Successor July 1 - December 31, 2019	Predecessor January 1 - June 30, 2019	Predecessor January 1 - December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets Without Donor Restrictions	\$ (6,987)	\$ (2,884)	\$ (9,476)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:			
Entrance Fees Earned	(2,003)	(674)	(1,324)
Proceeds from Nonrefundable Entrance Fees and Deposits	1,372	942	3,286
Depreciation and Amortization	5,889	2,746	5,048
Amortization of Financing Costs	-	(85)	126
Net Accretion of Original Issue Premium and Discounts on Bonds	-	65	(166)
Change in Unrealized (Appreciation) Depreciation of Investments	(1,054)	(2,880)	2,991
Net Sales of Trading Investments	1,055	(809)	14,925
Decrease in Obligation to Provide Future Service	-	-	(1,383)
Gain on Disposal of Property and Equipment	-	(188)	(838)
Contribution to Related Party	-	300	300
Change in Entrance Fee Deposits	(304)	(277)	(486)
Non-cash Rent Expense	1,123	-	1,254
Changes in Operating Assets and Liabilities:			
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	107	(10,737)	672
Trade Accounts Payable and Accrued Liabilities	2,176	11,854	(5,196)
Net Cash Provided (Used) by Operating Activities	1,374	(2,627)	9,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(1,433)	(5,044)	(10,830)
Proceeds from Sale of Property and Equipment	-	-	851
Net Cash Used by Investing Activities	(1,433)	(5,044)	(9,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Long-Term Debt	(1,530)	(797)	(1,842)
Proceeds from Refundable Entrance Fees and Deposits	7,886	5,187	19,997
Refunds of Refundable Entrance Fees	(6,250)	(8,812)	(18,547)
Net Cash Provided (Used) by Financing Activities	106	(4,422)	(392)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	47	(12,093)	(638)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	10,765	22,858	23,496
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	\$ 10,812	\$ 10,765	\$ 22,858

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 1 ORGANIZATION AND OPERATIONS

Northwest Senior Housing Corporation dba Edgemere ("Edgemere") is incorporated as a Texas nonprofit corporation to provide housing, health care, and other related services to the elderly through the operations of a retirement community. Edgemere operates under a "life care" concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

On June 20, 2019, Senior Quality Lifestyles Corporation ("SQLC") and Lifespace Communities, Inc. ("Lifespace") executed an affiliation agreement. SQLC is a Texas not-for-profit corporation. The affiliation agreement provided for a member substitution of Lifespace as the owner and operator of SQLC, along with two SQLC communities, Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek ("Querencia") and Tarrant County Senior Living Center, Inc. d/b/a The Stayton at Museum Way ("The Stayton"). SQLC was Edgemere's sole member until August 15, 2019, when, pursuant to the affiliation agreement, Lifespace became the sole member of Edgemere.

Edgemere and SQLC constitute the obligated group ("SQLC Obligated Group") under the amended and restated Master Trust indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006 ("Master Indenture"). The SQLC Obligated Group is solely responsible for the payment of the long-term debt described in Note 7. Lifespace, Querencia and The Stayton are not obligated in any manner to make any payments with respect to the obligations of the SQLC Obligated Group. In addition, the SQLC Obligated Group is not responsible in any manner to make payments with respect to the obligations of Lifespace, Querencia or the Stayton.

Edgemere and Augustine Management Texas, Inc. ("AMT") formed Augustine Home Health Texas, LLC ("AHHT"), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that offering personal assistance services to the residents of the Community. Edgemere is the controlling member of AHHT.

All intercompany transactions between Edgemere, SQLC and AHHT eliminate within the consolidation.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are presented for both the predecessor period (when SQLC was the sole member) and the successor period (when Lifespace was the sole member), which relate to the accounting periods preceding and succeeding the affiliation of SQLC and Edgemere on June 20, 2019. The date of June 30, 2019 is used in the presentation to allow for a more accurate cut-off. The ten days of activity from June 20th to June 30th was deemed immaterial to the presentation of the financial statements.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDGEMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The successor and predecessor periods have been separated by a vertical line on the face of the consolidated financial statements and in the notes to the consolidated financial statements, when applicable.

These SQLC Obligated Group consolidated financial statements are not intended to represent the consolidated financial position and activities of SQLC and all of its subsidiaries. The Master Indenture requires the preparation of the SQLC Obligated Group consolidated financial statements which present the consolidated balance sheet, consolidated statement of operations and changes in net assets without donor restrictions, and consolidated cash flows of the SQLC Obligated Group. Accordingly, the SQLC Obligated Group consolidated financial statements present the financial position and activities of Edgemere and SQLC only and omit any other entities affiliated with SQLC, which prior to the affiliation would otherwise be required to be consolidated with SQLC under accounting principles generally accepted in the United States of America ("GAAP").

The assets and liabilities and net assets of the SQLC Obligated Group are reported as follows:

Without donor restrictions – Those resources over which the Board of Directors has discretionary control. "Board Designated" amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2019 and 2018, no net assets with donor restrictions were held by the SQLC Obligated Group.

Investments

Investments, including assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values. The investment portfolio is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the change in net assets without donor restrictions. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying statements of cash flows.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. The SQLC Obligated Group provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$0 and \$3 at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

The SQLC Obligated Group has approximately \$1,923 and \$17,467 in construction in progress at December 31, 2019 and 2018, respectively.

Credit Risk

The SQLC Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. The SQLC Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The SQLC Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Medicare	78 %	47 %
Residents and Other Third-Party Payors	22	53
Total	100 %	100 %

Inventory

Inventory consists principally of food, liquor, and kitchen supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of future resident funds held in trust by The SQLC Obligated Group as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the debt assumed over the fair value of assets acquired at the time of the Lifespace affiliation in June 2019 (see note 11). Lifespace has twelve months from the date of affiliation to adjust the goodwill balance based on facts and circumstances that become known. After the affiliation, goodwill was subsequently adjusted by \$49. Goodwill is amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Balance at December 31, 2018	\$ -
Addition	19,835
Balance at December 31, 2019	<u>\$ 19,835</u>

Accumulated Amortization

Balance at December 31, 2018	\$ -
Amortization	1,099
Balance at December 31, 2019	<u>\$ 1,099</u>

Deferred Expenses

Deferred expenses of \$36 and \$0 at December 31, 2019 and 2018, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The sales cost are \$42 and \$0 at December 31, 2019 and 2018, respectively. The accumulated amortization was \$6 and \$0 in 2019 and 2018, respectively.

Intangible Assets

Intangible assets include values assigned to the residency agreements in place at the time of the Lifespace affiliation in June 2019 (see note 11). The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were \$15,586. Amortization expense of \$866 was recorded in the period July 1 to December 31, 2019. Accumulated amortization at December 31, 2019 was \$866.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees

The SQLC Obligated Group presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred revenue. This deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital residency plan, a portion of the entrance fees (10% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Nonrefundable Entrance Fees	\$ 8,283	\$ 12,941
Refundable Entrance Fees	<u>107,242</u>	<u>157,514</u>
Total	<u>\$ 115,525</u>	<u>\$ 170,455</u>

Non-Controlling Interest

The non-controlling interest recorded in the accompanying consolidated balance sheet represents the fifty percent ownership in AHHT that is not owned by Edgemere. Non-controlling interest does not represent an obligation of Edgemere to pay cash or distribute other assets.

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which The SQLC Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. The SQLC Obligated Group bills all residents at the beginning of the month and third party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by The SQLC Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The SQLC Obligated Group believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in a residential or assisted living apartment, or receiving skilled nursing services over a period of time. The SQLC Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of The SQLC Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, The SQLC Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the Residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

The SQLC Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. The SQLC Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge The SQLC Obligated Group's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon The SQLC Obligated Group. In addition, the contracts The SQLC Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and The SQLC Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2019 or 2018.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The SQLC Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

The SQLC Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The composition of resident care service revenue by primary payor is as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Residency Plan Agreements	\$ 13,076	\$ 12,305	\$ 23,015
Private Pay	3,198	3,386	6,511
Medicare	2,664	2,767	5,053
HMO/Managed Care	(27)	(166)	-
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based its lines of business are as follows:

	Successor July 1 - December 31 2019	Predecessor January 1 - June 30 2019	Predecessor January 1 - December 31 2018
Service Lines:			
Residential Living	\$ 9,470	\$ 10,088	\$ 20,407
Skilled Nursing Facility	5,066	5,152	9,794
Assisted Living	4,261	3,051	4,374
Home Health	114	1	4
Total	<u>\$ 18,911</u>	<u>\$ 18,292</u>	<u>\$ 34,579</u>

The SQLC Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due The SQLC Obligated Group's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, The SQLC Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident care service revenue) (Continued)

The SQLC Obligated Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that The SQLC Obligated Group otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The SQLC Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2019, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2019 and 2018, the customer contract acquisition costs are \$42 and \$0, respectively. During the years ended December 31, 2019 and 2018, The SQLC Obligated Group recognized amortization expense of \$6 and \$0, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Deficit of Revenues over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled "deficit of revenues over expenses" which is an important performance indicator for The SQLC Obligated Group. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

Income Taxes

The SQLC Obligated Group has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

The SQLC Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is "more likely than not" that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. For the years ended December 31, 2019 and 2018, The SQLC Obligated Group has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. The SQLC Obligated Group's federal income tax returns are open to examination for the years ended December 31, 2016 through December 31, 2018.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

	<u>Successor</u> 2019	<u>Predecessor</u> 2018
Cash and cash equivalents	\$ 5,047	\$ 5,271
Restricted cash included in assets whose use is limited - current	1,926	5,153
Restricted cash included in assets whose use is limited - non current	<u>3,839</u>	<u>12,434</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 10,812</u>	<u>\$ 22,858</u>

During the period July through December 2019, The SQLC Obligated Group received dividend and interest income of \$2,798 and paid interest charges of \$544. During the period January through June 2019, The SQLC Obligated Group received dividend and interest income of \$2,818 and paid interest charges of \$534.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2018 liabilities were reclassified to assets, expenses were reallocated, and the balance sheet was classified to conform with the 2019 presentation. These reclassifications had no effect on the overall net assets of The SQLC Obligated Group.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessee's to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Edgemere elected the practical expedients allowed under this guidance, and implemented the new standard in 2019 with no retrospective application. As a result of this change in accounting principle a lease right-of-use asset and lease liability have been recorded at December 31, 2019 (Note 9). This change in accounting principle had no impact on the consolidated statement of operations and changes in net assets without donor restriction.

In November 2016, the FASB issued amended guidance on the consolidated statement of cash flows. Under the new guidance, the consolidated statement of cash flows will be required to explain the change during the period in total cash, cash equivalents, and amounts designated as restricted cash or restricted cash equivalents. As a result of this change in accounting principle, restricted cash and cash equivalents are now included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by The SQLC Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price The SQLC Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of The SQLC Obligated Group. Unobservable inputs are inputs that reflect The SQLC Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including The SQLC Obligated Group's assumptions in determining the fair value of investments).

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the market place, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by The SQLC Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

Successor				
December 31, 2019				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 5,765	\$ 5,765	\$ -	\$ -
Equity Securities	17,391	17,391	-	-
Corporate Bonds	1,126	-	1,126	-
US Government and Federal Agencies	5,054	-	5,054	-
Fixed Income	13,130	-	13,130	-
Total Assets	<u>\$ 42,466</u>	<u>\$ 23,156</u>	<u>\$ 19,310</u>	<u>\$ -</u>
Predecessor				
December 31, 2018				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 17,587	\$ 17,587	\$ -	\$ -
Equity Securities	16,554	16,554	-	-
Corporate Bonds	2,511	-	2,511	-
US Government and Federal Agencies	4,075	-	4,075	-
Fixed Income	13,717	-	13,717	-
Private Equities	379	-	-	379
Total Assets	<u>\$ 54,823</u>	<u>\$ 34,141</u>	<u>\$ 20,303</u>	<u>\$ 379</u>

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NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Money Market	\$ 5,765	\$ 17,587
Equity Securities	17,391	16,554
Corporate Bonds	1,126	2,511
US Government and Federal Agencies	5,054	4,075
Fixed Income	13,130	13,717
Private Equities	-	379
Risk Sharing Group	316	-
Ziegler Link-Age Fund II, L.P.	362	-
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

The investments noted above are represented in the consolidated balance sheets in the following line items:

	Successor	Predecessor
	December 31,	
	2019	2018
Investments in Trading Portfolio, Excluding		
Assets Whose Use is Limited	\$ 31,523	\$ 34,995
Assets Whose Use is Limited - Current	1,926	5,153
Assets Whose Use is Limited - Noncurrent	9,695	14,675
Total	<u>\$ 43,144</u>	<u>\$ 54,823</u>

Investment income is comprised of the following:

	Successor	Predecessor	
	July 1 - December 31 2019	January 1 - June 30 2019	January 1 - December 31 2018
Dividend and Interest Income	\$ 496	\$ 530	\$ 1,298
Net Realized Gains on Investments	333	324	844
Change in Unrealized Appreciation of Investments	1,054	2,880	(2,991)
Total Investment Income	<u>\$ 1,883</u>	<u>\$ 3,734</u>	<u>\$ (849)</u>

Investment management and custodial fees amounted to \$10 for the period of July through December 2019 and \$27 for the period of January through June 2019. The fees are included in general and administrative expense.

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NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2019, The SQLC Obligated Group has a working capital surplus of \$28,464 and days cash on hand of 282.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

	Successor	Predecessor
	December 31,	
	2019	2018
Cash and Cash Equivalents	\$ 5,047	\$ 5,271
Investments in Trading Portfolio, at Fair Value	31,523	34,995
Accounts Receivables, Trade	1,074	2,764
Accounts Receivables, Related Party	285	7,666
Assets Whose Use is Limited	11,621	19,828
Total Financial Assets	49,550	70,524
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	10,161	13,301
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Total Unavailable within One Year	11,621	19,828
Financial Expenditures Available to Meet Cash Needs within One Year	<u>\$ 37,929</u>	<u>\$ 50,696</u>

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10%, as a portion of the entrance fee, is collected. The balance of the fee is payable on or before the fifteenth day following the date that occupancy is offered to the resident. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance deposit.

At December 31, 2019 and 2018, deposits of \$388 and \$969, respectively, had been received from future residents who have signed residency agreements. Funds on deposit are classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2019 and 2018, The SQLC Obligated Group had two and four residents on the deferred entrance fee contract and will pay the final portion of \$428 and \$1,155, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

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NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	Successor	Predecessor
	December 31,	
	2019	2018
Series 2015A Revenue Bonds, 4.0% - 5.0%	51,410	51,930
Series 2015B Revenue Bonds, 4.0% - 5.0%	37,680	38,690
Series 2017 Revenue Bonds, 5.250%	21,685	21,685
Plus: Net Unamortized Original Issue (Discount)/Premium	-	1,880
Less: Net Unamortized Issuance Costs	-	(2,023)
	110,775	112,162
Less: Amounts Due within One Year	1,590	1,530
Amounts Due after One Year	<u>\$ 109,185</u>	<u>\$ 110,632</u>

The SQLC Obligated Group entered into loan agreements with a government entity to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of The SQLC Obligated Group through the issuer. Payments under a loan agreement between The SQLC Obligated Group and the issuer become the vehicle for servicing the debt on behalf of The SQLC Obligated Group. The bonds are reflected in the accompanying consolidated financial statements as financing arrangements of The SQLC Obligated Group.

The Series 2015A Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2045. The Series 2015B Revenue Bonds bear an annual fixed interest rate of 4.0% to 5.0% and mature on November 15, 2036. The Series 2017 Revenue Bonds bear an annual fixed interest rate of 5.25% and mature on November 15, 2047.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense. The related premium and issuance costs were written off at the time of affiliation (note 11).

At December 31, 2019, schedule maturities are as follows

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,590
2021	1,660
2022	1,730
2023	1,805
2024	1,885
Thereafter	<u>102,105</u>
Total	<u>\$ 110,775</u>

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NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Assets Whose Use is Limited

Under the terms of the Series 2015 bonds, the loan agreement, trust indenture, credit and reimbursement agreement, and residency agreement, the following funds are restricted and shown as assets whose use is limited:

	Successor	Predecessor
	December 31,	
	2019	2018
Debt Service Reserve Fund	\$ 8,250	\$ 8,163
Principal and Interest Funds	1,002	636
Project Funds	909	4,502
Team Member Appreciation Funds	15	15
Entrance Fee Deposits	1,445	6,512
Subtotal	11,621	19,828
Less: Current Portion	1,926	5,153
Total	<u>\$ 9,695</u>	<u>\$ 14,675</u>

Debt Service Reserve Funds

Under the terms of the financing agreement, a debt service reserve fund is maintained for the Series 2015 and 2017 bonds. The required balance of the debt service reserve fund at December 31, 2019 and 2018 is the maximum annual debt service of \$8,041.

Debt Service Funds

The SQLC Obligated Group is required to make monthly deposits to the debt service fund in the amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2017 bond financing included approximately 23 months of funded interest that is included in this amount.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Team Member Appreciation Funds

Residents at Edgemere may voluntarily establish a fund to provide team member appreciation disbursements.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific residential living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the home and the community requests the funds be disbursed in accordance with the escrow agreement.

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, The SQLC Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

Successor July 1, 2019 - December 31, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,769	\$ 2,701	\$ 1,022	\$ 942	\$ 8,434
General and Administrative	4,117	1,034	1,343	1,019	7,513
Plant Operations	925	265	344	-	1,534
Housekeeping	147	42	54	-	243
Dietary	1,299	371	482	-	2,152
Medical and Other Resident Care	143	828	408	-	1,379
Depreciation	2,246	642	835	196	3,919
Amortization of Deferred Expense	871	-	-	1,099	1,970
Interest	1,660	475	618	-	2,753
Total Expense	<u>\$ 15,177</u>	<u>\$ 6,358</u>	<u>\$ 5,106</u>	<u>\$ 3,256</u>	<u>\$ 29,897</u>

Predecessor January 1 - June 30, 2019					
	Program Services			Supporting Services	Total
	Residential Living	Skilled Nursing	Assisted Living	Management and General	
Salaries and Benefits	\$ 3,935	\$ 2,539	\$ 740	\$ 984	\$ 8,198
General and Administrative	4,210	1,045	1,357	1,252	7,864
Plant Operations	846	242	314	-	1,402
Housekeeping	122	35	46	-	203
Dietary	1,001	286	372	-	1,659
Medical and Other Resident Care	118	837	189	-	1,144
Depreciation	1,574	450	585	137	2,746
Interest	1,705	488	634	-	2,827
Total Expense	<u>\$ 13,511</u>	<u>\$ 5,922</u>	<u>\$ 4,237</u>	<u>\$ 2,373</u>	<u>\$ 26,043</u>

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Predecessor Year-ending December 31, 2018					
	Program Services			Total Program Services	Supporting Services Management and General	Total
	Residential Living	Skilled Nursing	Assisted Living			
Salaries and Benefits	\$ 7,274	\$ 4,341	\$ 1,374	\$ 12,989	\$ 1,818	\$ 14,807
General and Administrative	7,729	1,885	2,448	12,062	2,108	14,170
Plant Operations	1,701	487	632	2,820	-	2,820
Housekeeping	219	63	82	364	-	364
Dietary	1,823	521	677	3,021	-	3,021
Medical and Other Resident Care	266	2,129	321	2,716	-	2,716
Depreciation	2,893	828	1,075	4,796	252	5,048
Interest	2,703	774	1,005	4,482	-	4,482
Decrease in Obligation to Provide Future Service	(1,164)	(103)	(116)	(1,383)	-	(1,383)
Total Expense	<u>\$ 23,444</u>	<u>\$ 10,925</u>	<u>\$ 7,498</u>	<u>\$ 41,867</u>	<u>\$ 4,178</u>	<u>\$ 46,045</u>

NOTE 9 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, The SQLC Obligated Group elected the practical expedients allowed under the accounting standard, and has implemented this standard effective in 2019.

In November 2019, Edgemere entered into operating lease agreements for office equipment. The right-of-use asset for the agreement is \$112 at December 31, 2019. Payment and the related expenses for these leases in the period July 1 to December 31, 2019 was \$4. The lease has a discount rate of 3.98% and a remaining lease term of approximately 5 years.

The SQLC Obligated Group leases land under a fifty-five year ground lease for the land upon which Edgemere was constructed from Intercity Investment Properties, Inc. that expires November 2054. Upon expiration of the ground lease, all buildings and improvements will transfer to the lessor. The ground lease contains an escalation clause whereby the rental charge increases annually based on the consumer price index, subject to a minimum annual increase of 2.5% and a maximum annual increase of 5%. The right-of-use asset for the lease is \$89,526 at December 31, 2019. Payments for this lease were \$1,873 for the period July 1 to December 31, 2019, \$1,858 for the period January 1 to July 30, 2019 and \$3,637 for the year-ending December 31, 2018. Expense is recorded at the estimated average annual rent. Total expense for this lease was \$2,976 for the period July 1 to December 31, 2019, \$2,451 for the period January 1 to June 30, 2019, and \$4,892 for the year-ending December 31, 2018. The lease has a discount rate of 4.8%. The lease also requires payment of a broker fee of 2.5% of the underlying payments.

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NOTE 9 LEASES (CONTINUED)

The maturity of operating leases is as follows:

<u>Year Ending December 31,</u>	<u>Land leases Amount</u>	<u>Operating leases Amount</u>
2020	\$ 3,821	\$ 25
2021	4,009	25
2022	4,014	25
2023	4,114	25
2024	4,217	21
Thereafter	188,666	-
PV Discount	(118,192)	(9)
Total	<u>\$ 90,649</u>	<u>\$ 112</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on The SQLC Obligated Group.

General and Professional Liability

General and professional liability claims have been asserted against The SQLC Obligated Group by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of The SQLC Obligated Group. Incidents occurring through December 31, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 11 BUSINESS COMBINATIONS

As stated under Note 1 Organization and Operations, on June 20, 2019 Lifespace became the sole member SQLC including SQLC's management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia, The Stayton. No consideration was paid for this affiliation.

Lifespace is required to recognize and measure the identifiable assets acquired, and liabilities assumed at the affiliation date fair values, which have been pushed down to the applicable legal entity. The following tables summarizes the estimated fair values of the assets acquired and liabilities assumed for The SQLC Obligated Group as of the date of affiliation:

Financial assets	\$	36,457
Financial assets, limited use		11,829
Receivables		927
Inventory		49
Prepaid expenses		334
Property & equipment		146,874
Intangible assets - resident contracts		15,586
Goodwill		19,786
Financial liabilities		(4,920)
Refundable entrance fees		(104,937)
Non-refundable entrance fees		(9,155)
Bonds payable		(112,830)
Net assets acquired	\$	-

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce and synergies. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third party valuation specialists.

All related party receivables and payables, that were considered uncollectible once the affiliation occurred, were valued at \$0 on the affiliation date. Lifespace's intent when entering the affiliation agreement is not to continue with Seniority, and as a result SQLC's investment in Seniority was also fair valued at \$0.

Transaction-related costs of \$704 were recorded in general and administrative expense for the period January 1, 2019 through June 30, 2019. These costs consisted primarily of legal and professional fees related to due diligence.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 12 RELATED PARTY TRANSACTIONS

Successor

As mentioned in Note 11, upon the affiliation date all related party receivables that were deemed uncollectible were assigned a fair value of \$0. See further information regarding these receivables in the predecessor section of this note.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and a monthly overhead fee equal to three percent of the monthly management fee. Beginning with the affiliation on June 20, 2019, the management services agreement was under the oversight of Lifespace. This management agreement was kept in place throughout the successor period, and expense of \$1,339 is included in the successor period consolidated financial statements.

Predecessor

At December 31, 2018, SQLC was the sole member of Buckingham Senior Living Community, Inc. ("Buckingham"), SQLC Senior Living Center at Corpus Christi, Inc. ("Mirador"), Mayflower Communities, Inc., ("The Barrington"), Edgemere, Querencia and The Stayton. During 2019, SQLC ceased being the sole member of the above corporations.

Accounts receivable – related party is comprised of balances due from related entities for management fees, liquidity support fees, development costs, and operating and payroll expenses. Accounts receivable – related party is made up of the following balances at December 31, 2018:

Buckingham	\$	325
Querencia		38
Mirador		2,288
Stayton		3,448
Barrington		2,631
Seniority, Inc.		<u>7,619</u>
Total accounts receivable - related party		16,349
Less: deferred management fees - related party		(7,421)
Less: allowance for doubtful accounts		<u>(1,262)</u>
Total accounts receivable - related party	\$	<u><u>7,666</u></u>

Due to the financial condition of Mirdaor, The Stayton, Barrington and Buckingham, repayment of the accounts receivable, above, is doubtful and as such, SQLC had established an allowance against these balances at December 31, 2018.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

In prior years, SQLC had entered into a number of note and deferred management fee agreements. The following is a summary of the accounts receivable – related party at December 31, 2018:

Subordinated notes receivable:	
SQLC - Mirador	\$ 6,289
SQLC - Stayton	664
SQLC - Barrington	<u>300</u>
Total subordinated notes receivable	<u>7,253</u>
Secured note receivable - SQLC - Mirador	2,830
Notes receivables under liquidity support agreements:	
SQLC - SQLC LSA, LLC - Mirador	2,500
SQLC - SQLC LSA, LLC - Stayton	6,000
SQLC - SQLC LSA, LLC - Barrington	<u>2,000</u>
Total notes receivables under liquidity support agreements	<u>10,500</u>
Accrued interest receivable on notes receivable from related parties	2,281
Deferred management fees	<u>7,421</u>
Total accrued interest receivable and deferred management fees	9,702
Gross notes receivable, accrued interest receivable, and deferred management fees	30,285
Less: allowance for doubtful accounts	<u>(30,285)</u>
Total notes receivable, accrued interest receivable, and deferred management fees - related party, net of allowance for doubtful accounts	<u>\$ -</u>

Due to the financial condition of Mirador, The Stayton, Barrington, and Buckingham, prepayment of the notes receivable, accrued interest receivable and deferred management fees, above, is doubtful and as such, SQLC had established an allowance against these balances.

Edgemere has a management services agreement with Seniority, Inc. In conjunction with this agreement, Edgemere agreed to pay a monthly management fee equal to six percent of monthly revenue, as defined in the management services agreement, and monthly overhead fee equal to three percent of the monthly management fee. Fees related to this agreement of \$942 were recorded for the period January 1 to June 30, 2019, and fees of \$2,619 were recorded for the year-ended December 31, 2018.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)**

NOTE 13 EMPLOYEE BENEFIT PLAN

The SQLC Obligated Group has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees of The SQLC Obligated Group. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from The SQLC Obligated Group. All employee contributions to the TDA are fully vested, while contributions made by The SQLC Obligated Group vest over a five-year period. Total expense under this plan was approximately \$42 the year ended December 31, 2019.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the SQLC Obligated Group, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the SQLC Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2020.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of December 31, 2019.

Lifespace allocates home office expenses to all communities it operates. Effective January 1, 2020, Lifespace began allocating home office expenses to Edgemere. This allocation of home office expenses replaces the Seniority, Inc. management fee disclosed in Note 12.

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (SUCCESSOR)
DECEMBER 31, 2019
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,884	\$ 163	\$ -	\$ 5,047
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,468	316	(261)	31,523
Accounts and Other Receivables	993	81	-	1,074
Receivable from related parties	278	141	(134)	285
Inventories	56	-	-	56
Prepaid Insurance and Other	258	7	-	265
Assets Whose Use is Limited - Current	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Total Current Assets	39,863	708	(395)	40,176
ASSETS WHOSE USE IS LIMITED - Noncurrent	9,695	-	-	9,695
PROPERTY AND EQUIPMENT, AT COST				
Land Lease	89,526			89,526
Land and Improvements	1,522	-	-	1,522
Buildings and Improvements	141,934	-	-	141,934
Furniture and Equipment	2,912	-	-	2,912
Construction-in-Progress	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>1,923</u>
Subtotal	237,817	-	-	237,817
Less: Accumulated Depreciation	<u>3,903</u>	<u>-</u>	<u>-</u>	<u>3,903</u>
Net Property and Equipment	233,914	-	-	233,914
GOODWILL, Net of Accumulated Amortization	18,584	152	-	18,736
DEFERRED EXPENSES, Net of Accumulated Amortization	36	-	-	36
INTANGIBLE ASSET, Net of Accumulated Amortization	<u>14,720</u>	<u>-</u>	<u>-</u>	<u>14,720</u>
Total Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (SUCCESSOR) (CONTINUED)
DECEMBER 31, 2019
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 2,112	\$ 14	\$ -	\$ 2,126
Related Party	335	321	(134)	522
Accrued Liabilities:				
Employee Compensation Expense	981	-	-	981
Interest	689	-	-	689
Property Taxes	2,009	-	-	2,009
Other	67	-	-	67
Long-Term Debt Due within One Year	1,590	-	-	1,590
Long-Term Notes Payable and Intercompany Payable	-	533	-	533
Obligations under Capital Lease	<u>3,728</u>	<u>-</u>	<u>-</u>	<u>3,728</u>
Total Current Liabilities	11,511	868	(134)	12,245
LONG-TERM LIABILITIES				
Entrance Fee Deposits	388	-	-	388
Long-Term Debt Due After One Year	109,185	-	-	109,185
Obligations under Capital Lease	86,921	-	-	86,921
Deferred Entrance Fees	8,283	-	-	8,283
Refundable Entrance and Membership Fees	<u>107,242</u>	<u>-</u>	<u>-</u>	<u>107,242</u>
Total Long-Term Liabilities	<u>312,019</u>	<u>-</u>	<u>-</u>	<u>312,019</u>
Total Liabilities	323,530	868	(134)	324,264
NET ASSETS				
Non-Controlling Interest	265	-	-	265
Without Donor Restrictions	<u>(6,983)</u>	<u>(8)</u>	<u>(261)</u>	<u>(7,252)</u>
Total Net Assets	<u>(6,718)</u>	<u>(8)</u>	<u>(261)</u>	<u>(6,987)</u>
Total Liabilities and Net Assets	<u>\$ 316,812</u>	<u>\$ 860</u>	<u>\$ (395)</u>	<u>\$ 317,277</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION**
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR)
(IN THOUSANDS)

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 9,540	\$ 33	\$ (103)	\$ 9,470
Entrance Fees Earned and Nonrefundable Fees	2,003	-	-	2,003
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	9,441	-	-	9,441
Other	-	208	(95)	113
Total Revenues	20,984	241	(198)	21,027
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,445	3	-	8,448
General and Administrative	7,203	233	63	7,499
Plant Operations	1,534	-	-	1,534
Housekeeping	243	-	-	243
Dietary	2,152	-	-	2,152
Medical and Other Resident Care	1,379	-	-	1,379
Depreciation	3,919	-	-	3,919
Amortization of Deferred Expenses	1,965	5	-	1,970
Interest, Net	2,745	8	-	2,753
Total Expenses	29,585	249	63	29,897
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	1,883	-	-	1,883
DEFICIT OF REVENUES OVER EXPENSES	(6,718)	(8)	(261)	(6,987)
CHANGE IN NET ASSETS	(6,718)	(8)	(261)	(6,987)
Net Assets - Beginning of Year	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ (6,718)</u>	<u>\$ (8)</u>	<u>\$ (261)</u>	<u>\$ (6,987)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIOD FROM JANUARY 1, 2019 THROUGH JUNE 30, 2019 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 10,140	\$ 33	\$ (85)	\$ 10,088
Entrance Fees Earned and Nonrefundable Fees	674	-	-	674
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	8,204	-	-	8,204
Other	-	839	(268)	571
Total Revenues	19,018	872	(353)	19,537
EXPENSES				
Operating Expenses:				
Salaries and Benefits	8,203	(5)	-	8,198
General and Administrative	7,285	847	(268)	7,864
Plant Operations	1,402	-	-	1,402
Housekeeping	203	-	-	203
Dietary	1,659	-	-	1,659
Medical and Other Resident Care	1,144	-	-	1,144
Depreciation	2,746	-	-	2,746
Interest, Net	2,799	28	-	2,827
Gain on Disposal of Fixed Assets	(45)	(143)	-	(188)
Total Expenses	25,396	727	(268)	25,855
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	3,736	(2)	-	3,734
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(2,642)	143	(85)	(2,584)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	(300)	-	-	(300)
CHANGE IN NET ASSETS	(2,942)	143	(85)	(2,884)
Net Assets - Beginning of Year	(114,110)	(29,243)	23,605	(119,748)
NET ASSETS - END OF YEAR	<u>\$ (117,052)</u>	<u>\$ (29,100)</u>	<u>\$ 23,520</u>	<u>\$ (122,632)</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,633	\$ 638	\$ -	\$ 5,271
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	31,387	3,831	(223)	34,995
Accounts and Other Receivables	2,764	-	-	2,764
Receivable from related parties	10,223	7,478	(10,035)	7,666
Inventories	80	-	-	80
Prepaid Insurance and Other	389	192	-	581
Assets Whose Use is Limited - Current	<u>5,153</u>	<u>-</u>	<u>-</u>	<u>5,153</u>
Total Current Assets	54,629	12,139	(10,258)	56,510
ASSETS WHOSE USE IS LIMITED - Noncurrent	14,675	-	-	14,675
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	944	-	-	944
Buildings and Improvements	166,351	-	-	166,351
Furniture and Equipment	13,633	-	-	13,633
Construction-in-Progress	<u>17,467</u>			<u>17,467</u>
Subtotal	198,395	-	-	198,395
Less: Accumulated Depreciation	<u>57,002</u>			<u>57,002</u>
Net Property and Equipment	141,393	-	-	141,393
Total Assets	<u>\$ 210,697</u>	<u>\$ 12,139</u>	<u>\$ (10,258)</u>	<u>\$ 212,578</u>

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING BALANCE SHEET (PREDECESSOR) (CONTINUED)
DECEMBER 31, 2018
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 1,732	\$ 166	\$ -	\$ 1,898
Related Party	810	16,066	(10,035)	6,841
Accrued Liabilities:				
Employee Compensation Expense	865	-	-	865
Interest	705	-	-	705
Other	56	-	-	56
Long-Term Debt Due within One Year	1,530	-	-	1,530
Long-Term Notes Payable and				
Intercompany Payable	-	789	-	789
Total Current Liabilities	5,698	17,021	(10,035)	12,684
LONG-TERM LIABILITIES				
Entrance Fee Deposits	969	-	-	969
Long-Term Notes Payable and Intercompany				
Payable	-	24,361	(23,828)	533
Long-Term Debt Due After One Year	110,632	-	-	110,632
Deferred Rent	37,053	-	-	37,053
Deferred Entrance Fees	12,941	-	-	12,941
Refundable Entrance and				
Membership Fees	157,514	-	-	157,514
Total Long-Term Liabilities	319,109	24,361	(23,828)	319,642
 Total Liabilities	 324,807	 41,382	 (33,863)	 332,326
NET ASSETS				
Non-Controlling Interest	227	-	-	227
Without Donor Restrictions	(114,337)	(29,243)	23,605	(119,975)
Total Net Assets	(114,110)	(29,243)	23,605	(119,748)
 Total Liabilities and Net Assets	 \$ 210,697	 \$ 12,139	 \$ (10,258)	 \$ 212,578

**NORTHWEST SENIOR HOUSING CORPORATION (DBA EDMERE) AND SENIOR QUALITY
LIFESTYLES CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)**

	Northwest Senior Housing Corporation	Senior Quality Lifestyles Corporation	Eliminations	Obligated Group
REVENUES				
Residential Living Fees	\$ 20,567	\$ 63	\$ (223)	\$ 20,407
Entrance Fees Earned and Nonrefundable Fees	1,324	-	-	1,324
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances and Pass-Through Therapy Expenses	13,833	339	-	14,172
Other	-	1,259	(282)	977
Total Revenues	35,724	1,661	(505)	36,880
EXPENSES				
Operating Expenses:				
Salaries and Benefits	14,781	26	-	14,807
General and Administrative	13,501	1,580	(911)	14,170
Plant Operations	2,820	-	-	2,820
Housekeeping	364	-	-	364
Dietary	3,021	-	-	3,021
Medical and Other Resident Care	2,488	228	-	2,716
Depreciation	5,048	-	-	5,048
Interest, Net	4,149	333	-	4,482
Gain on Disposal of Fixed Assets	(21)	(817)	-	(838)
Decrease in Obligation to Provide Future Services	(1,383)	-	-	(1,383)
Total Expenses	44,768	1,350	(911)	45,207
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	(1,082)	319	(86)	(849)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(10,126)	630	320	(9,176)
OTHER CHANGES IN NET ASSETS				
Contributions to Related Parties	(300)	-	-	(300)
CHANGE IN NET ASSETS	(10,426)	630	320	(9,476)
Net Assets - Beginning of Year	(103,684)	(29,873)	23,285	(110,272)
NET ASSETS - END OF YEAR	<u>\$ (114,110)</u>	<u>\$ (29,243)</u>	<u>\$ 23,605</u>	<u>\$ (119,748)</u>

QUARTERLY REPORT
for the year ended December 31, 2021



A Lifespace Community

DocuSign Envelope ID: 4CE22910-B8A2-4C1B-8508-4ACB1AA72AAD

February 14, 2022

UMB Bank Irina Palchuk
100 William Street, Suite 1850 New York,
NY 10038

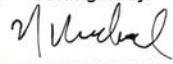
RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements, historical debt service coverage and days cash on hand ratio calculations for:

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation – Obligated Group

Are complete, correct and fairly present the financial conditions and results of operations for the year ended December 31, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITIES, INC.

DocuSigned by:

0FBD63BFF8124CA...

Nick Harshfield



**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Overview:

Northwest Senior Housing Corporation d/b/a Edgemere (“Edgemere”, as the Obligated Group representative) is a Texas not-for-profit corporation. Edgemere was formed for the purpose of constructing, owning and operating a continuing care retirement community in Dallas, Texas, providing housing, health care and other related services to its residents. Litespace Communities, Inc. (“Litespace”) an Iowa nonprofit corporation, is the sole member of Edgemere.

Edgemere and Augustine Management Texas, Inc. formed Augustine Home Health Texas, LLC (“AHHT”), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that will offer personal assistance services to residents of the Community. Edgemere is the controlling member of AHHT.

Collectively, Edgemere and SQLC constitute the obligated group (“SQLC Obligated Group”) under the amended and restated Master Trust Indenture Agreement, dated November 15, 1999 and effective as of April 1, 2006.

Edgemere failed to meet the Historical Debt Service Coverage Ratio covenant at December 31, 2019, 2020 and 2021. The failure to satisfy the Historical Debt Service Coverage Ratio Covenant for two consecutive years constitutes a present event of default under the bond documents. In addition, at December 31, 2021 Edgemere did not meet the days cash on hand covenant. Edgemere has retained FTI Consulting, Inc. to, among other things, (i) evaluate operations and marketing strategies; and (ii) provide strategic advice on addressing financial issues. Additionally, Edgemere has retained Sidley Austin LLP as legal counsel.

On February 24, 2021, UMB Bank, N.A. (the “Trustee”) and Edgemere filed a joint notice regarding the event of default and their mutual intentions to enter into negotiations relative to a forbearance agreement.

On March 19, 2021, Fitch released its rating report, lowering Edgemere’s credit rating from a B+ with a negative outlook to a CC.

On October 26, 2021, Edgemere filed a material event notice on EMMA, disclosing the notice of an event of default issued by the Trustee which stated the failures among other things: (i) failure to timely pay the monthly payment of principal of, and interest, on the bonds due in October 2021, (ii) failure to pay rent under the ground lease and (iii) failure to maintain a debt service coverage ratio of at least 1.0x as of December 31, 2020.

On November 2, 2021, FITCH released its rating report, lowering Edgemere’s credit rating from a CC to a D.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

On December 30, 2021, Edgemere filed a material event notice on EMMA as notification of the entering into a forbearance agreement with the Trustee and Intercity Investment Properties, Inc., a Texas corporation (the “Landlord”).

On January 14, 2021, Edgemere filed a material event notice on EMMA as notification of the termination of the forbearance agreement.

Calendar year-end financial information for December 31, 2019 is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

Edgemere

Apartments/Units Available

	Independent Living	Assisted Living	Memory Support	Health Center	Total	CMS 5-Star Rating *
Edgemere	304	68	45	87	504	5

* The CMS 5-Star ratings are as of January 2022.

Average Occupancy

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Independent Living	93.3%	85.3%	80.3%	74.4%
Assisted Living	56.9%	84.1%	78.6%	47.5%
Memory Support	55.7%	67.6%	60.2%	43.1%
Health Center	86.5%	80.9%	55.7%	54.4%

* As of August 15, 2018, Assisted Living available apartments increased from 60 to 68 apartments, Memory Support available apartments increased from 31 to 45 apartments, and Skilled Nursing available beds increased from 72 to 87 beds.

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Beginning Independent Living Occupied	284	281	256	233
IL Move-Ins	41	27	17	48
Transfers to the Health Center	(21)	(30)	(6)	(8)
IL Move-Outs and Death	(23)	(22)	(34)	(31)
Ending Independent Living Occupied	281	256	233	242
Ending Occupancy Percentage	92.4%	84.2%	76.6%	79.6%

Health Center Payor Mix

The Health Center beds are certified for Medicare. The average payor mix in the Health Center for the fiscal years ending December 31, 2018 through 2021 are shown below:

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Lifecare	37.7%	34.3%	37.0%	32.0%
Medicare	34.6%	34.3%	24.1%	40.7%
Non-Life Care Resident	27.7%	31.4%	38.9%	27.3%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group**

**Consolidated Balance Sheets
As of December 31 (Unaudited)
(Thousands of \$)**

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$1,068	\$549
Investments	5,663	21,738
Accounts Receivable	1,076	476
Accounts Receivable - Related Parties	19	515
Inventories	61	74
Prepaid Insurance & Other	275	97
Assets whose use is limited	<u>2,398</u>	<u>1,933</u>
Total Current Assets	10,560	25,382
Assets whose use is limited	23,197	11,776
Property and equipment, at cost:		
Land Lease	86,362	87,991
Land and improvements	1,586	1,537
Buildings and improvements	148,406	141,957
Furniture and equipment	<u>1,452</u>	<u>1,418</u>
	237,806	232,903
Less accum. deprec.	<u>(11,862)</u>	<u>(5,300)</u>
Net property and equipment	225,944	227,603
Net Goodwill	14,407	16,616
Net deferred assets	219	58
Net intangible assets	11,257	12,988
TOTAL ASSETS	<u><u>\$285,584</u></u>	<u><u>\$294,423</u></u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group**

**Consolidated Balance Sheets
As of December 31 (Unaudited)
(Thousands of \$)**

	<u>2021</u>	<u>2020</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	\$2,828	\$2,031
Related Parties	<u>798</u>	<u>795</u>
	3,626	2,826
Accrued liabilities:		
Employee compensation expense	589	428
Interest	977	681
Property taxes	2,145	2,145
Other	<u>208</u>	<u>393</u>
	3,919	3,647
Entrance fee refunds	-	157
Reserve for health center refunds	6,817	6,397
Long-term debt due within one year	3,390	1,660
Obligation under cap lease due within one year	<u>3,940</u>	<u>3,844</u>
Total current liabilities	21,692	18,531
Entrance fee deposits	618	201
Wait list deposits	125	185
Long-term Bonds due after one year	105,795	107,525
Obligation under cap lease due after one year	87,702	87,396
Deferred entrance fees	8,819	7,197
Refundable entrance and membership fees	<u>124,590</u>	<u>108,094</u>
Total liabilities	349,341	329,129
Controlling interest	(63,971)	(34,930)
Non-controlling Interest	<u>214</u>	<u>224</u>
Net assets without donor restrictions	<u>(63,757)</u>	<u>(34,706)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$285,584</u>	<u>\$294,423</u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation -
Obligated Group**
Statements of Operations and Changes in Unrestricted Assets
For the Year Ended December 31 (Unaudited)
(Thousands of \$)

	<u>2021</u>	<u>2020</u>
Revenues		
Independent Living Fees	\$17,231	\$19,000
Entrance fees earned/cancellation penalties	1,957	2,305
Skilled nursing, assisted living and memory support fees	11,320	14,381
Other	30	1,177
	<u>30,538</u>	<u>36,863</u>
Expenses		
Operating expenses:		
Salaries and benefits	12,687	13,824
General and administrative	16,654	14,389
Plant operations	2,724	2,225
Housekeeping	268	302
Dietary	2,747	3,300
Medical and other resident care	935	1,272
Depreciation	6,621	7,895
Amortization	12,414	18,466
Interest	5,435	5,509
Loss on disposal of fixed assets	29	17
	<u>60,514</u>	<u>67,199</u>
Non Operating Income		
Investment Income	827	2,579
Forgiveness of Long-Term Debt	-	258
	<u>827</u>	<u>2,837</u>
Deficit of revenues over expenses	(29,149)	(27,499)
Other Changes in Net Assets		
Contributions from (to) Lifespace Communities, Inc	223	(45)
Distributions to Related Parties	(125)	(175)
Changes in net assets	<u>(29,051)</u>	<u>(27,719)</u>
Net assets at beginning of year	<u>(34,706)</u>	<u>(6,987)</u>
Net assets at end of the period	<u>(\$63,757)</u>	<u>(\$34,706)</u>

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation - Obligated Group
Consolidated Statements of Cash Flow
For the Year Ended December 31 (Unaudited)
(Thousands of \$)

	<u>2021</u>	<u>2020</u>
Operating activities		
Changes in unrestricted net assets	(\$29,051)	(\$27,719)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(1,957)	(2,305)
Proceeds from nonrefundable entrance fees and deposits	3,464	1,218
Depreciation and Amortization	19,035	26,361
Change in unrealized (appreciation) depreciation of investments	163	3,559
Net sales (purchases) of trading investments	4,026	4,059
Contributions from Lifespace Communities, Inc.	(223)	45
Distributions to related parties	(125)	(175)
Loss on disposal of property and equipment	29	17
Change in entrance fee deposits and waitlists	357	(2)
Non-cash rent expense	2,031	2,126
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(321)	(40)
Accounts payables and accrued liabilities	<u>1,072</u>	<u>79</u>
Net cash (used) provided in operating activities	<u>(1,500)</u>	<u>7,223</u>
Investing activities		
Purchases of property and equipment	(6,619)	(3,136)
Financing activities		
Repayment of long-term debt	-	(2,123)
Forgiveness of Long-Term Debt	-	258
Contributions from Lifespace Communities, Inc.	223	(45)
Proceeds from refundable entrance fees and deposits	23,491	7,461
Refunds of entrance fees	<u>(15,076)</u>	<u>(14,136)</u>
Net cash provided (used) in financing activities	<u>8,638</u>	<u>(8,585)</u>
Net increase (decrease) in cash and cash equivalents	519	(4,498)
Cash and cash equivalents at beginning of year	<u>549</u>	<u>5,047</u>
Cash and cash equivalents at end of period	<u>\$1,068</u>	<u>\$549</u>

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Year Ended December 31, 2021 versus Year Ended December 31, 2020:

Edgemere's average year-to-date independent living occupancy through December 31, 2021, was 226.2 independent living homes (74.4% of the 304 available homes). The average year-to-date occupancy through December 31, 2020 was 244.3 independent living homes (80.3% of the 304 available homes).

Revenues from independent living monthly fees and related charges amounted to \$17,231,000 in 2021, a 9.3% decrease from \$19,000,000 for the same revenue sources in 2020. The decrease in independent living occupancy is offset by the monthly fees increase of 1.0% on January 1, 2021. The monthly fee increases starting January 1, 2022 are 3.0%.

Revenues from the health center, assisted living, and memory support fees were \$11,320,000 in 2021 compared to \$14,381,000 in 2020, a decrease of 21.3%. This decrease is the result of lower occupancy in assisted living, memory support and the health center. Year-to-date average assisted living occupancy is 47.5% compared to the same period in 2020 of 78.6%. Year-to-date average memory support occupancy is 43.1% compared to the same period in 2020 of 60.2%. Year-to-date average health center occupancy is 54.4% compared to the same period in 2020 of 55.7%. Monthly fees decreased by 2.0% starting January 1, 2021. Monthly fees will decrease 2.4% starting January 1, 2022.

During 2020, Edgemere received \$1,145,000 in COVID relief funds. Edgemere received \$950,000 from the Department of Health and Human Services as a relief under the CARES Act's Public Health and Social Services Relief Fund, \$135,000 from the Department of Health and Human Services as a targeted distribution to skilled nursing facilities, and \$60,000 through the Infection Control Nursing Home Quality Incentive program. The relief funds were subject to certain restrictions on eligible expenses or uses and reporting requirements. Edgemere determined the conditions on which they depend were met. As of December 31, 2021, there has been \$30,000 of stimulus payments received. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses for the SQLC Obligated Group, excluding depreciation and interest expense, were \$36,015,000 in 2021, an increase of \$703,000 or 2.0% from comparable expenses of \$35,312,000 in 2020. Salaries and benefits decreased \$1,137,000 or 8.3% as a result of the decline in workforce due to staffing to lower occupancy levels. This decrease was offset by wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021. General and administrative increased \$2,265,000 or 16.2% as a result of financing related costs, property and liability insurance, marketing costs and winter storm costs. Plant operations increased \$499,000 or 22.4% due to the winter storm costs and higher repairs and maintenance. Housekeeping, dietary, and medical and other resident care decreased due to lower census. However the medical and other resident cares decrease would be offset by an increase in agency spending.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

The COVID-19 impact on Edgemere changes on a daily basis. At any point in time, Edgemere can experience a resident or team member with a positive COVID-19 test. Edgemere has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. Edgemere has seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. There have also been additional compensation plans for team members put in place.

The number of COVID-19 positive results at Edgemere has ranged from zero to 86 on a given day. As of the date of this disclosure, there are four resident cases.

Year Ended December 31, 2021 SQLC Obligated Group Actual versus Edgemere Budget:

The Board of Directors annually approves the budget. The following chart shows line item comparisons of the SQLC Obligated Group actual to the board approved budgeted net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

(In Thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent Living Fees	\$17,231	\$16,783	\$448
Skilled nursing, assisted living and memory support fees	11,320	15,788	(4,468)
	28,551	32,571	(4,020)
Expenses			
Operating expenses:			
Salaries and benefits	12,687	14,038	1,351
General and administrative	16,654	14,080	(2,574)
Plant operations	2,724	1,998	(726)
Housekeeping	268	270	2
Dietary	2,747	2,486	(261)
Medical and other resident care	935	714	(221)
	36,015	33,586	(2,429)
Net operating margin	(7,464)	(1,015)	(6,449)
Net entrance fees	11,879	5,375	6,504
Capital expenditures	6,619	4,564	(2,055)

Net operating margin is unfavorable to budget by \$6,449,000.

Independent living fees are favorable to budget by \$448,000 due to higher occupancy then budgeted. Year-to-date average independent living occupancy is 74.4% compared to a budget of 72.6%.

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

Skilled nursing, assisted living and memory support fees are unfavorable to budget by \$4,468,000 as a result of assisted living, memory support and the health center not meeting budgeted occupancy. Year-to-date average assisted living occupancy is 47.5% compared to a budget of 79.8%. Year-to-date average memory support occupancy is 43.1% compared to a budget of 67.2%. Year-to-date average health center occupancy is 54.4% compared to a budget of 68.0%.

Salaries and benefits are \$1,351,000, or 9.6%, favorable to budget primarily due to lower occupancy in the higher levels of living. This favorable variance is offset by the team member wage increases mentioned previously that took effect November 1, 2021.

General and administrative expense is unfavorable to budget by \$2,574,000, or 18.3%, due to continued COVID costs, the winter storm costs that occurred in first quarter 2021, and financing related costs.

Plant expense is unfavorable to budget by \$726,000, or 36.3%, due to winter storm costs, repairs and maintenance and utilities.

Dietary costs and medical and resident care expense are unfavorable to budget due to agency spend.

Net entrance fees are favorable to budget by \$6,504,000. The budget as of the year ended December 31, 2021 had 38 closings compared to the actual of 48. Beginning on September 29, 2021, entrance fee proceeds are held in an escrow and will be released subsequent to the debt restructure. At December 31, 2021, approximately \$13,260,000 of entrance fees are held in escrow. As part of the escrow agreement no refunds are paid until the escrow is released.

In addition, as of September 29, 2021, entrance fee proceeds are held in escrow with no corresponding refunds paid. The escrow will be released subsequent to the debt restructure.

Capital expenditures are \$2,055,000 unfavorable to budget which is the result of timing.

Ratios:

Lifespace uses the Fitch investment grade medians as benchmarks. The ratios for both the investment grade and the BBB ratings are shown in the footnote to the ratio calculation schedule.

Liquidity and Capital Requirements – Year Ended December 31, 2021 versus Year Ended December 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were \$11,879,000 in 2021 compared to (\$5,457,000) for 2020. As mentioned previously, since September 29, 2021, entrance fee proceeds are held in escrow, with no refunds paid until the escrow is released. There was 48 reoccupancies in the year ended December 31, 2021 versus 17 reoccupancies in the year ended December 31, 2020. In addition, approximately \$6,271,000 in

**Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation –
Obligated Group
Management's Discussion and Analysis**

refunds was paid in the year ended December 31, 2021 and \$9,233,000 in the year ended December 31, 2020 where there were no corresponding entrance fees received. These refunds consist of refunds for residents who passed away that were in independent living or permanently assigned to higher levels of care and the apartment had previously been resold in prior years.

Daily operating expenses for the year ended December 31, 2021 increased to \$108,000 from \$106,000 for the year ended December 31, 2020, an increase of 1.9%. The overall unrestricted cash position decreased from \$22,287,000 at December 31, 2020 to \$6,731,000 at December 31, 2021, a change of 69.8%.

Capital expenditures for the community for the year ended December 31, 2021 were \$6,619,000, while depreciation expense for the same period was \$6,621,000. Capital expenditures for the community for the year ended December 31, 2020 were \$3,136,000, while depreciation expense for the same period was \$7,895,000.

To evaluate the financial aspect of the needed re-investment in the community, Lifespace management targets capital expenditures for all communities it manages as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view to assist with the annual capital expenditure decisions. The 5-year historical ratio for Edgemere at December 31, 2020 is 180% and is above the targeted range of Lifespace guidelines. Routine capital projects are expected to be funded from internal cash flows.

Forward-Looking Statements:

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect”, “estimate”, “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect Edgemere’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting Edgemere’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Northwest Senior Housing Corporation and Senior Quality Lifestyles Corporation - Obligated Group
Selected Historical Financial Information
(Thousands of \$)

	Year Ended December 31 (Unaudited)	Year Ended December 31 (Audited)	
Historical Debt Service Coverage	2021	2020	2019
Excess (deficit) of revenues over expenses	(29,149)	(27,499)	(9,571)
Less:			
Entrance fees earned	(1,957)	(2,305)	(2,677)
Add:			
Depreciation	6,621	7,895	6,665
Amortization	12,414	18,466	1,970
Interest Expense	5,435	5,509	5,580
Unrealized (gain) loss on securities	163	3,559	(3,934)
Realized (gain) loss on sale of assets	29	17	(188)
Change in deferred rent	2,031	2,126	1,123
Entrance fee proceeds (less refunds)	11,879	(5,457)	325
Entrance fee proceeds held in escrow (f)	(14,224)	-	-
Income available for debt service	<u>(6,758)</u>	<u>2,311</u>	<u>(707)</u>
Annual debt service payment	7,104	7,108	7,109
Annual debt service coverage (a)(b)(c)	(1.0)	0.3	(0.1)
Annual debt service coverage covenant	1.2	1.2	1.2
Cash to Debt			
Unrestricted cash and investments	6,731	22,287	36,570
Debt service reserve fund	<u>7,608</u>	<u>8,387</u>	<u>8,250</u>
	<u>14,339</u>	<u>30,674</u>	<u>44,820</u>
Bonds outstanding long-term	105,795	107,525	109,185
Annual debt service	7,104	7,108	7,109
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.1	0.3	0.4
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	2.0	4.3	6.3
Department operating expenses plus interest (e)	39,419	38,695	46,182
Daily expenses	108	106	127
Days of unrestricted cash & investments on hand (a)(b)(c)(d)	62	210	289
Days of unrestricted cash & investments on hand covenant	150	150	150
Other Ratios			
Net operating margin (b)(c)	-26.0%	-2.2%	-10.1%
Net operating margin, adjusted (b)(c)	11.0%	-21.3%	-9.2%
Adjusted debt to capitalization (b)(c)	202.1%	133.7%	98.8%

(a) The financial ratios that are required by the financing documents.

(b) The financial ratios that are monitored monthly by Lifespace.

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.

(d) Each June 30 and December 31, the Obligated Group must maintain Days Cash on Hand equal to or greater than 150 days.

(e) Operating expenses excludes the non cash rent expense per the bond documents.

(f) Entrance fee proceeds received as of September 29, 2021 are held in escrow during forbearance and will not be included in the net entrance fees used for the debt service coverage ratio.

ATTACHMENT C

EDGEMERE

Projected Cash Flow and Cash Reserves Summary Five Year Projected Annual Financial Statements

The financial projections should be read in their entirety, including management's assumptions set forth therein. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

EDGEMERE
PROFORMA CASH FLOW PROJECTIONS
For the Period Beginning January 1, 2021
(in thousands)

	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025
Beginning Cash (1)	21,812	17,707	15,827	15,270	16,440
Monthly Fees (2)	16,297	17,133	18,004	18,912	19,858
Double Occupancy Fees (3)	764	803	844	886	930
Health Center Income (4)	9,442	9,928	10,433	10,961	11,510
Assisted Living and Memory Support Income (5)	7,490	7,887	8,302	8,734	9,184
Miscellaneous Income (6)	(278)	(286)	(295)	(304)	(312)
Entrance Fee Income (7)	24,683	25,805	26,977	28,203	29,485
Interest Income (8)	1,151	1,153	1,187	1,215	1,245
Operating Expense (9)	(32,678)	(33,658)	(34,668)	(35,708)	(36,779)
Capital Expense - Operations (10)	(4,564)	(3,656)	(3,756)	(3,527)	(3,633)
Debt Service (11)	(7,104)	(7,102)	(7,102)	(7,104)	(7,102)
Entrance Fee Refunds (12)	(19,308)	(19,887)	(20,483)	(21,098)	(21,731)
Net Change (13)	(4,105)	(1,880)	(557)	1,170	2,655
Ending Cash	17,707	15,827	15,270	16,440	19,095

PRO FORMA CASH FLOW ASSUMPTIONS

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect”, “estimate”, “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect Edgemere’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting Edgemere’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

- (1) Beginning Cash represents an actual unrestricted cash balance at January 1, 2021 of \$21,812,000 contained in operating checking, revenue checking, payroll checking and investment savings.
- (2) Monthly Fees represents the total of first-person monthly charges for all independent living apartments based upon an occupancy level of:
 - 72.6 percent (average of 221 occupied apartments out of 304 available apartments) for 2021
 - 74.1 percent (average of 225 occupied apartments out of 304 available apartments) for 2022
 - 75.6 percent (average of 230 occupied apartments out of 304 available apartments) for 2023
 - 77.1 percent (average of 235 occupied apartments out of 304 available apartments) for 2024
 - 78.6 percent (average of 239 occupied apartments out of 304 available apartments) for 2025

In 2021, monthly fees were increased 1.0 percent over monthly fees in 2020 and are assumed to increase 3.0 percent annually in all succeeding years.

- (3) Double Occupancy Fees represents revenue from monthly fees required by the Residency Agreement for a second person occupying an independent living apartment. The amount of second-person fees was projected using the trend of past experience. The average number of independent living apartments occupied by more than one person projected increase from 40 in 2021 to 43 in 2025.

The monthly fee for second person increased at the same rate as the first-person monthly fees for all years.

- (4) Health Center Income represents income from rates paid by residents for care in the health center level of living. The beds available in 2021 and all succeeding years are 87.

The health center rates are shown at an average private pay rate of \$12,519 per month. Health center census is projected at an average increasing from 68 percent (59 beds occupied) in 2021 to 74 percent (64 beds occupied in 2025. The 2021 health center daily rates did not increase over the 2020 rates and the daily rates are assumed to increase 3.0 percent annually in 2022 and all succeeding years.

- (5) Assisted Living Income represents income from rates paid by residents for care in the assisted living level of living. The apartments available in 2021 and all succeeding years are 68.

The current assisted living rates are shown at an average of \$8,316 per month. Census is projected at an average increasing from 80 percent (54 apartments occupied out of the 68 apartments available) in 2021 to 85.8 percent (58 apartments occupied out of the 68 apartments available) in 2025. The assisted living daily rates were increased by 4.0 percent over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Memory Support Income represents income from rates paid by residents for care in the memory support level of living. The beds available in 2021 and in all succeeding years are 45.

The memory support rates are shown at an average of \$8,106 per month. Census is projected at an average increasing from 67 percent (30 beds occupied out of the 45 apartments available) in 2021 to 73.2 percent (33 beds occupied out of the 45 apartments available) in 2025. The memory support monthly rates for 2021 were not increased over 2020 rates and are assumed to increase 3.0 percent annually in all succeeding years.

Health center, assisted living and memory support income is shown net of the life care discount which represents the discount that residents receive when entering the health center, assisted living or memory support versus a non-resident private pay. Both "temporary assignments" and "permanent assignments" to these higher levels of living are considered in determining the life care discount. Assumptions concerning both temporary and permanent assignments are based upon the total number of life care residents. The projected number of residents assigned to the health center, assisted living and memory support in each year is based upon actuarial trend history.

- (6) Miscellaneous Income represents revenue from such services as furnishing additional meals, space rents, café income, catering income, guest living apartment rental income, promotional apartment discounts and hardship discounts. The projected 2021 revenue is based in part upon the experience of Edgemere. Subsequent years are adjusted for inflation at 3.0 percent annually.
- (7) Entrance Fee Income represents the additional income from entrance fees received from new residents for independent living apartments released by previous occupants due to death, move out or permanent assignment to the higher levels of living. This is computed using the expertise of the marketing department and an attrition rate schedule, which is based upon Edgemere's experience and computed by an independent consulting actuarial firm, adjusted for move-ins. In 2021, entrance fees were not increased over 2020 entrance fees. Entrance fees are assumed to increase 3.0 percent in all succeeding years.
- (8) Interest Income represents interest to be earned on the unrestricted and restricted cash balance at an average interest rate of 1.6%.
- (9) Operating Expense represents disbursements to pay all operating expenses, salaries, supplies, utilities, insurance, and vendors. It excludes depreciation, amortization, and debt service interest.

In the table below, General and Administrative expense includes managerial salaries and fees, together with such miscellaneous administrative costs as general insurance and property taxes. Maintenance expense includes the maintenance, repair, and operation of the physical aspects of the Community, excluding Housekeeping expense which is shown separately. Dietary expense includes all costs of food service. Resident Care reflects the cost of operating the health center, assisted living and memory support. Leisure Services expense includes the cost of providing amenity services such as resident transportation, security, and social services.

Operating Budget – 2021 (in thousands)	
General and Administrative	\$13,247
Maintenance/Plant	3,048
Housekeeping	1,513
Dietary	5,021
Resident Care	8,599
Leisure Services	<u>1,250</u>
Total Operating Expense	\$32,678

- (10) Capital Expense - Operations represents expenditures resulting from major building repairs, fixed assets acquisitions, apartment refurbishments upon reoccupancy and/or replacement of fixed assets and moveable equipment.

- (11) Debt Service projections consist of the principal and interest payments on the Series 2015A bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$53,600,000, Series 2015B bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$40,590,000 and Series 2017 bonds issued through the Tarrant County Cultural Education Facilities Finance Corporation for \$21,685,000. The Series 2015A and the Series 2015B bonds have principal and interest payments due 2021 and going forward. The Series 2017 Bonds have interest only annual payments until 2037.
- (12) Entrance Fee Refunds is that portion of the entrance fee returned upon re-occupancy of the independent living apartment to a former resident (or estate) who vacates the independent living apartment through move-out or death.
- (13) Net Change is the difference between beginning cash and ending cash in a given year.

ATTACHMENT D

EDGEMERE

Resident Handbook

EDGEMERE RESIDENT HANDBOOK

This handbook supersedes previous versions and is effective May 1, 2021.

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WELCOME

Dear Resident:

We are delighted you have chosen a Lifespace community as your new home!

Edgemere is designed with you in mind. Each feature of the community encourages your social, intellectual, physical, and spiritual wellness. Our goal is to consistently enhance your living experience. Your happiness and satisfaction are our primary concern, and our team members are more than eager to provide you with exceptional service every day. We consider you part of our family!

Your community offers many amenities and services to help you continue living a vibrant life. As you begin your new journey with us, please take time to review this Resident Handbook so that you become familiar with your home. The handbook serves as a reference for community policies and guidelines to maintain a safe, comfortable, and well-managed community.

You will be provided with updates to this handbook from time to time as practices change. If you have any questions, do not hesitate to reach out to your executive director.

Once again, welcome! We're glad you're here!

Eddie Fenoglio



Chief Operating Officer

LIFESPACE
COMMUNITIES®

INTRODUCTION

This Resident Handbook has been developed to help you become familiar with general administrative policies in independent living which apply to all Lifespace independent living residents. This handbook does not alter or change the terms of your Residency or Life Care Agreement. If you are unable to find answers to your questions in this Resident Handbook, please call the front desk. The concierge will be able to direct your call or answer your questions. This handbook is not meant to be an exhaustive list of every situation which may come up. Rather, this is meant to be a reference tool to help guide you in your community living. As a supplement to the Resident Handbook, each community has a Resident Guidebook. This guidebook serves as the day-to-day manual community-specific details such as fitness center and dining hours, available TV stations, salon information, and more.

A separate Resident Handbook may be applicable to other community levels of living (i.e. health center, assisted living). Please contact your executive director for more information.

ABOUT LIFESPACE COMMUNITIES, INC.

Your new home is owned and operated by Lifespace Communities, Inc., (“Lifespace”). Lifespace is an Iowa not for profit corporation serving communities in Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska, Pennsylvania, and Texas. We are governed by the Lifespace Communities, Inc. Board of Directors, and the Lifespace home offices are located in West Des Moines, Iowa and Addison, Texas.

Edgemere is a Continuing Care Retirement Community. The Life Care concept is designed to provide our residents with a full spectrum of retirement living. You are now a member of a vibrant community offering many desired amenities and quality of community life. This includes the ability to access health care if and when needed while providing you with a security which allows for freedom.

The mission of Lifespace is “Creating Communities Celebrating the Lives of Seniors” and we do that by providing retirement housing, health care and other allied services for seniors seeking a community environment that includes companionship, recreation, personal growth, and health care on a financially sound basis in an independent, attractive, and secure independent setting.

The purpose of Lifespace is to provide an environment for retired persons who hold precious an independent way of living combined with personal dignity. Lifespace brings with it the experience, expertise and commitment needed to ensure that these purposes are fulfilled.

YOUR INDEPENDENT LIVING HOME

➤ ACCESS TO YOUR HOME

To assist in maintaining your safety and security, no one will be permitted access to your home without an Access Authorization/Preference Form unless in the event of an emergency or legal authorization. You will need to allow access into your home at reasonable times for pest control, housekeeping and maintenance. An Access Authorization/Preference Form can be obtained from the front desk to list those people authorized to enter your home while you are absent, and especially in the event of illness and/or transfer to the health center, assisted living or hospital.

In your absence, the community may be required to allow service personnel into your home. We will have a team member accompany any non-team member who must enter your home while you are away. All such entries are approved by the security department or assigned community designee. Any time entry has been made to your home in your absence, a written, signed report of the entry will be left in your home.

➤ APPLIANCES

Independent living homes are equipped with the following appliances:

- Refrigerator
- Dishwasher
- Garbage Disposal
- Microwave
- Electric range with Oven
- Washer and Dryer (availability may vary based upon home layout)

Lifespace is responsible for the general maintenance of these appliances.

Contact the front desk if you have any questions or concerns regarding the operation of your appliances. Please do not pay for or submit warranty requests on the appliances.

➤ ALTERATIONS TO YOUR HOME

We want you to feel at home and you are free to make minor alterations to your home. However, any structural or physical changes will require prior written approval from the executive director. Changes you request will be at your expense. Residents and/or

resident's estate may be responsible for the cost of returning the apartment home to its original condition upon vacating the home.

Outside workers: The executive director must approve any outside contractors prior to the resident engaging in services. The workers must check in/out with the front desk. Contractors must carry liability insurance and show proof of insurance. Entry doors shall not be open for long periods of time, even in extended periods of downtime during move-ins. All outside entry doors used must be secured on departure.

➤ BALCONIES AND COMMUNITY EXTERIOR

Independent living homes may offer a balcony or patio for the use and enjoyment of the resident. Balconies and patios are visible to guests, as well as present and prospective residents of the community. To retain a pleasing outside appearance, the following guidelines apply to all balconies and patios:

1. Appropriate furniture and small plants may be placed on the balcony. Any unsightly items such as signs, lighting, laundry, antennas, etc. may not be placed on the balcony or patio. We also ask that you not place bird feeders and wind chimes on the balcony or patio.

Feeding of Birds and Wind Chimes – Bird feeders require approval by the executive director prior to placement. Birds are not to be fed by a random distribution of food as doing so may attract rodents. Wind chimes are not allowed on patios or balconies.

2. In order to comply with fire safety requirements, personal outdoor grills are prohibited.

➤ CLIMATE CONTROL

Independent living homes may contain a thermostat for heating and cooling of which residents regulate the temperature to suit their personal preference. Please call and report any concerns with heating/cooling to the maintenance department.

➤ INSURANCE

As described in the Residency or Life Care Agreement, the community carries insurance on its own property and liability insurance for accidents that occur in common areas. The

resident may be required at his/her own expense to carry personal property insurance, liability insurance and, if a resident operates a vehicle on campus, automobile insurance in accordance with community guidelines and state requirements. All insurance policies held by the resident will be at the resident's expense and should be arranged with the agent of resident choice. Lifespace is not responsible for the loss of any personal property belonging to residents due to theft, fire or any other cause.

➤ KEYS/FOBS

Each resident is issued keys/FOBs that open his/her home, the outside entrances, and his/her personal mailbox. For security purposes, keys/FOBs should not be given to friends, relatives, or outside service personnel unless the Security or community services department is notified in advance. Also, keys should not be duplicated by anyone other than the community security/community services department. Should a key become lost, please contact the security/community services department. Additional fees may be applicable for replacement and/or additional keys.

➤ PETS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

This policy takes into account the needs of the Lifespace Community, pet owning Residents and non-pet owning Residents, as well as the needs of the pets themselves. The intent of this policy is to create a harmonious coexistence of all in the Lifespace Community by fostering an attitude of respect, cooperation and consideration.

Pet residency is not permitted in Health Centers or Memory Care communities. The opportunity for residents to keep pets is subordinate to the right of each community resident to be free from any inconvenience created by other residents' pets.

Dogs and cats, birds (kept inside a cage) and fish (maximum aquarium size: 30 gallons) are allowed in independent living homes. You are responsible for registering your pet with the executive director prior to bringing the pet to the community and adhering to the Community and/or Lifespace Pet Policy (which will be provided at time of registration).

If you are unable to care for the pet, the community may board the pet and the cost of such services will be your responsibility. Animals must be leashed at all times they are not inside your home and you must pick up and dispose of all pet waste.

Pets must be properly vaccinated and licensed and must wear license and identification tags with your name and phone number. The resident will be responsible for the treatment of fleas, ticks, etc., and for all damage or liability caused by your pet.

*Pets are not to be walked in the gardens, any outside dining areas, or in the common areas, at any time. More specifically, pets are not allowed in the common areas such as the beauty shop, the theater, library, dining rooms, games rooms, art room, exercise rooms, and any other common areas, at any time. **(Pets cannot be carried or transported on carts in these areas. In general, pets should be in the hallways only on a direct path from the resident's apartment to the nearest outdoor exit.) Exceptions must be approved by the executive director.***

➤ TRASH DISPOSAL

Trash/recycling rooms or designated drop locations are assigned within the community. Any trash rooms are marked at the entrance. Please use a sealed plastic bag to deposit trash in the receptacle. For disposal of large items, residents may call the front desk to arrange for a pick-up. In some cases there may be a charge for disposal of large items.

Recycling and Disposition of Trash –Trash must go in the trash bins or designated location areas. Recycling containers will be marked and for what contents (i.e. paper, plastic, glass).

HAZARDOUS MATERIALS

Any resident using needle syringes should dispose of the used syringes in a specially designed SHARPS CONTAINER ONLY. ABSOLUTELY DO NOT place syringes or any other sharp objects in your trash including inside other containers such as jars or soda cans. This is for the protection of the team members and residents of the community. The resident is responsible for ordering and disposing of his/her own SHARPS container. The environmental services department may make available ordering and disposal assistance for a charge. Please contact the environmental services department for more information.

ELECTRONIC PRODUCTS

Do not discard electronic products with regular waste as they may not be disposed into landfills.

This includes the following:

Televisions	Monitors	Computers
Laptops	Notebooks	Netbooks
Tablets	Desk Tops	Electronic Keyboards
Fax Machines	VCRs	Portable Digital Players
DVD Players	Video Game Consoles	Scanners
Electronic Mice	Digital Video Recorders	Electronic Readers

If a resident needs to dispose of any electronic products, he/she is responsible for contacting the proper disposal agency and paying any associated fees.

➤ **UTILITIES**

Utilities including water, sewer, electricity, heating and air conditioning are typically included in the resident's monthly fee. Lifespace is not responsible for any disruption of service and utility problems should be reported immediately to the front desk. Depending upon the Residency or Life Care Agreement, residents may be responsible for arranging, installing, and maintaining the monthly costs of telephone, internet access and/or cable television services, if not provided by the community.

➤ **HOUSEKEEPING/LAUNDRY**

Routine housekeeping services are offered in the monthly fee. If a resident would like more frequent or specific housekeeping services, additional services may be available for an additional fee. Resident bed linen laundering may be offered dependent upon the community and/or for an additional fee.

➤ **STORAGE**

Additional resident storage, outside of the independent living home, is limited and based upon community availability.

➤ **WINDOW TREATMENTS**

To maintain a more homelike environment, the resident is typically responsible for furnishing curtains or blinds for windows in their home. The resident should be mindful of preserving the community's exterior beauty when selecting window treatments that are visible from the outside.

SECURITY AND SAFETY

➤ GUEST ENTRANCE AND SIGN-IN

To assist in managing the safety and security of the community, primarily in the event of an emergency, family and guests are asked to sign in with security or the front desk upon arrival.

➤ PARKING/AUTOMOBILES

If the resident has a vehicle, a parking spot may be assigned while the resident maintains the vehicle at the community. Enclosed or covered parking is limited and may be available subject to an additional fee.

The resident will be provided with an Automobile Registration Form. This form contains the following information: resident's automobile make, year, color, and license plate number. You may obtain an Automobile Registration Form from the front desk. Please complete the form and turn this back to the front desk. Should a resident change vehicles or no longer own a vehicle, please notify the front desk.

Please be respectful of posted speed limits and a reminder to maintain current registration and insurance.

➤ MOTORIZED MOBILITY DEVICE (MMD)

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

A resident who requires a MMD is not required to prove that he or she needs such an aid. However, residents using a MMD shall be fully familiar with its operation, and be able to safely operate the MMD without creating a hazard to the safety of other

residents, team members and/or guests or causing damage to the community and property of others. Residents, guests and vendors must comply with a community's safety rules, including those related to MMD use.

Residents and guests are permitted to use motorized mobility devices (i.e. motorized wheelchair, cart or scooter) to allow an individual to move within and around the community as necessary for equal and safe access to its facilities and services. If a resident is considering obtaining a MMD or has already obtained one prior to moving into the community, the executive director must be notified to review and provide a copy of the MMD policy.

➤ ELEVATORS

In the unlikely event of an elevator malfunction, a call button or phone located within the control panel will connect residents with the community or elevator monitoring company. As a safety measure, elevators should not be used during a fire.

➤ EMERGENCY CALL SYSTEM AND PROCEDURES

For the purpose of summoning help in an emergency, all homes are equipped with an emergency pull cord or call button. The pull cord or call button is connected to the community's central system which is monitored twenty-four (24) hours a day. The pull cord or call button can be found on the wall in each bathroom; additional pull cords or call buttons may be present in the home. In addition, the community may provide, or residents may request a mobile alert pendant to wear for an additional fee.

Procedures for use:

1. The resident will pull the pull cord/call button or push the personal pendant button. *In the event of an emergency, the resident should immediately dial 911 if able.
2. Team member(s) will respond to the home.
3. If medical attention is needed, 911 will be called by the team member.

Emergency Medical Information – It is the responsibility of the resident to maintain an updated emergency medical information form in an identifiable location such as the back of the front door, refrigerator or another community recommended location for ease of access. In case of a problem, emergency personnel will then have access to this vital

information that will assist in your care. If you are in need of a new packet please see the front desk.

➤ EXPLOSIVES AND HIGHLY FLAMMABLE MATERIALS

To ensure a safe community, no explosives or highly flammable materials, such as kerosene or paint stripper, may be brought into any area of the community, including garages.

No open-flame candles or ignitable fuels are allowed at any time.

➤ FIRE SAFETY

For resident safety, the community is equipped with a sprinkler system, fire extinguishers, smoke alarms and a fire alarm system. Emergency exits and stairwells are conveniently located throughout the community. A diagram identifying the nearest exit to each apartment home is also located in the hallway of each building.

Please do not leave your bicycles, shopping carts, luggage racks, motorized mobility aids, wheelchairs or walkers in the stairwells, along hallways or in the dining rooms. Minimum fire safety standards require that stairwells and hallways be free of all equipment and furnishings.

➤ WEAPONS

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

To promote a safe community and the well-being of everyone who lives and visits the community, Lifespace regards the possession of weapons (e.g. firearms, bows, hunting knives) on Lifespace property as creating high potential for unsafe consequences to its residents, guests and team members. As allowed by state regulation, Lifespace has implemented a Weapon-Free Communities Policy which prohibits all new residents and guests from displaying, wearing, transporting, storing, possessing or using any weapon (operable or inoperable) in the community or on Lifespace property. Please speak with the executive director to learn of the community's specific policy.

➤ EVACUATION OF HOMES / BUILDING(S)

All residents will be notified of an evacuation by the Community's Notification System. Once notified, residents must report to the designated area for the resident's home. A Lifespace team member will be assigned to the area to take attendance of the residents, communicate with the community's point person for those not in attendance and update and assist residents with next steps during the process.

In the event of an evacuation of the community, transportation will be provided to a designated area. Lifespace team members will be assigned to stay with the residents, account for the residents, and communicate to the residents throughout the process. Team members will notify residents if they may bring additional items to the designated area. Once transportation arrives, team members will evacuate each floor, one at a time. Residents need to remain with their designated Lifespace team member during the process at all times so they may be accounted for.

Also, in the event of an evacuation of the community, Lifespace will notify residents' families of the evacuation and the area they have been evacuated to. A hotline will be established so that family members may be updated during the process.

The Community's Evacuation Plan including the process for any drills is located at the front desk.

➤ TOXIC CHEMICAL SPILL PROCEDURE

In the event of a toxic chemical spill, appropriate Lifespace team members will be appointed to assist with the incident. Team members will alert anyone in the area of the spill who may be affected. If necessary, residents may be moved to a place of safety. Team members will attempt to keep the chemicals involved confined within the room by keeping doors shut and opening windows if possible to increase exhaust efficiency. Team members will clean up the chemical spill according to the information provided on the Safety Data Sheet (SDS) for that chemical. If necessary, outside authorities may be contacted to assist with appropriate clean up.

➤ VIOLENCE, CIVIL DISORDERS AND RIOTS PROCEDURE

In the event there is an act of violence, civil disorder or riot, all team members on duty will be asked to remain on duty to assist with keeping residents, family members, visitors, etc., safe. Law enforcement will be contacted for assistance. All windows and doors

should be locked. Residents should remain in their apartments until law enforcement officials declare that there is no longer a threat to your safety.

➤ SMOKING

The policy summary is as follows and any inquiries or questions, should be directed to the executive director:

Lifespace Communities, Inc. ("Lifespace") will comply with Federal, State and local laws and regulations regarding smoking, smoking areas, and smoking safety. In order to comply with individual State Clean Indoor Air Acts, to support Lifespace's successful aging and wellness philosophy, and to respect Lifespace's non-smoking residents, Lifespace has adopted this policy and will enforce procedures requiring a smoke free environment at each of its communities.

Smoking of cigarettes, cigars, pipes, vapes and any other medium of consuming tobacco smoke shall be prohibited in all independent living residences (unless grandfathered) and indoor and outdoor common areas on the property including, but not limited to, hallways, stairways, elevators, foyers, common rooms and facilities, patios, exterior landings, entrance ways, walkways, gardens, adjoining grounds and building facilities. Residents are not permitted to smoke in any health center areas (this includes assisted living and memory care). Team members and residents may smoke only in designated areas where applicable.

- Grandfathered residents living in an independent residence and assessed to be competent to smoke safely will be allowed to smoke in their residence and required to utilize a HEPA air purifier to minimize smoke infiltration into adjoining residences/corridors.
- For a grandfathered resident, the community will provide a HEPA air purifier and the resident will be responsible for paying the purchase cost of the machine and replacement filters. The HEPA air purifier will then be the property of the resident and need not be returned to the community. The environmental service department will be responsible for the changing of the filters and any required maintenance on a regularly scheduled basis.

➤ VALUABLES

Due to the number of guests accessing the community, the community cannot be responsible for the loss or theft of valuables from a residents' home. Lifespace encourages the resident to purchase a home safe for securing valuables. In the event of loss or theft,

please make the front desk or security aware of any disappearance so they may assist the resident with completion of a community incident report. The community may also encourage the resident to file a police report as necessary. Please remember to lock the front door while at home or away.

➤ NON-SOLICITATION

To avoid disruption of the quiet and peaceful environment of the community or disturbance of residents, team members and visitors, a Non-solicitation Policy is in place. The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

- Lifespace residents and third parties may not engage in solicitation on community property at any time.
- Commercial solicitation by residents or third parties on community property is also strictly prohibited (including door-to-door solicitation, hanging door hangers or other materials or notices distributed door-to-door or via resident mail boxes).
- The Non-solicitation Policy does not prohibit normal business contacts by authorized vendor representatives engaging in business with Lifespace in compliance with other Lifespace policies, provided such contacts are made with the consent of Lifespace management.
- The Non-solicitation Policy does not prohibit residents or third parties from entering into a resident's apartment/villa for purposes of solicitation or commercial solicitation if done at the express invitation of the resident.
- Third parties who enter community property to engage in solicitation or commercial solicitation without authorization shall be considered trespassers and will be removed from community property, given trespass warnings not to return, and may be subject to arrest and prosecution.

BUSINESS AND FINANCE

➤ ABSENCE FROM THE COMMUNITY

If you are planning to be away from the community overnight or longer, we request that you notify the front desk with this information. This will prove helpful if someone tries to contact you while you are away or in the event of an emergency.

➤ BILLING

Bills are distributed to residents monthly. Each bill will include the current month's fee, and any additional charges incurred and payments received in the previous month. Monthly bills are placed in in-house mail boxes approximately the 6th working day of each month. Payment is due by the date statement on the monthly bill and can be paid by check or automatic (ACH) withdrawal.

The monthly fee may be adjusted periodically. Residents will receive thirty (30) to ninety (90) days' notice of any monthly fee changes as outlined in the Residency or Life Care Agreement.

Late Fee – Residents may be billed a late payment charge if bills are not paid in a timely manner, per the terms of the Residency or Life Care Agreement.

➤ INDEPENDENT LIVING TRANSFER/RELOCATION POLICY

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

This policy spells out under what conditions new buyers and existing residents will be allowed to transfer from one apartment (living unit) to another or to a new contract type (Residency or Life Care agreement). The policy also directs the Community on how to calculate any refunds due under the current residency or Life Care agreement or additional payments required in relation to the new residency or Life Care agreement.

Any transfer from one apartment or independent living home to another while you are a resident of your community is subject to the current Lifespace policy. An addendum to the Residency or Life Care Agreement must be signed and executed before a transfer will be allowed. There may be adjustments in entry fees and monthly fees resulting from a transfer. Transfer charges may also be applicable.

Lifespace reserves the right, in our sole discretion, to relocate residents either temporarily or permanently to another home in the community if such relocation is necessitated by the construction, redesign, permitting or like constraints of a redevelopment project for the community. Lifespace will seek to meet the requests of the residents to be relocated to a home of their choice, as long as the entrance fee of the selected home does not exceed that of the original residence. Lifespace will pay all moving and transfer costs.

Please contact the executive director for further details.

➤ FINANCIAL DISCLOSURE

The annual audited financial statements are kept in each community's library. The audited financial statements are available no later than May 30th of the following year.

A condensed, audited financial statement will be made available to the residents each year. Routine reviews of the financial operation statements and assumptions will be presented to the resident Finance Committee. Various reports and other data required to be disclosed under various statutes will also be made available (i.e. Homestead Exemption where applicable).

➤ TAX DEDUCTIONS

Because Lifespace is a Life Care community, residents may have certain tax benefits. Residents may be able to deduct a percentage of the monthly fee as medical expense on individual income tax returns. In the year that a resident moves into the community, a percentage of the entrance fee also may be deductible.

The percentage that may be deductible as medical expense is based on the costs of operating the community's health center (this includes assisted living and memory care) and therefore, the percentage may change each year. The community will provide the residents with a recommendation of the percentage of monthly fees that can be attributable to the operations of the health center by January 31st of each year.

This information is not to be construed as tax advice. Residents should consult a tax advisor to learn more about the current tax rules and individual applicability to which monthly fees may be taken as a deduction.

➤ CONFLICTS OF INTEREST

The policy summary is as follows, and any inquiries or questions, should be directed to the executive director:

To ensure that no workforce member or his/her immediate family members personally benefit from business activities with any community or program within Lifespace. Team members are not allowed to provide services, functions or have dealings with residents which could constitute a conflict of interest such as:

1. Witnessing documents;
2. Being the executor / executrix of an estate;
3. Having Power of Attorney (Durable or Healthcare);
4. Guardianship;
5. Buying or selling of goods or services; or
6. Employment of the team member to include his / her family for any services.
Any exceptions must be disclosed and approved by the executive director prior to engaging.

➤ RESIDENCY OR LIFE CARE AGREEMENT

Refer to your Residency or Life Care Agreement for specific terms and obligations. Should you have any questions or concerns, please contact the executive director.

➤ INABILITY TO PAY

Lifespace will not request that a resident leave the community solely because of inability to pay the monthly fee due to the exhaustion of their resources through no fault of their own. Any determination to provide financial assistance will be within the sole discretion of Lifespace. Residents receiving financial assistance may be asked to move to a less expensive apartment and to apply for government medical assistance programs, if eligible.

➤ MEAL CREDITS

In the event the resident is absent from the community for a certain number of days, the resident will be given a credit at the established community rate for meals included in the monthly fee but not used during such absence, providing that the resident gives the community 30 days advance notice. Please reach out to your executive director for more specifics and details.

➤ POWER OF ATTORNEY

Residents are asked to execute and maintain a Power of Attorney for Healthcare which designates an agent to act on the residents' behalf. Please provide a copy of this Power of Attorney to the executive director.

➤ INCIDENTS OF SUSPECTED FRAUD OR ABUSE

Fraud in the health care industry does happen. Lifespace has implemented procedures to address allegations of fraud and abuse. If you suspect any of the following, please call the Lifespace Compliance Hotline at 1-877-219-1121. Your call will be treated as confidentially as possible and the information you provide will be shared on a “need to know” basis only.

If you suspect fraud or abuse, the first option is to report suspicions to a member of Lifespace management. If you suspect a member of management may be involved, or past reports have not been acted upon, you should follow the procedure given below.

Neither Lifespace nor any of its affiliates and subsidiaries will permit any form of retaliation against a resident for reporting fraud or abuse issues.

GENERAL TIPS TO HELP PROTECT YOU AS MUCH AS POSSIBLE:

- Never give out personal information to anyone over the phone.
- If it sounds too good to be true, it probably is.
- Resist high pressure, fast talking and often very official sounding callers. Hang up.
- Only give to charities that you are very familiar with.
- Never give out your social security or Medicare number to anyone.
- When you receive an application for a credit card in the mail don’t just throw it away. Shred or rip it up. These applications can be used to obtain a credit card in your name, with a different address.

Remember, even some legitimate businesses will try to sell you items and services that you do not need.

HOW TO REPORT:

Before calling the toll-free Compliance Hotline carefully review the facts as you know them. It is helpful to write down your concerns before calling so you remember to include all of the information. Some information that can be helpful when you report includes:

1. The name and any identifying information you have about the team member, health care provider or other persons involved, such as job title or an identifying number;
2. The item or service you are questioning;
3. The date the item or service was supposedly furnished;

4. The reason you believe Medicare or you (if you are paying privately and directly) should not be required to pay the provider; and
5. The name of the community where you live so the incident can be reviewed and investigated by the Lifespace Compliance Officer.

HEALTH CARE

Community healthcare services may include the following:

➤ ASSISTED LIVING

Assisted living is for residents who need minimal assistance with the activities of daily living. Assisted living offers three meals a day and a variety of social and therapeutic activities and is staffed 24 hours a day. These services are provided within the scope of state licensure.

➤ MEMORY CARE

Memory care is for residents with memory impairment and who are in need of a secure environment in an assisted living type setting. In addition to the services provided in assisted living, the activity program is tailored to meet memory impairments and behaviors in an individual and group setting.

➤ HEALTHCARE AND SKILLED REHAB SERVICES

The health center is for residents who have either a short-term or long-term acute or chronic illness that requires an environment which provides licensed nursing care.

NOTE: Residents who are temporarily transferred to assisted living, memory care, or the health center from independent living continue to pay the monthly fee for their independent living home. Residents who are permanently transferred to assisted living, memory care, or the health center from independent living will pay the established monthly fee in accordance with the Residency or Life Care Agreement.

➤ PERSONAL SERVICE PROVIDERS

Residents may receive care services in the independent living home. Service may be provided by the community or vendor of the resident's choice. A resident must contact the front desk to register the outside vendor and the vendor must meet the

requirement set forth in the Lifespace Personal Service Provider (PSP) Handbook and Policy. For the communities with a Lifespace personal service provider onsite, the resident may contact Lifespace Personal Services for a consultation.

NOTE: All personal service providers must sign-in with the front desk and carry appropriate identification. In addition, personal service providers must wear an identification name tag. Failure to do so will result in denied access to the community.

1. Any expenses incurred by use of a personal service provider will be the responsibility of the resident.
2. Healthcare Restriction: Lifespace will not be responsible for healthcare or nursing assistance provided by a personal service provider. The personal service provider is not allowed to provide hands-on care to any resident residing in the health center (this includes assisted living and memory care); the personal service provider is allowed to provide companion care to the resident.

The Lifespace Personal Service Provider Handbook addresses each area such as cell phone use in the common areas, personal appearance, parking, waste management, along with many other topics. Personal service providers are not permitted to use the common areas, fitness center, the business center and may not take food for personal use from the resident dining rooms, social events, and any other activities where food and drink are served (designated bistros/cafes for resident, guest, team members may be used). Cell phones are not to be used in common areas. Personal service providers are prohibited from bringing in pets.

Residents and families are responsible for ensuring these guidelines are followed.

➤ PHYSICIANS

All residents of the community are free to retain their own personal physician. Please note that the community is not financially responsible for residents' personal medical services or outside hospitalization.

➤ HIPAA

Lifespace adheres to the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and has implemented policies to protect all residents and team members' Protected

Health Information (PHI). Residents and team members will be educated on HIPAA privacy rules upon move-in or employment.

New residents will be given the opportunity to “opt out” of their PHI being shared within the community (i.e.; phone directory, birthday lists or other pertinent information possibly published in the community or newsletters). New residents will be required to sign an authorization form to allow us to receive information regarding the pre-admission physical requirements.

Upon a resident’s first admission to the health center, the resident will be required to review the “Notice of Privacy Practices” and sign an acknowledgement form. An Authorization “A” Form regarding the sharing of the resident’s information will be offered and filled out at that time.

Your health related information will be shared with only those team members or outside entities (physicians, hospitals, etc.) who must have access to the information in order to provide services to you. Upon signing a Residency or Life Care Agreement in our sales department, you were asked to sign an authorization form which enabled us to have access to your medical history as required in our contract. You will be asked to sign additional forms when you use our health center services for the first time.

If you are interested in additional information regarding HIPAA, please contact the Lifespace Compliance Officer at the Lifespace home office.

➤ GIFTS AND GRATUITIES TO TEAM MEMBERS

Lifespace does not permit team members to accept gratuities of any nature, monetary or material, from residents, their family members or guests. Acceptance of a gratuity by a team member may result in disciplinary action of the team member up to and including termination. A compliment or verbal thank you is always appreciated.

Appreciation Fund for Team Members – Lifespace has approved a one-time per year event (typically in advance of the December holidays), during which residents may contribute to an appreciation fund managed by the Resident Council and its resident committee for distribution to the community team members. A detailed policy is located with the executive director.

Acknowledgement of Receipt

The undersigned hereby acknowledge(s) receipt of a Resident Handbook dated May 1,
2021 relating to Edgemere on this _____ day of _____, 20____.

Resident: _____
PRINT NAME SIGNATURE

Resident: _____
PRINT NAME SIGNATURE

Landlord's

Exhibit 32

for hearing commencing March 7, 2023

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