

REQUESTED COMMISSION ACTION:

 Consent Ordinance X Resolution Consideration/Discussion Workshop

SHORT TITLE

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$40,000,000 AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF CITY OF POMPANO BEACH, FLORIDA REVENUE BONDS (JOHN KNOX VILLAGE PROJECT), SERIES 2015, FOR THE PRINCIPAL PURPOSE OF FINANCING OR REIMBURSING THE COST OF CERTAIN CAPITAL IMPROVEMENTS FOR OR TO THE SENIOR LIVING AND HEALTHCARE FACILITIES OWNED OR TO BE OWNED AND OPERATED BY JOHN KNOX VILLAGE OF FLORIDA, INC. ON A CAMPUS LOCATED WITHIN THE CITY, FUNDING ANY NECESSARY RESERVES, AND PAYING COSTS OF ISSUANCE OF THE BONDS; AUTHORIZING A DELEGATED NEGOTIATED SALE OF SUCH BONDS; PROVIDING FOR CERTAIN TERMS AND DETAILS OF SUCH BONDS, INCLUDING THE MANNER FOR ESTABLISHING THE INTEREST RATES THEREON; APPROVING THE USE OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS IN CONNECTION WITH THE MARKETING AND SALE OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND INDENTURE, LOAN AGREEMENT, BOND PURCHASE CONTRACT AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BONDS; APPOINTING U.S. BANK NATIONAL ASSOCIATION AS BOND TRUSTEE; MAKING CERTAIN COVENANTS, AGREEMENTS AND FINDINGS IN CONNECTION WITH THE ISSUANCE OF THE BONDS; PROVIDING FOR OTHER MATTERS AND GENERAL AUTHORIZATIONS IN CONNECTION WITH THE FOREGOING; PROVIDING FOR SEVERABILITY, REPEALING CLAUSES AND AN EFFECTIVE DATE.

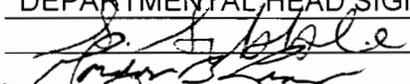
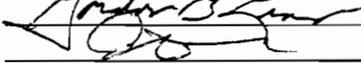
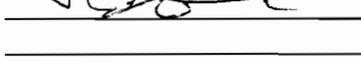
Summary of Purpose and Why:

THE CITY RECEIVED A LETTER FROM JOHN KNOX VILLAGE OF FLORIDA, INC. (THE "VILLAGE") REQUESTING THAT THE CITY SERVE AS A CONDUIT (LEND ITS TAX EXEMPT STATUS) FOR THE ISSUANCE OF REVENUE BONDS, SERIES 2015 (NOT TO EXCEED \$40,000,000, WITH A MATURITY NOT TO EXTEND BEYOND SEPTEMBER 1, 2049). **APPROVAL OF THIS PROPOSED BOND ISSUE WILL NOT OBLIGATE THE CITY FOR REPAYMENT OF THE RESULTING DEBT OBLIGATION, NOR WILL THE PROPOSED BOND ISSUE MANDATE THAT THE CITY PLEDGE ITS FAITH, CREDIT OR TAXING POWER AS SECURITY FOR REPAYMENT OF SAID BONDS. ANY RESULTING OBLIGATION WILL BE SOLELY SECURED BY THE GROSS REVENUES GENEREATED FROM THE VILLAGE'S FACILITIES.**

PLEASE REFER TO FINANCE DEPRATMENT MEMORANDUM #15-16 FOR ADDITIONAL INFORMATION.

- (1) Origin of request for this action: Finance Department
- (2) Primary staff contact: Suzette Sibble, Finance Director 954 786-4680
- (3) Expiration of contract, if applicable: April 1, 2015.
- (4) Fiscal impact and source of funding: NA. ALL ASSOCIATED COSTS FOR THIS TRANSACTION WILL

BE THE SOLE RESPONSIBILITY OF JOHN KNOX VILLAGE OF FLORIDA, INC. CITY WILL YIELD APPROXIMATELY \$40K FOR ADMINISTRATIVE AND CONDUIT CLOSING FEES.

DEPARTMENTAL COORDINATION	DATE	DEPARTMENTAL RECOMMENDATION	DEPARTMENTAL HEAD SIGNATURE
Finance	1/2/15	Approval	
City Attorney	1/2/15		
Budget	1-5-15	Approval	
Advisory Board			
<input checked="" type="checkbox"/> City Manager 			

ACTION TAKEN BY COMMISSION:

<u>Ordinance</u>	<u>Resolution</u>	<u>Consideration</u>	
<u>Workshop</u>			
1 st Reading _____	1 st Reading _____	Results: _____	Results: _____
2 nd Reading _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____



**FINANCE DEPARTMENT
MEMORANDUM 15-16**

Date: January 2, 2015

To: Mayor and City Commission

From: Suzette Sibble, Finance Director

Via: Dennis Beach, City Manager

Re: Consideration of the Issuance of Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds")

The City of Pompano Beach (the City) is in receipt of a letter from John Knox Village of Florida, Inc. (**See Attachment 1**) requesting that the City issue Revenue Bonds (John Knox Village Project), Series 2015 (aggregate principal not to exceed \$40 million, with a maturity of not later than September 1, 2049) for the principal purpose loaning the proceeds of such issuance to John Knox Village (the "Village") to provide for the financing or reimbursing the Village for the cost of certain capital improvements for or to its Facilities, including, without limitation, the purchase of new audio visual equipment, information technology wiring and upgrades, replacement of any elevator, installation of a visitor management system, construction and equipping of a new health care center, implementation of electronic health records in the health center and miscellaneous renovations, equipment and other improvements.

If the Bonds are approved, the City would serve as the "Issuer" and the Village would serve as the "Borrower" with regard to the proposed Bond issue. This arrangement would in essence require the City to serve as a "Conduit" on behalf of the Village. Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party on a **tax exempt basis**. These third parties are not otherwise authorized under Internal Revenue Service (IRS) regulations to issue tax exempt obligations directly, which result in a lower cost of borrowing than taxable obligations. Although conduit debt obligations bear the name of the City as the governmental issuer, the City has no financial obligation for the repayment of principal/interest related to the bonds. **Relevant financing documents governing the proposed Bond issue includes the following language to make it explicitly clear as to the City's limited liability as it relates to the proposed Bond issue:**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE, THE ISSUER OR ANY POLITICAL SUBDIVISION

THEREOF. NEITHER THE STATE, THE ISSUER NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE ISSUER 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.

The City would enter into a loan agreement with the Village whereby the City as the "Issuer" would be loaning the proceeds of the proposed Bond issue to the Village, the "Borrower". The only security for repayment of the bonds is the gross revenues derived by the City **solely from the Village** as generated from its facilities. Documents governing the Bond issue are inclusive of the following:

- Preliminary Agreement – presented as a separate agenda item outlining the roles and responsibilities of the City and the Village, inclusive of the Village's responsibility for all costs incurred by the City relative to the proposed Bond issue, as well as a closing fee to be afforded the City equal to .1% of the Par value (not to exceed \$40 million) of bonds issued;
- Bond Resolution;
- Loan Agreement – Between the City and Village;
- Bond Purchase Agreement – Among the City, the Village and PNC Capital Markets LLC (the "Underwriter"), who will purchase and market the bonds for sale;
- Bond Indenture – Between the City and U.S. Bank National Association, who will serve as Bond Trustee whereby the City approves payment of all resulting Bond obligations by the Village directly to the Bond Trustee; and
- Preliminary Official Statement (POS) & Final Official Stmt. – POS issued to gauge market interest governing a proposed bond issue and incorporates information on the Issuer/Borrower.

Considerations of the City in Serving as a Conduit Issuer

Background of the Village & Economic Impact on the City --As Disclosed in Proposed Financing Documents

The Village was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population and is qualified as an exempt organization under the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Village provides services to approximately 900 residents and estimates that the total assessed value for state tax purposes of its real property is approximately \$63,500,000. The Village is one of the largest single site continuing care retirement communities (each a "CCRC") in the country and operates on approximately 65 acres in Pompano Beach in Broward County, Florida. It currently consists of 729 Independent Living Units, 62 Assisted Living Units and a 177-bed skilled nursing facility (the "Health Center"). The Village and its affiliates (the "JKV Companies") employ approximately 700 employees with annual salary and benefits in excess of \$22 million as of December 31, 2013. The JKV Companies are one of the five largest employers in the City. Annual operating expenses, excluding payroll of the JKV Companies, totaled an additional \$20 million in 2013. The Village continually upgrades units as new residents move in and make ongoing improvements to the campus. Over the last three years, the Village spent over \$18 million on capital improvements.

As of October 31, 2014, 86.1% of the Independent Living Units, 93.8% of the Assisted Living Units, and 93.9% of the skilled nursing beds were occupied. The CCRC includes independent living, assisted living and nursing care and has been granted a certificate of authority from the Florida Department of Financial Services to offer continuing care contracts.

The Village has a long history as a leader in the long-term care industry and has received the following awards over the past few years:

- ❖ 2014 Leading Age – National Joan Anne McHugh Nurse Leadership Award
- ❖ 2013 Leading Age Florida – Best Practice – Sharing & Caring
- ❖ 2012 Leading Age Florida – Quality First
- ❖ 2011 Leading Age – National Excellence in the Workplace
- ❖ 2010 Leading Age Florida – Trustee of the Year
- ❖ 2010 Leading Age Florida – Resident Council of the Year
- ❖ 2010 Pompano Beach Chamber of Commerce – Founder's Award
- ❖ 2010 South Florida Business Journal – Finalist – Best Healthcare Company

Please refer to Appendix A of the Preliminary Official Statement for additional information governing the corporate structure of the Village, additional operating characteristics and additional financial information.

The Project

Woodlands - The primary purpose of the Bonds is to finance and refinance the acquisition, construction and equipping of the Woodlands, a 144-bed skilled nursing facility to be owned and operated by the Borrower and located on its campus, to replace a portion of the existing Health Center and add additional capacity to serve members of the local community (the "Woodlands"). The Village has estimated the net creation of approximately 42 new permanent jobs as a result of the construction of the facility.

Reimbursements - Any available proceeds of the Bonds remaining after financing the Woodlands will be applied to finance capital improvements for or to the Facilities including, without limitation, new audio visual equipment, upgrades to information technology wiring and computers, replacement of the elevator in the Village's East Lake facility, installation of a visitor management system, implementation of electronic health records in the current Health Center and other miscellaneous renovations, equipment and capital improvements.

Financial and Operational Capacity for Repayment of the Bonds

Long Term Rating - Fitch Ratings, Inc. ("Fitch"), a nationally recognized rating agency has assigned the Bonds a long-term rating of "A-." Fitch's definition for an "A-" rating denote expectations of low default risk and that the capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. Although not the highest rating issued by Fitch, an "A-" rating is still a strong, investment grade rating on the Fitch rating scale.

Regulatory Reserve & Reporting Requirements - The Village is subject to Chapter 651, Florida Statutes, and has represented in the proposed financing documents that it is in full compliance with all applicable statutory reserve and reporting requirements contained therein. Chapter 651 requires that each continuing care provider maintain: (a) a debt service reserve in an amount equal to the principal and interest payments becoming due during the current fiscal year (12 months' interest on the financing if no principal payments are currently due) on any mortgage loan or other long term financing, including taxes and insurance; (b) an operating reserve in an

amount equal to 15% of the facility's average total annual operating expenses set forth in the annual reports filed pursuant to Chapter 651 for the immediate preceding 3-year period, subject to adjustment in the event there is a change in the number of facilities owned; and (c) a renewal and replacement reserve in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements included in the facility's annual report filed pursuant to Chapter 651, not to exceed 15% of the facility's average operating expenses for the past 3 fiscal years based on the audited financial statements for each of such years. These reserves are required to be held in a segregated escrow account maintained with a Florida bank, savings and loan association or trust company acceptable to the Office of Insurance Regulation (OIR) and, in the case of the operating reserve, must be in an unencumbered account held in escrow for the benefit of the residents. The Reserve Account established with the Bond Trustee pursuant to the Bond Indenture and the escrow account established with U.S. Bank National Association, as escrow agent, are intended to meet the requirements of Chapter 651 for those reserves (the "Required Reserves").

In addition, Chapter 651 requires the escrow agent holding the Required Reserves to deliver to the OIR quarterly reports on the status of the escrow funds, including balances, deposits and disbursements. Chapter 651 provides that withdrawals can be made from the Required Reserves only after 10 days' prior written notice to the OIR, except that in an emergency the provider may petition for a waiver of such 10-day notice requirement (a waiver being deemed granted if not denied by the OIR within three working days). Fines may be imposed for failure to deliver the quarterly reports or notices of withdrawal within the required time periods.

Ongoing Debt Covenants - Debt covenants for the proposed bond issue will mandate the following:

- Creation and maintenance of Debt Service Reserve and Sinking Fund accounts;
- Maintenance of a long-term Debt Service Ratio of at least 1.10;
- Maintenance of at least 100 days cash on hand; and
- Not incurring additional indebtedness unless certain conditions are met.

These covenants further bolsters the Village's ability to repay its obligations related to the proposed Bond issue

No History of Defaults

The Village has represented in proposed financing documents that in its history of operations it has not defaulted on any outstanding obligations.

City's Past History with Village as a Conduit Issuer

In 2010 the City authorized and issued Revenue Bonds on behalf of the Village. The Village utilized the proceeds to refund its 2002 Bonds that had been issued through the Broward County Health Facilities Authority (2002 Bonds). With the City's assistance, the Village was able to refund the 2002 Bonds and issue the "City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010" (2010 Bonds). The 2010 Bonds were issued in the amount of \$29,045,000 as a direct placement with PNC Bank, National Association (PNC). The 2010 Bonds are variable interest rate bonds that are secured through a mortgage on the Village's property as well as a gross revenue pledge. The outstanding balance on the 2010 Bonds is approximately \$25 million.

To date, the City has not been notified of any default on the 2010 Bonds or any non-compliance issues governing this outstanding bond issue.

In September 2014, the City authorized the refinancing of more favorable terms for the Village with the bondholder, PNC Bank. These bonds have a mandatory redemption date of December 31, 2024.

Risk

As stated earlier, the City has no legal obligation to repay the obligation resulting from the proposed Bond issue. However, should the Village default on the bonds in the future, the City would be required to disclose this default in any future bond issues undertaken by the City. This association could potentially affect the marketability of bonds to be issued by the City in the future. That being said, the City would ensure that the marketing of any new bonds to be issued by the City and any such required disclosures make it explicitly clear that the City had no legal or moral obligations governing its conduit bond issues in an effort to minimize any potential negative market impacts. Given the Village's footprint in the City and Broward County, its current financial capacity as outlined in the preliminary official statement, its operating characteristics (management's experience, philosophy and operating style and regulatory reserve requirements), no past default history, long term rating assigned the proposed Bond issue and required bond covenants governing reserve and sinking fund accounts, it is unlikely that the Village would ever default on its obligation.

Conclusion

As stated earlier, the Village would be responsible for all costs incurred by the City related to the proposed Bond issue initially and for any costs incurred by the City related to said Bond issue, through maturity of the Bonds. In addition, the Village would be responsible for continuing disclosure requirements, inclusive of financial and budgetary reporting and any arbitrage requirements.

The City will be paid a non-refundable administrative charge by the Village of \$3,500, regardless of closing on the transaction and a closing fee of .1% of the aggregate principal amount issued (approximately \$40k).

All financing documents have been reviewed by myself, the City's Bond Counsel and City Attorney.

John Knox Village of Florida, Inc.**Request for Issuance of Tax-Exempt Bonds**

John Knox Village of Florida, Inc. (the Village) is pleased to present this request to issue bonds through the City of Pompano Beach. The Village has been a member of the Pompano Beach community since 1967. In the last 47 years, the Village has grown from a small retirement community consisting of a three-story building and 24 villa triplexes surrounding a lake to become the second largest Continuing Care Retirement Community (CCRC) in the State of Florida and one of the largest single site CCRCs in the country. The requested modifications are the first step in a plan of finance that will allow the Village to construct a state-of-the-art health center on its campus, replacing a portion of the current health center and adding 17 long-term care beds.

Background on the Village

The Village was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population. The Village is qualified as an exempt organization by the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code. The Village mission is shown below.

John Knox Village of Florida, Inc. is dedicated to providing a protective, supportive environment in which our Residents may thrive as their physical, social, emotional and spiritual well being is addressed.

John Knox Village of Florida, Inc. is committed to its employees by providing a stable, secure, fair and rewarding work place.

John Knox Village of Florida, Inc. is committed to being an active, valuable partner in the civic community.

John Knox Home Health Agency, Inc. is a wholly owned subsidiary which is a Florida for-profit corporation and provides home health care services for Village residents and residents of the local community. John Knox Village of Florida Foundation, Inc. is a Florida, not-for-profit corporation controlled by the Village which serves as the fundraising arm of the Village. These three organizations are governed by volunteer Boards of Directors consisting of Village residents and members of the local business community.

The Village is located on approximately 65 acres and consists of 730 independent living units, 64 assisted living units and 177 bed health center. The Village provides services to its residents under a life care contract. Residents occupy an independent living unit and have unlimited use of the assisted living facility and the health center as needs change. The life care contract assures life-long care for the remainder of the residents' lives.

The financial viability of the Village has always been a top priority for the Board of Directors as shown in the following Statement of Purpose:

To operate a financially responsible not-for-profit continuing care retirement community that complies with legislative, professional and regulatory guidelines.

The combined corporations employ approximately 700 active employees with annual salary and benefits in excess of \$22,000,000 for the year ended December 31, 2013. Over 91% of the active employees live in Broward County and 142 of these employees live in Pompano Beach. These employees provide services to the almost 900 residents who currently reside at the Village. Despite difficult economic times over the past few years, the Village has been able to maintain its workforce without layoffs and is still able to provide raises and benefits to its employees.

The Village is one of the largest property tax payers in Broward County and paid in excess of \$900,000 in property taxes in 2014. Annual operating expenses, excluding payroll, totaled an additional \$20,000,000. The Village is continually upgrading units as new residents move in and makes ongoing improvements to the campus. Over the last three years, the Village spent over \$18,000,000 on capital improvements. The Village makes a concerted effort to purchase its supplies from local businesses in an effort to support the community.

As a retirement community, the Village is more than just a purchaser and consumer of goods and services. It is a home to senior residents who also desire a wide selection of ancillary goods and services. The residents of the Village have as their “suppliers” the local grocery stores, shopping malls, restaurants, hospitals, doctors and other businesses.

As mentioned above, part of the Village mission is to be an active, valuable partner in the civic community. This commitment is accomplished through the Sharing and Caring program. Over the last six years, the Village has been able to reach into the community to give back to others and to help fill the needs of the underserved and uninsured in the Pompano Beach community and has donated over \$760,000 to charities in the local and international communities. Whether it be clothing and toiletries for the clients of St. Laurence Chapel, toiletries and blankets for the homeless through Broward Outreach, food for the local food banks or a dance with the clients of Northeast Focal Point, the Village residents and employees are eager to give back to the community. With healthcare as one of the most important services provided by the Village, the Village has long been a sponsor and contributor to the American Heart Association through the Heart Walk, the Alzheimer’s Association through the Alzheimer’s Walk and the American Cancer Society through the Relay for Life.

Background on the Financing

In 2010, the Village took advantage of temporary changes in bond regulations enacted by the American Recovery and Reinvestment Act of 2009 allowing tax-exempt entities to borrow up to \$30,000,000 as Bank Qualified. Bank Qualified bonds bear a more favorable interest rate than non-Bank Qualified bonds. The Village refunded the 2002 Bonds that had been issued through the Broward County Health Facilities Authority (2002 Bonds). At that time, the 2002 Bonds had been secured through a letter of credit that wrapped around a bond insurance policy with Radian Asset Assurance. Due to the various economic crises occurring at that time, the insurance policy and the letter of credit were no longer viable means to secure the debt. With the City's assistance, the Village was able to refund the 2002 Bonds and issue the "City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010" (2010 Bonds). The 2010 Bonds were issued in the amount of \$29,045,000 as a direct placement with PNC Bank, National Association (PNC). The 2010 Bonds are variable interest rate bonds that are secured through a mortgage on the Village's property as well as a gross revenue pledge. The outstanding balance on the 2010 Bonds as of November 30, 2014 is \$25,285,000.

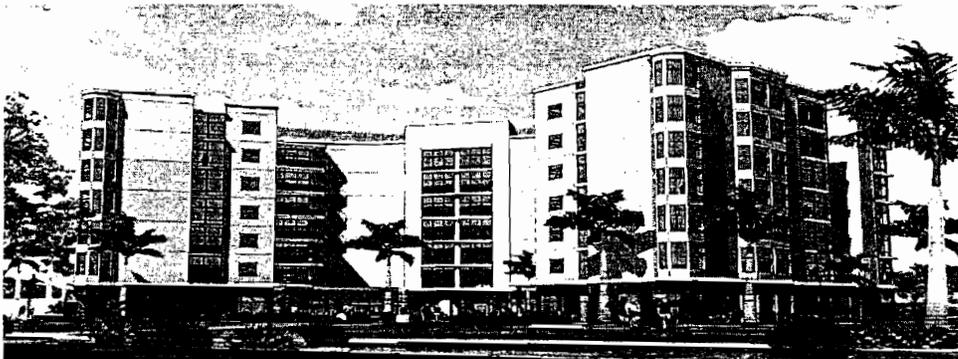
At the time the 2010 Bonds were issued, PNC executed its option to automatically call the bonds on December 31, 2017. With the assistance of the City, in September the Village and PNC successfully extended the term of the mandatory redemption for 10 years, to December 31, 2024.

The Project

The Village is planning to construct the Woodlands, a 144 bed skilled nursing facility, on its current campus to replace a portion of the existing health center and add additional capacity to serve members of the local community. The Woodlands will be utilizing the Green House[®] model which emphasizes the following core values:

- Meaningful Life
- Empowered Staff
- Real Home

The building will consist of 12 homes designed to accommodate 12 elders in private rooms and private bathrooms surrounding a common area complete with kitchen, dining room and hearth room. There will also be a first floor common area that includes a convocation room, therapy space and a bistro.



The Village has received the building permit and has started to clear the site for the new building. At this time, the Village is planning to issue new fixed-rate bonds in the approximate amount of \$35,000,000, using PNC as underwriter, to provide the funds for the construction of the Woodlands.

The Village has received a preliminary rating of A- with a stable outlook on the new bonds and affirmation of the rating on the 2010 bonds from Fitch.

Summary

The Village is excited to have an opportunity to continue its relationship with the City of Pompano Beach. The City can provide the means for the Village to issue new fixed rate bonds as the Village works to realize its plan of providing state of the art services to both the residents of the Village as well as the residents of Pompano Beach. We look forward to working with the City on this project.

John Knox Village of Florida, Inc.

GreenHouse Project

Staffing Impact

H:\2014 Bonds\FDFC\[VI. Project Employment Schedule.xlsx]Summary for Board

Department	Existing Health Center			Green House			Total			Average Wages			
	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Current Payroll	Projected Payroll
Modification of Existing Positions:													
Administration	3.00	0.40	(2.60)	-	2.18	2.18	3.00	2.58	(0.42)	40.83	40.83	254,779	219,110
Recreational Therapy	7.25	1.25	(6.00)	-	2.34	2.34	7.25	3.59	(3.66)	14.82	14.82	223,486	110,664
Dietary (Centralized)	3.40	4.60	1.20	-	3.79	3.79	3.40	8.39	4.99	10.03	10.03	70,932	175,036
Admissions	1.00	0.47	(0.53)	-	1.53	1.53	1.00	2.00	1.00	32.26	36.57	67,101	152,110
Central Supply	1.00	0.25	(0.75)	-	0.75	0.75	1.00	1.00	-	12.73	12.73	26,478	26,478
Medical Records	1.00	0.28	(0.72)	-	0.72	0.72	1.00	1.00	-	20.60	20.60	42,848	42,848
Environmental Services	16.20	2.80	(13.40)	-	3.04	3.04	16.20	5.84	(10.36)	9.61	9.61	323,819	116,735
Laundry	7.00	2.00	(5.00)	-	-	-	7.00	2.00	(5.00)	9.88	9.88	143,853	41,101
Maintenance	2.00	0.20	(1.80)	-	1.80	1.80	2.00	2.00	-	21.38	21.38	88,941	88,941
Nursing Administration	9.00	2.56	(6.44)	-	1.44	1.44	9.00	4.00	(5.00)	29.22	29.22	546,998	243,110
Minimum Data Set (MDS)	3.00	0.71	(2.29)	-	2.04	2.04	3.00	2.75	(0.25)	29.22	29.22	182,333	167,138
Staff Development	2.00	0.76	(1.24)	-	1.44	1.44	2.00	2.20	0.20	29.22	29.22	121,555	133,711
Social Services	3.00	0.68	(2.33)	-	2.33	2.33	3.00	3.00	-	24.91	24.91	155,438	155,438
Guide	-	-	-	-	1.25	1.25	-	1.25	1.25	29.22	29.22	-	75,972
Educator	-	-	-	-	0.80	0.80	-	0.80	0.80	29.22	29.22	-	48,622
CNA/Shahbaz	81.00	28.40	(52.60)	-	100.80	100.80	81.00	129.20	48.20	11.22	12.90	1,890,346	3,467,501
Direct Care Nursing	30.20	8.80	(21.40)	-	23.55	23.55	30.20	32.35	2.15	25.44	25.44	1,598,039	1,711,962
Subtotal	170.05	54.15	(115.90)	-	149.80	149.80	170.05	203.95	33.90			5,736,946	6,976,478
New Positions:													
Common Area	-	-	-	-	2.80	2.80	-	2.80	2.80		9.61	-	55,969
Concierge/Security	-	-	-	-	4.20	4.20	-	4.20	4.20		11.80	-	103,085
LEED Maintenance	-	-	-	-	1.00	1.00	-	1.00	1.00		25.00	-	52,000
Subtotal	-	-	-	-	8.00	8.00	-	8.00	8.00	-	8.00	-	211,053
Grand Total	170.05	54.15	(115.90)	-	157.80	157.80	170.05	211.95	41.90	170.05	211.95	5,736,946	7,187,531
												Increase	1,450,585

RESOLUTION NO. 2015-__

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$40,000,000 AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF CITY OF POMPANO BEACH, FLORIDA REVENUE BONDS (JOHN KNOX VILLAGE PROJECT), SERIES 2015, FOR THE PRINCIPAL PURPOSE OF FINANCING OR REIMBURSING THE COST OF CERTAIN CAPITAL IMPROVEMENTS FOR OR TO THE SENIOR LIVING AND HEALTHCARE FACILITIES OWNED OR TO BE OWNED AND OPERATED BY JOHN KNOX VILLAGE OF FLORIDA, INC. ON A CAMPUS LOCATED WITHIN THE CITY, FUNDING ANY NECESSARY RESERVES, AND PAYING COSTS OF ISSUANCE OF THE BONDS; AUTHORIZING A DELEGATED NEGOTIATED SALE OF SUCH BONDS; PROVIDING FOR CERTAIN TERMS AND DETAILS OF SUCH BONDS, INCLUDING THE MANNER FOR ESTABLISHING THE INTEREST RATES THEREON; APPROVING THE USE OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS IN CONNECTION WITH THE MARKETING AND SALE OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND INDENTURE, LOAN AGREEMENT, BOND PURCHASE CONTRACT AND OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BONDS; APPOINTING U.S. BANK NATIONAL ASSOCIATION AS BOND TRUSTEE; MAKING CERTAIN COVENANTS, AGREEMENTS AND FINDINGS IN CONNECTION WITH THE ISSUANCE OF THE BONDS; PROVIDING FOR OTHER MATTERS AND GENERAL AUTHORIZATIONS IN CONNECTION WITH THE FOREGOING; PROVIDING FOR SEVERABILITY, REPEALING CLAUSES AND AN EFFECTIVE DATE.

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Florida Constitution, Chapter 166, Florida Statutes and Part II, Chapter 159, Florida Statutes, the Charter of the City of Pompano Beach, Florida (the "City") and other applicable provisions of law (collectively, the "Act").

SECTION 2. FINDINGS. The City Commission of City of Pompano Beach, Florida hereby finds and determines as follows:

A. The City is a duly organized and validly existing municipal corporation of the State of Florida (the "State") and a "local agency" within the meaning of Section 159.27(4), Florida Statutes. As such, the City is duly authorized and empowered by the Act to provide for the issuance of and to issue and sell its revenue bonds, for the purpose of financing or reimbursing all or any part of the "cost" of a "project," as such terms are defined in Section 159.27(5), Florida Statutes or otherwise permitted by the Act, and to loan the proceeds of such bonds to qualified borrowers, such loans to be payable solely from revenues and receipts derived from the operation of "projects," as defined in Section 159.27(5), Florida Statutes or otherwise permitted by the Act, or other payments received under financing agreements with respect thereto, and secured by a pledge of said revenues and from such other sources as may be approved by the City.

B. John Knox Village of Florida, Inc. (the "Borrower") desires to take advantage of low rates of interest available through the use of tax-exempt revenue bonds, and in connection therewith has requested that the City issue its Revenue Bonds (John Knox Village Project), Series 2015 (the "Series 2015 Bonds") in the aggregate principal amount of not to exceed \$40,000,000 for the purpose of (i) financing or reimbursing the Borrower for the cost of certain capital improvements permitted by the Act for or to the senior living and health care facilities of the Borrower located or to be located at the campus of the Borrower within the City, including, without limitation, the purchase of new audio visual equipment, information technology wiring and upgrades, replacement of an elevator, installation of a visitor management system, construction and equipping of a new seven story health care center containing approximately 130,000 square feet for nursing services, the purchase and implementation of an electronic health records system in the health center and miscellaneous renovations, equipment and other improvements (collectively, the "2015 Project"), (ii) funding any necessary reserves, and (iii) paying costs associated with the issuance of the Series 2015 Bonds.

C. The Borrower has indicated to the City and will represent that the 2015 Project will help to alleviate unemployment in the City, improve living conditions and health care for seniors in the City, foster economic growth and development and the business development of the City, and serve other public purposes as set forth in the Act and that any private benefit that may accrue therefrom is incidental to such purposes. The Borrower has also indicated to the City and will represent that the 2015 Project will further the paramount public purposes of the Act, and it will most effectively serve the purposes of the Act for the City to finance and reimburse the costs of the 2015 Project and to issue and sell the Series 2015 Bonds for such purposes, all as provided in the Bond Indenture and the

Loan Agreement (each as hereinafter defined), which shall contain such provisions as are necessary or convenient to effectuate the purposes of the Act.

D. The Borrower has indicated to the City and will represent that Broward County, Florida and the City, as applicable, are reasonably expected to be able to cope satisfactorily with the impact of the 2015 Project and are able to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that are necessary for the construction, operation, repair and maintenance of the 2015 Project and on account of any increases in population or other circumstances resulting therefrom.

E. The availability of tax-exempt revenue bond financing, as authorized by the Act, was an important inducement to the Borrower to proceed with the financing and reimbursing of the costs of the 2015 Project.

F. Adequate provision has been made in the applicable documents attached hereto for a loan by the City to the Borrower to finance and reimburse the costs of the 2015 Project at the expense of the Borrower and for the repayment by the Borrower of the loan in installments sufficient to pay the principal of, premium, if any, and the interest on the Series 2015 Bonds, when due, and all costs and expenses relating thereto in the amounts and at the times required and the Borrower is financially responsible and capable of meeting its obligations under such documents. In making these determinations, the City is relying on the representations of the Borrower and the rating of "A-" assigned by Fitch Ratings, Inc. to the Series 2015 Bonds. The applicable documents attached hereto make adequate provision for the operation, maintenance and repair of the 2015 Project at the sole cost and expense of the Borrower.

G. The City is not obligated to pay the Series 2015 Bonds except from the revenues derived from the repayment of the loan to the Borrower, or from the other security pledged therefor in the Bond Indenture and neither the faith and credit nor the taxing power of the City, the State or any political subdivision or agency thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2015 Bonds.

H. The City, upon the conditions set forth in this Resolution and the Loan Agreement having been met, and the Borrower will concurrently with or prior to the issuance of the Series 2015 Bonds, execute the documentation required for the financing and reimbursing of the costs of the 2015 Project as contemplated hereby. In connection therewith, pursuant to the Loan Agreement, the Borrower will covenant and agree, on behalf of itself and the other Members of the Obligated Group (as such capitalized terms are defined in the hereinafter defined Master Indenture) to pay to the Bond Trustee (as hereinafter defined) the amounts needed to pay the principal of, redemption premium, if any, and interest on the Series 2015 Bonds when due and observe the other covenants and

agreements and make the other payments set forth therein. The obligations of the Borrower under the Loan Agreement and with respect to the Series 2015 Bonds will be further evidenced and secured by the issuance to the Bond Trustee (the "Master Indenture") dated as of December 1, 2010, as amended, between the Borrower and U.S. Bank National Association, as master trustee, as supplemented in connection with such obligation. In addition, the rights of the City under the Loan Agreement, other than certain reserved rights, will be assigned to the Bond Trustee.

I. The costs of financing and reimbursing the costs of the 2015 Project will be paid from the proceeds of the Series 2015 Bonds and other available revenues of the Borrower in accordance with the terms of the Bond Indenture. The Borrower has represented that costs of the 2015 Project constitute "costs" of a "project" within the meaning of the Act, including Section 159.27(5), Florida Statutes.

J. As a condition to the issuance of the Series 2015 Bonds, the City and the Borrower will enter into an agreement relating to matters preliminary to the issuance of the Series 2015 Bonds (the "Preliminary Agreement"). The Preliminary Agreement provides that the City and the Borrower intend for the Preliminary Agreement to supersede the subject matter of that certain Interlocal Agreement (the "Interlocal Agreement") previously executed by the City and the Florida Development Finance Corporation ("FDFC") and joined in by the Borrower, and for such Interlocal Agreement to be of no force and effect following the City's authorization of the Series 2015 Bonds, as evidenced by its adoption of this Resolution. The Preliminary Agreement requires the Borrower to notify FDFC in writing of the foregoing and to take such other actions as necessary to cause the Interlocal Agreement to be terminated prior to the issuance of the Series 2015 Bonds.

K. In order to satisfy certain requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, (the "Code"), a public hearing was held on the date hereof on the proposed issuance of the Series 2015 Bonds for the purposes herein stated which date was more than 14 days following the first publication of notice of such public hearing in a newspaper of general circulation in the City, which public hearing was conducted in a manner that provided a reasonable opportunity for persons with differing views to be heard, both orally and in writing, on the issuance of the Series 2015 Bonds and the nature and location of the 2015 Project.

SECTION 3. AUTHORIZATION OF THE SERIES 2015 BONDS AND FINANCING AND REIMBURSING OF COSTS OF THE 2015 PROJECT. (a) The City hereby authorizes the issuance of revenue bonds to be designated "City of Pompano Beach, Florida Series 2015 Revenue Bonds (John Knox Village Project)" in the aggregate principal amount of not exceeding \$40,000,000 for the principal purposes of (i) financing or reimbursing the Borrower for the costs of the 2015 Project, (ii) funding any necessary reserves, and (iii) paying costs associated with the issuance of the Series 2015 Bonds. To

the extent less than \$40,000,000 aggregate principal amount of Series 2015 Bonds are issued, the authorization for the issuance of the Series 2015 Bonds in excess of the issued aggregate principal amount shall be cancelled.

(b) The Series 2015 Bonds shall be dated the date of delivery; shall have such terms and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law; shall be payable in such manner and on such dates not exceeding the latest date permitted by law; shall mature in such installments and amounts; shall be payable in such place or places and may be issued in certificated form or book-entry-only form, all as provided by the Bond Indenture and the Purchase Contract (hereinafter defined).

SECTION 4. DELEGATED NEGOTIATED SALE OF THE SERIES 2015 BONDS. The City hereby finds and determines that the sale of the Series 2015 Bonds to the Original Purchaser (as defined below) on the basis of a negotiated sale rather than a public sale by competitive bid, pursuant to the terms and provisions of a Bond Purchase Agreement to be approved in accordance with Section 9 hereof (the "Purchase Contract"), is in the best interest of the City and the Borrower for the following reasons which the Borrower has indicated to the City and represent:

(i) Bonds issued by public bodies for the benefit of not-for-profit corporations ("Private Activity Bonds") generally involve specialized situations and transactions which need detailed analysis, structuring and explanation throughout the course of the issue by sophisticated financial advisors, underwriters, investment bankers and similar parties, such as the underwriter named in the Purchase Contract (the "Original Purchaser"), experienced in the structuring of issues of Private Activity Bonds, much of which would not generally be available on a timely basis from the ultimate underwriter of Private Activity Bonds issued pursuant to a public competitive sale.

(ii) Private Activity Bond issues similar to the Series 2015 Bonds generally involve a rather detailed and often complicated explanation to potential investors of the structure of the issue, the nature of the underlying corporation and the impact upon each of the foregoing of Federal and State regulations, including Medicare and Medicaid practices and procedures. The assistance of an underwriter in preparing necessary offering memoranda, official statements and related information is extremely desirable from the standpoint of the corporation involved in the issue and from the standpoint of the public body issuing the Private Activity Bonds in insuring full and accurate disclosure of all relevant information.

(iii) For the foregoing and related reasons, most of the Private Activity Bonds heretofore issued throughout the United States have involved participation throughout the structuring and offering process of underwriters or financial institutions who have purchased or arranged for the purchase of the Private Activity Bonds through a negotiated

sale rather than through a public sale by competitive bid; accordingly the market may well be more receptive to an issue of Private Activity Bonds sold on a negotiated basis than to one sold by competitive public sale.

(iv) Finally, the market for Private Activity Bonds such as the Series 2015 Bonds is currently in an extremely volatile state, making the presence of the Original Purchaser, who has participated throughout in structuring the issuance of the Series 2015 Bonds, extremely desirable in attempting to obtain the most attractive financing for the City and the Borrower.

A delegated negotiated sale of the Series 2015 Bonds to the Original Purchaser in accordance with the terms hereof and of the Purchase Contract is hereby in all respects authorized subject to (i) a final maturity of the Series 2015 Bonds not later than September 1, 2049, (ii) a true interest cost on the Series 2015 Bonds not in excess of 6.90%, (iii) in accordance with Section 218.385, Florida Statutes, the Original Purchaser must submit to the City a disclosure statement and truth-in-bonding statement setting forth the information required by said Section 218.385, Florida Statutes, said statements to be attached to the Purchase Contract and incorporated herein by reference and (iv) the Series 2015 Bonds shall have an investment grade rating from Standard & Poor's Rating Service, Moody's Investors Service or Fitch Ratings, Inc.

SECTION 5. REDEMPTION OF SERIES 2015 BONDS. The Series 2015 Bonds shall be subject to redemption prior to maturity in the manner, to the extent, in the amounts, and at the times set forth in the Purchase Contract and the Bond Indenture.

SECTION 6. APPOINTMENT OF BOND TRUSTEE; PAYMENT OF THE SERIES 2015 BONDS. The Series 2015 Bonds shall be payable as to principal and interest in lawful money of the United States of America at the designated corporate trust office of U.S. Bank National Association, Miami, Florida, as Bond Trustee (the "Bond Trustee") under the Bond Indenture related to the Series 2015 Bonds, to be dated as of the first day of the calendar month and year in which the Series 2015 Bonds are issued (the "Bond Indenture"), between the City and the Bond Trustee, and to be executed and delivered pursuant to Section 7 hereof.

SECTION 7. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE BOND INDENTURE AND THE SERIES 2015 BONDS. (a) In order to provide for the security of the Series 2015 Bonds and to express the contract between the City and the holders of the Series 2015 Bonds, there shall be executed on behalf of the City with the Bond Trustee, the Bond Indenture. The Bond Indenture, substantially in the form attached hereto as Exhibit A, with such changes, corrections, insertions and deletions as may be approved by the City Manager, City Clerk, Mayor, Vice-Mayor of the City or Finance Director (each, an "Authorized Officer"), such approval to be evidenced

conclusively by their execution thereof, is hereby approved and authorized; provided, that prior to the execution thereof there shall be incorporated therein the terms and provisions of the Series 2015 Bonds conforming to the terms and provisions set forth in the Purchase Contract delivered pursuant to Sections 4 and 9 hereof. The Series 2015 Bonds shall be substantially in the form attached as an exhibit to the Bond Indenture.

(b) One or more of the Authorized Officers, as necessary is hereby authorized and directed to date and execute and to attest the Bond Indenture, and to deliver the Bond Indenture to the Bond Trustee, when finalized and to execute the Series 2015 Bonds in the manner provided in the Bond Indenture.

SECTION 8. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE LOAN AGREEMENT. (a) In order to provide for the loan of the proceeds of the Series 2015 Bonds to the Borrower and the obligation of the Borrower to pay the principal of, premium, if any, and interest on the Series 2015 Bonds as the same become due and payable, the City shall enter into a Loan Agreement related to the Series 2015 Bonds (the "Loan Agreement") with the Borrower. The Loan Agreement, substantially in the form attached hereto as Exhibit B, with such changes, corrections, insertions, and deletions as may be approved by an Authorized Officer of the City, such approval to be evidenced conclusively by their execution thereof, is hereby approved and authorized.

(b) One or more Authorized Officers, as necessary, is hereby authorized and directed to date and execute and to attest the Loan Agreement, and to deliver the Loan Agreement, when finalized. All of the provisions of the Loan Agreement, when executed and delivered by the City as authorized herein, and by the Borrower, shall be deemed to be a part hereof as fully and to the same extent as if set forth verbatim herein and therein.

SECTION 9. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE PURCHASE CONTRACT. (a) In order to provide for the sale of the Series 2015 Bonds to the Original Purchaser, the City shall enter into the Purchase Contract with the Original Purchaser and the Borrower. The Purchase Contract shall be dated the date of sale of the Series 2015 Bonds, shall be substantially in the form attached hereto as Exhibit C and is hereby authorized and approved, with such changes, corrections, insertions, and deletions as may be approved by an Authorized Officer, such approval to be evidenced conclusively by their execution thereof.

(b) Subject to the provisions of Section 4 hereof, one or more Authorized Officers, as necessary, is hereby authorized to date and execute and to attest the Purchase Contract and to deliver the Purchase Contract to the Original Purchaser and the Borrower, when finalized.

SECTION 10. PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT. (a) The Preliminary Official Statement shall be substantially in the form attached hereto as Exhibit D and is hereby authorized and approved with respect to the references to the City therein, with such changes, corrections, insertions, and deletions as may be approved by an Authorized Officer. The Official Statement relating to the Series 2015 Bonds to be substantially in the form of the Preliminary Official Statement attached hereto as Exhibit D, with any changes, insertions and amendments which are necessary to reflect the final terms of the Series 2015 Bonds set forth in the Purchase Contract and the Bond Indenture, is hereby approved as to form, terms and substance relating to the City. Although the City consents to the use of and approves the Preliminary Official Statement and the Official Statement for the Series 2015 Bonds, the City has not participated in its preparation and makes no representations as to its accuracy or completeness except to the extent provided in the Purchase Contract with respect to the information contained in the Preliminary Official Statement and final Official Statement under the caption "THE ISSUER" and "LITIGATION - The Issuer."

(b) The City hereby authorizes the use and distribution of the Preliminary Official Statement and the Official Statement by the Borrower and the Original Purchaser in connection with the marketing and sale of the Series 2015 Bonds.

SECTION 11. AUTHORIZATION OF EXECUTION AND DELIVERY AND OTHER CERTIFICATES AND OTHER INVESTMENTS. Each Authorized Officer is hereby authorized and directed to execute and deliver, either alone or jointly, certificates of the City certifying such facts as the City Attorney or the City's Bond Counsel or Bond Counsel to the Borrower (in consultation with the City Attorney and the City's Bond Counsel) shall require in connection with the issuance, sale and delivery of the Series 2015 Bonds and to execute and deliver such other instruments, and such other assignments, endorsements, bills of sale and financing statements as shall be necessary or desirable to perform the City's and the Borrower's obligations under the Bond Indenture, the Loan Agreement and the Purchase Contract.

SECTION 12. SERIES 2015 BONDS ARE LIMITED AND SPECIAL OBLIGATIONS. The Series 2015 Bonds shall not be deemed to constitute a debt, liability or obligation of the City, the State or of any political subdivision or agency thereof, or a pledge of the faith and credit of the City, the State or of any political subdivision or agency thereof, but the Series 2015 Bonds shall be payable solely from the revenues provided therefor in the Bond Indenture and the City will not be obligated to pay the Series 2015 Bonds or the interest thereon except from the revenues and proceeds pledged therefor in the Bond Indenture and neither the faith and credit nor the taxing power of the City, the State or of any political subdivision or agency thereof will be pledged to the payment of the principal of or the interest on the Series 2015 Bonds. The City shall never be required to

(i) levy ad valorem taxes on any property to pay the principal of, premium if any, and the interest on the Series 2015 Bonds or to make any other payments provided in the Bond Indenture and the Loan Agreement; (ii) pay the principal of, premium if any, and the interest on the Series 2015 Bonds from any funds of the City other than those derived by the City under the Loan Agreement or which comprise the trust estate under the Bond Indenture; or (iii) enforce any payment or performance by the Borrower pursuant to the Loan Agreement or Bond Indenture or in respect of the 2015 Bonds unless the City's expenses in respect thereof shall be paid from moneys derived under the Loan Agreement or advanced to the City for such purpose by the Borrower and the City shall receive indemnity to its satisfaction.

SECTION 13. GENERAL AUTHORIZATION. The several members, officials, attorneys or other employees or agents of the City are hereby authorized and directed to do all the acts and things required of them by the provision of the Series 2015 Bonds, the Loan Agreement, the Bond Indenture, and the Purchase Contract to the end that full and complete performance of all the terms, covenants and agreements of the Series 2015 Bonds and the Bond Indenture shall be effected. In furtherance of this directive, the officers, employees and agents of the City are hereby authorized and directed to execute such documents, instruments and contracts, whether or not expressly contemplated hereby, and to do all acts and things required by the provisions of this Resolution and by the provisions of the Series 2015 Bonds, the Bond Indenture, the Loan Agreement and the Purchase Contract authorized herein, as may be necessary for the full, punctual and complete performance of all the terms, covenants, provisions and agreements herein and therein contained, or as otherwise may be necessary or desirable to effectuate the purpose and intent of this Resolution.

SECTION 14. NO PERSONAL LIABILITY. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Series 2015 Bonds, the Loan Agreement, the Bond Indenture, the Purchase Contract or any certificate or other instrument to be executed on behalf of the City in connection with the issuance of the Series 2015 Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any commissioner, officer, employee or agent of the City in his or her individual capacity, and none of the foregoing persons nor any officer of the City executing the Series 2015 Bonds, the Loan Agreement, the Bond Indenture, the Purchase Contract or any certificate or other instrument to be executed in connection with the issuance of the Series 2015 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 15. NO THIRD PARTY BENEFICIARIES. Except as otherwise expressly provided herein or in the Series 2015 Bonds, the Loan Agreement, the

Bond Indenture or the Purchase Contract nothing in this Resolution, or in the Series 2015 Bonds, the Loan Agreement, the Bond Indenture or the Purchase Contract, express or implied, is intended or shall be construed to confer upon any person, firm, corporation or other organization, other than the City, the Borrower, the Original Purchaser, the Bond Trustee (and the owners from time to time of the Series 2015 Bonds) to the extent set forth in the Loan Agreement and the Bond Indenture any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Series 2015 Bonds, the Loan Agreement, the Bond Indenture or the Purchase Contract, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the City, the Borrower, the Original Purchaser and the Bond Trustee (and the owners from time to time of the Series 2015 Bonds) to the extent set forth in the Loan Agreement and the Bond Indenture.

SECTION 16. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions hereof or of the Series 2015 Bonds.

SECTION 17. REPEALING CLAUSE. All resolutions or parts thereof in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 18. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 13th day of January, 2015.

**CITY OF POMPANO BEACH,
FLORIDA**

Lamar Fisher, Mayor

Attest:

Mary L. Chambers, City Clerk

EXHIBIT A

FORM OF BOND INDENTURE

BOND INDENTURE

By and Between

CITY OF POMPANO BEACH, FLORIDA

and

**U.S. BANK NATIONAL ASSOCIATION
as Bond Trustee**

Dated as of February 1, 2015

**\$ _____
City of Pompano Beach, Florida
Revenue Bonds (John Knox Village Project),
Series 2015**

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THIS BOND INDENTURE, made and entered into as of February 1, 2015, by and between the **CITY OF POMPANO BEACH, FLORIDA** (together with any successor to its rights, duties and obligations hereunder, the "Issuer"), a duly created and validly existing municipal corporation of the State of Florida and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under and by virtue of the laws of the United States of America and being duly qualified to accept and administer the trusts created hereby (together with any successor to its rights, duties and obligations hereunder, the "Bond Trustee"),

WITNESSETH:

WHEREAS, pursuant to the Enabling Acts (hereinafter defined) the Issuer is authorized to make loans for the purpose of financing and reimbursing the cost of the acquisition, construction, improvement or equipping of "projects", including "health care facilities" (within the meaning of the hereinafter defined Financing Act), to carry out any of its purposes and to issue its bonds for the purpose of carrying out any of its powers; and

WHEREAS, John Knox Village of Florida, Inc., a Florida not-for-profit corporation (the "Borrower"), is involved in the business of owning and operating senior living and health care facilities within the boundaries of the Issuer and intends to obtain financing and reimbursing for the costs of certain capital improvements permitted by the Financing Act with respect thereto through the issuance by the Issuer of the Bonds referred to herein and the loan by the Issuer of the proceeds thereof to the Borrower; and

WHEREAS, the Issuer deems it desirable and in keeping with the purposes of the Enabling Acts to issue its Bonds and to loan the proceeds thereof to the Borrower for the purpose of reimbursing and financing the cost of the acquisition, construction, equipping and installation by the Borrower of certain capital improvements consisting of "health care facilities", as defined in the Financing Act (collectively, the "Project") through the issuance of the Issuer's Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds"); and

WHEREAS, the Borrower and the Issuer have entered into a Loan Agreement (the "Agreement"), of even date herewith, and the Members of the Obligated Group (as defined herein) have entered into the Master Indenture and Supplemental Indenture for Obligation No. 2 (as both terms are defined herein), pursuant to which the Obligated Group proposes to issue Obligation No. 2 (as defined herein) to the Bond Trustee, to evidence the obligation of the Borrower arising from the Issuer loaning to the Borrower the proceeds of the Issuer's Bonds, which Obligation No. 2 will secure the Issuer's obligations represented by such Bonds and the obligations of the Borrower under the Agreement; and

WHEREAS, the Bond Trustee agrees to accept and administer the trusts created hereby;

GRANTING CLAUSES

NOW, THEREFORE, THIS BOND INDENTURE FURTHER WITNESSETH: That the Issuer in consideration of the premises, of the acceptance by the Bond Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all Persons who shall from time to time be or become Holders thereof, and in order to secure the payment of all of the Bonds at any time issued and outstanding hereunder and the interest and premium, if any, thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants and conditions therein and herein contained, the Issuer has executed this Bond Indenture and does hereby grant a security interest in, and release, assign, transfer, pledge and grant and convey unto the Bond Trustee and its successors and assigns forever the following described property (the "Trust Estate").

(A) All rights and interests of the Issuer in, under and pursuant to the Agreement and the Master Indenture, including, but not limited to, and the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things which the Issuer is or may become entitled to do under the Agreement; *provided*, that the assignment made by this clause shall not include any assignment of any obligation of the Issuer under the Agreement or any right of the Issuer thereunder to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses.

(B) All right, title and interest of the Issuer in and to Obligation No. 2 and all its rights under the Master Indenture in the Mortgage.

(C) Amounts on deposit from time to time in the funds and accounts created pursuant hereto, including the earnings thereon, subject to the provisions of this Bond Indenture permitting the application thereof for the purpose and on the terms and conditions set forth herein.

TO HAVE AND TO HOLD all said properties pledged, assigned and conveyed by the Issuer hereunder, including all additional property which by the terms hereof has or may become subject to the encumbrance hereof, unto the Bond Trustee and its successors in trust and its assigns forever, subject, however, to permitted encumbrances and to the rights reserved hereunder; *provided*, that the Trust Estate created hereunder may be modified, at the option of the Obligated Group Representative (as defined

herein), in whole or in part, in connection with the delivery of a substitute note or other substitute collateral in the event of the execution and delivery of a Supplement (as defined in the Master Indenture) in accordance with the Master Indenture.

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the holders from time to time of the Bonds issued, authenticated, delivered and outstanding hereunder, without preference, priority or distinction as to lien or otherwise of any of said Bonds over any other or others of said Bonds to the end that each holder of such Bonds has the same rights, privileges and lien under and by virtue hereof; and conditioned, however, that if the Issuer shall well and truly pay or cause to be paid fully and promptly when due all liabilities, obligations and sums at any time secured hereby, and shall promptly, faithfully and strictly keep, perform or observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event, this Bond Indenture shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trusts and subject to the covenants and conditions hereafter set forth.

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. DEFINITIONS. The words and terms used in this Bond Indenture shall have the meanings as set out in this Section (unless otherwise defined herein), and if not contained in this Section as set forth in the Agreement and in the Master Indenture.

"Act" shall mean the Florida Constitution, the Charter of the Issuer, Chapter 166, Florida Statutes, as amended, and other applicable provision of law.

"Advance-Refunded Municipal Bonds" shall mean obligations that are exempt from Federal income taxation that have been advance-refunded prior to their maturity, that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, that are serial bonds or term bonds not callable prior to maturity except at the option of the holder thereof, and that are rated in the highest Rating Category by each Rating Agency then rating such obligations.

"Agreement" shall mean the Loan Agreement, dated as of February 1, 2015, by and between the Issuer and the Borrower, and when amended or supplemented, the Agreement, as amended or supplemented.

"Agreement Event of Default" shall mean any one or more of those events set forth in Section 6.01 of the Agreement.

"Authenticating Agent" shall mean the Bond Trustee, and any successor to its duties under this Bond Indenture.

"Beneficial Owner" shall mean whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the beneficial owner of such Bond by a participant on the records of such participant or such Person's subrogee.

"Bonds" shall mean the \$_____ aggregate principal amount City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015, dated their date of delivery, and issued under this Bond Indenture.

"Bond Counsel" shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds (which may include counsel to the Borrower) whose opinions are generally accepted by purchasers of municipal bonds selected or employed by the Borrower and reasonably acceptable to the Issuer.

"Bond Fund" shall mean the fund created pursuant to Section 5.01(a) hereof.

"Bond Indenture" shall mean this Bond Indenture, dated as of February 1, 2015, by and between the Issuer and the Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

"Bond Indenture Event of Default" shall mean any one or more of those events set forth in Section 7.01 of hereof.

"Bond Payment Date" shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding.

"Bond Purchase Contract" shall mean the agreement between the Issuer and the Original Purchaser pertaining to the sale of the Bonds.

"Bond Resolution" shall mean Resolution No. 2015-__ relating to the financing and reimbursing of the costs of the Project which is the subject of this Bond Indenture, adopted by the Issuer on January 13, 2015.

"Bond Trustee" shall mean U.S. Bank National Association, having its Corporate Trust Office in Miami, Florida, and any successor to its duties under this Bond Indenture.

"Bond Year" shall mean the period commencing September 2 of each year and ending September 1 of the next year.

"Book-Entry Bonds" shall mean the Bonds held by DTC as the registered owner thereof pursuant to the terms and provisions of Section 2.11 hereof.

"Borrower" shall mean John Knox Village of Florida, Inc., a Florida not-for-profit corporation, its successors and assigns.

"Borrower Officer" shall mean the Person at the time designated to act on behalf of the Borrower by written certificate furnished to the Bond Trustee, containing the specimen signature of such Person and signed on behalf of the Borrower by its chairman, its president, its chief executive officer, chief operating officer or its chief financial officer. Such certificate may designate an alternate or alternates who shall have the same authority, duties and powers as such Borrower Officer.

"Business Day" shall mean any day of the week other than Saturday, Sunday or a day which shall be in the State or in the jurisdiction of the Bond Trustee, the Paying Agent, the Authenticating Agent or the Registrar a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

"City Commission" shall mean the City Commission of the Issuer.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Completion Date" shall mean the date of completion of the Project as set forth in a certificate of the Borrower, which certificate shall state that, except for amounts not then due and payable, or the liability for the payment of which is being contested or disputed in good faith by the Borrower, the acquisition, construction and equipping of the Project has been completed and the cost of the Project has been paid or provision for such payment shall have been made by the Borrower.

"Construction Fund" shall mean the fund created pursuant to Section 5.01(c) hereof.

"Continuing Disclosure Agreement" shall mean the Continuing Disclosure Certificate dated as of February 1, 2015 of the Borrower relating to the Bonds.

"Corporate Trust Office" shall mean the designated office of the Bond Trustee at which it conducts its corporate trust business, which at the date hereof is located at 200 South Biscayne Blvd., Suite 1870, Miami, Florida 33131, Attention: Corporate Trust Department.

"Debt Service Reserve Fund" shall mean the fund created pursuant to Section 5.01(b) hereof.

"Debt Service Reserve Fund Requirement" shall mean \$ _____.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Electronic Means" shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Enabling Acts" shall mean collectively, the Act and the Financing Act.

"Existing Facilities" shall mean the senior living and health care facilities owned and operated by the Borrower on the date of the Agreement and consisting of a senior living and health care community located within the boundaries of the Issuer known as John Knox Village.

"Facilities" shall have the meaning ascribed thereto in the Agreement.

"Favorable Opinion of Bond Counsel" shall mean an Opinion of Bond Counsel, addressed to the Issuer, the Borrower and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the Bond Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"Financing Act" shall mean Part II of Chapter 159, Florida Statutes, as amended.

"Financing Documents" shall mean this Bond Indenture, the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2, Obligation No. 2, the Mortgage and the Continuing Disclosure Agreement.

"Fitch" shall mean 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, any other nationally recognized securities rating agency designated by the Borrower by notice to the Issuer and the Bond Trustee.

"Governing Body" shall mean the Borrower's board of directors.

"Government Obligations" shall mean direct general obligations of, or obligations the timely payment of principal and interest on which is unconditionally guaranteed by, the United States of America.

"Holder" or **"Bondholder"** shall mean the registered owner of any Bond, including DTC as the sole registered owner of Book-Entry Bonds.

"Interest Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(i) hereof.

"Interest Payment Date" shall mean, with respect to any Bond, March 1 and September 1, commencing September 1, 2015. The final Interest Payment Date shall be the maturity date for such maturity of Bonds.

"Interest Period" shall mean the period from, and including, each Interest Payment Date for such Bond to, and including, the day next preceding the next Interest Payment Date for such Bond; *provided, however*, that the first Interest Period for any Bond shall begin on (and include) the date of the Bonds and the final Interest Period shall end the day next preceding the maturity date of the Bonds.

"Issuer" shall have the meaning set forth in the introductory paragraph.

"Issuer Representative" shall mean the Mayor, Vice-Mayor, City Manager, Finance Director or Clerk of the Issuer or such other member of the Issuer as the Issuer may designate to act on its behalf by written certificate furnished to the Borrower and the Bond Trustee containing the specimen signature of such Person and signed on behalf of the Issuer by the Mayor, City Manager, Vice-Mayor, Finance Director or Clerk of the Issuer.

"Master Indenture" means the Amended and Restated Master Trust Indenture, dated as of December 1, 2010, by and among the Obligated Group and U.S. Bank National Association, as master trustee, for the benefit of the owners from time to time of all Obligations issued thereunder and secured thereby, as said Master Indenture has been and may be amended and supplemented from time to time.

"Master Indenture Event of Default" shall mean any one or more of those events defined as an Event of Default in the Master Indenture.

"Master Trustee" shall mean U.S. Bank National Association having its Corporate Trust Office in Miami, Florida, and its successor to its duties under the Master Indenture.

"Member of the Obligated Group" shall mean a Member of the Obligated Group as defined in the Master Indenture. As of the dated date of this Bond Indenture the Borrower is the only Member of the Obligated Group.

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Issuer and the Bond Trustee.

"Mortgage" shall mean the Amended and Restated Mortgage and Security Agreement, dated as of October 31, 2014, by the Obligated Group in favor of the Master

Trustee, and when amended or supplemented, the Mortgage, as amended or supplemented.

"Mortgaged Property" shall mean the Mortgaged Property as defined in the Mortgage.

"Obligated Group" shall mean the Obligated Group as defined in the Master Indenture.

"Obligated Group Representative" shall mean the Obligated Group Representative as defined in the Master Indenture. As of the dated date of this Bond Indenture the Borrower is the Obligated Group Representative.

"Obligation No. 2" shall mean Obligation No. 2 created and issued pursuant to the Master Indenture, particularly as supplemented by Supplemental Indenture for Obligation No. 2, issued to the Bond Trustee by the Obligated Group to evidence the loan to the Borrower from the Issuer of the proceeds of the Bonds, in substantially the form set forth in Appendix A to Supplemental Indenture for Obligation No. 2.

"Obligation No. 2 Payments" shall mean all payments to be made by the Obligated Group under the Obligation No. 2 in accordance with its terms (but excluding any payments to the Issuer of any issuance fees, administrative expenses payable pursuant to the Agreement and any indemnity payments to the Issuer).

"Opinion of Bond Counsel" shall mean an opinion in writing signed by Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm of attorneys selected by the Borrower, and who (except as otherwise expressly provided herein or in the Bond Indenture) may be either counsel for the Borrower or for the Bond Trustee.

"Original Purchaser" shall mean the Person designated in the Bond Purchase Contract as the initial purchaser or purchasers of the Bonds or, if so designated in such Bond Purchase Contract, the representatives or lead or managing underwriters of such initial purchasers.

"Outstanding," when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in the Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Bond Indenture relating to Bonds destroyed, stolen or lost; and (iv) for purposes of any consent or other action to be taken under the Agreement or under this Bond Indenture by the Holders of a specified percentage of principal amount of Bonds,

Bonds held by or for the account of the Issuer, the Borrower, or any Person controlling, controlled by, or under common control with, either of them.

"Paying Agent" shall mean the Bond Trustee and any other banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds.

"Permitted Investments" shall mean and include any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations and receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50,000,000;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; or Federal Land Banks;

(d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;

(e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Bond Trustee or any affiliate thereof); *provided*, that such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Bond Trustee or any affiliate thereof); *provided*, such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose (or whose parent's) long-term unsecured debt at the time of the making of such deposit or the entering into such banking arrangement is rated in one of the three highest long term Rating Categories by at least two of Moody's, Fitch and S&P (or by at least one such Rating Agency if only two such rating agencies provide

such ratings), and provided further that with respect to (i) and (ii) any such obligations are held by the Bond Trustee or a bank, trust company or national banking association (other than the issuer of such obligations);

(f) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation which at the time of entering into such repurchase agreement has an uninsured, unsecured and unguaranteed obligation rated in one of the three highest rating categories by at least two of Moody's, Fitch and by S&P (or by at least one such rating agency if only two such rating agencies provide such ratings) (including any affiliate of the Bond Trustee), or with any commercial bank (including the Bond Trustee or any affiliate thereof) with such ratings, provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Bond Trustee or an independent third party acting solely as agent for the Bond Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Bond Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bond Trustee, (3) a perfected first security interest under the Uniform Commercial Code of the State, or book entry procedures prescribed at 31 CFR 306.1 *et seq.* or 31 CFR 350.0 *et seq.* in such securities is created for the benefit of the Bond Trustee, (4) the repurchase agreement has a term of thirty days or less, or the Bond Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation, and (5) 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 102 percent;

(g) Money market accounts which at the time of initial deposit are rated in one of the three highest long term Rating Categories by at least two of S&P, Fitch and Moody's (or by at least one such rating agency if only two such rating agencies provide such ratings) or an investment agreement with a financial institution (including the Bond Trustee or any affiliate thereof) whose long term debt (or the long-term debt of such institution's parent company) at the time of entering into such investment agreement is rated in one of the three highest long term Rating Categories by S&P, Fitch and Moody's (or by at least one such rating agency if only two such rating agencies provide such ratings);

(h) Commercial paper rated at the time of purchase at least P-1 by Moody's and at least A-1 by S&P;

(i) Shares of investment companies rated at the time of purchase in one of the three highest long term Rating Categories by at least two of S&P, Fitch and Moody's (or by at least one such rating agency if only two such rating agencies provide such ratings)

or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c), (d) and (f) above;

(j) Advance-Refunded Municipal Bonds;

(k) Obligations of political subdivisions of any state of the United States, whether or not such are exempt from federal income taxation; *provided*, such obligations are rated at the time of purchase in one of the three highest Rating Categories by at least two of Moody's, Fitch and S&P (or by at least one such rating agency if only two such rating agencies provide such ratings);

(l) Guaranteed investment contracts or investment agreements for the investment of moneys held by the Bond Trustee pursuant to this Bond Indenture with a financial institution (that may include the Bond Trustee) that is a domestic corporation, a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a foreign bank acting through a domestic branch or agency which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; provided that for each such entity its unsecured or uncollateralized long term debt obligations, or obligations secured or supported by a letter of credit, contract, guarantee, agreement or surety bond issued by any such organization, or whose claims paying ability, directly or by virtue of a guarantee of a corporate parent thereof, have been assigned a credit rating at the time of execution of such guaranteed investment contract or investment agreement in one of the three highest Rating Categories by at least two of Moody's, Fitch and S&P (or by at least one such Rating Agency if only two such rating agencies provide such ratings) (*i.e.*, at the time the investment agreement is entered into); and

(m) Debt obligations or equity instruments of domestic or foreign corporations rated at the time of purchase in one of the three highest Rating Categories by at least two of Moody's, Fitch and S&P (or by at least one such Rating Agency if only two such Rating Agencies provide such ratings).

"Person" shall include an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, or government or agency or political subdivision thereof.

"Pledged Revenues" shall mean all revenues, proceeds and receipts derived from the Obligation No. 2 Payments, and the proceeds of the Bonds pending their application in accordance with this Bond Indenture.

"Principal Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(ii) of this Bond Indenture.

"Principal Payment Date" shall mean any date on which principal on the Bonds is due and payable, whether by reason of maturity or redemption from Sinking Fund Account payments.

"Project" shall mean the Facilities financed and reimbursed with the proceeds of the Bonds which shall in all cases consist of capital improvements consisting of "health care facilities" as defined in the Financing Act.

"Rating Agency" shall mean S&P, Moody's or Fitch.

"Rating Category" shall mean a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Record Date" shall mean as the case may be, the applicable Regular or Special Record Date.

"Redemption Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(iv) hereof.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

"Registrar" shall mean the Bond Trustee, and any successor to its duties under this Bond Indenture.

"Regular Record Date" shall mean the fifteenth day (whether or not a Business Day) next preceding each Interest Payment Date for such Interest Period.

"Representation Letter" shall mean the Representation Letter from the Issuer to DTC with respect to the Bonds.

"Securities Depository" shall mean DTC and its successors and assigns, or any other securities depository selected by the Issuer with the consent of the Obligated Group.

"Serial Bonds" shall mean the Bonds which are so designated herein and are stated to mature in annual installments.

"Sinking Fund Account" shall mean the account of the Bond Fund created pursuant to Section 5.01(a)(iii) hereof.

"Sinking Fund Account Requirement" shall mean, as to Term Bonds having the same stated maturity date, the aggregate principal amount of such Term Bonds required to be retired on or before the corresponding Sinking Fund Account Retirement Date.

"Sinking Fund Account Retirement Date" shall mean, as to Term Bonds having the same stated maturity date, the date on or before which such Term Bonds are required to be retired in an amount equal to the Sinking Fund Account Requirement for such date.

"S&P" shall mean Standard & Poor's Ratings Services, a business of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Issuer and the Bond Trustee.

"Special Record Date" shall mean the date established by the Bond Trustee pursuant to Section 2.02(d) hereof as the record date for the payment of defaulted interest on the Bonds.

"State" shall mean the State of Florida.

"Statutory Debt Service Reserve Requirement" means an amount equal to the aggregate amount of all principal and interest payments due during the Borrower's Fiscal Year on any mortgage loan or other long-term financing of the Facilities, including taxes and insurance as reported in the Financial Statements of the Borrower, and including any leasehold payments and all costs relating to the same. If the principal payments are not due during a particular Fiscal Year, the Statutory Debt Service Reserve Requirement for such Fiscal Year shall be an amount equal to the interest payments due during the next 12 months on any mortgage loan or other long-term financing of the Facilities, including taxes and insurance. The Statutory Debt Service Reserve Requirement shall be provided to the Bond Trustee by the Borrower on an annual basis, and the Bond Trustee shall be entitled to conclusively rely on such amount without further investigation.

"Substitute U.S. Government Securities Dealer" shall mean any one or more substitute United States Government Securities Dealers designated in writing from time to time by the Borrower.

"Supplement" shall mean an indenture supplementing or modifying the provisions of this Bond Indenture entered into by the Issuer and the Bond Trustee in accordance with Article X of this Bond Indenture.

"Supplemental Indenture for Obligation No. 2" shall mean the Supplemental Indenture for Obligation No. 2, dated as of February 1, 2015, which supplements the Master Indenture by and between the Obligated Group and U.S. Bank National

Association, as the Master Trustee, and when amended or supplemented, such Supplemental Indenture for Obligation No. 2, as amended or supplemented.

"Tax-Exempt Organization" shall mean 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) and 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.

"Tax Agreement" shall mean the Tax Exemption Agreement and Certificate, dated the date of delivery of the Bonds, by and among the Issuer and the Obligated Group.

"Term Bonds" shall mean the Bonds designated herein as Term Bonds.

"U.S. Government Securities Dealers" shall mean any one or more United States government securities dealers designated in writing from time to time by the Borrower.

SECTION 1.02. INTERPRETATION. (a) Any reference herein to the Issuer, the City Commission or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(d) Words importing the redemption of a Bond or the calling of a Bond for redemption do not mean or include the payment of a Bond at its stated maturity.

SECTION 1.03. ALL BONDS EQUALLY AND RATABLY SECURED; BONDS NOT GENERAL OBLIGATIONS OF THE STATE OR THE ISSUER. All Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, preference hereunder, and shall all be equally and ratably secured hereby. **The Bonds are special, limited obligations of the Issuer payable solely from and secured by a pledge of Pledged Revenues and funds provided therefor under this Bond Indenture. The Bonds and the interest thereon shall not be deemed to constitute a**

debt, liability or obligation of the Issuer, the State, or any political subdivision thereof. Neither the Issuer, the State, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the Issuer, the State, or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. AUTHORIZATION. The Issuer hereby authorizes the issuance of one series of bonds in the aggregate principal amount of \$_____ pursuant to the Enabling Acts for the purpose of providing funds to lend to the Borrower to aid in financing and reimbursing the cost of the Project, funding necessary reserves and paying costs associated with the issuance of such Bonds. The series of Bonds so authorized shall be designated "City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015" and shall be issued and sold as directed by the Issuer in accordance herewith. All of the Bonds shall be equally and ratably secured by this Bond Indenture and Obligation No. 2. This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained. No additional Bonds may be issued hereunder.

SECTION 2.02. TERMS. (a) The Bonds shall be issued in fully registered form as herein provided, and shall be payable as to interest on each applicable Interest Payment Date during the term of the Bonds. Interest payments on the Bonds shall commence on the initial Interest Payment Date. The Bonds shall be dated their date of issuance and shall bear interest from that date, except with respect to Bonds authenticated and delivered on and after the first Bond Payment Date, which Bonds shall be dated and bear interest (i) as of and from the Bond Payment Date next preceding the date of their authentication (unless authenticated on a Bond Payment Date, in which case from such Bond Payment Date, or unless authenticated during the period after a Record Date to the next Bond Payment Date, in which case from such next ensuing Bond Payment Date), or (ii) if on the date of their authentication payment of interest thereon is in default, as of and from the date to which interest has been paid. Interest on all Bonds initially delivered shall accrue from their date of issuance. The Bonds maturing in ____ through ____ (inclusive) and in ____ are hereby designated as Serial Bonds. The Bonds maturing in ____, ____ and ____ are hereby designated as Term Bonds.

The Bonds shall be issued as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be numbered in consecutive numerical order from R-1, upwards and shall be registered initially in the

name of "Cede & Co.," as nominee of the Securities Depository, and shall be evidenced by one Bond for each maturity of Bonds in the principal amount of the respective maturities of such Bonds. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.11.

Each Bond shall bear interest, payable in lawful money of the United States of America, from the date of the Bonds until payment of the principal or Redemption Price thereof shall have been made or provided for in accordance with the provisions of this Bond Indenture, whether upon maturity, redemption or otherwise. The Bonds shall mature on September 1 in the years and amounts and shall bear interest at the rates set forth below (subject to the right of prior redemption as provided in Article III).

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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(b) During each Interest Period interest shall be payable on the Interest Payment Date for such Interest Period. Interest on Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Each Bond shall bear interest on overdue principal and, to the extent permitted by law, on overdue interest at the rate borne by such Bond on the day before the Event of Default occurred.

(c) Interest on the Bonds shall be payable on each Interest Payment Date by the Bond Trustee by check mailed on the Interest Payment Date to the Holders of the Bonds at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of Holders as shall appear on the registration books of the Bond Trustee. In the case of any Holder of Bonds in an aggregate principal amount in excess of \$1,000,000 as shown on the registration books of the Bond Trustee who, prior to the Record Date next preceding any Interest Payment Date, shall have provided the Bond Trustee with wire transfer instructions, interest payable on such Bonds shall be paid in accordance with the wire transfer instructions provided by the Holder of such Bond and at the Holder's risk and expense.

(d) If available funds are insufficient on any Interest Payment Date to pay the interest then due on the Bonds, interest shall continue to accrue thereon but shall cease to be payable to the Holder on such Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Bond Trustee shall (1) establish a "special interest payment date" for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Bondholders entitled to such payment and (2) mail notices by first class mail of such dates as soon as practicable. Notice of each such date so established shall be mailed to each Bondholder at least 10

days prior to the Special Record Date but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Holders, as shown on the registration books of the Bond Trustee as of the close of business on the Special Record Date. The form of such notice shall be provided to the Bond Trustee by the Borrower Officer.

(e) The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the designated Corporate Trust Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation.

(f) The Bonds shall be subject to redemption as provided in Article III hereof.

(g) The Bond Trustee shall identify all payments (whether made by check or by wire transfer) of interest, principal and premium by CUSIP number of the Bonds.

SECTION 2.03. MUTILATED, DESTROYED, LOST AND STOLEN BONDS. If (i) any mutilated Bond is surrendered to the Bond Trustee or if the Issuer, the Registrar, the Paying Agent or the Bond Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Issuer, the Registrar, the Paying Agent and the Bond Trustee such security or indemnity as may be required by them to hold them harmless, then, upon the Holder paying the reasonable expenses of the Issuer, the Registrar, the Paying Agent and the Bond Trustee, the Issuer shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. If any such destroyed, lost or stolen Bond has become or is about to become due and payable, then the Bond Trustee and any Paying Agent may, in their discretion, pay such Bond when due instead of delivering a new Bond.

SECTION 2.04. EXECUTION AND AUTHENTICATION OF BONDS. All Bonds shall be executed for and on behalf of the Issuer by its Mayor or Vice-Mayor and attested by its Clerk. The signatures of the Mayor, Vice-Mayor and/or the Clerk may be manually applied or mechanically or photographically reproduced on the Bonds. If any officer of the Issuer whose signature appears on any Bond ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Bond shall be manually authenticated by an authorized signatory of the Authenticating Agent, without which authentication no Bond shall be entitled to the benefits hereof.

SECTION 2.05. EXCHANGE OF BONDS. Bonds, upon presentation and surrender thereof to the Registrar together with written instructions satisfactory to the Registrar, duly executed by the registered Holder or his attorney duly authorized in writing, may be exchanged for an equal aggregate face amount of fully registered Bonds with the same interest rate and maturity of any other authorized denominations.

SECTION 2.06. NEGOTIABILITY AND TRANSFER OF BONDS. (a) All Bonds issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Bonds.

(b) So long as any Bonds are Outstanding, the Issuer shall, at the written direction and expense of the Borrower, cause to be maintained at the offices of the Registrar or its agent books for the registration and transfer of Bonds, and shall provide for the registration and transfer of any Bond under such reasonable regulations as the Issuer or the Registrar may prescribe. The Registrar shall act as bond registrar for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) Each Bond shall be transferable only upon the registration books maintained by the Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon presentation and surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any such Bond, the Issuer shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in the name of the transferee, one or more new Bonds of the same aggregate face amount, maturity and rate of interest as the surrendered Bond, as fully registered Bonds only.

SECTION 2.07. PERSONS DEEMED OWNERS. As to any Bond, the Person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal or interest on any Bond shall be made only to or upon the written order of the registered Holder thereof. Such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

SECTION 2.08. PROVISIONS WITH RESPECT TO TRANSFERS AND EXCHANGES. (a) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be cancelled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds the Holder requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Registrar an amount sufficient to pay any tax, or other governmental charge required to be paid with respect to such exchange or transfer.

(c) Neither the Issuer nor the Registrar shall be obligated to (i) issue, exchange or transfer any Bond during the period from a Record Date to the next succeeding Bond Payment Date, or (ii) transfer or exchange any Bond which has been or is being called for redemption in whole or in part.

SECTION 2.09. CONDITIONS FOR DELIVERY OF BONDS. Upon the execution and delivery hereof, the Issuer shall execute and deliver to the Authenticating

Agent, and the Authenticating Agent shall authenticate, the Bonds and deliver them to or for the account of the Original Purchaser as directed by the Issuer or the Borrower; *provided, however*, that prior to delivery by the Authenticating Agent of the Bonds there shall be delivered to the Bond Trustee the following:

(a) A certified copy of the Bond Resolution of the City Commission authorizing the execution and delivery on behalf of the Issuer of this Bond Indenture, the Agreement, the Bonds and the Bond Purchase Contract.

(b) A certified copy of a resolution of the Governing Body of the Borrower authorizing the execution and delivery on behalf of the Obligated Group of Obligation No. 2, the Supplemental Indenture for Obligation No. 2, the Official Statement for the Bonds, the Agreement and the Bond Purchase Contract, and approving this Bond Indenture and the issuance of the Bonds.

(c) Executed original counterparts (or, in the case of the Master Indenture and the Mortgage, certified copies) of this Bond Indenture, the Bond Purchase Contract, the Master Indenture, the Supplemental Indenture for Obligation No. 2, the Continuing Disclosure Agreement, the Agreement and the Tax Agreement.

(d) Obligation No. 2, executed, registered in the name of the Bond Trustee and otherwise conforming to the provisions of the Master Indenture, Supplemental Indenture for Obligation No. 2 and the Agreement.

(e) A request and authorization by the Issuer to the Authenticating Agent at the written direction of the Borrower to authenticate and deliver the Bonds describing such Bonds, designating the Original Purchaser to whom such Bonds are to be delivered upon payment therefor and stating the amount to be paid therefor to the Bond Trustee for the account of the Issuer for application as provided in Section 5.02 hereof.

(f) The amounts specified in Section 5.02 hereof for deposit to the credit of certain of the funds and accounts created hereunder.

(g) An opinion of Bond Counsel in substantially the form attached as Appendix E to the Official Statement pertaining to the Bonds and a supplemental opinion of Bond Counsel required by the Bond Purchase Contract.

(h) An opinion of Counsel for the Obligated Group stating in effect that (1) the Borrower has been duly incorporated and is validly existing as a not-for-profit corporation in good standing under the laws of the State with corporate power and authority to execute and deliver the Financing Documents to which it is a party (collectively, the "Corporation Documents"); (2) the Corporation Documents have been duly authorized, executed and delivered by the Borrower and are enforceable in accordance with their respective terms, except to the extent that the enforceability of the

same may be limited by (A) the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally; (B) general principles of equity, including (i) obligations of the Master Trustee and the Issuer and its assigns to exercise good faith, fair dealing and commercial reasonableness in the exercise of rights and remedies afforded by the Financing Documents and any other documents incident thereto obligating the Borrower and (ii) the availability of equitable remedies, including specific performance and injunctive relief, being subject to the discretion of the court before which any proceeding may be brought; (C) court decisions which may invalidate or limit the indemnification provisions of the Financing Documents on the grounds of applicable laws or public policy; and (D) the availability of a deficiency decree being a matter of judicial discretion, which permits a court to inquire into (i) the reasonable and fair market value of the property sold at foreclosure, (ii) the adequacy of the sales price, (iii) the relationship between the foreclosing party and the purchaser at the foreclosure sale and (iv) all the facts and circumstances of the particular case; (3) the Borrower has obtained all consents, approvals, authorizations and orders of governmental or regulatory authorities (collectively, "Consents") that are required to be obtained by the Borrower as a condition precedent to the execution of the Corporation Documents and the operation of the Existing Facilities; (4) the Borrower has obtained all Consents that are obtainable to date that are required to be obtained by the Borrower for the performance of the Borrower's obligations under the Corporation Documents and the conduct of the Borrower's business as it is currently being conducted, and such counsel has no reason to believe that the Borrower cannot obtain, when needed, any other Consents that may be required that cannot be obtained to date for the performance of the Borrower's obligations under the aforementioned documents or for the acquisition, construction and installation of the Project; (5) the execution and delivery of the Corporation Documents by the Borrower and compliance with the terms thereof, under the circumstances contemplated thereby, do not and will not conflict with the articles of incorporation or bylaws of the Borrower and, to the best of such counsel's knowledge, do not and will not in any material respect conflict with, or constitute on the part of the Borrower a breach or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party or conflict with, violate or result in a breach of any law, public administrative rule or regulation, judgment, court order or consent decree of any court, government or governmental authority having jurisdiction over the Borrower or result in the creation of any lien or encumbrance upon any property of the Borrower except as permitted under the Master Indenture; (6) the Borrower is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, is not a private foundation as described in Section 509(a) of the Code and, to the best of such counsel's knowledge, the Borrower has not failed to file any required report with the Internal Revenue Service or engaged in conduct inconsistent with its status as an exempt organization; (7) financing statements with respect to the security interest in Gross Revenues (as defined in the Master Indenture), Facility Property and Equipment (as defined in the Master Indenture) and the personal property described in the Mortgage

have been filed in the office of the Secured Transactions Registry of the State and the Mortgage constitutes a financing statement with respect to the security interest in fixtures described in the Mortgage when recorded in the offices of the Clerk of the Circuit Court of Broward County, Florida; and (8) the Master Indenture and the Mortgage create a security interest in the property described therein, to the extent such security interest may be perfected by filing, which have been perfected by the filings and recording referred to in clause (7) above, and in the case of fixtures as described in the Mortgage installed on the Mortgaged Property; and no further filing, other than the filing of continuation statements is required to continue such perfection.

(i) Such other closing documents as the Issuer may reasonably specify, including evidence that the Bonds have an investment grade rating from a Rating Agency.

SECTION 2.10. FORM OF BONDS. The definitive Bonds shall be in substantially the form set forth as Exhibit A to this Bond Indenture, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing such Bonds on behalf of the Issuer. Execution thereof by such officers shall constitute conclusive evidence of such approval.

SECTION 2.11. BOOK-ENTRY BONDS. (a) Except as provided in subparagraph (c) of this Section 2.11, the registered owner of all of the Bonds shall be DTC and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest for any Bond registered as of each Record Date in the name of Cede & Co. shall be made by payment of wire transfer of immediately available funds or New York clearing house or equivalent next day funds, as mutually agreed to between the Bond Trustee and DTC, to the account of Cede & Co. on the Bond Payment Date for the Bonds at the address indicated on the Regular Record Date or Special Record Date for Cede & Co. in the registry books of the Issuer kept by the Registrar.

(b) The Bonds shall be initially issued in the form of separate single fully registered Bonds, authenticated by the Authenticating Agent, in the amount of each separate stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registry books of the Issuer kept by the Registrar in the name of Cede & Co., as nominee of DTC. The Bond Trustee, the Registrar, the Paying Agent and the Issuer shall treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Bond Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and none of the Bond Trustee, the Registrar, the Paying Agent or the Issuer shall be affected by any notice to the contrary. None of the Bond Trustee, the Registrar, the Paying Agent or the Issuer shall have any responsibility or obligation to any DTC participant, any Person

claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC participant, or any other Person which is not shown on the registration books of the Registrar as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any DTC participant; the payment of DTC or any DTC participant of any amount in respect of the principal or Redemption Price of or interest on the Bonds; any notice which is permitted or required to be given to Bondholders under this Bond Indenture; the selection by DTC or any DTC participant of any Person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as Bondholder. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State) DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal of and premium, if any, and interest pursuant to this Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Bond Indenture shall be deemed to be changed to reflect such new nominee of DTC.

(c) In the event the Issuer (at the written direction and expense of the Borrower) determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, the Issuer may notify DTC and the Bond Trustee, whereupon DTC will notify the DTC participants, of the availability through DTC of Bond certificates. In such event, the Bond Trustee shall deliver, transfer and exchange Bond certificates as directed by DTC as the Bondholder in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Issuer (at the written direction and expense of the Borrower) and the Bond Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the Issuer and the Bond Trustee shall be obligated to deliver Bond certificates as directed by DTC. In the event Bond certificates are issued, the provisions of this Bond Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the Issuer and the Bond Trustee to do so, the Bond Trustee and the Issuer (at the written direction and expense of the Borrower) will cooperate with DTC in taking appropriate action after reasonable notice (1) to make available one or more separate certificates evidencing the Bonds to any DTC participant having Bonds credited to its DTC account (subject to clause (d) below) or (2) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(d) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Bond Indenture by the Issuer or the Bond Trustee with respect to any consent or other action to be taken by Bondholders, the Issuer (at the written direction and expense of the Borrower) or the Bond Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC as sole Bondholder notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

ARTICLE III

REDEMPTION AND PURCHASE OF BONDS

SECTION 3.01. RIGHT TO REDEEM. The Bonds shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein.

SECTION 3.02. OPTIONAL REDEMPTION.

(a) If the Borrower exercises its option to prepay the Loan pursuant to Section 4.04 of the Agreement, the Bonds maturing on September 1, _____ and thereafter are required to be redeemed on or after September 1, _____, in whole or in part on any date, upon payment of the Redemption Price of 100 percent of the principal amount of such Bonds to be redeemed, plus interest accrued to the redemption date.

(b) The Term Bonds are required to be redeemed to the extent of any Sinking Fund Requirement therefor on September 1 of the years set forth in Section 3.03 below in which there is a Sinking Fund Requirement, at a Redemption Price equal to 100 percent of the principal amount of the Bonds to be redeemed.

(c) Notwithstanding the above provisions in this Section, any Bonds subject to optional redemption and cancellation shall also be subject to optional call for purchase and resale by the Borrower (*i.e.*, a so-called purchase in lieu of redemption) at the same times and at the same Redemption Prices as are applicable to the optional redemption of such Bonds as provided above. Any Bonds so purchased by the Borrower may, as directed by the Borrower, be cancelled or held Outstanding by the Borrower.

SECTION 3.03. SINKING FUND ACCOUNT REDEMPTION. The Bonds designated herein as Term Bonds are subject to mandatory redemption and shall be redeemed on September 1 in the years set forth below (the "Sinking Fund Account Retirement Dates"), in the amount of the unsatisfied portion of the corresponding Sinking Fund Account Requirement for Term Bonds of the same maturity by payment from the Sinking Fund Account of a Redemption Price of the principal amount of such Term Bonds called for redemption plus payment from the Interest Account of the interest accrued to the date fixed for redemption but without premium, as follows:

Bonds Maturing September 1, _____

Year	Sinking Fund Installment
_____	_____

Bonds Maturing September 1, _____

Year	Sinking Fund Installment
_____	_____

Bonds Maturing September 1, _____

Year	Sinking Fund Installment
_____	_____

SECTION 3.04. EXTRAORDINARY OPTIONAL REDEMPTION. The Bonds may be redeemed in whole or in part at the option and written direction of the Borrower, at any time, at par plus accrued interest, from proceeds of insurance or condemnation awards resulting from damage or destruction or condemnation of the Facilities, or from prepayments under the Agreement which permits prepayment thereunder, as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by other governmental action, the Agreement shall have become void or unenforceable or performance thereunder shall have become impossible in accordance with the intent and purposes of the parties as expressed in the Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Obligated Group or their property.

SECTION 3.05. SELECTION OF BONDS TO BE REDEEMED. In the event of any redemption of less than all Outstanding Bonds, any maturity or maturities and amounts within maturities to be redeemed shall be selected by the Bond Trustee at the direction of the Borrower. If less than all of the Bonds of the same maturity are to be redeemed upon any redemption of Bonds hereunder, DTC or any successor Securities Depository shall select the Bonds to be redeemed in accordance with its procedures or, if the book-entry system is discontinued, the Bond Trustee shall select the Bonds to be redeemed in such manner as may be directed by the Borrower or randomly if no direction is delivered. In making such selection, the Bond Trustee shall treat each Bond as representing that number of Bonds of such maturity of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination.

SECTION 3.06. PARTIAL REDEMPTION OF BONDS. Upon the selection and call for redemption of, and the surrender of, any Bond for redemption in part only, the Issuer (at the written direction and expense of the Borrower) shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Obligated Group, a new Bond or Bonds of authorized denominations in an aggregate face amount equal to the unredeemed portion of the Bond surrendered, which new Bond or Bonds shall be a fully registered Bond or Bonds without coupons, in authorized denominations.

The Bond Trustee may agree with any Holder of any such Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on the reverse of such Bond a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the redemption date, the principal amount redeemed and the principal amount remaining unpaid; *provided, however*, for so long as the Book-Entry only system is being used, partial redemption of a Bond shall be recorded or evidenced as directed by DTC. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of any such Bond and the Bond Trustee shall be fully released and

discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by the owner thereof and irrespective of any error or omission in such endorsement.

SECTION 3.07. EFFECT OF CALL FOR REDEMPTION. On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds on such date; provided that if the notice of redemption indicates that it is conditional or may be rescinded by the Borrower, and either such condition is not satisfied or the notice is rescinded, then the Bonds shall not become due and payable on the date set forth in the notice. If on the date fixed for redemption moneys for payment of the Redemption Price and accrued interest are held by the Bond Trustee or the Paying Agent as provided herein, interest on such Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee or the Paying Agent and the amount of such Bonds so called for redemption shall be deemed paid and no longer Outstanding.

SECTION 3.08. NOTICE OF REDEMPTION. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the issue, date of issue, maturity dates and interest rate. Notice of redemption of any Bonds (except as provided in Section 3.02 hereof) shall be mailed by the Registrar, by first-class mail, postage prepaid, not less than 30 nor more than 45 days prior to the date set for redemption, to each registered Holder of a Bond to be so redeemed at the address shown on the books of the Registrar but failure to so mail or any defect in any such notice with respect to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed or with respect to which no such defect occurred, respectively. Each such notice shall set forth the date fixed for redemption, official name of the issue, date of notice, date of issue, dated date, the Redemption Price to be paid and, if less than all of the Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP identification numbers, if any, and certificate numbers of such Bonds to be redeemed, the maturity date and interest rates of such Bonds to be redeemed, the name of the Paying Agent with address, telephone number, contact person and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Failure to give notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds. Any notice of optional redemption may indicate that it is conditional or that it may be rescinded by the Borrower.

Sixty days after the redemption date, the Bond Trustee shall also mail a second copy of the notice of redemption to any Bondholder who has not presented his Bonds for payment on or before such date, by the same means as the first notice.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given upon mailing, whether or not the Owner of such Bonds receives the notice.

ARTICLE IV

CONSTRUCTION FUND

SECTION 4.01. CONSTRUCTION FUND. A special fund is hereby established with the Bond Trustee and designated "Series 2015 Construction Fund" (herein sometimes called the "Construction Fund"), to the credit of which such deposits shall be made as are required by the provisions of Section 5.02(a) of this Bond Indenture.

The money in the Construction Fund shall be held by the Bond Trustee in trust and shall be applied to the payment of the cost of the Project, or the financing and refinancing thereof, and the issuance of the Bonds, or debt service on the Bonds, including necessary incidental expenses and reimbursement to the Borrower for such costs and expenses paid by such Borrower in connection therewith, and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds issued and outstanding under this Bond Indenture and for the further security of such holders until paid out in accordance with Section 4.02 hereof.

After the Project, as it may or may not be amended or added to at the option of the Borrower in accordance with Section 5.03 of the Agreement, is completed, as certified by the Borrower to the Bond Trustee, and after payment of costs of issuance of the Bonds, surplus money in the Construction Fund shall be applied to the Interest Account, the Principal Account or the Sinking Fund Account, as directed by the Borrower.

SECTION 4.02. REQUISITION FROM THE CONSTRUCTION FUND. Payments from the Construction Fund shall be made in accordance with the provisions of this Section. Before any such payment shall be made, the Borrower shall file with the Bond Trustee a requisition, in the form set forth in Exhibit B hereto, signed by a Borrower Officer stating:

(i) the name of the Person to whom each such payment is due (which may be the Borrower),

(ii) the respective amounts to be paid,

(iii) the purpose by general classification for which each obligation to be paid was incurred,

(iv) that obligations in the stated amounts have been incurred by the Borrower and are presently due and payable, or are properly reimbursable to the Borrower, and that

each item thereof is a necessary cost of the Project or of issuing the Bonds and is a proper charge against the Construction Fund and has not been paid.

Upon receipt of each requisition the Bond Trustee shall pay the obligation set forth in such requisition out of money in the Construction Fund. In making such payments the Bond Trustee may conclusively rely upon such requisitions and the representations contained therein.

The Bond Trustee shall disburse moneys from the Construction Fund to the payee, to the Borrower or to its designee, as the case may be, to pay, or to reimburse the Borrower for, any and all costs and expenses relating to the issuance, sale and delivery of the Bonds and Obligation No. 2, including, but not limited to, all fees and expenses of the Bond Trustee, legal counsels, bond counsel, financial consultants, feasibility consultants and accountants, rating service fees, bond printing costs and costs related to the preparation and printing of this Bond Indenture, the Tax Agreement, the Master Indenture, the Supplemental Indenture for Obligation No. 2, the Agreement, the Official Statement relating to the Bonds, the Bonds and Obligation No. 2 upon receipt by the Bond Trustee of a requisition filed by the Borrower together with the bill or invoice from the payee or from the Borrower. In making such payments, the Bond Trustee may rely on such bill or invoice as being genuine and as being authorized by the Borrower to be paid and shall have no duty or obligation with respect to the application of such moneys.

ARTICLE V

REVENUES AND FUNDS

SECTION 5.01. CREATION OF FUNDS AND ACCOUNTS. Upon the issuance of the Bonds, the Bond Trustee shall create the following funds and accounts to be held in trust for the Holders:

- (a) The Bond Fund which shall contain the following accounts:
 - (i) The Interest Account;
 - (ii) The Principal Account;
 - (iii) The Sinking Fund Account; and
 - (iv) The Redemption Account.
- (b) The Debt Service Reserve Fund.
- (c) The Construction Fund.

SECTION 5.02. APPLICATION OF BOND PROCEEDS AND OTHER MONEYS.

(a) Simultaneously with the delivery of the Bonds, the proceeds of the Bonds shall be applied by the Bond Trustee as follows:

(i) to the credit of the Debt Service Reserve Fund, an amount equal to the Debt Service Reserve Fund Requirement for the Bonds (\$_____);

(ii) to the credit of the Construction Fund, the balance (\$_____).

(b) Money in the Construction Fund shall be applied as provided in Sections 4.01 and 4.02 hereof.

SECTION 5.03. FLOW OF FUNDS. So long as any Bonds are Outstanding, in each Bond Year, Obligation No. 2 Payments or repayments under the Agreement received by the Bond Trustee shall be applied in the following manner and order of priority:

(a) Interest Account. The Bond Trustee shall deposit to the Interest Account on or before the third Business Day prior to each Interest Payment Date, the amount, if any, necessary to cause the amount then being credited to the Interest Account, together with investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Interest Payment Date (but only to the extent that (i) such amount or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than the amount of interest to be paid on Outstanding Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used to pay interest on Bonds as it becomes due.

(b) Principal Account. The Bond Trustee shall deposit to the Principal Account on or before the third Business Day prior to each September 1 during each Bond Year ending on a date on which Serial Bonds mature, the amount necessary to cause the amount then being credited to the Principal Account, together with the investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that (i) such amount or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than one-half of the principal amount of Serial Bonds Outstanding which will mature on the last day of such Bond Year, subject to appropriate adjustment for the initial Serial Bond maturity if the period prior to such date is other than twelve full months. Moneys in the Principal Account shall be used to retire Serial Bonds by payment at their scheduled maturity.

(c) Sinking Fund Account. The Bond Trustee shall deposit to the Sinking Fund Account on or before the third Business Day prior to each September 1 during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that (i) such amount or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than one-half of the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of such Bond Year, subject to appropriate adjustment for the initial Sinking Fund Account Retirement Date if the period prior to such date is other than 12 full months. Moneys in the Sinking Fund Account shall be used to retire Term Bonds by purchase, by mandatory redemption or by payment at their scheduled maturity.

The Bond Trustee may, and upon direction of the Borrower shall (for a reasonable period following such direction and at the expense of the Borrower) use reasonable efforts to, apply moneys credited to the Sinking Fund Account to purchase Term Bonds identified by the Borrower in satisfaction of Sinking Fund Account Requirements for such Term Bonds for a Sinking Fund Account Retirement Date. The Bond Trustee shall not so purchase any Term Bond at a price or cost (including any brokerage fees or commissions or other charges) which exceeds the principal amount thereof plus interest accrued to the date of purchase. Such accrued interest shall be paid from the Interest Account. The principal amount of Term Bonds of each maturity so purchased shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in any order directed by the Borrower.

(d) Debt Service Reserve Fund. Beginning on the 5th day of the month following a month in which money is transferred from the Debt Service Reserve Fund to any account in the Bond Fund to cure a deficiency therein pursuant to Section 5.05 hereof, to the credit of the Debt Service Reserve Fund, one-twelfth of the amount or amounts so transferred until the amount then on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement, and beginning on the 5th day of the month following a valuation made in accordance with Section 5.05 hereof in which the amount on deposit in the Debt Service Reserve Fund is less than 90 percent of the Debt Service Reserve Fund Requirement due to a loss resulting from a decline in the value of investments held for the credit of the Debt Service Reserve Fund, to the credit of the Debt Service Reserve Fund, one-sixth of the amount by which the Debt Service Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

(e) Redemption Account. If the Borrower makes an optional prepayment of any installment on Obligation No. 2, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee, first, to cause the amounts credited to the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, in that order, to be not less than the amounts then required to be credited thereto and, then to retire Bonds by purchase, redemption or both purchase and redemption in accordance with the Borrower's directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date of purchase. Any such redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for optional redemption of such Bonds.

The principal amount of any Term Bonds so purchased or redeemed shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in any order directed by the Borrower.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with the Borrower's directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by the Borrower, shall be transferred to the Interest Account.

SECTION 5.04. APPLICATION OF FUNDS AND ACCOUNTS TO REDEEM ALL BONDS OUTSTANDING. Notwithstanding the provisions of Section 5.03 hereof, if on any date the aggregate of moneys and Permitted Investments held by the Bond Trustee hereunder (valued at their market value for purposes of this Section) are sufficient to redeem all Bonds Outstanding on the date Bonds are subject to redemption after giving effect to the required notice of redemption period as provided in Section 3.08 hereof, and to pay or discharge all other obligations, if any, of the Issuer hereunder, then the Bond Trustee shall, at the direction of the Borrower, sell all Permitted Investments held by it and the proceeds and all other moneys held by the Bond Trustee hereunder shall be applied to redeem all Bonds Outstanding as provided in Section 3.02 hereof and to pay or discharge such other obligations.

SECTION 5.05. APPLICATION OF MONEY IN THE DEBT SERVICE RESERVE FUND. Upon the issuance of the Bonds an amount equal to the Debt Service Reserve Fund Requirement shall be deposited to the credit of the Debt Service Reserve Fund from the proceeds of the Bonds.

The Bond Trustee shall use amounts in the Debt Service Reserve Fund to make transfers to the Interest Account, the Principal Account and the Sinking Fund Account to the extent necessary to pay interest on and principal of (whether at maturity, by

acceleration or in satisfaction of the Sinking Fund Requirement therefor) the Bonds whenever and to the extent that the money on deposit in the Interest Account, the Principal Account and the Sinking Fund Account is insufficient for such purposes.

Amounts on deposit in the Debt Service Reserve Fund shall be valued by the Bond Trustee on September 2 of each year. If on any date of valuation the cash and investments held in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Fund, an amount equal to such excess shall be transferred by the Bond Trustee (i) until the Completion Date to the Construction Fund and (ii) thereafter to the Interest Account, Principal Account, Sinking Fund Account or Redemption Fund, as the Borrower shall direct. Any such excess transferred to the Interest Account, the Principal Account or the Sinking Fund Account shall be credited against future transfers to such accounts, unless transferred to cure deficiencies therein, and shall be credited by the Bond Trustee against future Obligation No. 2 Payments to be made by the Obligated Group.

Not less than 10 days prior to any withdrawal of moneys from the Debt Service Reserve Fund which would cause the total amount therein to be less than the principal and interest components of the Statutory Debt Service Reserve Requirement, notice of the withdrawal from the Debt Service Reserve Fund shall be given by the Bond Trustee or the Borrower by telephone 850.413.3140 (promptly confirmed in writing) to the Florida Department of Financial Services, Office of Insurance Regulation (the "Department of Financial Services"), CCRC Section, Larson Building, 200 East Gaines Street, Tallahassee, Florida, 32399-0331; *provided* that such notice by telephone, by facsimile or in writing may be given to the Department of Financial Services at other telephone numbers or other addresses if directed by the Department of Financial Services. In connection with any such proposed withdrawal from the Debt Service Reserve Fund, the Bond Trustee shall notify the Borrower and obtain an Officer's Certificate as to the principal and interest components of the Statutory Debt Service Reserve Requirement sufficient to make the determination required by this paragraph.

SECTION 5.06. INVESTMENT OF MONEYS HELD BY THE BOND TRUSTEE. (a) Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee, as soon as possible upon receipt in Permitted Investments as directed, in writing or by Electronic Means, promptly confirmed in writing by the Borrower. Such direction may be in the form of a standing direction. The Bond Trustee shall promptly notify the Borrower if it has not received such direction, but while pending receipt of such direction, shall hold such funds uninvested.

(b) The Bond Trustee may make any investment permitted by this Section, through or with its own or any of its affiliate's commercial banking or investment departments unless otherwise directed by the Borrower.

(c) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest. If an investment agreement is ever a Permitted Investment, it shall be valued at the unpaid amount thereof.

(d) The Bond Trustee shall use reasonable efforts to sell at a fair market price, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(e) Neither the Bond Trustee nor the Issuer shall knowingly use or direct or permit the use of any moneys of the Issuer in its possession or control in any manner which would cause any Bond to be an "arbitrage bond" within the meaning ascribed to such term in Section 148 of the Code, or any successor section of the Code.

(f) Notwithstanding any provision of this Bond Indenture, the Issuer shall observe its covenants and agreements contained in the Tax Agreement, to the extent that and for so long as such covenants and agreements are required by law, subject to the provisions of the Tax Agreement, Article VI hereof and Section 7.13 hereof.

SECTION 5.07. LIABILITY OF BOND TRUSTEE FOR INVESTMENTS.

The Bond Trustee shall not be liable for the making of any investment authorized by the provisions of this Article V in the manner provided in this Article V or for any loss resulting from any such investment so made, except for its own negligence or willful misconduct.

SECTION 5.08. INVESTMENT INCOME. Except as otherwise provided herein, interest income and gain received, or loss realized, from investments of moneys in any Fund or Account shall be credited, or charged, as the case may be, to such respective Fund or Account. All income and gain from investment of the Interest Account shall be retained in the Interest Account and credited against the interest component of the next forthcoming Obligation No. 2 Payment. Income and gain from Redemption Account investments may be transferred to any other Fund or Account upon written direction of the Borrower. Investment income credited to any of the Interest Account, the Principal Account or the Sinking Fund Account shall be retained in such Account and shall be a credit against the next forthcoming Obligation No. 2 Payment to be deposited to such respective Account.

ARTICLE VI

GENERAL COVENANTS OF THE ISSUER

SECTION 6.01. PAYMENT OF PRINCIPAL AND INTEREST. Subject to the limited sources of payment specified herein, the Issuer covenants that it will promptly pay or cause to be paid, but only from and to the extent of such limited sources of payment, the principal of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the terms hereof and thereof. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues held by the Bond Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Bonds shall be construed as assigning or pledging any other funds or assets of the Issuer.

SECTION 6.02. PERFORMANCE OF COVENANTS. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Issuer pertaining thereto. Except for the covenant of the Issuer set forth in Section 6.01 hereof relating to payment of the Bonds, the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so in writing by the Borrower or by the Bond Trustee, or shall have received the instrument to be executed and, at the option of the Issuer, shall have received from the party requesting such execution assurance satisfactory to the Issuer that the Issuer shall be indemnified and reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument.

SECTION 6.03. INSTRUMENTS OF FURTHER ASSURANCE. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Bond Trustee may reasonably require pursuant to an Opinion of Counsel (but only after compliance with Section 6.02 hereof) for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Bond Trustee the Issuer's interest in and to the Obligation No. 2 Payments, the Pledged Revenues and all other interests, revenues and receipts pledged hereby to the payment of the principal, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein.

SECTION 6.04. PROTECTION OF LIEN. The Issuer hereby agrees not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Issuer agrees that no obligations the payment of which is secured by Pledged Revenues will be issued by it

except Bonds in lieu of, or upon transfer of registration or exchange of, any Bond as provided herein. The Issuer agrees to cooperate with the Borrower in the filing of any Uniform Commercial Code financing or continuation statements necessary or appropriate to continue the perfection of the lien created under this Bond Indenture at the sole expense of the Borrower.

ARTICLE VII

DEFAULT AND REMEDIES

SECTION 7.01. BOND INDENTURE EVENTS OF DEFAULT. Each of the following is hereby declared a "Bond Indenture Event of Default" hereunder:

(a) If payment in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment in respect of the principal of or redemption premium, if any, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) If the Issuer shall fail duly to observe or perform any other covenant or agreement on its part under this Bond Indenture for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer and the Borrower by the Bond Trustee or to the Issuer, the Borrower and the Bond Trustee by the Holders of at least 25 percent in aggregate principal amount of Bonds then Outstanding. If the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given but is capable of a cure, it shall not be a Bond Indenture Event of Default as long as the Borrower has taken active steps within the 30 days after written notice has been given to remedy the failure and is diligently pursuing such remedy for no longer than the one-year period after such notice has been given;

(d) If there occurs an Agreement Event of Default pursuant to Section 6.01 of the Agreement.

SECTION 7.02. ACCELERATION; ANNULMENT OF ACCELERATION.

(a) Upon the occurrence of a Bond Indenture Event of Default, the Bond Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds then Outstanding, shall, declare an acceleration of the payment of the principal of the Bonds, and then, without any further action, all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or herein to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall (i) give

written notice of such acceleration to the Issuer, the Registrar, the Master Trustee and the Borrower and the Registrar shall give notice to the Bondholders in the same manner as for a notice of redemption under Article III hereof stating the accelerated date on which Obligation No. 2 and the Bonds shall be due and payable and (ii) take all actions entitled to the holder of Obligation No. 2 under the terms of the Master Indenture.

(b) At any time after the principal of Obligation No. 2 and the Bonds shall have been so declared to be due and payable, if the declaration that Obligation No. 2 is immediately due and payable is annulled in accordance with the provisions of the Master Indenture, the declaration that the Bonds are immediately due and payable shall also, without further action, be annulled and the Registrar shall promptly give notice of such annulment in the same manner as provided in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon.

SECTION 7.03. RIGHTS OF BOND TRUSTEE CONCERNING OBLIGATION NO. 2. The Bond Trustee, as pledgee and assignee for security purposes of all the rights, title and interest of the Issuer in and to the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2 and Obligation No. 2 delivered thereunder, shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article VII, be the sole real party in interest in respect of, and shall have standing to enforce each and every right granted to, the Issuer under the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2 and under Obligation No. 2 delivered thereunder. The Issuer and the Bond Trustee hereby agree without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Issuer in and to Obligation No. 2, the Master Indenture, Supplemental Indenture for Obligation No. 2 and the Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of this Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Issuer or its default hereunder or on the Bonds. In exercising such rights and the rights given the Bond Trustee under this Article VII, the Bond Trustee shall take such action as, in the judgment of the Bond Trustee, would best serve the interests of the Bondholders, taking into account the provisions of the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2 and Obligation No. 2, together with the security and remedies afforded to the holder of Obligation No. 2 thereunder.

SECTION 7.04. ADDITIONAL REMEDIES AND ENFORCEMENT OF REMEDIES. (a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may, and upon the written request of the Holders of not less than 25 percent in an aggregate principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under

the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to the following, subject to Section 7.13 hereof:

- (i) Civil action to recover money or damages due and owing;
- (ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds;
- (iii) Enforcement of any other right of the Bondholders conferred by law or hereby; and
- (iv) Enforcement of any other right conferred by the Agreement.

(b) Regardless of the happening of a Bond Indenture Event of Default, the Bond Trustee, if requested in writing by the Holders of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders; *provided* that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of the Holders of Bonds not making such request.

SECTION 7.05. APPLICATION OF REVENUES AND OTHER MONEYS AFTER DEFAULT. During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of the costs and expenses (including attorneys' fees and such attorneys' fees incurred in any bankruptcy proceeding) of the proceedings which result in the collection of such moneys, of the fees, expenses and advances incurred or made by the Bond Trustee and the Issuer with respect thereto and the payment of all other fees and expenses of the Bond Trustee and the Issuer under this Bond Indenture, be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:

(a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article VII, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid. Any discretion permitted or available to the Bond Trustee pursuant to this Section to apply moneys shall not permit the Bond Trustee to fail to liquidate investments in any of the Funds or Accounts hereunder and apply amounts credited to such Funds and Accounts to the payment of principal of and interest on the Bonds on any Bond Payment Date.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Bond Trustee and the Issuer have been

paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Borrower or as a court of competent jurisdiction may direct.

SECTION 7.06. REMEDIES NOT EXCLUSIVE. No remedy by the terms hereof conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute (including the Act) on or after the date hereof.

SECTION 7.07. REMEDIES VESTED IN THE BOND TRUSTEE. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Bond Trustee may be brought in its name as the Bond Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 7.05 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

SECTION 7.08. BONDHOLDERS' CONTROL OF PROCEEDINGS. If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Bond Trustee as provided herein) and, provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Bondholders.

SECTION 7.09. INDIVIDUAL BONDHOLDER ACTION RESTRICTED.
(a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) a Bond Indenture Event of Default has occurred and is continuing (A) under subsection (a) or (b) of Section 7.01 hereof of which the Bond Trustee is deemed to have notice, or (B) under subsection (c) or (d) of Section 7.01 hereof as to which the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing;

(ii) the Holders of at least 25 percent in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed

to exercise the powers granted herein or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity as provided in Section 8.02 hereof;

(iv) the Bond Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of 30 days after receipt by it of such request and offer of indemnity; and

(v) during such 30-day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with Section 7.08 hereof.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

SECTION 7.10. TERMINATION OF PROCEEDINGS. In case any proceeding taken by the Bond Trustee on account of a Bond Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or to the Bondholders, then the Issuer, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Trustee and the Bondholders with respect to subsequent Bond Indenture Events of Default shall continue as if no such proceeding had been taken.

SECTION 7.11. WAIVER OF BOND INDENTURE EVENT OF DEFAULT.
(a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Bond Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Bond Indenture Event of Default or an acquiescence therein. Every power and remedy given by this

Article VII to the Bond Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Bond Trustee may waive any Bond Indenture Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Bond Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding, shall waive any Bond Indenture Event of Default hereunder and its consequences; *provided, however*, that, except under the circumstances set forth in Section 7.02(b) hereof, a default in the payment of the principal amount of, premium, if any, or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

(d) In case of any waiver by the Bond Trustee of a Bond Indenture Event of Default hereunder, the Issuer, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Bond Indenture Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any one for waiving or refraining from waiving any Bond Indenture Event of Default in accordance with this Section.

SECTION 7.12. NOTICE OF DEFAULT. (a) Promptly, but in any event within 30 days after (i) the occurrence of a Bond Indenture Event of Default under Section 7.01(a) or (b) hereof, of which the Bond Trustee is deemed to have notice, or (ii) receipt, in writing, by the Bond Trustee at its Corporate Trust Office from the Issuer or the Borrower or the Holders of 25 percent or more in aggregate principal amount of the Bonds then Outstanding of actual knowledge by a corporate trust officer of notice of a Bond Indenture Event of Default under Section 7.01(c) or (d) hereof, the Bond Trustee shall, unless such Bond Indenture Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of a Bond then Outstanding; *provided* that, except in the case of a default in the payment of principal amounts, Sinking Fund Account Requirements, or the Redemption Price of or interest on any of the Bonds, the Bond Trustee may withhold such notice to such Holders if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Bond Trustee shall promptly notify the Master Trustee, the Issuer and the Borrower of (i) the occurrence of a Bond Indenture Event of Default under Section 7.01(a) or (b) hereof and (ii) when the Bond Trustee has received actual knowledge or

notice, in writing or otherwise, of a Bond Indenture Event of Default under Section 7.01(c) or (d) hereof.

SECTION 7.13. LIMITATION OF THE ISSUER'S LIABILITY. No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way, except with respect to the Pledged Revenues and their application as provided herein. No failure of the Issuer to comply with any term, covenant or agreement herein or in any document executed by the Issuer in connection with the Project, shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered solely from the Pledged Revenues. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, and subject to Section 7.09 hereof, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein; provided, that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable solely from the Pledged Revenues.

SECTION 7.14. LIMITATIONS ON REMEDIES. It is the purpose and intention of this Article VII to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Bondholders shall be entitled as above set forth, to every other right and remedy provided in this Bond Indenture and by law.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01. ACCEPTANCE OF TRUST; GENERAL. By execution hereof, the Bond Trustee shall evidence the acceptance of the powers, duties and obligations of the Bond Trustee as set forth herein and in the Agreement, but only upon the terms and conditions set forth herein. All Bonds shall be authenticated by the Authenticating Agent before delivery in the manner and form provided herein. The Bond Trustee shall have no duty, responsibility or obligation for the issuance of Bonds or for the validity or exactness hereof, or of any other document relating to such issuance. The Bond Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and provisions hereof from, and to the extent of, funds which are held in trust by the Bond Trustee for the purpose of such payment. The Bond Trustee hereby agrees to the provisions of the Agreement relating to it. Every provision of this Bond Indenture relating to the Bond Trustee and its conduct or executing its obligations shall be subject to this Article VIII.

The Bond Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Bond Trustee's own negligence or willful misconduct. The duties and obligations of the Bond Trustee shall be determined solely by the express provisions hereof and of the Agreement and no implied covenants or obligations against the Bond Trustee shall be read into this Bond Indenture or the Agreement. The permissive rights of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty. The Bond Trustee shall, prior to any event of default and after the curing of all events of default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and no implied covenants or duties shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any event of default which has not been cured, exercise such of the rights and powers vested in it by this Bond Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own business affairs

The Bond Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Trustee. The Bond Trustee shall not be required to give any bond or surety under this Bond Indenture.

Any corporation or association into which the Bond Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, *ipso facto*, shall be and become successor Bond Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

The Borrower shall be responsible for filing any financial statements, amendments, continuations, or terminations to be filed in conjunction with the execution and delivery of this Bond Indenture, and shall provide the Bond Trustee with any filed copies thereof. The Bond Trustee shall not be required to take any actions to continue any financing statements filed in conjunction with the execution and delivery of this Bond Indenture and as to which the Bond Trustee is provided a filed copy thereof by the Borrower.

SECTION 8.02. THE BOND TRUSTEE NOT REQUIRED TO TAKE ACTION UNLESS INDEMNIFIED. Except as expressly required herein or in the Agreement, the Bond Trustee shall neither be required to institute any suit or action or other proceeding hereunder or appear in any suit or action or other proceeding in which it

may be a defendant or plaintiff, at the direction of the Issuer or the Holders, or to take any steps to enforce its rights and expose it to liability, nor shall the Bond Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel fees and expenses and other fees, other disbursements including its own reasonable fees and against all liabilities and damages. The Bond Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Bond Trustee, without prior assurance of indemnity, and in such case the Borrower shall reimburse the Bond Trustee for all reasonable out-of-pocket costs, expenses, outlays, counsel fees and expenses and other fees, and other reasonable disbursements including its own reasonable fees, and for all liabilities and damages suffered by the Bond Trustee in connection therewith, except for liabilities or damages directly caused by the Bond Trustee's negligence or willful misconduct. If the Bond Trustee begins, appears in or defends such a suit, the Bond Trustee shall give reasonably prompt notice of such action to the Issuer and the Borrower, and shall give such notice prior to taking such action if possible. If the Borrower shall fail to make such reimbursement, the Bond Trustee, subject to the limitations in Section 8.08 hereof, may reimburse itself from any surplus money created hereby; *provided, however*, that if the Bond Trustee shall collect any amounts or obtain a judgment, decree or recovery, by exercising the remedies available to it hereunder, the Bond Trustee shall have a first claim upon the amount recovered for payment of its reasonable costs, expenses and fees incurred (including attorneys' fees for all actions including bankruptcy proceedings).

SECTION 8.03. EMPLOYMENT OF EXPERTS. The Bond Trustee may execute any of the trusts or powers hereof and perform any of its duties hereunder by or through agents, attorneys, receivers or employees. The Bond Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Bond Trustee), and such other agents as it may deem necessary to carry out any of its obligations hereunder, and shall be reimbursed by the Borrower for all reasonable out-of-pocket expenses and charges in so doing. The Bond Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Bond Trustee.

The Bond Trustee may consult with counsel, and the written advice of such counsel with respect to any Opinion of Counsel shall be full and complete authorization and protection in respect to any action taken or not taken by the Bond Trustee hereunder in good faith and in reliance thereon.

SECTION 8.04. ENFORCEMENT OF PERFORMANCE BY OTHERS. It shall not be the duty of the Bond Trustee, except as herein or in the Agreement provided, to see that any duties and obligations herein imposed upon the Issuer or the Borrower are performed.

SECTION 8.05. RIGHT TO DEAL IN BONDS AND TAKE OTHER ACTIONS. The Bond Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Bond Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the Bond Trustee were not the Bond Trustee. It is understood and agreed that no provision hereof or of the Agreement is to be construed to limit or restrict the right of the Bond Trustee to engage in such business with the Issuer, the Master Trustee, the Borrower or any Holder. So engaging in such business shall not, in and of itself, and so long as the Bond Trustee duly performs all of its duties as required hereby and by the Agreement, constitute a breach of trust on the part of the Bond Trustee.

SECTION 8.06. REMOVAL AND RESIGNATION OF THE BOND TRUSTEE. The Bond Trustee may resign or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding (for purposes of this sentence, DTC shall not be deemed a Holder of the Bonds, but rather the Beneficial Owner shall be deemed to be such Holder(s) of the Bonds). Written notice of such resignation or removal shall be given to the Issuer and the Borrower and such resignation or removal shall take effect upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Bond Trustee, the Issuer or the Borrower may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section.

If the Bond Trustee has or shall acquire any conflicting interest, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in this Section. Notwithstanding the preceding sentence, the Bond Trustee shall not be required to eliminate any such conflicting interest or to resign in the event that the duty of the Bond Trustee and its interest as trustee of another trust (including, without limitation, the trust created by the Master Indenture) conflict in the exercise of any trust power hereunder as Bond Trustee, if the Bond Trustee obtains prior court authorization pursuant to Section 737.403, Florida Statutes (or any applicable successor statute) to exercise such power. A conflicting interest shall not be deemed to have arisen by virtue of a commercial banking relationship between the Obligated Group and the Bond Trustee or any of its affiliates or because the Bond Trustee may also serve as the Master Trustee.

In the event of the resignation or removal of the Bond Trustee or in the event the Bond Trustee is dissolved or otherwise becomes incapable to act as the Bond Trustee, the Borrower shall be entitled to appoint a successor Bond Trustee so long as no Event of Default has occurred and is continuing, and otherwise by the Issuer (at the written direction and expense of the Borrower). In such event, the successor Bond Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding.

If the Holders of a majority of the principal amount of Bonds then Outstanding object to the successor Bond Trustee so appointed by the Borrower and if such Holders designate another Person qualified to act as the Bond Trustee, the Issuer (at the written direction and expense of the Borrower) shall then appoint as the Bond Trustee the Person so designated by the Holders.

In addition, the Bond Trustee may be removed at any time with or without cause, at the written direction and expense of the Borrower, so long as no Agreement Event of Default or Bond Indenture Event of Default or event which, but for any applicable grace period, would constitute an Agreement Event of Default or Bond Indenture Event of Default, shall have occurred and be continuing.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Bond Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Bond Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Borrower an instrument in writing, accepting such appointment hereunder, and thereupon such successor Bond Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Bond Trustee all the rights, powers and trusts of such predecessor. The predecessor Bond Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Bond Trustee. The predecessor Bond Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Bond Trustee. The predecessor Bond Trustee shall deliver all assets in the funds and accounts established under this Bond Indenture to the successor Bond Trustee.

Each successor Bond Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond.

SECTION 8.07. PROOF OF CLAIM. The Bond Trustee shall have the right and power to act in its name or in the name and place of the Issuer or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered by the Bond Trustee as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs,

expenses and advances incurred by the Bond Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Holders of Bonds Outstanding.

SECTION 8.08. BOND TRUSTEE'S FEES AND EXPENSES. Any provision hereof to the contrary notwithstanding, if the Borrower fails to make any payment properly due the Bond Trustee for its reasonable fees and out-of-pocket costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Bond Trustee) incurred in performance of its duties, the Bond Trustee may reimburse itself from any surplus moneys on hand in any Fund or Account created pursuant hereto.

SECTION 8.09. RELIANCE UPON DOCUMENTS. The Bond Trustee may rely upon and shall be protected in acting or refraining from acting in reliance upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the Issuer (*i.e.*, an Issuer representative), the Borrower, the Holders or agents or attorneys of the Holders; provided, in the case of any such document specifically required to be furnished to the Bond Trustee hereby or by the Agreement, the Bond Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements hereof or of the Agreement. The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document submitted to the Bond Trustee, however, the Bond Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit. Whenever in the administration hereof, the Bond Trustee shall deem it desirable that a matter be proven or established prior to taking or not taking any action hereunder, the Bond Trustee (unless other evidence be specifically prescribed herein or in the Agreement) may rely upon any document provided for in this Section.

Except where other evidence is required hereby, any request or direction of the Issuer or the Borrower mentioned herein shall be sufficiently evidenced by a certified copy of such request executed by an Issuer Borrower or the Borrower Officer, as the case may be.

SECTION 8.10. RECITALS AND REPRESENTATIONS. The recitals, statements and representations contained herein, in the Agreement or in any Bond (excluding the Authenticating Agent's authentication on the Bonds) shall be taken and construed as made by and on the part of either the Issuer or the Borrower, as the case may be, and not by the Bond Trustee, and the Bond Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Bond Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Agreement or, except as herein required, the filing or recording or registering of any document. The Bond Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or by or under the Agreement or as to the validity or sufficiency of such document. The Bond Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof or the Agreement. The Bond Trustee shall not be responsible or liable for any loss suffered in connection with the investment of any funds made by it in accordance with the provisions hereof.

The Bond Trustee shall not be required to take notice or be deemed to have notice of any Bond Indenture Event of Default hereunder except default in the deposits or payments specified hereunder or under the Agreement, or failure by the Issuer or any Member of the Obligated Group to file with it any of the documents required, or to deposit with it evidence of the insurance policies required hereunder or under the Master Indenture, or any other event of which an officer of the Bond Trustee with responsibility for administering the Bonds has actual knowledge and which, with the giving of notice or lapse of time or both would constitute a Bond Indenture Event of Default, a default under the Agreement or a Master Indenture Event of Default, unless the Bond Trustee shall be specifically notified in writing of such default by the Borrower, by the Issuer or by any Holder of Bonds Outstanding hereunder, and all notices or other instruments required by this Bond Indenture to be delivered to the Bond Trustee must, in order to be effective, be delivered at the designated office of the Bond Trustee, and in the absence of such notice so delivered, the Bond Trustee may conclusively assume that there is no Bond Indenture Event of Default except as aforesaid.

SECTION 8.11. DESTRUCTION OF BONDS. Upon payment of or surrender to the Bond Trustee for cancellation of any Bond, the Bond Trustee shall destroy such Bond. At least annually the Bond Trustee shall deliver a certificate of such destruction to the Borrower and the Issuer. Upon surrender of any Bond to a Paying Agent for payment, such Bond shall be cancelled by the Paying Agent and delivered to the Bond Trustee for destruction.

SECTION 8.12. REPORTS. The Bond Trustee shall, not later than the tenth (10th) Business Day of each month, prepare and submit to the Borrower reports covering all moneys received and all payments, expenditures and investments made as the Bond Trustee hereunder since the last previous such report.

SECTION 8.13. RIGHTS, IMMUNITIES AND DUTIES OF PAYING AGENT, REGISTRAR AND AUTHENTICATING AGENT. The Paying Agent, Registrar and Authenticating Agent undertake to perform only such duties as are expressly set forth herein. The rights and immunities (including, without limitation, the right to indemnity) set forth in this Article VIII shall extend to and govern the duties and

obligations of any Paying Agent, Registrar and Authenticating Agent and the Paying Agent, Registrar and Authenticating Agent shall each be entitled to be reimbursed for its reasonable fees and out-of-pocket costs and expenses (including counsel fees and expenses) incurred in connection with its duties hereunder. Any Paying Agent, Registrar and Authenticating Agent may at any time resign and be discharged of the duties and obligations created by this Bond Indenture by giving at least 60 days written notice to the Issuer, the Bond Trustee and the other Paying Agents. Any Paying Agent, Registrar or Authenticating Agent may be removed at any time by an instrument filed with such Paying Agent, Registrar or Authenticating Agent and the Bond Trustee and signed by the Borrower. Any financial institution may be named as a Paying Agent, Registrar or Authenticating Agent by an instrument filed with such financial institution and the Bond Trustee and signed by the Borrower. In the event of the resignation or removal of any Paying Agent, Registrar or Authenticating Agent such Paying Agent, Registrar or Authenticating Agent shall pay over, assign and deliver any moneys held by it as Paying Agent, Registrar or Authenticating Agent to its successor, or if there be no successor, to the Bond Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, Registrar or Authenticating Agent, the Bond Trustee shall act as such.

ARTICLE IX

THE PAYING AGENT

SECTION 9.01. THE PAYING AGENT. (a) The Bond Trustee is hereby appointed the Paying Agent. Each Paying Agent appointed in accordance with this Bond Indenture shall designate its Corporate Trust Office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the Issuer, the Bond Trustee and the Borrower under which each Paying Agent will agree, particularly to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Bond Trustee and the Borrower.

(b) So long as no Event of Default has occurred and continuing, each successor Paying Agent shall be appointed by the Borrower, and otherwise by the Issuer. Each Paying Agent shall be a commercial bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$25,000,000 and authorized by law to perform all the duties imposed upon it by this Bond Indenture. Subject to the next succeeding paragraph, any Paying Agent may resign at any time, and be discharged of the duties and obligations created by this Bond Indenture by giving at least 60 days' written notice to the Issuer, the Borrower and the Bond Trustee. Subject to the next succeeding paragraph, any Paying Agent may be removed at any time, by an instrument signed by the Borrower and filed with the Bond Trustee and the Issuer.

Upon the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys and/or Bonds held by it in such capacity to its successor. In the event of the resignation of a Paying Agent who is also serving in the capacity of Bond Trustee, the Bond Trustee shall also tender its resignation in accordance with the provisions of this Bond Indenture. No such resignation or removal shall be effective until a successor has been appointed and accepted such duties.

(c) Any corporation, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the properties, rights and powers of such Paying Agent hereunder.

(d) In the event that the Paying Agent shall resign, be removed or be dissolved, or if the properties or affairs of the Paying Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Borrower shall not have appointed its successor, the Issuer (at the written direction and expense of the Borrower) shall appoint a successor and, if no appointment is made within 30 days, the Paying Agent shall apply to a court of competent jurisdiction for such appointment.

SECTION 9.02. ACTIONS OF PAYING AGENT. The Paying Agent may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if such entity were not appointed to act in such capacity under this Bond Indenture.

ARTICLE X

SUPPLEMENTS

SECTION 10.01. SUPPLEMENTS NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer (at the written direction and expense of the Borrower) and the Bond Trustee may, without the consent of or notice to any of the Holders, but only with the consent of the Borrower as to paragraphs (c), (d), (f), (g) and (h) below, enter into one or more Supplements for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders or the Borrower;
- (c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) to preserve the exemption of the interest income borne on the Bonds from federal income taxes;

(f) to implement any amendments or supplements necessary or appropriate to conform to amendments or supplements to the Master Indenture permitted by the Master Indenture;

(g) to qualify this Bond Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;

(h) to discontinue the book-entry only system of registration of the Bonds;

(i) to obtain or maintain a rating on the Bonds; and

(j) any other amendments that do not materially or adversely affect the rights of the Bondholders or the security for the Bonds.

SECTION 10.02. SUPPLEMENTS REQUIRING CONSENT OF BONDHOLDERS. (a) Other than Supplements referred to in Section 10.01 hereof and subject to the terms and provisions and limitations contained in this Article X and not otherwise, the Borrower and the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Issuer (at the written direction and expense of the Borrower) for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; *provided, however*, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Issuer shall request the Bond Trustee to enter into a Supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, as shall be prescribed by the Borrower, following the mailing of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in Section 10.02(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but not otherwise, the Bond Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Bond Trustee shall make and file with the Issuer a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

SECTION 10.03. EXECUTION AND EFFECT OF SUPPLEMENTS. (a) In executing any Supplement permitted by this Article X, the Bond Trustee and the Issuer shall be entitled to receive and to rely upon an Opinion of Bond Counsel stating that the execution of such Supplement is authorized or permitted hereby and does not adversely impact the tax-exempt status of the interest on the Bonds. The Bond Trustee and the Issuer may, but shall not be obligated to, enter into any such Supplement which affects the rights, duties or immunities of each.

(b) So long as no Bond Indenture Event of Default exists and the Borrower is not in default under the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2 or Obligation No. 2, any Supplement under this Article X which adversely affects the rights of the Borrower under the Agreement shall not become effective unless and until the Borrower shall have consented in writing to the execution and delivery of such Supplement. In this regard the Bond Trustee shall cause notice of the proposed execution and delivery of any such Supplement, together with a copy of the proposed Supplement, to be delivered to the Borrower at least 15 days prior to the date of its proposed execution and delivery, in the case of a Supplement referred to in Section 10.01 hereof and not later than the date of mailing of the notice of the proposed execution and delivery in the case of a Supplement referred to in Section 10.02 hereof.

(c) Upon the execution and delivery of any Supplement in accordance with this Article X, the provisions hereof and in the Bonds relating thereto shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(d) Any Bond authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article X may, and if required by the Issuer or the Bond Trustee shall, bear a notation in form approved by the Issuer and Bond Trustee as to any matter provided for in such Supplement. If the Issuer shall so determine, new Bonds so modified as to conform in the Opinion of Bond Counsel to any such Supplement may be prepared and executed by the Issuer and authenticated and delivered by the Authenticating Agent in exchange for and upon surrender of Bonds then Outstanding.

SECTION 10.04. AMENDMENTS TO AGREEMENT NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer (at the written direction and expense of the Borrower) and the Bond Trustee may, without the consent of or notice to any of the Holders, consent to and join in the execution and delivery by the Borrower of any amendment, change or modification of the Agreement as may be required (i) by the provisions hereof or of the Agreement; (ii) to cure any ambiguity or formal defect or omission therein; (iii) to preserve the exemption of the interest borne on the Bonds from federal income taxes; or (iv) in connection with any other change therein as to which there is filed with the Bond Trustee and the Issuer either an Opinion of Counsel or other

appropriate consultant stating that the proposed change will not adversely affect the interests of the Holders.

SECTION 10.05. AMENDMENTS TO AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. (a) Except for amendments, changes or modifications to the Agreement referred to in Section 10.04 hereof, the Issuer (at the written direction and expense of the Borrower) and the Bond Trustee may consent to and join in the execution and delivery by the Borrower of any amendment, change or modification to the Agreement only upon the consent of not less than a majority in aggregate principal amount of Bonds then Outstanding given as provided in this Section; *provided, however*, no such amendment, change or modification may affect the obligation of the Borrower to make payments under Obligation No. 2 or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Issuer and the Borrower shall request the consent of the Bond Trustee and the Bondholders to any such amendment, change or modification to the Agreement, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount of Bonds specified in subsection (a) in the manner as provided by Section 10.02 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 10.02 and 10.03 hereof with respect to Supplements hereto.

ARTICLE XI

SATISFACTION AND DISCHARGE

SECTION 11.01. DISCHARGE. If payment of all principal of, premium, if any, and interest on the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article XI, and if all other sums payable by the Issuer hereunder shall be paid or provided for, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Issuer (at the written direction and expense of the Borrower), and upon receipt by the Bond Trustee of an Opinion of Bond Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and

deliver proper instruments prepared by or on behalf of the Issuer acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds or to the Bond Trustee, to the Issuer, the Borrower or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Issuer (at the written direction and expense of the Borrower) or the Borrower may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Issuer or the Borrower may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

SECTION 11.02. PROVIDING FOR PAYMENT OF BONDS. Payment of any or all of the Bonds may be provided for by the deposit with the Bond Trustee of moneys or non-callable Government Obligations or Advance-Refunded Municipal Bonds, or any combination thereof. The moneys and the maturing principal and interest income on such non-callable Government Obligations or Advance-Refunded Municipal Bonds, if any, shall be sufficient to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys, non-callable Government Obligations and Advance-Refunded Municipal Bonds shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

In connection with any advance refunding or defeasance of the Bonds, there shall be delivered to the Bond Trustee a verification report of an independent firm of certified public accountants, as to the adequacy and sufficiency of the escrow so established. Such verification report shall be delivered and addressed to the Issuer and the Bond Trustee. Also, in connection with any such advance refunding or defeasance an Opinion of Bond Counsel shall be delivered and addressed to the Issuer and the Bond Trustee to the effect that the Bonds are no longer Outstanding under this Bond Indenture.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice within 30 days thereafter so stating to each Holder of a Bond.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. Bonds shall be deemed Outstanding under this Bond Indenture unless and until they are in fact paid in full and retired or the defeasance requirements set forth in this Section are satisfied. The

obligation of the Issuer in respect of such Bonds shall nevertheless continue, but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations or Advance-Refunded Municipal Bonds deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond is made subject to federal income taxes. The Bond Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

SECTION 11.03. PAYMENT OF BONDS AFTER DISCHARGE.

Notwithstanding the discharge of the lien hereof as in this Article XI provided, the Bond Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Bond Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for five years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Borrower and the Holders of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Obligated Group for payment thereof as unsecured creditors and all liability of the Bond Trustee or any Paying Agent with respect to such moneys shall thereupon cease.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. EVIDENCE OF ACTS OF BONDHOLDERS. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Bond Trustee and the Issuer, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the Person signing such writing

acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all Bonds shall be proved by the register of such Bonds maintained by the Registrar.

Nothing in this Section shall be construed as limiting the Bond Trustee to the proof herein specified, it being intended that the Bond Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Bond Trustee pursuant to any provision hereof, upon the request or with the assent of any Person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

For so long as the Bonds are Book-Entry Bonds held by DTC as the registered owner thereof, in the event that any provision of this Bond Indenture or of the Agreement requires the procurement of the consent of all or a certain percentage of Holders or Bondholders, the Bond Trustee shall be entitled to rely (i) upon the written consent given by DTC as the registered owner of such Bonds, (ii) upon the written indication given by DTC that it has obtained the consent of the Beneficial Owners of the requisite principal amount of such Bonds or, (iii) if proof of beneficial ownership satisfactory to the Bond Trustee has been provided to the Bond Trustee, upon the written consent given by the Beneficial Owners of the requisite principal amount of such Bonds.

SECTION 12.02. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Borrower and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Bond Indenture or any covenants, conditions and provisions herein contained; this Bond Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Borrower and the Holders of the Bonds as herein provided.

SECTION 12.03. UNRELATED BONDS. Prior to the issuance of the Bonds the Issuer has issued, and subsequent to the issuance of the Bonds the Issuer may issue, bonds in connection with the financing or refinancing of other projects (said bonds together with any bonds heretofore and hereafter issued by the Issuer shall be referred to herein as the "Other Bonds"). Any pledge, mortgage or assignment made in connection with any Other Bonds shall be protected and any funds pledged or assigned for the payment of the Other Bonds will not be used for the payment of principal, premium, if any, or interest on the Bonds. Any pledge, mortgage or assignment made in connection with the Bonds shall be protected and no funds pledged or assigned for the payment of

the Bonds shall be used for the payment of principal, premium or interest on the Other Bonds or any other present or future bonds or obligations of the Issuer except as permitted hereby or by the Master Indenture.

SECTION 12.04. SEVERABILITY. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Bonds issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

SECTION 12.05. HOLIDAYS. When the date on which principal of or interest or premium on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized or required by law to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized or required by law to remain closed with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

SECTION 12.06. GOVERNING LAW. This Bond Indenture and the Bonds are contracts made under the laws of the State and shall be governed and construed in accordance with such laws.

SECTION 12.07. NOTICES. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid (or by facsimile, promptly confirmed by first class mail) and addressed as follows:

- (i) If to the Issuer, addressed to:
 - City of Pompano Beach, Florida
 - 100 West Atlantic Boulevard
 - Pompano Beach, Florida 33060
 - Attention: City Manager
 - Telephone: (954) 786-4600
 - Facsimile:

With a copy to:

Office of City of Pompano Beach City Attorney
100 West Atlantic Boulevard
Pompano Beach, Florida 33060
Attention: City Attorney
Telephone: (954) 786-4600
Facsimile:

- (ii) If to the Bond Trustee, addressed to:
U.S. Bank National Association
200 South Biscayne Blvd., Suite 1870
Miami, FL 33131
Attention: U.S. Bank Global Corporate Trust Services
Telephone: (305) 350-1750
Facsimile: (305) 350-1746
- (iii) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the registration books of the Registrar kept pursuant hereto.
- (iv) If to the Borrower, addressed to:
John Knox Village of Florida, Inc.
651 S.W. 6th Street
Pompano Beach, Florida 33060
Attention: Chief Executive Officer and Chief Financial Officer
Telephone: (954) 783-4020
Facsimile: (954) 783-4097
- (v) If to the Paying Agent, addressed to:
U.S. Bank National Association
200 South Biscayne Blvd., Suite 1870
Miami, FL 33131
Attention: U.S. Bank Global Corporate Trust Services
Telephone: (305) 350-1750
Facsimile: (305) 350-1746

(b) The Issuer, the Bond Trustee or the Borrower may from time to time by notice in writing to the others designate a different address or addresses for notices hereunder.

SECTION 12.08. COUNTERPARTS. This Bond Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

SECTION 12.09. IMMUNITY OF INDIVIDUALS. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future member, director, officer, employee, agent or consultant of the Issuer, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Bonds.

SECTION 12.10. BINDING EFFECT. This instrument shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns subject to the limitations contained herein.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Issuer has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers, and to evidence its acceptance of the trusts hereby created the Bond Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

(SEAL)

**CITY OF POMPANO BEACH,
FLORIDA**

[Mayor]

ATTEST:

City Clerk

**U.S. BANK NATIONAL
ASSOCIATION, as Bond Trustee**

Assistant Vice President

(Form of Series 2015 Bond)

United States of America

State of Florida

City of Pompano Beach, Florida
Revenue Bonds (John Knox Village Project), Series 2015

No. R- _____ \$ _____

BOND DATE: _____, 2015

MATURITY DATE: September 1, _____

INTEREST RATE: ____%

REGISTERED OWNER: Cede & Co.

PRINCIPAL SUM: \$ _____

CUSIP: _____

KNOW ALL MEN BY THESE PRESENTS that the City of Pompano Beach, Florida (the "Issuer"), a municipal corporation of the State of Florida, created and existing under the Constitution and laws of the State of Florida, for value received hereby acknowledges itself obligated to, and promises to pay, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above, the Principal Sum stated above, and to pay interest on the unpaid balance of said Principal Sum from the Bond Date stated above at the interest rate per annum as provided in the Bond Indenture, payable on the Interest Payment Dates as provided in the Bond Indenture in each year until maturity or until the date fixed for redemption if this bond is called for prior redemption and payment on such date is provided for.

Interest accruing on this bond on and prior to the Maturity Date hereof shall be payable by check drawn upon U.S. Bank National Association, as Paying Agent (the "Paying Agent") and mailed to the registered holder hereof as of the Record Date (as referenced in the Bond Indenture) at the address of such holder as it appears on the books of the Registrar on the date such interest comes due or by wire transfer to the holder of at least \$1,000,000 aggregate principal amount of bonds to the address designated by such

holder to the Registrar at or prior to the close of business on the Record Date for such payment. Principal shall be paid when due upon presentation and surrender of this bond for payment at the Corporate Trust Office of the Paying Agent.

This Bond is one of an issue of bonds in the aggregate principal amount of \$ _____ designated "City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds") authorized and issued to provide funds to aid in the financing and reimbursing of the cost of certain senior living and health care facilities owned or to be owned and operated by John Knox Village of Florida, Inc., a Florida not-for-profit corporation (the "Borrower") and for other authorized purposes, all pursuant to the Bond Indenture dated as of February 1, 2015 (the "Bond Indenture"), by and between the Issuer and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee"). This Bond and all Bonds of this issue are payable solely from the Trust Estate, as defined in the Bond Indenture. The Borrower, as Obligated Group Representative, has issued the Obligated Group's Obligation No. 2 to the Bond Trustee to evidence and secure the obligation of the Borrower to the Issuer arising from the Issuer loaning to the Borrower the proceeds of the bonds under the Loan Agreement dated as of February 1, 2015 (the "Agreement"), by and between the Issuer and the Borrower. Obligation No. 2 has been issued to secure the Bonds pursuant to the Agreement, an Amended and Restated Master Trust Indenture, dated as of December 1, 2010, as amended and supplemented (the "Master Indenture"), by and among the Borrower and the other Members of the Obligated Group and U.S. Bank National Association, as successor Master Trustee (the "Master Trustee"), and a Supplemental Indenture for Obligation No. 2, dated as of February 1, 2015 (the "Supplemental Master Trust Indenture"), by and between the Borrower, as Obligated Group Representative, and the Master Trustee. By the Bond Indenture the Issuer has assigned and pledged to the Bond Trustee, for the ratable benefit of the Holders of the Bonds, the Issuer's interest in the Agreement. Reference is hereby made to the Bond Indenture, the Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2, and Obligation No. 2, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Borrower, the Obligated Group, the Bond Trustee, and the holders of the bonds. Executed counterparts or certified copies of such instruments are on file at the Corporate Trust Office of the Bond Trustee in Miami, Florida.

All Bonds of the issue of which this Bond is a part are and shall enjoy a co-equal lien on and claim to the Pledged Revenues and share ratably therein without any preference, priority or distinction as to the source or method of payment and security.

Bonds of this issue are subject to redemption prior to their stated maturity dates, upon the terms and conditions as provided in the Bond Indenture.

In the event of any redemption of less than all outstanding Bonds, any maturity or maturities and amounts within maturities of Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Borrower. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the issue designation, date of issue, serial numbers and maturity dates. Notice of redemption of any Bond of the issue of which this Bond is a part shall be mailed not less than 30 nor more than 45 days prior to the date set for redemption to each registered holder of a Bond to be so redeemed at the address shown on the books of the Registrar provided that failure to so mail or any defect in any such notice shall not affect the validity of the proceedings for the redemption of any Bond with respect to which notice was so mailed or with respect to which no such defect occurred, respectively.

This Bond is a limited obligation of the Issuer and does not constitute a debt, liability, or obligation of the State of Florida (the "State"), or any political subdivision thereof, or a charge against the general credit of the Issuer or the State or the taxing powers of the State, or any political subdivision thereof. The Issuer shall not be obligated to pay the principal or, premium, if any, or interest on this Bond except from the income, revenues, and receipts derived or to be derived from the Pledged Revenues. The issuance of this Bond shall not directly or indirectly or contingently obligate the Issuer, the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

The Holder of this Bond shall have no right to enforce the provisions of the Bond Indenture or to institute an action in equity or at law to enforce the covenants thereof, or to take any action with respect to a default hereof, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Indenture.

Modifications or amendments of the Bond Indenture or the Agreement may be made only to the extent and in the circumstances permitted by the Bond Indenture.

This Bond must be registered in accordance with the provisions hereof, and may, singly or with other Bonds of this issue, be surrendered to the Registrar and exchanged for other fully registered Bonds, upon the terms set forth in the Bond Indenture. Neither the Issuer nor the Registrar shall be required to register or transfer this Bond or exchange other Bonds for this Bond during the period from and after a Record Date to and including the next succeeding Bond Payment Date or if this Bond has been or is being called for redemption.

Capitalized terms used, but not otherwise defined, herein have the respective meanings assigned such terms in the Bond Indenture and the Master Indenture.

IN TESTIMONY WHEREOF, the Issuer has caused this bond to be executed and attested by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its Clerk and its corporate seal (or a facsimile thereof) to be hereunto affixed, impressed, imprinted, engraved or otherwise reproduced; and this bond to be authenticated by the manual signature of an authorized officer of the Authenticating Agent, without which authentication this bond shall not be valid nor entitled to the benefits of the Bond Indenture, all as of the Bond Date stated above.

(SEAL)

CITY OF POMPANO BEACH, FLORIDA

Mayor

ATTEST:

City Clerk

Date of Authentication: _____, 2015

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Indenture.

**U.S. BANK NATIONAL
ASSOCIATION, as Bond Trustee**

Authorized Signatory

(End of Form of Series 2015 Bond)

[Form of Requisition]

To: U.S. Bank National Association, as Bond Trustee
From: John Knox Village of Florida, Inc.
Re: \$_____ City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015

Any term used in this requisition and not otherwise defined shall have the meaning ascribed to such term in that certain Loan Agreement, dated as of February 1, 2015 (the "Agreement"), by and between the City of Pompano Beach, Florida (the "Issuer") and John Knox Village of Florida, Inc. (the "Borrower").

This requisition is submitted under the Agreement and that certain Bond Indenture, dated as of February 1, 2015, by and between the Issuer and the Bond Trustee, which documents are incorporated herein by reference.

Direct Payments

Please pay the following bills, invoices and other obligations of which copies are attached hereto:

<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
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Reimbursements

Please reimburse the Borrower for its payments of the following bills, invoices and other obligations, of which copies are attached hereto:

<u>Payee</u>	<u>Date of Payment</u>	<u>Amount</u>	<u>Purpose</u>
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I hereby represent that (i) the payments or reimbursements directed by this requisition are for eligible projects under the Act, and constitute a proper charge against the Construction Fund for which payment has not previously been made from moneys on deposit in such Construction Fund, (ii) payment of this requisition will not result in a breach of any of the covenants of the Borrower under the Agreement and the representations made by the Borrower in the Agreement are still true and correct, and (iii) obligations in the stated amounts have been incurred by the Borrower and are presently due and payable, or are properly reimbursable to the Borrower, and each item thereof is a necessary cost of the project or of issuing the Bonds and is a proper charge against the Construction Fund and has not been paid.

Authorized Signatory

[END OF FORM OF REQUISITION]

EXHIBIT B

FORM OF LOAN AGREEMENT

LOAN AGREEMENT

By and Between

JOHN KNOX VILLAGE OF FLORIDA, INC.

and

CITY OF POMPANO BEACH, FLORIDA

Dated as of February 1, 2015

Relating to:

**City of Pompano Beach, Florida
Revenue Bonds
(John Knox Village Project),
Series 2015**

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THIS LOAN AGREEMENT, made and entered into as of February 1, 2015, by and between **JOHN KNOX VILLAGE OF FLORIDA, INC.**, a not-for-profit corporation incorporated under the laws of the State of Florida (the "Borrower" and the "Obligated Group Representative"), and the **CITY OF POMPAÑO BEACH, FLORIDA** (together with any successor to its rights, duties and obligations hereunder, the "Issuer"), a duly created and validly existing municipal corporation of the State of Florida and a "local agency" within the meaning of the Florida Industrial Development Financing Act, Chapter 159, Part II, Florida Statutes, as amended,

WITNESSETH

WHEREAS, pursuant to the Enabling Acts (hereinafter defined) the Issuer is authorized to make loans for the purpose of financing (including reimbursement) of the cost of acquisition, construction, improvement or equipping of "projects", including "health care facilities" (within the meaning of the hereinafter defined Financing Act), to carry out any of its purposes and to issue its bonds for the purpose of carrying out any of its powers; and

WHEREAS, the Borrower is a private, not-for-profit and charitable corporation organized and existing under the laws of the State (hereinafter defined), which owns and operates certain senior living and health care facilities in the City of Pompano Beach, Florida and known as John Knox Village (together with the hereinafter defined Project, the "Facilities"); and

WHEREAS, the Borrower has requested the Issuer to finance and reimburse certain costs of capital improvements to the Facilities permitted by the Financing Act (the "Project") through the issuance under the Act of revenue bonds of the Issuer; and

WHEREAS, the Issuer is a municipal corporation of the State and is authorized under the Act, particularly the Financing Act, to issue its revenue bonds for the purpose of financing and reimbursing the costs of the Project, fund necessary reserves and to pay the costs of issuing such bonds; and

WHEREAS, for the purpose of providing sufficient funds to pay the costs of financing and reimbursing the costs of the Project, funding necessary reserves and paying the costs of issuing revenue bonds, the Issuer proposes to issue its revenue bonds in the aggregate principal amount of \$_____ designated "City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015" dated their date of issuance, and all as further described in the hereinafter defined Bond Indenture; and

WHEREAS, the Issuer has determined that it is desirable and in the public interest to enter into this Agreement with the Borrower for the principal purpose of providing for the financing and reimbursement of the costs of the Project, on behalf of the Borrower; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State, the bylaws, rules and regulations of the Issuer and the Borrower to happen, exist and be performed precedent to and in the execution and delivery of this Agreement have happened, exist and have been performed as so required, in order to make this Agreement a valid and binding agreement enforceable in accordance with its terms;

PROVIDED, NEVERTHELESS, except as otherwise specifically stated in this Agreement, if the Borrower, or its successors or assigns, shall make the payments provided by this Agreement and shall satisfy and perform all other covenants and obligations made or undertaken by the Borrower under this Agreement, then this Agreement shall terminate and be void; and

The **CITY OF POMPANO BEACH, FLORIDA** and the **BORROWER** hereby further mutually covenant and agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITIONS. The words and terms used in this Agreement shall have the same meanings as set forth in the Bond Indenture and in the Master Indenture (defined below) unless otherwise defined herein, and unless the context shall otherwise require, the following words and terms as used in this Agreement shall have the following meanings:

"Agreement" shall mean this Loan Agreement, dated as of February 1, 2015 by and between the Issuer and the Borrower, and when amended or supplemented, this Agreement, as amended or supplemented.

"Bond Indenture" shall mean the Bond Indenture, dated as of February 1, 2015, by and between the Issuer and the Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

"Borrower" or **"Obligated Group Representative"** shall have the meaning set forth in the introductory paragraph.

"Facilities" shall have the meaning ascribed thereto in the preambles to this Agreement and shall include the Project.

"Issuer" shall have the meaning set forth in the introductory paragraph hereof.

"Master Indenture" shall mean the Amended and Restated Master Trust Indenture, dated as of December 1, 2010, by and among the Obligated Group and the Master Trustee, for the benefit of the owners from time to time of all Obligations issued

thereunder and secured thereby, as said Master Trust Indenture has or may be amended, restated and supplemented from time to time.

"Obligated Group" shall mean the Obligated Group as defined in the Master Indenture. As of the dated date of this Agreement the Borrower is the sole Member of the Obligated Group.

SECTION 1.02. INTERPRETATION. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

Any terms not defined herein, but defined in either the Master Indenture or the Bond Indenture, shall have the same meaning herein.

Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

ARTICLE II

REPRESENTATIONS

SECTION 2.01. REPRESENTATIONS OF THE ISSUER. The Issuer makes the following representations as the basis for its covenants and agreements herein:

(a) The Issuer is a duly organized and existing municipal corporation of the State.

(b) The Issuer has by the Bond Resolution authorized the issuance, sale, execution and delivery of the Bonds and the execution and delivery on its behalf of this Agreement, the Tax Agreement, the Bond Purchase Contract, the disclosure document for the Bonds and the Bond Indenture, under the terms of which the proceeds of the Bonds are to be made available to finance and reimburse the costs of the Project and certain rights of the Issuer hereunder are pledged and assigned to the Bond Trustee as security for the payment of all amounts to become due on the Bonds.

(c) The Issuer has not pledged, assigned or granted and will not pledge, assign or grant any of its rights or interest in or under this Agreement for any purpose other than to secure the Bonds.

(d) The authorization, execution, sale and delivery of the Bonds, and the financing and reimbursement of the costs of the Project with the proceeds of such Bonds, will not violate any instruments, agreements, covenants, laws, orders or decrees to which the Issuer is a party or is subject.

SECTION 2.02. REPRESENTATIONS OF THE BORROWER. The Borrower makes the following representations as the basis for its covenants and agreements herein:

(a) It has been duly incorporated and is validly existing as a not-for-profit corporation under the laws of the State; on behalf of itself and as Obligated Group Representative on behalf of the Obligated Group it has full legal right, power and authority to enter into this Agreement, the Tax Agreement, the Master Indenture, the Mortgage, the Supplemental Indenture for Obligation No. 2, the Bond Purchase Contract and Obligation No. 2, to approve and execute the disclosure documents for the Bonds, and to carry out and consummate all transactions contemplated hereby and thereby; and it has, by proper action, duly authorized the execution and delivery of this Agreement, the Tax Agreement, the Master Indenture, the Mortgage, the Supplemental Indenture for Obligation No. 2 and Obligation No. 2; has approved the disclosure documents for the Bonds and has approved the Bond Indenture, the Bond Purchase Contract and the issuance of the Bonds.

(b) The execution and delivery of this Agreement, the Tax Agreement, the Master Indenture, the Mortgage, the Supplemental Indenture for Obligation No. 2, the Bond Purchase Contract and Obligation No. 2, and the consummation of the transactions herein and therein contemplated, including the application of the proceeds of the Bonds as so contemplated, will not constitute a violation of any statute or conflict with, or constitute a material breach of, or default by it under its articles of incorporation, its by-laws, or any indenture, mortgage, deed of trust, lease, note, loan agreement or other agreement or instrument to which it is a party or by which it or its properties are bound, and will not constitute a violation of any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its activities or properties. Additionally, it is not in breach, default or violation of any statute, indenture, mortgage, deed of trust, note, loan agreement or other agreement or instrument which would allow the obligee or obligees thereof to take any action which would preclude performance of this Agreement, the Tax Agreement, the Master Indenture, the Mortgage, the Supplemental Indenture for Obligation No. 2, the Bond Purchase Contract or Obligation No. 2.

(c) There are no actions, suits or proceedings of any type whatsoever pending or, to its knowledge, threatened against or affecting it or its assets, properties or operations which, if determined adversely to it or its interests, could have a material adverse effect upon its financial condition, assets, properties or operations or its ability to perform its obligations under this Agreement, the Tax Agreement, the Master Indenture, the Mortgage, Supplemental Indenture for Obligation No. 2 and Obligation No. 2 and it is not in default with respect to any order or decree of any court or any order, regulation or decree of any federal, state, municipal or governmental agency, which default would materially and adversely affect its financial condition, assets, properties or operations.

(d) It is a not-for-profit corporation organized and operated exclusively for not-for-profit purposes and no part of the earnings of which inures to the benefit of any Person, private shareholder or individual.

(e) It is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualifications or licenses.

(f) To the extent the Bond Resolution provides that the Borrower will represent specified matters to the Issuer, the Borrower is hereby deemed to have made such representations to the Borrower in this Agreement by this reference, including that:

(i) the Project will help to alleviate unemployment in the Issuer, improve living conditions and health care for seniors in the Issuer, foster economic growth and development and the business development of the Issuer, and serve other public purposes as set forth in the Act and any private benefit that may accrue therefrom is incidental to such purposes;

(ii) the Project will further the paramount public purposes of the Act, and it will most effectively serve the purposes of the Act for the Issuer to finance and reimburse the costs of the Project and to issue and sell the Bonds for such purposes;

(iii) Broward County, Florida and the Issuer, as applicable, are reasonably expected to be able to cope satisfactorily with the impact of the Project and are able to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that are necessary for the construction, operation, repair and maintenance of the Project and on account of any increases in population or other circumstances resulting therefrom;

(iv) the availability of tax-exempt revenue bond financing, as authorized by the Act, is an important inducement to the Borrower to proceed with the financing and reimbursing of the costs of the Project;

(v) that costs of the Project constitute "costs" of a "project" within the meaning of the Act, including Section 159.27(5), Florida Statutes;

(vi) the findings in Section 4 of the Bond Resolution are true and correct in all respects;

(vii) the Borrower is financially responsible and capable of meeting its obligations under this Agreement, the Master Indenture, Supplemental Indenture for Obligation No. 2 and Obligation No. 2; and

(viii) the Bonds are rated "A-" by Fitch.

(g) The Tax Agreement executed and delivered by the Borrower concurrently with the issuance and delivery of the Bonds is true, accurate and complete in all material respects as of the date on which executed and delivered. Any information that has been or will be supplied by the Borrower that has been or will be relied upon by the Issuer with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds is true and correct in all material respects.

All representations of the Borrower contained herein and in any certificate or other instrument delivered by the Borrower pursuant to this Agreement, to the Bond Purchase Contract, to the Bond Indenture, or in connection with the transaction contemplated hereby and thereby, shall, as to the representations contained herein and therein as of the date hereof, survive the execution and delivery hereof and thereof and the issuance, sale and delivery of the Bonds.

ARTICLE III

LOAN AGREEMENT; ISSUANCE OF BONDS AND OBLIGATION NO. 2

SECTION 3.01. LOAN AGREEMENT; ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS. The Issuer hereby agrees to issue the Bonds and loan, and hereby loans, the proceeds of the Bonds to the Borrower in the amount of \$_____ to provide funds to finance and reimburse the costs of the Project upon the terms and conditions set forth or referred to in this Agreement and in the Bond Indenture. The Borrower agrees to borrow and hereby borrows, and agrees to repay, the amount of \$_____, upon the terms and conditions set forth or referred to in this Agreement, in the Bond Indenture and in Obligation No. 2. This Agreement shall constitute a general obligation of the Borrower. The Borrower agrees that the proceeds of the Bonds to be made available to finance and reimburse the Project, fund necessary reserves and pay costs associated with the issuance of the Bonds shall be deposited with the Bond Trustee and applied as provided in the Bond Indenture.

SECTION 3.02. ISSUANCE OF OBLIGATION NO. 2. In consideration of the issuance by the Issuer of the Bonds and the application of the proceeds thereof as provided in the Bond Indenture, and to evidence the loan referred to in Section 3.01 hereof, the Borrower, as Obligated Group Representative, agrees to issue and cause to be authenticated and delivered to the Bond Trustee, pursuant to this Agreement, the Master Indenture and the Supplemental Indenture for Obligation No. 2, concurrently with the delivery of the Bonds to the Original Purchaser thereof in accordance with the Bond Purchase Contract, Obligation No. 2 in substantially the form attached to the Supplemental Indenture for Obligation No. 2 as Appendix A with such necessary and appropriate omissions, insertions and variations as are permitted or required by the Bond Indenture, the Master Indenture or the Supplemental Indenture for Obligation No. 2.

Obligation No. 2 shall constitute an Obligation of the Obligated Group within the meaning of the Master Indenture. The Borrower agrees that the principal amount of Obligation No. 2 shall be limited to \$_____, except for any Obligation authenticated and delivered in lieu of another Obligation as provided in the Master Indenture with respect to any Obligation mutilated, destroyed, lost or stolen or, upon transfer or registration or exchange of Obligation No. 2. The Borrower agrees that, so long as any Bonds remain Outstanding, Obligation No. 2 shall be issuable only as a single Obligation securing all Bonds. Obligation No. 2 shall be registered as to principal and interest in the name of the Bond Trustee and no transfer of Obligation No. 2 shall be recognized by the Borrower except for transfers to a successor Bond Trustee and otherwise as provided in the Bond Indenture or the Master Indenture.

SECTION 3.03. NOTICE OF REDEMPTION OR PREPAYMENT OF OBLIGATION NO. 2. The Issuer hereby waives all notice of redemption of Obligation No. 2 or of prepayment or credit for payment on Obligation No. 2 except such notice as is expressly required by the provisions hereof or of the Bond Indenture, the Master Indenture or Supplemental Indenture for Obligation No. 2.

SECTION 3.04. SECURITY FOR BONDS. (a) The Borrower agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Issuer hereunder and in and to Obligation No. 2 Payments and other amounts paid or payable by the Borrower hereunder or under Obligation No. 2, other than the right to grant approvals, consents or waivers, to receive notices, or for indemnification or the payment or reimbursement of fees and expenses payable or reimbursable to the Issuer, shall be assigned and pledged by the Issuer to the Bond Trustee pursuant to the Bond Indenture to secure the payment of the Bonds. The Borrower agrees that all of the rights accruing to or vested in the Issuer with respect to Obligation No. 2 or hereunder may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holders in accordance with the provisions hereof, of the Bond Indenture and of the Master Indenture.

(b) This Agreement is executed in part to induce the purchase by others of the Bonds, and, accordingly, all covenants and agreements on the part of the Borrower and the Issuer, as set forth in this Agreement, are hereby declared to be for the benefit of the Holders and owners from time to time of the Bonds as set forth in the Bond Indenture.

(c) The Borrower agrees to do all things within its power in order to comply with and to enable the Issuer to comply with all requirements, and to fulfill and to enable the Issuer to fulfill all covenants, of the Bond Resolution, the Tax Agreement and the Bond Indenture.

ARTICLE IV

PAYMENTS

SECTION 4.01. PAYMENTS OF PRINCIPAL, PREMIUM AND INTEREST ON THE BONDS. The Borrower covenants that it will duly and punctually pay the principal of and interest and any premium on the Bonds at the dates and in the places and manner set forth herein and in the Bond Indenture. Notwithstanding any schedule of payments to be made on the Bonds, the Borrower agrees to make payments upon the Bonds and Obligation No. 2 and be liable therefor at the times and in the amounts equal to the amounts to be paid as principal or Redemption Price of or interest on the Bonds from time to time Outstanding under the Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

All amounts payable with respect to the Bonds and Obligation No. 2 or otherwise hereunder by the Borrower to the Issuer or the Bond Trustee, except as otherwise expressly provided herein, shall be paid to the Bond Trustee for the account of the Issuer or the Bond Trustee, as applicable, so long as any Bonds remain Outstanding.

The Borrower agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by the Borrower hereunder and by the Obligated Group resulting from Obligation No. 2.

SECTION 4.02. OBLIGATION PAYMENTS. (a) The Obligation No. 2 Payments with respect to principal on the Bonds and Obligation No. 2 shall be made in semiannual installments not later than each February 23 and August 25, and with respect to interest shall be made not later than the third Business Day prior to each Interest Payment Date.

(b) The Obligation No. 2 Payments shall include, on the third Business Day prior to each Interest Payment Date, the amount, if any, necessary to cause the amount credited to the Interest Account together with available moneys and investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Interest Payment Date as determined by the Bond Trustee (but only to the extent that (i) such moneys or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than the amount of interest to be paid on Outstanding Bonds on such Interest Payment Date. The Obligation No. 2 Payments to be made pursuant to this paragraph (b) shall be appropriately adjusted to reflect the date of issuance of the Bonds and accrued or capitalized interest, if any, deposited in the Interest Account.

(c) The Obligation No. 2 Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), on each

March 1 and September 1 during each Bond Year ending on a date on which Serial Bonds mature, the amount necessary to cause the amount then being credited to the Principal Account, together with the available moneys and investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that (i) such moneys or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than one-half of the principal amount of Serial Bonds Outstanding which will mature on the last day of the Bond Year.

(d) The Obligation No. 2 Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), on each March 1 and September 1 during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount then being credited to the Sinking Fund Account, together with available moneys and investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that (i) such moneys or investment earnings have not previously been credited for purposes of such calculation and (ii) such earnings are calculable by the Bond Trustee with reasonable certainty), to be not less than one-half of the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of the Bond Year.

(e) On the payment date following a date on which the Obligated Group shall have failed to pay to the Bond Trustee the amount due as an Obligation No. 2 Payment or on which an investment loss shall have been charged to the Bond Fund or any account therein in accordance with Section 5.06 of the Bond Indenture, the Borrower shall pay, in addition to the Obligation No. 2 Payment then due, an amount equal to the deficiency in payment or the amount of such loss, unless such deficiency or loss shall have been remedied by a transfer from the Debt Service Reserve Fund or otherwise. To the extent that the investment earnings are transferred or credited to the Bond Fund or any account therein in accordance with Article V of the Bond Indenture or amounts are transferred or credited to such Bond Fund or accounts as a result of the application of Bond proceeds or a transfer from the Debt Service Reserve Fund pursuant to Section 5.05 of the Bond Indenture or a transfer of surplus funds from the Construction Fund or otherwise, future Obligation No. 2 Payments shall be proportionately reduced by the amount so credited unless such transfer is made to cure deficiencies in the fund or account to which the transfer is made.

(f) The Obligation No. 2 Payments shall in any event include any other amounts needed to pay principal, interest and premium on the Bonds when due and any other amounts due and payable pursuant to the terms hereof, of the Bond Indenture and of the Master Indenture.

SECTION 4.03. CREDITS FOR PAYMENTS ON OBLIGATION NO. 2.

The Borrower shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(a) On installments of interest on Obligation No. 2 in an amount equal to moneys deposited in the Interest Account of the Bond Fund created under the Bond Indenture which amounts are available to pay, and will be used to pay, interest on the Bonds, to the extent such amounts have not previously been credited against payments on Obligation No. 2.

(b) On installments of principal on Obligation No. 2 in an amount equal to moneys deposited in the Principal Account or Sinking Fund Account of the Bond Fund created under the Bond Indenture which amounts are available to pay, and will be used to pay, principal of the Bonds, to the extent such amounts have not previously been credited on Obligation No. 2.

(c) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal and interest of Bonds which have been called by the Bond Trustee for redemption prior to maturity and for the redemption of which sufficient amounts are on deposit in the Redemption Account of the Bond Fund created under the Bond Indenture, to the extent such amounts have not previously been credited against payments on Obligation No. 2 and will be used to pay such Bonds. Such credits shall be made against the installments of principal and interest on Obligation No. 2 which would be used, but for such call for redemption, to pay principal and interest on such Bonds when due at maturity or by Sinking Fund Account Requirements for Term Bonds so called for redemption.

(d) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds acquired by the Borrower and delivered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled. Such credits shall be made against the installments of principal and interest on Obligation No. 2 which would be used, but for such cancellation, to pay principal and interest on such Bonds when due at maturity or by Sinking Fund Account Requirements for Term Bonds so cancelled.

SECTION 4.04. PREPAYMENT. (a) So long as all amounts which have become due under the Bonds, the Bond Indenture and Obligation No. 2 have been paid, the Borrower may at any time and from time to time pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 2 if, not less than 15 days prior to such prepayment, the Borrower gives notice to the Bond Trustee of its intention to make a prepayment and of the amount thereof and if, not later than the date of the prepayment, the Borrower directs the Bond Trustee as to the application of the amounts prepaid to retire Bonds by purchase, redemption or both purchase and redemption in accordance with Section 5.03(e) of the Bond Indenture.

(b) The Borrower may pay all or part of the amounts to become due under Obligation No. 2 in advance and in any order of due dates at the times, in the manner, in the amounts, at the prices, and from the sources set forth with respect to the Bonds in Article III of the Bond Indenture. In particular, the Borrower shall have the right to direct the optional redemption or the extraordinary optional redemption of the Bonds as provided in Article III of the Bond Indenture, upon certification by the Borrower to the Bond Trustee that any conditions precedent to such redemption shall have been satisfied.

(c) Prepayments made under subsections (a) and (b) of this Section shall be credited against amounts to become due on Obligation No. 2 as provided in Section 4.03 hereof.

(d) The Borrower may also prepay all or a portion of its obligations under Obligation No. 2, the Bonds, the Bond Indenture and this Agreement by providing for the payment of all or a portion of the Bonds in accordance with Article XI of the Bond Indenture.

(e) The provisions of this Section 4.04 are subject to the notice provisions of Section 3.08 of the Bond Indenture.

SECTION 4.05. PAYMENT OF EXPENSES. In addition to all other payments hereunder and under Obligation No. 2, the Borrower agrees to pay the following items to the following Persons, which payments shall not be credited against the Obligation No. 2 Payments:

(a) To the Bond Trustee, when due, all reasonable out-of-pocket costs, fees and expenses of the Bond Trustee for services rendered under the Bond Indenture and all reasonable out-of-pocket costs, fees and charges of any Paying Agent, Authenticating Agent, Registrar, counsel (including counsel fees incurred in any bankruptcy proceeding), agent, accountant or other Person incurred in the performance of services under the Bond Indenture on request of the Bond Trustee for which the Bond Trustee and such other Person are entitled to payment or reimbursement.

(b) To the Issuer, promptly upon billing, any and all of the reasonable costs and expenses of the Issuer related to the issuance of the Bonds or any of the related documentation, or related to any future audit, Internal Revenue Service or Securities and Exchange Commission inquiry, modification, amendment or interpretation of the Bonds or the documents relating thereto, if any (including, but not limited to, the reasonable fees, costs and expenses of the Issuer's counsel or of Bond Counsel selected by the Issuer), and the reasonable expenses of the Issuer related to the issuance of the Bonds and any and all ongoing costs and expenses for any continuing duties or obligations of the Issuer related in any respect to the Bonds, the Bond Resolution, this Agreement, the Tax Agreement, the Bond Indenture or any other documents executed in connection therewith after the issuance of the Bonds.

SECTION 4.06. OBLIGATIONS UNCONDITIONAL. This Agreement is a general obligation of the Borrower, secured by Obligation No. 2 (and the collateral securing the same), but otherwise not secured by any other collateral, and the obligations of the Borrower to make payments pursuant hereto and the obligation of the Borrower and the other Members of the Obligated Group to make payments pursuant to Obligation No. 2 and to perform and observe all agreements on its part contained herein and in the Master Indenture shall be absolute and unconditional. Until this Agreement is terminated or payment in full of all Bonds is made or is provided for in accordance with the Bond Indenture the Borrower (i) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or under the Tax Agreement; (ii) will perform and observe all of its obligations set forth in this Agreement and in the Tax Agreement; and (iii) except as provided herein, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration; commercial frustration of purpose; any change in the tax or other laws or administrative rulings of, or administrative actions by or under authority of, the United States of America or of the State; or any failure of the Issuer to perform and observe any obligation set forth in this Agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, the Tax Agreement or the Bond Indenture.

Nothing contained in this Section shall be construed to release the Issuer from the performance of any of its obligations contained herein. In the event the Issuer fails to perform any such obligation, the Borrower may institute such action against the Issuer as the Borrower may deem necessary and to the extent permitted by law to compel performance so long as such action shall not violate the terms or conditions of this Agreement, and *provided* that no costs, expenses or other monetary relief shall be recovered from the Issuer except as may be payable from the Trust Estate. The Borrower may, however, at its own cost and expense and in its own name or, to the extent lawful and upon written notice to, and prior receipt of written consent of the Issuer, in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third Persons which the Borrower deems reasonably necessary in order to secure or protect the rights of the Borrower hereunder. In such event the Issuer hereby agrees, to the extent reasonable, to cooperate fully with the Borrower, but at the Borrower's expense, and to take all action necessary to effect the substitution of the Issuer Representative in any such action or proceeding if the Borrower shall so request.

ARTICLE V

PARTICULAR COVENANTS AND ADDITIONAL REPRESENTATIONS

SECTION 5.01. COVENANTS AS TO CORPORATE EXISTENCE. The Borrower hereby covenants, except as otherwise expressly provided herein, or as provided in the Master Indenture, to preserve its corporate or other separate legal existence and all its rights and licenses to the extent necessary or desirable in the

operation of its business and affairs. The Borrower will not consolidate with or merge with or into any other Person, except that the Borrower may consolidate or merge with or into any other Person if, immediately after giving effect to such action, (i) there exists no condition or event which constitutes, or which, after notice or lapse of time, or both, would constitute, an Agreement Event of Default, (ii) the successor Person constitutes a Tax-Exempt Organization and (iii) the conditions set forth in the Master Indenture shall have been satisfied.

SECTION 5.02. PRESERVATION OF EXEMPT STATUS. (a) The Borrower represents and warrants that as of the date of this Agreement: (i) it is a Tax-Exempt Organization; (ii) it has received a letter or determination to that effect; (iii) such letter or determination has not been modified, limited or revoked and the Borrower knows of no reason why such letter or determination could be modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter or determination; (v) the facts and circumstances which form the basis of such letter or determination continue substantially to exist as represented to the Internal Revenue Service; (vi) it is not a "private foundation" as defined in Section 509 of the Code; and (vii) it is exempt from federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of said Code and any applicable regulations thereunder necessary to maintain such status.

(b) The Borrower agrees that (i) it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Facilities, or permit the Facilities to be used in or for any trade or business, which shall adversely affect the basis for the exemption of the Borrower as an organization described in Section 501(c)(3) of the Code; (ii) it shall not use more than five percent of the net proceeds of the Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Tax-Exempt Organizations; (iii) it shall not directly or indirectly use the proceeds of the Bonds to make or finance loans to Persons other than governmental units or Tax-Exempt Organizations; (iv) it shall not take any action or permit any action to be taken on its behalf, or cause or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the date of issuance of the Bonds, would cause the Bonds to be "arbitrage bonds" or "hedge bonds" under the Code or cause the interest paid by the Issuer on the Bonds to be subject to federal income tax in the hands of the Holders thereof; and (v) it shall use its best efforts to maintain the tax-exempt status of the Bonds.

(c) The Borrower (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement in existence on the date of issuance of the Bonds, formal or informal, purchase the Bonds in an amount related to the amount of the payments due from the Borrower under this Agreement.

SECTION 5.03. AMENDMENT OF PROJECT. The Project may be amended or added to by the Borrower if such amendment or addition is in accordance with the Act and the Tax Agreement and any additional cost of the Project resulting from such change is paid from funds made available by the Borrower for such purpose to the extent not available from proceeds of the Bonds. In order to implement any such amendment or addition to the Project, the Borrower shall provide the Bond Trustee and the Issuer with a revised description of the Project and an Opinion of Bond Counsel to the effect that such amendment or addition will not, in and of itself, adversely affect the tax exempt status of interest on the Bonds. No approvals for such amendment or additions shall be required if implemented in accordance with this Section.

SECTION 5.04. SECURITIES LAW STATUS. The Borrower affirmatively represents, warrants and covenants that, as of the date of this Agreement, it is an organization organized and operated: (i) exclusively for health care or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inure to the benefit of any Person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Borrower agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

SECTION 5.05. INDEMNITY. (a) The Borrower shall and agrees to indemnify and save the Issuer, the Bond Trustee, and their directors, officers, members, and employees harmless against and from all claims by or on behalf of any Person arising from the conduct or management of or from any work or thing done on the Mortgaged Property and against and from all claims arising from (i) any condition of or operation of the Mortgaged Property, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under any of the Financing Documents, (iii) any act or negligence of the Borrower or of any of its agents, contractors, servants, employees, or licensees, or (iv) any act or negligence of any assignee or lessee of the Borrower or of any agents, contractors, servants, employees, or licensees of any assignee or lessee of the Borrower. The Borrower shall indemnify and save the Issuer and the Bond Trustee harmless from and against all costs and expenses incurred in or in connection with any such claim arising as described in the preceding sentence, or in connection with any action or proceeding brought thereon, including reasonable attorneys' fees, and upon notice from the Issuer or the Bond Trustee, the Borrower shall defend them or either of them in any such action or proceeding.

(b) The Borrower agrees that it will indemnify and hold the Bond Trustee and its directors, officers, and employees harmless from any and all liability, cost, or expense, including any act, omission, delay, or refusal of the Bond Trustee in reliance upon any signature, certificate, order, demand, instruction, request, notice, or other instrument or document believed by it to be valid, genuine, and sufficient.

(c) Notwithstanding the fact that it is the intention of the parties that the Issuer and the Bond Trustee, and their directors, officers, members, and employees shall not incur pecuniary liability by reason of the terms of the Financing Documents or the undertakings required thereunder or by reason of (i) the delivery of the Bonds, (ii) the execution of the Financing Documents, (iii) the performance of any act required by the Financing Documents, (iv) the performance of any act requested by the Borrower, or (v) any other costs, fees, or expenses incurred by the Issuer or the Bond Trustee with respect to the Mortgaged Property, including all claims, liabilities, or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if the Issuer or the Bond Trustee should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold harmless the Issuer and the Bond Trustee against all claims by or on behalf of any Person arising out of the same and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, including reasonable attorneys' fees, and upon notice from the Issuer or the Bond Trustee, the Borrower shall defend the Issuer and the Bond Trustee in any such action or proceeding. The indemnity contained in this Section 5.05(c) shall not apply to any loss or damage attributable to (x) acts of gross negligence or willful misconduct or intentional misconduct of the Issuer or the Bond Trustee; or (y) material breach by the party seeking indemnification of its obligations under the Financing Documents.

(d) A party seeking indemnification under this Section 5.05 shall notify the Borrower in writing promptly of any claim or action brought against such party in which indemnity may be sought against the Borrower under this Section; and such notice shall be given in sufficient time to allow the Borrower to defend such claim or action. However, the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Borrower under this Section, if (i) the party seeking indemnification shall not have had knowledge or notice of such claim or action, or (ii) the Borrower's ability to defend such claim or action shall not thereby be materially impaired. In the event, however, that (x) the party seeking indemnification shall not have notified the Borrower promptly of any such claim or action after such party's receipt of notice thereof, and (y) the Borrower's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the party seeking indemnity, then the Borrower's obligation to so defend and indemnify shall be qualified to the extent (and only to the extent) of such material impairment.

(e) The provisions of this Section 5.05 shall survive the termination of this Agreement and the payment in full of Obligation No. 2 and the resignation or removal of the Bond Trustee pursuant to the Bond Indenture.

SECTION 5.06. LIMITATION OF ISSUER'S LIABILITY. No obligation of the Issuer under or arising out of this Agreement, or any document executed by the Issuer in connection with any property of the Borrower reimbursed, financed or

refinanced, directly or indirectly, out of Bond proceeds or the issuance, sale or delivery of any Bonds shall impose, give rise to or be construed to authorize or permit a debt or pecuniary liability of, or a charge against the general credit of, the Issuer, the State or any political subdivision of the State, but each such obligation shall be a limited obligation of the Issuer payable solely from the Pledged Revenues.

The Bonds shall not be deemed to constitute a debt, liability or obligation of the Issuer, the State or of any political subdivision or agency thereof, or a pledge of the faith and credit of the Issuer, the State or of any political subdivision or agency thereof, but the Bonds shall be payable solely from the revenues provided therefor in the Bond Indenture and the Issuer will not be obligated to pay the Bonds or the interest thereon except from the revenues and proceeds pledged therefor in the Bond Indenture and neither the faith and credit nor the taxing power of the Issuer, the State or of any political subdivision or agency thereof will be pledged to the payment of the principal of or the interest on the Bonds. The Issuer shall never be required to (i) levy ad valorem taxes on any property to pay the principal of, premium if any, and the interest on the Bonds or to make any other payments provided in the Bond Indenture and this Agreement; (ii) pay the principal of, premium if any, and the interest on the Bonds from any funds of the Issuer other than those derived by the Issuer from the Pledged Revenues; or (iii) enforce any payment or performance by the Borrower pursuant to this Agreement or the Bond Indenture or in respect of the Bonds unless the Issuer's expenses in respect thereof shall be paid from moneys derived under the Loan Agreement or advanced to the Issuer for such purpose by the Borrower and the Issuer shall receive indemnity to its satisfaction. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds, this Agreement, the Bond Indenture, or any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any commissioner, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Bonds, this Agreement, the Bond Indenture, or any certificate or other instrument to be executed in connection with the issuance of the Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof. The Issuer makes no warranty, either express or implied, of the actual or designed capacity of the Project, of the suitability of the Project for the purposes specified in this Agreement, of the condition of the Project or of the suitability of the Project for the Borrower's purposes or needs.

SECTION 5.07. TERMINATION OF OBLIGATIONS AND DISPOSITION OF SURPLUS FUNDS. When all of the Outstanding Bonds have been redeemed or retired and all amounts owed to the Issuer and the Bond Trustee have been paid and all other obligations incurred or to be incurred by the Issuer or the Bond Trustee under the Bond Indenture shall have been paid, or sufficient funds (including investments in Government Obligations or Advance Refunded Municipal Bonds) (as provided in Section 11.02 of the Bond Indenture) are held in trust for the payment of all such unpaid

Outstanding Bonds, the obligations of the Borrower hereunder, including the obligation to make further payments on Obligation No. 2, and the obligations of the Issuer hereunder shall cease, and any surplus funds remaining to the credit of the Funds or Accounts established under the Bond Indenture promptly shall be paid to the Borrower.

SECTION 5.08. MISCELLANEOUS COVENANTS.

(a) The Borrower hereby agrees to operate, repair and maintain the Facilities at its sole expense and to pay the principal of, premium, if any, and interest on the Bonds when due. The Borrower hereby agrees that until the expiration of the term of this Agreement the Project will be operated in a manner such that it continues to constitute a "project" within the meaning of, or otherwise permitted by, the Act, including, specifically, the Financing Act.

(b) The Borrower will promptly provide written notice of any Event of Default to the Issuer and the Bond Trustee upon Borrower's knowledge of such event.

(c) The Borrower will use due diligence to cause the Project to be operated in accordance with the laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof and the Project will conform, in all material respects, with all applicable zoning, planning, building and environmental laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Project. The Borrower has obtained or will cause to be obtained all requisite approvals of the State and of other federal, state, regional and local governmental bodies that are required to own and operate the Project. The Borrower shall do all things necessary to obtain, maintain and renew, from time to time, as necessary all permits, licenses, and governmental approvals necessary to enable it to continue its business as currently conducted.

(d) In the event proceeds of the Bonds are insufficient to pay the costs of the Project in full, the Borrower hereby agrees to pay that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Fund established under the Bond Indenture. The obligation of the Borrower to complete the Project shall survive any termination of this Agreement.

(e) The Borrower shall, at the Borrower's sole expense, comply with the provisions of the Master Indenture relating to the Facilities or which otherwise affect the Bonds.

(f) The Borrower hereby agrees that the Issuer shall have the right, upon reasonable written notice to the Borrower, to enter upon, inspect and examine any portion of the Project at any time during regular business hours in such manner as not to interfere with the normal operations of the Borrower so far as practicable. Representatives of the Borrower may accompany the employees, members or representatives of the Issuer on the premises.

(g) The Borrower hereby agrees to indemnify, protect and hold harmless the Issuer with respect to any nonpayment of any rebate amount with respect to the Bonds and such interest and penalties, and with respect to the unavailability or insufficiency of funds with which to make such payments and with respect to any expenses or costs incurred in complying with the terms of the Tax Agreement.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. AGREEMENT EVENTS OF DEFAULT. Each of the following events shall constitute and be referred to herein as an "Agreement Event of Default":

(a) If the Borrower shall fail to make, when due, any payment of the principal of, the premium, if any, and interest on any payment hereunder or any Obligation No. 2 Payment when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof.

(b) If the Borrower shall fail duly to comply with, observe or perform any other covenants, conditions, agreements or provisions hereof or under the Tax Agreement for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Borrower by the Issuer or the Bond Trustee, or to the Borrower, the Issuer and the Bond Trustee by the Holders of at least 25 percent in aggregate principal amount of the Bonds then Outstanding. If the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given but is capable of cure, it shall not be an Agreement Event of Default as long as the Borrower has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy and provided such default is remedied within 365 days after the initial notice thereof.

(c) If there occurs any Bond Indenture Event of Default.

(d) If there occurs any Master Indenture Event of Default.

The Borrower shall immediately notify the Issuer and the Bond Trustee in writing if any Agreement Event of Default shall occur. Upon having actual notice of the existence of an Agreement Event of Default, the Bond Trustee shall serve written notice thereof upon the Borrower and the Master Trustee unless the Borrower has expressly acknowledged the existence of such Agreement Event of Default in a writing delivered by the Borrower to the Bond Trustee and the Master Trustee or filed by the Borrower in any court and the Bond Trustee has actual knowledge or notice of such filing.

SECTION 6.02. REMEDIES IN GENERAL. Upon the occurrence and during the continuance of any Agreement Event of Default, but subject to the rights of the Master Trustee under the Master Indenture, the Bond Trustee on behalf of the Issuer, at its option, and after indemnification for its costs, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Borrower hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Borrower's performance hereunder.

(b) Take any action at law or in equity to collect the Obligation No. 2 Payments then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Borrower hereunder.

(c) Apply to a court of competent jurisdiction for the appointment of a receiver (but only in the case of an Agreement Event of Default described in Section 6.01(a), (c) or (d) hereof) of any or all of the property of the Borrower, such receiver to have such powers as the court making such appointment may confer. Each member of the Borrower hereby consents and agrees, and will, if requested by the Bond Trustee, consent and agree at the time of application by the Bond Trustee for appointment of a receiver and to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effect as such member of the Borrower could do so, and to borrow money and issue evidences of indebtedness as such receiver.

SECTION 6.03. DISCONTINUANCE OR ABANDONMENT OF DEFAULT PROCEEDINGS. If any proceedings taken by the Issuer or the Bond Trustee on account of any Agreement Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Issuer or the Bond Trustee, then and in every case the Issuer, the Bond Trustee, the Borrower shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee with respect to subsequent Agreement Events of Default shall continue as though no such proceeding had taken place.

SECTION 6.04. REMEDIES CUMULATIVE. No remedy conferred upon or reserved to the Issuer or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or

from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Agreement Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Issuer or the Bond Trustee. In the event of any waiver of an Agreement Event of Default hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Agreement Event of Default or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

SECTION 6.05. APPLICATION OF MONEYS COLLECTED. Any amounts collected pursuant to action taken under this Article VI shall be applied, subject to the provisions of the Master Indenture, in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on Obligation No. 2.

SECTION 6.06. ATTORNEYS' FEES AND OTHER EXPENSES. If, as a result of the occurrence of an Agreement Event of Default, the Issuer or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower (including attorneys' fees incurred in any bankruptcy proceeding), the Borrower will, on demand, reimburse the Issuer or the Bond Trustee, as the case may be, for the reasonable out-of-pocket fees and expenses of such attorneys and their paralegals and such other reasonable out-of-pocket expenses so incurred.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. AMENDMENTS AND SUPPLEMENTS. This Agreement may be amended, changed or modified only as provided in Article X of the Bond Indenture. Written consent of the Issuer shall be required for any amendments materially affecting the retained rights of the Issuer, including any indemnification rights, any material terms of the Bonds or any amendments to this Section 7.01.

SECTION 7.02. APPLICABLE LAW; ENTIRE UNDERSTANDING. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State. This Agreement, together with the other accompanying documents, express the entire understanding and all agreements of the parties hereto with each other, and neither party hereto has made or shall be bound by any agreement or any representation to the other party which is not expressly set forth herein or incorporated herein by reference.

SECTION 7.03. EXECUTION IN COUNTERPARTS; ONE INSTRUMENT. This Agreement may be executed in several counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

SECTION 7.04. SEVERABILITY. In the event any clause or provision hereof shall be held to be invalid by any court of competent jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions hereof.

SECTION 7.05. NON-BUSINESS DAYS. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

SECTION 7.06. APPROVAL OF BOND INDENTURE AND BONDS. The Borrower hereby approves the Bond Indenture and accepts all provisions contained therein, including, specifically the obligations of the Borrower to provide written direction to the Issuer and to pay expenses of the Issuer. The Borrower hereby approves the issuance of the Bonds as prescribed in the Bond Indenture.

SECTION 7.07. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Agreement is intended or shall be construed to give to any Person other than the parties hereto, the Borrower, the Bond Trustee on behalf of the Issuer and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Agreement or any covenants, conditions or provisions herein contained; this Agreement and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Holders of the Bonds as herein provided.

SECTION 7.08. BINDING EFFECT. This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Borrower and their respective successors and assigns subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

SECTION 7.09. NOTICES. Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows or if given by facsimile transmission promptly confirmed by first class mail:

(i) If to the Issuer, addressed to:

City of Pompano Beach, Florida
100 West Atlantic Boulevard
Pompano Beach, Florida 33060
Attention: City Manager
Telephone: (954) 786-4600
Facsimile:

With a copy to:

Office of City of Pompano Beach City Attorney
100 West Atlantic Boulevard
Pompano Beach, Florida 33060
Attention: City Attorney
Telephone: (954) 786-4600
Facsimile:

(ii) If to the Bond Trustee, addressed to:

U.S. Bank National Association
200 South Biscayne Blvd. Suite 1870
Miami, FL 33131
Attention: U.S. Bank Global Corporate Trust Services
Telephone: (305) 350-1750
Facsimile: (305) 350-1746

(iii) If to the Borrower, addressed to:

John Knox Village of Florida, Inc.
651 S.W. 6th Street
Pompano Beach, Florida 33060
Attention: Chief Executive Officer and Chief Financial
Officer
Telephone: (954) 783-4020
Facsimile: (954) 783-4097

The Issuer, the Bond Trustee and the Borrower may from time to time by notice in writing to the others designate a different address or addresses for notice hereunder.

IN WITNESS WHEREOF, the Borrower has caused these presents to be signed in its name and on its behalf by its duly authorized officer, and the Issuer has caused these presents to be signed in its name and on its behalf and attested by its duly authorized secretary, all as of the day and year first above written.

**JOHN KNOX VILLAGE OF FLORIDA,
INC.**

Name:

Title:

CITY OF POMPANO BEACH, FLORIDA

[Mayor][City Manager]

ATTEST:

City Clerk

EXHIBIT C

FORM OF PURCHASE CONTRACT

City of Pompano Beach, Florida
Revenue Bonds
(John Knox Village Project),
Series 2015

BOND PURCHASE AGREEMENT

January __, 2015

City of Pompano Beach, Florida
Pompano Beach, Florida

John Knox Village of Florida, Inc.,
as Obligated Group Representative on
behalf of itself and the Obligated Group
Pompano Beach, Florida

To the Addressees:

The undersigned, PNC Capital Markets LLC (the "Underwriter"), being duly authorized, hereby offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the City of Pompano Beach, Florida (the "Issuer") and John Knox Village of Florida, Inc. (the "Borrower") for the purchase by the Underwriter and the sale by the Issuer of the Bonds referred to in Section 1 hereof. This offer is made subject to acceptance by the Issuer and the Borrower of this Purchase Agreement, which acceptance shall be evidenced by the execution of this Purchase Agreement by duly authorized officers of the respective parties prior to 5:00 P.M., Eastern Daylight Time on February __, 2015. Upon such acceptance, execution and delivery, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer, the Borrower and the Underwriter. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Bond Indenture (as defined below) or in the Final Official Statement referred to in Section 2 hereof.

1. Purchase and Sale. Upon the terms and conditions and based on the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of \$_____ in aggregate principal amount of City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds"), at the purchase price of \$_____ (which represents the par amount of the Bonds less underwriter's discount of \$_____ [plus/less] original issue [premium/discount] of \$_____).

2. Authorizing Instruments. The Bonds shall be as described in, and shall be authorized by, a resolution adopted by the Issuer on January 13, 2015 (the "Resolution"). The Bonds shall be issued and secured under and pursuant to a Bond Indenture to be dated as of February 1, 2015 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as bond trustee (in such capacity, the "Bond Trustee"), and shall be payable from the Trust Estate (as defined in the Bond Indenture), including the revenues derived by the Issuer under a Loan Agreement to be dated as of February 1, 2015 (the "Loan

Agreement"), by and between the Issuer and the Borrower. The Borrower will secure and provide for the payment of its obligations under the Loan Agreement by issuing Obligation No. 2 relating to the Bonds ("Obligation No. 2") pursuant to Supplemental Indenture for Obligation No. 2 to be dated as of February 1, 2015 (the "Supplement") to the Amended and Restated Master Trust Indenture dated as of December 1, 2010, as amended, and as supplemented by the Supplemental Indenture for Obligation No. 2, to be dated as of February 1, 2015 (as amended, the "Master Indenture"), each between the Obligated Group and U.S. Bank National Association, as master trustee (in such capacity, the "Master Trustee").

Obligations issued under the Master Indenture are secured by (i) a security interest in the Gross Revenues (as defined in the Master Indenture) of the Obligated Group and by and (ii) the Mortgage (as defined in the Master Indenture).

The Bonds shall be dated their date of delivery (the "Closing Date"), and shall have the terms specified in the Preliminary Official Statement dated January __, 2015 (the "Preliminary Official Statement") and the Final Official Statement to be dated the date of this Purchase Agreement (the "Final Official Statement"), including the principal amounts, maturities and interest rates set forth in Exhibit A annexed hereto. The Bonds shall be subject to optional and mandatory sinking fund redemption as described in Exhibit B hereto and as otherwise set forth in the Bond Indenture.

3. Public Offering of Bonds. The Underwriter agrees to make a bona fide public offering of the Bonds, solely pursuant to the Preliminary Official Statement and the Final Official Statement at the initial offering prices set forth on the inside cover page of the Final Official Statement, reserving, however, the rights to (i) change such initial offering prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds and (ii) offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at concessions to be determined by the Underwriter. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

The Issuer and the Borrower acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or fiduciary of the Issuer or the Borrower; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer or the Borrower on other matters) nor has it assumed any other obligation to the Issuer or the Borrower except the obligations expressly set forth in this Purchase Agreement; (iv) the Underwriter has financial and other interests that differ from those of the Issuer and the Borrower; and (v) the Issuer and the Borrower have consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds.

4. Use of Proceeds. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the Borrower pursuant to the Loan Agreement and will be used by the Borrower, together with other available moneys, to (1) finance and reimburse the Borrower for the cost of certain capital improvements for or to the senior living and health care facilities owned and operated by the Borrower; (2) fund a debt service reserve fund for the Bonds; and (3) pay the costs of issuance of the Bonds.

5. Preliminary and Final Official Statements.

(a) The Borrower has caused to be prepared, and the Borrower hereby confirms that it has heretofore made available to the Underwriter the Preliminary Official Statement. The Borrower agrees to deliver to the Underwriter, at such address as the Underwriter shall specify, as many copies of the Final Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") under the Securities Exchange Act of 1934, as amended, (the "1934 Act") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The Borrower agrees to deliver such Final Official Statement within seven business days after the execution hereof. The Issuer is not undertaking any responsibility for the accuracy or completeness of any of the information in the Preliminary Official Statement or the Final Official Statement except for the accuracy of the information contained under the captions "THE ISSUER" and "LITIGATION—Issuer."

(b) The Borrower by its acceptance hereof, ratifies and approves the Preliminary Official Statement as of its date and authorize and approves the Final Official Statement (the Final Official Statement and any amendments or supplements that may be authorized for use with respect to the Bonds are herein referred to collectively as the "Official Statement"), consent to their distribution and use by the Underwriter and authorize the execution of the Final Official Statement by duly authorized officers of the Borrower. The Borrower confirms that the Preliminary Official Statement was deemed "final," except for certain permitted omissions, within the contemplation of and for purposes of the Rule. The Issuer by its acceptance hereof approves the references to the City in the Preliminary Official Statement and the Final Official Statement and ratifies and approves its consent to the use and distribution thereof by the Underwriter in connection with the marketing and sale of the Bonds.

(c) The Underwriter shall give notice to the Issuer and the Borrower on the date after which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Final Official Statements pursuant to paragraph (b)(4) of the Rule.

6. Disclosure. As of the date hereof the Underwriter has filed with the Issuer the disclosure and truth-in-bonding statement attached hereto as Exhibit G.

7. Agreed Upon Procedures and Auditor Consents.

(a) On or prior to the date of delivery of the Preliminary Official Statement, there has been delivered to the Underwriter (i) a letter of CliftonLarsonAllen LLP dated the date of the Preliminary Official Statement, with agreed upon procedures performed to a date not more than three (3) business days prior to the date thereof in substantially the form attached as Exhibit C hereto ("Agreed Upon Procedures Letter") and (ii) a letter from CliftonLarsonAllen LLP consenting to the inclusion of their report on the Borrower's audited financial statements and to references to them under the heading "FINANCIAL STATEMENTS" in the Preliminary Official Statement.

(b) At least three (3) business days prior to the printing of the Final Official Statement, there shall be delivered to the Underwriter (i) a letter of CliftonLarsonAllen LLP dated the date hereof, to the effect that such accountants reaffirm the statements made given in

the Agreed Upon Procedures Letter and (ii) a letter from CliftonLarsonAllen LLP consenting to the inclusion of their report on the Borrower's audited financial statements and to references to them under the heading "FINANCIAL STATEMENTS" in the Final Official Statement substantially in the form attached hereto as Exhibit C.

8. Representations, Warranties and Covenants of the Issuer. The Issuer hereby represents, warrants and covenants to the Underwriter as follows:

(a) The Issuer is a duly organized and existing municipal corporation of the State of Florida created and existing under the Constitution and laws of the State of Florida with the powers, among others, set forth in the Florida Constitution, the Charter of the Issuer, Chapter 166, Florida Statutes, as amended, and a "local agency" under Chapter 159, Part II, Florida Statutes, as amended.

(b) The Issuer is authorized under the laws of the State of Florida (i) to issue the Bonds for the purposes described in Section 4 hereof; (ii) to pledge the Trust Estate to the Bond Trustee under and pursuant to the Bond Indenture, for the benefit of the owners of the Bonds; (iii) to execute and deliver this Purchase Agreement, the Bonds, the Bond Indenture and the Loan Agreement; and (iv) to carry out and consummate all of the transactions contemplated on its part by this Purchase Agreement, the Resolution, the Bonds, the Bond Indenture, the Loan Agreement (collectively, the "Issuer Documents") and the Preliminary and Final Official Statements.

(c) The information relating to the Issuer under the captions "THE ISSUER" and "LITIGATION—Issuer" contained in the Preliminary Official Statement does not, and as of the date of closing such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not and the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. It is understood and agreed to by the parties hereto that the Issuer's representations with respect to the information contained in the Preliminary Official Statement and Final Official Statement is limited to the foregoing.

(d) If, at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 5(c) hereof that the Final Official Statement is no longer required to be delivered under the Rule or (ii) 90 days after the Closing, any event occurs with respect to the Issuer, as a result of which the information in the Preliminary Official Statement or the Final Official Statement under the captions "THE ISSUER" and "LITIGATION - Issuer" as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall promptly notify the Underwriter in writing of such event. Any information supplied by the Issuer for inclusion in any amendments or supplements to the Preliminary Official Statement or Final Official Statement pursuant to the foregoing will not contain any untrue or misleading statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

[(e) The Issuer has duly adopted the Resolution and has duly authorized all actions required to be taken by it for (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Bond Indenture; (ii) the execution, delivery and due performance of this Purchase Agreement, the Bonds, the Bond Indenture and the Loan Agreement; and (iii) the delivery of the Preliminary and Final Official Statements, and any and all such other agreements and documents as may be required to be executed, delivered, or performed by the Issuer in order to carry out, give effect to and consummate the transactions contemplated on its part hereby and by each of the aforesaid documents.]

[(f) Except as may be described in the Preliminary and Final Official Statements, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Issuer from functioning or contesting or questioning the existence of the Issuer or the titles of the present officers of the Issuer to their offices or (ii) wherein an unfavorable decision, ruling or finding would (A) adversely affect the existence or powers of the Issuer or the validity or enforceability of the Resolution, the Bonds, the Bond Indenture, the Loan Agreement, this Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby including, without limitation, the Issuer Documents or by the aforesaid documents; or (B) materially adversely affect (i) the transactions contemplated by the Issuer Documents; or (ii) the exemption of the interest on the Bonds from federal or State of Florida income taxation.]

(g) The adoption by the Issuer of the Resolution and the execution and delivery by the Issuer of the Issuer Documents, and the compliance with the provisions thereof, will not conflict with or constitute on the part of the Issuer a violation of, breach of or default under (i) any constitutional provision, statute, indenture, mortgage, lease, resolution, note, agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; or (ii) any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Issuer or any of its properties.

(h) The Issuer is not in breach of or in default under the Resolution, the Issuer Documents, any applicable law or administrative regulation of the State of Florida or the United States of America, or any applicable judgment or decree, or any loan agreement, note, resolution or other agreement or instrument to which the Issuer is a party or is otherwise subject, which breach or default would in any way materially adversely affect its authorization or issuance of the Bonds and the transactions contemplated hereby, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default.

(i) All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, that are required to be obtained by the Issuer in connection with its issuance and sale of the Bonds, its execution and delivery of this Purchase Agreement, and the consummation by the Issuer of the transactions contemplated by this Purchase Agreement, the Resolution, the Bond Indenture, the Loan Agreement and the Preliminary and Final Official Statements have been duly obtained and remain in full force and effect, except that no representation is made as to compliance with any applicable state securities or "Blue Sky" laws.

(j) Neither the Issuer nor anyone acting on its behalf has, directly or indirectly, offered the Bonds or any similar securities of the Issuer relating in any way to any related project or facility or to the Borrower for sale to, or solicited any offer to buy the same from, anyone other than the Underwriter.

(k) To the best of its knowledge, neither the Securities and Exchange Commission nor any state securities commission has issued or threatened to issue any order preventing or suspending the use of the Preliminary Official Statement or of the Final Official Statement.

(l) Any certificate signed by an authorized officer of the Issuer delivered to the Underwriter shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein, and not a representation or warranty of the individual signatory.

(m) The Issuer has the power to issue, as a conduit issuer, bonds as limited obligations of the Issuer, payable solely from payments to be made by the respective non-governmental entities which use or own the projects financed. Some bonds issued by the Issuer may have been, and may continue to be, in default, but to the best knowledge of the Issuer, the borrowers under the related loan or lease agreements are unrelated to the Borrower and other members of the Obligated Group, if any. To the best knowledge of the Issuer, the Issuer has not been in default as to principal or interest at any time after December 31, 1975, as to any debt obligations relating to the Borrower or any other member of the Obligated Group.

[(n) This Purchase Agreement, the Bond Indenture and the Loan Agreement are in the substantial forms approved by the Issuer and upon the execution and delivery thereof by the Issuer and the other parties thereto, each will constitute the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms (subject in each case to principles of equity, regardless of whether proceedings for enforcement be of a legal or equitable nature, and to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).]

[(o) The Bonds will be duly authorized, executed, authenticated, issued and delivered and will constitute legal, valid and binding limited obligations of the Issuer and are entitled to the benefits and security of the Bond Indenture (subject to principles of equity, regardless of whether proceedings for enforcement be of a legal or equitable nature, and any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).]

(p) The Bonds will be limited obligations of the Issuer, payable from and secured by the Trust Estate, including the moneys derived by the Issuer from the Borrower pursuant to the Loan Agreement, and will not constitute an obligation or debt of the Issuer or the State of Florida, or any political subdivision thereof, and neither the faith nor credit of the Issuer or the State of Florida, or any political subdivision thereof, is pledged to the payment of the Bonds.

(q) To the best of its knowledge, the Issuer has not been advised by the Commissioner, any District Director, or any other official of the Internal Revenue Service ("IRS") that certifications by the Issuer with respect to arbitrage may not be relied upon.

(r) The Issuer has and will cooperate with any reasonable request of the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States of America as the Underwriter may request; provided, however, that the Issuer will not be required to pay any expenses or costs (including but not limited to legal fees) incurred in connection with such qualification or to qualify as a foreign corporation or to file any general or special consent to service of process under the laws of any state or other jurisdictions of the United States.

9. Representations, Warranties and Covenants of the Borrower. In order to induce the Underwriter and the Issuer to enter into this Purchase Agreement and in order to induce the Issuer to enter into the Loan Agreement and this Purchase Agreement, the Borrower represents, warrants and covenants to the Underwriter and the Issuer as follows:

(a) The Borrower is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida and is qualified to transact business as a corporation in good standing under the laws of the State of Florida.

(b) The Borrower is authorized under the laws of the State of Florida to carry out and consummate all of the transactions contemplated on its part by this Purchase Agreement, the Loan Agreement, the Master Indenture, Obligation No. 2, the Supplement, the Continuing Disclosure Certificate to be dated as of February 1, 2015 (the "Continuing Disclosure Certificate") from the Borrower, the Mortgage, the Preliminary Official Statement and the Final Official Statement (collectively, the "Borrower Documents"). The Borrower is currently the sole Member of the Obligated Group.

(c) The Borrower has been determined to be and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code") by virtue of being an organization described in Section 501(c)(3) of the Code, is not a "private foundation" as defined in Section 509(a) of the Code and is exempt from federal income taxation under Section 501(a) of the Code, with the exception of any taxation deemed to be unrelated business taxable income and with the exception of any amounts deemed taxable by virtue of Section 527(f) of the Code. The Borrower (i) has not impaired its status as an organization exempt from federal income taxes under the Code, (ii) is in compliance with the provisions of the Code and any applicable regulations thereunder necessary to maintain such status, (iii) is organized and operated exclusively for charitable, educational or benevolent purposes and not for pecuniary profit, and (iv) is organized and operated such that no part of its net earnings will inure to the benefit of any private shareholder or individual.

(d) The Borrower (i) agrees to file annual returns of an exempt organization on Form 990 for each fiscal year as required by law; and (ii) is not currently and does not expect to be the subject of any claim by the IRS that its operations or activities constitute a trade or business that, within the meaning of Section 513 of the Code, is unrelated to the purposes for which such Member is organized and operated.

(e) The Borrower has all necessary corporate power and authority (i) to conduct its business and operate all of its properties and facilities; (ii) to execute and deliver the Borrower Documents and to perform its obligations under the Borrower Documents; and (iii) to carry out and consummate all the transactions contemplated on its part by the Borrower Documents.

(f) The information relating to the Borrower, its properties, financial condition and operations contained in the Preliminary Official Statement is, and as of the date of closing such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not and the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the Borrower, its properties, financial condition or operations or omit to state any material fact relating to the Borrower necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Borrower has duly authorized all actions required to be taken by it for the execution and delivery of the Borrower Documents, and due performance of the Borrower Documents.

(h) The Master Indenture, the Loan Agreement, Obligation No. 2, the Supplement, the Continuing Disclosure Certificate and the Mortgage are in the substantial forms or otherwise within the scope approved by the Borrower, and upon the execution and delivery thereof (which in certain cases occurred prior to the date of this Purchase Agreement), each will (or does in the case of documents executed and delivered prior to the date of this Purchase Agreement) constitute the valid and legally binding obligation of the Borrower, enforceable in accordance with its terms (subject in each case to usual principles of equity and to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).

(i) The Borrower will apply the moneys loaned by the Issuer from the proceeds of the sale of the Bonds as specified in the Bond Indenture, the Loan Agreement, the Preliminary and Final Official Statements and this Purchase Agreement.

(j) Except as described in the Preliminary and Final Official Statements, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending (as to which the Borrower has received notice or service of process) or, to the knowledge of the Borrower, threatened against or affecting the Borrower (or, to the knowledge of the Borrower, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Borrower from functioning, or contesting or questioning the existence of the Borrower or the titles of the current officers of the Borrower to their offices or (ii) wherein an unfavorable decision, ruling or finding would adversely affect (A) the existence or powers of the Borrower; (B) the financial position of the Borrower; (C) the tax-exempt status of the Borrower under Sections 501(a) and 501(c)(3) of the Code; (D) the transactions contemplated hereby or by the documents referred to in (E) immediately below; (E) the validity or enforceability of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2, the Supplement, this Purchase Agreement, the Continuing Disclosure Certificate, the Mortgage or any agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the aforesaid documents; or (F) the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation.

(k) The execution and delivery by the Borrower of this Purchase Agreement, the Master Indenture, the Loan Agreement, Obligation No. 2, the Supplement, the Mortgage, the Continuing Disclosure Certificate and the other documents contemplated hereby and by the

Preliminary and Final Official Statements, and the compliance by the Borrower with the provisions thereof, do not conflict with or constitute on the part of the Borrower a violation of, breach of or default under (i) its Articles of Incorporation, Bylaws or any other governing instruments; (ii) any constitutional provision, statute, indenture, mortgage, lease, resolution, note, agreement or other agreement or instrument to which it is a party or by which it is bound; or (iii) any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its properties. All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, that are required to be obtained by the Borrower in connection with the issuance and sale of the Bonds, the execution and delivery of this Purchase Agreement, and the consummation of the transactions contemplated by this Purchase Agreement, the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2, the Supplement, the Mortgage, the Continuing Disclosure Certificate and the Preliminary and Final Official Statements have been duly obtained and remain in full force and effect, except those related to the installation of the capital improvements being financed with the proceeds of the Bonds that cannot be obtained at this time (but which the Borrower reasonably believes will be obtained) and that no representation is made as to compliance with any applicable state securities or "Blue Sky" laws.

(l) Neither the Borrower nor anyone acting on its behalf has, directly or indirectly, offered the Bonds for sale to, or solicited any offer to buy the same from, anyone other than the Underwriter.

(m) The Preliminary and Final Official Statements have been duly authorized by the Borrower, and the Borrower has consented to the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(n) Neither the Securities and Exchange Commission nor any state securities commission has issued or, to the best of the knowledge of the Borrower, threatened to issue, any order against the Borrower preventing or suspending the use of the Preliminary Official Statement or the Final Official Statement or otherwise seeking to enjoin the offer or sale of the Bonds.

(o) Any certificate signed by an authorized officer of the Borrower and delivered to the Issuer or the Underwriter shall be deemed a representation and warranty by the Obligated Group to the Issuer or the Underwriter as to the statements made therein.

(p) The Borrower has never defaulted in the payment of principal of or interest on any of its bonds, notes or other securities.

(q) The Borrower has created no other lien, encumbrance or security interest with respect to the Mortgaged Property or the Gross Revenues (each as defined in the Master Indenture) other than those permitted by the Master Indenture.

(r) The Borrower has and will cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States of America as the Underwriter may request; provided, however, that the Borrower will not be required to qualify as a foreign corporation or file any special or general consents to service of process under the laws of any state.

(s) The Borrower will establish and adopt appropriate continuing disclosure policies and procedures and training regarding its continuing disclosure obligations pursuant to the Rule within 180 days after the execution and delivery of this Bond Purchase Agreement

10. Closing. By no later than 1:00 P.M., Eastern Time, on February __, 2015 (the "Closing Date"), the Issuer will deliver, or cause to be delivered, to or upon the order of the Underwriter, the Bonds, in definitive form, duly executed and authenticated, together with the other documents required in Section 11 hereof, and the Underwriter will accept such delivery and pay the purchase price of the Bonds. Payment for the Bonds shall be made in immediately available funds by check or by bank wire transfer payable to the order of the Bond Trustee on behalf of the Issuer.

The closing of the sale of the Bonds as aforesaid (the "Closing") shall be held at the offices of _____, Florida, except that physical delivery of the Bonds shall be made to the Bond Trustee as agent for The Depository Trust Company, for the account of the Underwriter. Unless otherwise requested by the Underwriter at or prior to the Closing, the Bonds will be delivered at the Closing in fully registered form, registered to Cede & Co., and in the form of one certificate for each maturity of the Bonds.

11. Closing Conditions. The obligations of the Underwriter hereunder shall be subject (i) to the performance by the Issuer and the Borrower of their respective obligations to be performed hereunder at and prior to the Closing or such earlier time as may be specified herein; (ii) to the accuracy of each of the representations and warranties of the Issuer and the Borrower contained herein as of the date hereof and as of the time of the Closing, as if made at and as of the time of the Closing; and (iii) to the following conditions, including the delivery by the Issuer and the Borrower of such documents as are contemplated hereby in form and substance satisfactory to the Underwriter and its counsel:

(a) At the time of the Closing (i) the Final Official Statement, the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2, the Continuing Disclosure Certificate, the Supplement and the Mortgage shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; (ii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions, including the Resolution as, in the reasonable opinion of Bond Counsel and Counsel to the Underwriter, shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received the following documents:

(i) The approving opinion of Bond Counsel, dated the date of the Closing and substantially in the form attached as Appendix E to the Final Official Statement, together with a reliance letter addressed to the Underwriter (which may be included in the opinion referred to in clause (ii) below).

(ii) The supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Issuer and the Underwriter, to the effect that based on their review of the Final Official Statement the statements set forth therein under the headings "INTRODUCTION - Purpose of the Bonds and - Security for the Bonds," "PLAN OF FINANCE," "THE BONDS," "SECURITY FOR THE BONDS" and "TAX MATTERS" and in Appendices C and E, solely insofar as such statements purport to

describe or summarize the provisions of the Act, the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, the Supplement, the Mortgage, Obligation No. 2 and certain provisions of the Code, are accurate and fair summaries of the provisions purported to be summarized therein.

(iii) An opinion of Counsel to the Borrower, dated the date of the Closing and substantially in the form attached hereto as Exhibit D.

(iv) An opinion of Counsel to the Issuer, dated the date of the Closing, and substantially in the form attached hereto as Exhibit E.

(v) An opinion of Counsel to the Underwriter, dated the date of closing, and substantially in the form attached hereto as Exhibit F.

(vi) An opinion of Counsel to the Bond Trustee and the Master Trustee addressed to the Issuer and the Underwriter in a form reasonable acceptable to Bond Counsel and Counsel to the Underwriter.

(vii) A certificate of the Issuer, dated the date of Closing, signed by an authorized officer of the Issuer in form and substance reasonably satisfactory to the Underwriter, its counsel and Bond Counsel, to the effect that the representations and warranties of the Issuer contained herein are true and correct in all material respects as of the Closing and that the Issuer has performed its obligations under this Purchase Agreement.

(viii) A certificate of the Borrower, dated the Closing Date, signed by an authorized officer of the Borrower in form and substance reasonably satisfactory to the Underwriter, its counsel and Bond Counsel, to the effect that the representations and warranties of the Borrower contained herein are true and correct in all material respects as of the Closing and that the Borrower has performed its obligations under this Purchase Agreement.

(ix) The Preliminary and Final Official Statements duly executed, as applicable, by the Borrower by duly authorized officers together with evidence of the consent by CliftonLarsonAllen LLP to the inclusion of their report in Appendix B to the Preliminary and Final Official Statements.

(x) Executed counterparts (or copies, as applicable) of the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2, the Supplement, the Continuing Disclosure Certificate and the Mortgage, together with due evidence of the recording of any Uniform Commercial Code financing statements required with respect thereto.

(xi) Certified copy of the Resolution, authorizing the issuance, sale, execution and delivery of the Bonds and the execution, delivery and performance of the Bond Indenture, the Loan Agreement and this Purchase Agreement, and authorizing the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(xii) Certified copy of resolutions of the Borrower authorizing the execution, delivery and performance of the Borrower Documents, and authorizing the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(xiii) A specimen of the Bonds.

(xiv) Evidence of maintenance of insurance required by the Master Indenture.

(xv) A letter from CliftonLarsonAllen LLP dated within not more than three (3) business days prior to any Supplement to the Official Statement related to the distribution of the audited financial statements of the Borrower for the Fiscal Year ended December 31, 2013 consenting to the inclusion of their report in such Supplement.

(xvi) Copies of the (A) Articles of Incorporation of the Borrower, certified as of a recent date by the Secretary of State of Florida and (B) Bylaws of the Borrower, together with a certificate of an officer of the Borrower that such Articles of Incorporation and bylaws have not been amended, modified, revoked or rescinded and are in full force and effect as of the Closing Date.

(xvii) A Certificate of the Secretary of State of the State of Florida with respect to the good standing of the Borrower.

(xviii) IRS Form 8038, signed by an authorized officer of the Issuer.

(xix) Evidence satisfactory to Bond Counsel and Counsel to the Underwriter that the Borrower is an organization described in Section 501(c)(3) of the Code and is not a private foundation as described in Section 509(a) of the Code.

(xx) Evidence of public hearings and approvals relating thereto by the Issuer and each entity having legislative authority over the jurisdiction in which the capital improvements being financed or reimbursed with the proceeds of the Bonds are or will be located, as required by Section 147(f) of the Code, together with an executed copy of the Interlocal Agreement between the Issuer and each of such entities.

(xxi) The certificates and opinions required by the Master Indenture for the issuance thereunder of Obligation No. 2.

(xxii) The Tax Certificate, between the Borrower and the Issuer.

(xxiii) One signed copy of a request and authorization to the Bond Trustee to authenticate and deliver the Bonds.

(xiv) Rating letter from Fitch Ratings, Inc. ("Fitch") confirming that the Bonds have been rated "A-".

(xv) Such additional legal opinions, certificates, proceedings, instruments and other documents as Counsel for the Underwriter may reasonably request to evidence compliance by the Issuer and the Borrower with the legal requirements, the truth and

accuracy, as of the time of Closing, of the representations of the Issuer and the Borrower herein contained and the due performance or satisfaction by the Issuer and the Borrower, at or prior to the Closing, of all agreements then required to be performed and all conditions then required to be satisfied by the Issuer and the Borrower at the Closing.

12. Conditions to Obligations of the Underwriter. The Underwriter shall have the right to cancel its obligations to purchase and accept delivery of the Bonds hereunder by notifying the Issuer and the Borrower, in writing, of its election to do so between the date hereof and the Closing if, on or after the date hereof and prior to the Closing:

(a) legislation shall be enacted or be actively considered for enactment by the Congress, or recommended to the Congress for passage by the President of the United States (and actively considered for enactment by Congress), or favorably reported for passage to either House of the Congress by a committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the IRS or other governmental agency shall be made or proposed to be made with respect to federal taxation upon revenues or other income of the general character to be derived by the Borrower or the Issuer or by any similar body, or upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired that have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including but not limited to any challenge of any Member of the Obligated Group as to its status as an organization described in Sections 501(a) and 501(c)(3) of the Code, that, in the opinion of the Underwriter, materially and adversely affects the market price of the Bonds or the market price generally of obligations of the general character of the Bonds; or

(b) any legislation, ordinance or regulation shall be enacted or be actively considered for enactment by the Issuer, any governmental body, department or agency of the State of Florida or a decision by any court of competent jurisdiction within the State of Florida shall be rendered that, in the opinion of the Underwriter, materially and adversely affects the market price of the Bonds; or

(c) any action shall have been taken by the Securities and Exchange Commission that would require the registration of the Bonds under the Securities Act of 1933, as amended (the "1933 Act"), or the qualification of the Bond Indenture or the Master Indenture under the Trust Indenture Act of 1939, as amended (the "TIA"); or

(d) any event shall have occurred or shall exist that, in the opinion of the Underwriter, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary and Final Official Statements, or (ii) is not reflected in the Preliminary and Final Official Statements and should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, and the Issuer and the Borrower shall not agree to supplement the Preliminary and Final Official Statements to correct the same; or

(e) there shall have occurred any outbreak of, or escalation in, hostilities or other national or international calamity or crisis or a financial crisis, including, but not limited to, (i) the

United States engaging in hostilities or (ii) a declaration of war or a national emergency by the United States (including acts of terrorism) on or after the date hereof which, in the sole opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(f) trading shall be suspended, or new or additional trading or loan restrictions shall be imposed, by the New York Stock Exchange or other national securities exchange or governmental authority with respect to obligations of the general character of the Bonds or a general banking moratorium shall be declared by federal, Florida or New York authorities; or

(g) there shall have occurred any change in the financial condition or affairs of the Borrower, the effect of which, in the reasonable judgment of the Underwriter, is so material and adverse as to make it impracticable or inadvisable to proceed with the offering or delivery of the Bonds on the terms and in the manner contemplated by the Preliminary and Final Official Statements; or

(h) Any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or questioning any authority for or the validity of the Bonds or the money or revenues pledged to the payment thereof or any of the proceedings of the Issuer or any of the Members of the Obligated Group taken with respect to the issuance and sale thereof; or

(i) The withdrawal or downgrading of the Fitch rating on the Bonds.

13. Termination by the Underwriter. If the Issuer or the Borrower is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate at the option of the Underwriter and neither the Underwriter nor the Issuer nor the Borrower shall be under further obligation hereunder; except that the respective obligations to indemnify and pay expenses, as provided in Sections 15 and 18 hereof, shall continue in full force and effect.

14. Termination by the Issuer. The Issuer's obligations hereunder to sell and deliver the Bonds to the Underwriter shall be subject to the satisfaction of all of the conditions set forth in Section 11 above (unless waived by the Underwriter), the performance by the Borrower of the obligations and agreements to be performed thereby at or prior to the Closing Date, including those hereunder, and to the accuracy in all material respects of the representations, warranties and covenants of the Borrower contained herein and in the transaction documents as of the date hereof and as of the Closing Date; and shall also be subject to the following conditions:

(a) The Bond Trustee (on behalf of the Issuer) shall receive the purchase price for the Bonds in accordance with the terms hereof and of the Bond Indenture; and

(b) All certificates, opinions and other documents relating to the transactions; contemplated by this Purchase Agreement shall be delivered in form and substance satisfactory to Counsel to the Issuer; and

(c) All fees and expenses payable by the Borrower pursuant to, and other obligations of the Borrower pursuant to, the Preliminary Agreement dated _____, 2015 between the Issuer and the Borrower shall have been performed or completed with; and

(d) The Bonds have received a rating of "A-" from Fitch.

15. Indemnification.

(a) To the fullest extent permitted by applicable law, the Borrower agrees to indemnify and hold harmless the Underwriter, the Issuer or the other persons described in subsection (b) below against any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), (i) to which the Underwriter, the Issuer or the other persons described in subsection (b) below may become subject under any federal or state securities laws or other statutory law or at common law or otherwise, caused by or arising out of or based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Preliminary and Final Official Statements and not furnished by the indemnified party (it being understood and agreed that the Issuer is responsible solely for the information contained under the captions "THE ISSUER" and "LITIGATION—Issuer") or in the information furnished by the Borrower, directly or indirectly or caused by any omission or alleged omission of information regarding the Borrower from the Preliminary and Final Official Statements and (ii) to which the parties indemnified hereunder or any of them may become subject under the 1933 Act, the 1934 Act, the TIA, the rules or regulations under said acts, insofar as such losses, claims, damages, expenses, actions or liabilities arise out of or are based upon the failure to register the Bonds or any security therefor under the 1933 Act or to qualify the Bond Indenture or the Master Indenture under the TIA; provided, however, that with respect to (i) above, the Borrower shall not be required to indemnify or hold harmless the Issuer with respect to statements in the Preliminary and Final Official Statements under the captions "THE ISSUER" and "LITIGATION—Issuer" and with respect to (ii) above, the Borrower shall not be required to indemnify or hold harmless the Issuer with respect to any willful misconduct of the Issuer or the Underwriter with respect to the negligence or willful misconduct of the Underwriter.

(b) The indemnity provided under this Section 15 shall extend upon the same terms and conditions to each member, officer, director, employee, agent or attorney of the Underwriter or the Issuer, and each person, if any, who controls the Underwriter or the Issuer within the meaning of Section 16 of the 1933 Act or Section 20 of the 1934 Act. Such indemnity shall also extend, without limitation, to any and all expenses whatsoever reasonably incurred by any indemnified party in connection with investigating, preparing for or defending against, or providing evidence, producing documents or taking any other reasonable action in respect of any such loss, damage, expense, liability or claim (or action in respect thereof), whether or not resulting in any liability, and shall include any loss to the extent of the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever as set forth herein if such settlement is effected with the written consent of the Borrower.

(c) Within a reasonable time after an indemnified party under paragraphs (a) and (b) of this Section 15 shall have been served with the summons or other first legal process or shall have received written notice of the threat of a claim in respect of which an indemnity may be claimed, such indemnified party shall, if a claim for indemnity in respect thereof is to be made

against the Borrower under this Section 15, notify the Borrower in writing of the commencement thereof; but the omission to so notify the Borrower shall not relieve it from any liability that it may have to any indemnified party other than pursuant to paragraphs (a) and (b) of this Section 15. The Borrower shall be entitled to participate at its own expense in the defense, and if the Borrower so elects within a reasonable time after receipt of such notice, or all indemnified parties seeking indemnification in such notice so direct in writing, the Borrower shall assume the defense of any suit brought to enforce any such claim, and in either such case, such defense shall be conducted by counsel chosen promptly by the Borrower and reasonably satisfactory to the indemnified party; provided however, that, if the defendants in any such action include such an indemnified party and the Borrower, or include more than one indemnified party and any such indemnified party shall have been advised by its counsel that there may be legal defenses available to such indemnified party that are different from or additional to those available to the Borrower or another defendant indemnified party, and that in the reasonable opinion of such counsel are sufficient to make it undesirable for the same counsel to represent such indemnified party and the Borrower, or another defendant indemnified party, such indemnified party shall have the right to employ separate counsel (who are reasonably acceptable to the Borrower) in such action, and in such event the reasonable fees and expenses of such counsel shall be borne by the Borrower. Nothing contained in this paragraph (c) shall preclude any indemnified party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the hereunder.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 15 is unavailable or insufficient to hold harmless and indemnify any indemnified party in respect of any losses, damages, expenses, liabilities, or claims (or actions in respect thereof) referred to therein, then the Borrower, on the one hand, and the Underwriter, on the other hand, shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, expenses, actions or liabilities in such proportion as is appropriate to reflect the relative benefits received by the Borrower on the one hand and the Underwriter on the other hand from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, or if the indemnified party failed to give the notice required under subsection (c) above, the Borrower on the one hand and the Underwriter on the other hand shall contribute to such amount paid or payable by the indemnified party in such proportion as is appropriate to effect not only such relative benefits but also the relative fault of the Borrower on the one hand and the Underwriter on the other in connection with the statements or omissions that resulted in such losses, claims, damages, expenses, actions or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Borrower on the one hand and the Underwriter on the other hand shall be deemed to be in such proportion so that the Underwriter is responsible for that portion represented by the percentage that the underwriting discount payable to the Underwriter hereunder (i.e., the excess of the aggregate public offering price for the Bonds as set forth on the inside cover page of the Final Official Statement over the price to be paid by the Underwriter to the Issuer upon delivery of the Bonds as specified in Section 1 hereof) bears to the aggregate public offering price as described above, and the Borrower is responsible for the balance. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Borrower on the one hand or the Underwriter on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Borrower and the Underwriter agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, damages, expenses, liabilities, claims or actions referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

The foregoing indemnification shall be in addition to any indemnification provisions of the Loan Agreement.

16. Survival of Indemnity. The indemnity and contribution provided by Section 15 hereof shall be in addition to any other liability that the Borrower may otherwise have hereunder, at common law or otherwise, and is provided solely for the benefit of the Underwriter, the Issuer and each member, director, officer, employee, agent, attorney and controlling person referred to therein, and their respective successors, assigns and legal representatives, and no other person acquire or have any right under or by virtue of such provisions of this Purchase Agreement. The indemnity and contribution provided by Section 15 hereof shall survive the termination or performance of this Purchase Agreement.

17. Survival of Representations. All representations, warranties and agreements of the Borrower set forth in or made pursuant to this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

18. Payment of Expenses. If the Bonds are sold to the Underwriter by the Issuer, the Borrower shall pay, out of the proceeds of the Bonds or from their own funds, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation, reproduction, printing, distribution, mailing, execution, delivery, filing and recording, as the case may be, of this Purchase Agreement, the Bond Indenture, the Loan Agreement, Obligation No. 2, the Supplement, the Continuing Disclosure Certificate, the Mortgage, the Preliminary Official Statement, the Final Official Statement, Blue Sky Memoranda and all other agreements and documents required in connection with the consummation of the transactions contemplated hereby; (ii) the cost of the preparation, engraving, printing, execution and delivery of the definitive Bonds; (iii) the fees and disbursements of the Issuer, Bond Counsel, Counsel for the Issuer, Counsel for the Borrower, Counsel for the Bond Trustee and the Master Trustee, Counsel for the Underwriter, accountants, feasibility consultant and any other experts retained by the Borrower; (iv) the acceptance fees of the Bond Trustee and Master Trustee; and (v) the cost of transportation and lodging for representatives of the Issuer and the Borrower in connection with attending meetings and the Closing.

The Borrower shall also pay any expenses incident to the performance of its obligations hereunder and, if the Bonds are not sold by the Issuer to the Underwriter, the Borrower shall pay all expenses incident to the performance of the Issuer's obligations hereunder as provided above.

The Underwriter shall pay (i) the cost of preparing and publishing all advertisements approved by it relating to the Bonds upon commencement of the offering of the Bonds; (ii) the cost of the transportation and lodging for officials and representatives of the Underwriter to attend meetings and the Closing; (iii) any fees of the Municipal Securities Rulemaking Board in connection with the issuance of the Bonds; and (iv) the cost of obtaining CUSIP numbers assignment for the Bonds.

19. Benefit of this Purchase Agreement. This Purchase Agreement shall inure to the benefit of and be binding upon the Issuer, the Borrower and the Underwriter and their respective successors and assigns. Nothing in this Purchase Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and assigns, and the persons entitled to indemnity and contribution under Section 15 hereof, and their respective successors, assigns and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Purchase Agreement or any provision herein contained. This Purchase Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors and assigns, and the persons entitled to indemnity and contribution under Section 15 hereof, and their respective successors, assigns and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser who purchases the Bonds from the Underwriter or other person or entity shall be deemed to be a successor merely by reason of such purchase.

20. Notices. Any notice or other communication to be given to the Issuer or the Borrower under this Purchase Agreement may be given by delivering the same in writing or by telex or telecopy to the address shown below, and any notice under this Purchase Agreement to the Underwriter may be given by delivering the same in writing to the Underwriter, as follows:

To the Issuer:	City of Pompano Beach, Florida 100 West Atlantic Boulevard, Room 480 Pompano Beach, Florida 33060 Attention: City Manager
together with a copy to:	City of Pompano Beach, Florida 100 West Atlantic Boulevard Pompano Beach, Florida 33060 Attention: Office of the City Attorney
To the Borrower:	John Knox Village of Florida, Inc. 651 S.W. 6 th Street Pompano Beach, Florida 33060 Attention: Chief Executive Officer and Chief Financial Officer
To the Underwriter:	PNC Capital Markets LLC 1600 Market Street, 21 st Floor Philadelphia, Pennsylvania 19103 Attention: Christopher Tucker, Managing Director
together with a copy to:	Bryant Miller Olive P.A. 135 West Central Boulevard, Suite 700 Orlando, Florida 32801 Attention: Randall C. Clement

21. Waiver and Release of Personal Liability. No recourse under or upon any obligation, indemnity, covenant or agreement contained in this Purchase Agreement or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by legal or equitable proceedings by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Purchase Agreement, shall be had against any trustee, director, member, commissioner, officer,

employee or agent, as such, past, present or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or to the Underwriter or otherwise of any amount that may become owed by the Borrower hereunder. Any and all personal liability of every nature, whether at common law or in equity, or by statute or constitution or otherwise, of any trustee, director, member, commissioner, officer, employee or agent, as such, by reason of any act or omission on his or her part or otherwise, for the payment by or to the Issuer or any receiver thereof, the Underwriter or otherwise, of any amount that may become owed by the Issuer hereunder is hereby expressly waived and released as a condition of and in consideration for the execution of this Purchase Agreement.

22. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

23. Effective Time of this Agreement. This Purchase Agreement shall become effective upon the acceptance hereof by the Issuer and the Borrower.

24. Severability. If any provisions of this Purchase Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstance shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or Sections in this Purchase Agreement contained, shall not affect the remaining portions of this Purchase Agreement, or any part thereof.

[Remainder of Page Intentionally Left Blank]

Execution in Counterparts. This Purchase Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

Very truly yours,

PNC CAPITAL MARKETS LLC,
as Underwriter

By: _____
Christopher Tucker, Managing Director

[Signature Page | Bond Purchase Agreement.]

Accepted and agreed to as
of the date first above written:

CITY OF POMPANO BEACH, FLORIDA,
as Issuer

By: _____
[Mayor][City Manager]

[Signature Page | Bond Purchase Agreement.]

Accepted and agreed to as
of the date first above written:

JOHN KNOX VILLAGE OF FLORIDA, INC.,
as Borrower

By: _____
Title: _____

[Signature Page | Bond Purchase Agreement]

EXHIBIT A

Maturities, Amounts, Interest Rates, Yields or Prices of Bonds

\$ _____ Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u> <u>or Price</u>
	\$ _____	_____ %	

Term Bonds

\$ _____ % Due September 1, 20__ Yield _____ %
\$ _____ % Due September 1, 20__ Yield _____ %
\$ _____ % Due September 1, 20__ Yield _____ %
\$ _____ % Due September 1, 20__ Yield _____ %

EXHIBIT B

Redemption of the Bonds

Certain Mandatory and Optional Redemption Provisions

Optional Redemption of Bonds

Bonds maturing on or after September 1, 20__ are subject to redemption prior to maturity beginning on September 1, 20__, upon the direction of the Borrower, in whole or in part at any time, at the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption of Bonds

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20__

<u>Year</u>	<u>Sinking Fund Installment</u>
-------------	-------------------------------------

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20__

<u>Year</u>	<u>Sinking Fund Installment</u>
-------------	-------------------------------------

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20__

<u>Year</u>	<u>Sinking Fund Installment</u>
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The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20__

<u>Year</u>	<u>Sinking Fund Installment</u>
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EXHIBIT C

Form of Agreed Upon Procedures Bring-down Letter and Consent of Auditors

February __, 2015

John Knox Village of Florida, Inc.
Pompano Beach, Florida

City of Pompano Beach, Florida
Pompano Beach, Florida

PNC Capital Markets LLC
Philadelphia, Pennsylvania

Dear Ladies and Gentlemen:

We refer to our letter dated _____, 2015, relating to the Preliminary Official Statement, related to the sale of the City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015, in the estimated aggregate principal amount of \$_____ (the "Series 2015 Bonds"). We have enclosed a copy of the Original Letter as an attachment to this one. We reaffirm as of the date hereof (and as though made on the date hereof) all statements made in that letter except that, for the purposes of this letter:

(1) The "Official Statement" to which this letter relates is the final Official Statement describing the Series 2015 Bonds, dated January __, 2015 (herein, the "Official Statement") in the aggregate principal amount of \$_____.

(2) The reading of the minutes described in paragraph (1) of that letter has been carried out through _____, 2015 ("New Cut-Off Date"). Per inquiry of the Obligated Group, there have been no meetings of the Board of Directors subsequent to the date of the Original Letter.

(3) The procedures and inquiries covered in paragraph (1)(b) of the Original Letter were carried out to the New Cut-Off Date.

(4) The references to _____, 2015, in paragraph (1)(b) of that letter, are changed to _____, 2015.

(5) We agree to the inclusion in Appendix B of the Official Statement of: (a) our report dated _____, 2015 on our audit of the combined balance sheets of the Obligated Group dated as of March 31, 2014 and 2013, and the combined statements of operations, changes in net assets, and cash flows for the years then ended and (b) the references to our Firm under the heading "FINANCIAL STATEMENTS" in the Official Statement.

(6) This letter is solely for the information of the addressees and to assist you in your inquiries in connection with the offering of the securities covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred for any other purpose, including, but not

limited, to the registration, purchase, or sale of the securities, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the Official Statement.

We have no responsibility to update this letter for events and circumstances occurring after February ___, 2015.

Very truly yours,

EXHIBIT D

Opinion of Counsel to the Borrower (The Gillespie Law Firm)

February __, 2015

U.S. Bank National Association,
as Master Trustee and as Bond Trustee
Miami, Florida

PNC Capital Markets LLC
Philadelphia, Pennsylvania

City of Pompano Beach, Florida
Pompano Beach, Florida

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

Re: \$_____ City of Pompano Beach, Florida Revenue Bonds
(John Knox Village Project), Series 2015

Ladies and Gentlemen:

We have acted as counsel for John Knox Village of Florida, Inc. (the "Borrower" and the "Obligated Group Representative") in connection with the issuance by the City of Pompano Beach (the "Issuer") of its \$_____ Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds"). This letter is addressed to you pursuant to pursuant to Section 11(b)(iii) of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated January __, 2015 by and among PNC Capital Markets LLC, as the underwriter, the Issuer and the Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Bond Indenture (defined below). We have examined the following:

(a) An executed copy of the Amended and Restated Master Trust Indenture, dated as of December 1, 2010, as amended, and as supplemented by the Supplemental Indenture for Obligation No. 2, to be dated as of February 1, 2015 (collectively, the "Amended and Restated Master Indenture") by and among the Obligated Group and U.S. Bank National Association, as master trustee thereunder (the "Master Trustee");

(b) An executed copy of the Bond Indenture, dated as of February 1, 2015, by and between the Issuer and U.S. Bank National Association, as the Bond Trustee (the "Bond Indenture");

(c) An executed copy of the Loan Agreement, dated as of February 1, 2015 by and between the Issuer and the Borrower (the "Loan Agreement");

(d) An executed copy of the Bond Purchase Agreement;

(e) An executed copy of Supplemental Indenture for Obligation No. 2, dated as of February 1, 2015 by and between the Borrower and the Master Trustee (the "Supplement");

(f) Obligation No. 2 of the Borrower issued pursuant to the Supplement;

(g) Fully executed counterparts of the Amended and Restated Mortgage and Security Agreement, dated October 31, 2014 (the "Mortgage");

- (h) An executed copy of the Continuing Disclosure Certificate dated as of February 1, 2015 executed on behalf of the Borrower (the "Continuing Disclosure Certificate");
- (i) The Official Statement dated January __, 2015 relating to the Bonds;
- (j) The Tax Certificate dated the date hereof and executed and delivered by the Issuer and the Borrower in connection with the issuance of the Bonds (the "Tax Certificate");
- (k) The articles of incorporation and bylaws of the Borrower;
- (l) A certificate of good standing for the Borrower issued by Department of State of the State of Florida;
- (m) A certificates of the officers of the Borrower; and
- (n) Such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions and conclusions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Borrower.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Borrower has been duly incorporated and is validly existing as a not-for-profit corporation under the laws of the State of Florida, with its status being active, with corporate power and authority to execute and deliver the Master Indenture, the Loan Agreement, the Bond Purchase Agreement, the Supplement, Obligation No. 2, the Mortgage, the Continuing Disclosure Certificate (the "CDC") and the Tax Certificate (collectively, the "Financing Documents").

2. The Financing Documents have been duly authorized, executed and delivered by the Borrower and are valid and binding obligations of the Borrower, enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by (A) the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally; (B) general principles of equity, including (i) obligations of the Master Trustee and the Issuer and their respective assigns to exercise good faith, fair dealing, and commercial reasonableness in the exercise of rights and remedies afforded by the Financing Documents and any other documents incident thereto obligating the Borrower; and (ii) the availability of equitable remedies, including specific performance and injunctive relief, being subject to the discretion of the court before which any proceeding may be brought; (C) court decisions which may invalidate or limit the indemnification provisions of the Financing Documents on the grounds of applicable laws or public policy; and (D) the availability of a deficiency decree being a matter of judicial discretion, which permits a court to inquire into (i) the reasonable and fair market value of the property sold at foreclosure, (ii) the

adequacy of the sales price, (iii) the relationship between the foreclosing party and the purchaser at the foreclosure sale and (iv) all the facts and circumstances of the particular case.

3. The Borrower has obtained all consents that are obtainable to date that are required to be obtained by the Borrower for the performance of the Borrower's obligations under the Financing Documents and the conduct of the Borrower's business as it is currently being conducted, and we have no reason to believe that the Borrower cannot obtain, when needed, any other consents that may be required but that cannot now be obtained for the performance of the Borrower's obligations under the aforementioned documents.

4. The execution and delivery of the Financing Documents by the Borrower and compliance with the terms thereof, under the circumstances contemplated thereby, do not and will not conflict with the articles of incorporation or bylaws of the Borrower and, to our knowledge, do not and will not in any material respect conflict with, or constitute on the part of the Borrower a breach or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party or conflict with, violate or result in a breach of any law, administrative rule or regulation, judgment, court order or consent decree of any court, government or governmental authority having jurisdiction over the Borrower.

5. There is no suit or, and to our knowledge, no action, proceeding or investigation pending or threatened against the Borrower which might materially adversely affect the business or properties or financial condition of the Borrower, or in which an unfavorable decision, ruling or finding would adversely affect (A) the validity or enforceability of any of the Financing Documents or any other documents executed by the Borrower, (B) the performance by the Borrower of any of its obligations thereunder or (C) the consummation of any of the transactions contemplated thereby or by the Official Statement. To our knowledge, the Borrower is not in default in any material respect under any applicable statute, rule, order or regulation of any governmental body.

6. In our capacity as counsel to the Borrower, without having undertaken to independently verify the statements contained in the Official Statement, no facts have come to our attention which would lead us to believe that the descriptions of the Borrower and its Facilities (as such term is defined in the Official Statement) contained in the Official Statement and in Appendix A thereto (apart from any financial and statistical data contained or incorporated therein, as to which we do not express any opinion or belief) contained as of the date thereof or contains as of the date hereof any untrue statement of a material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading. We have not undertaken to verify or pass upon, nor do we assume any responsibility for, the accuracy, completeness or fairness of any of the other statements contained in the Official Statement.

7. The Borrower is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, is not a private foundation as described in Section 509(a) of the Code and, to our knowledge, no Member of the Obligated Group has failed to file any required report with the Internal Revenue Service or engaged in conduct inconsistent with its status as an exempt organization.

8. The Mortgage was recorded in the office of the Clerk of the Circuit Court of the county of Florida in which the real property (the "Real Property") described therein is located, and as so recorded in

such office is a valid lien upon the Real Property described therein securing the Obligations (as defined in the Amended and Restated Master Trust Indenture), including Obligation No. 2.

9. A financing statement with respect to the security interest in Gross Revenues (as defined in the Amended and Restated Master Indenture) and the personal property described in the Mortgage was filed in the office of the Secured Transactions Registry of the State of Florida, and the Mortgage and constitutes a financing statement with respect to the security interest in fixtures described in the Mortgage as recorded in the office of the Clerk of the Circuit Court of the county in which the Real Property is located.

10. The Amended and Restated Master Indenture creates a security interest, securing the Obligations (as defined in the Amended and Restated Master Trust Indenture), which security interests have been perfected by the filings and recordings referred to in paragraphs 8 and 9 above to the extent such security interests may be perfected by filing, in (a) the personal property described therein and (b) any personal property of the Borrower described in the Mortgage that may constitute "fixtures" in the State of Florida under the Uniform Commercial Code of Florida. We call to your attention, however, the requirement of Section 679.515(3), Florida Statutes, that continuation statements be timely filed in order to continue such perfection.

This letter is furnished by us as counsel to the Borrower. We disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Respectfully submitted,

EXHIBIT E

Opinion of Counsel to the Issuer

February __, 2015

City of Pompano Beach
Pompano Beach, Florida

PNC Capital Markets LLC
Philadelphia, Pennsylvania

John Knox Village of Florida, Inc.
Pompano Beach, Florida

U.S. Bank National Association
Miami, Florida

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

Re: \$_____ City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project),
 Series 2015

Ladies and Gentlemen:

This opinion is provided to you pursuant to the requirements of Section 11(b)(iv) of the Bond Purchase Agreement dated _____, 2015 (the "Purchase Agreement"), among the City of Pompano Beach, Florida (the "Issuer"), John Knox Village of Florida, Inc. (the "Borrower" and "Obligated Group Representative") and PNC Capital Markets LLC relating to the purchase of above-referenced bonds (the "Bonds"). Capitalized terms used herein but not defined herein shall have the respective meanings assigned to such terms in the Purchase Agreement.

I am the City Attorney for the Issuer. In such capacity, I have been requested to issue this opinion in connection with the issuance, sale and delivery of the Bonds issued under and pursuant to the provisions of the Florida Constitution, the City Charter of the Issuer (the "Charter"), Chapter 166, Florida Statutes, as amended, Section 159, Part II, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), the Loan Agreement and the Bond Indenture. Pursuant to the Loan Agreement, the Issuer will loan the proceeds of the Bonds to the Borrower for the purpose of (i) financing and reimbursing the Borrower for the cost of certain capital improvements for or to the senior living and health care facilities owned and operated by the Borrower; (2) funding a debt service reserve fund for the Bonds; and (3) paying the costs of issuance of the Bonds.

I have examined, among other things, the originals or copies, certified or otherwise identified to my satisfaction, of the following:

1. The Charter and Code of Ordinances of the Issuer;
2. The proceedings of the Issuer taken in connection with the issuance of the Bonds, including a certified copy of a Bond Resolution adopted by the Issuer at a meeting of the City Commission of the Issuer held on January 13, 2015 (the "Bond Resolution") approving the issuance of the Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended, and authorizing,

among other things, the issuance of the Bonds and the execution, delivery and performance of the Purchase Agreement, the Loan Agreement and the Bond Indenture;

3. Those portions of the Official Statement dated February ___, 2015 (the "Official Statement"), under the captions, "THE ISSUER" and "LITIGATION – Issuer;" and

4. Such other documents, instruments and related matters of law as I have deemed necessary in order to render this opinion.

Based upon such examination, and upon such examination of law as I have deemed necessary, I am of the opinion that:

1. The Issuer is a municipal corporation of the State of Florida, and is a "local agency" as defined in the Act.

2. The officers of the Issuer on the date hereof and at the time of adoption of the Bond Resolution and at the time of the authorization of the Bond Indenture, the Loan Agreement, the Tax Exemption Agreement and Certificate, dated February ___, 2015, between the Issuer and the Borrower and the Purchase Agreement (collectively, the "Issuer Documents") are and were the duly appointed, qualified and acting officers of the Issuer.

3. The Issuer has duly authorized the execution, delivery, and performance of the Bonds and the Issuer Documents, and said documents have been executed and delivered by the Issuer.

4. The acts of the Issuer with respect to the foregoing have been duly and validly adopted in compliance with any and all applicable procedural requirements of the Issuer and the Constitution and laws of the State of Florida.

5. The issuance and sale of the Bonds was approved by the City Commission of the Issuer, the elected governing body of the Issuer, as evidenced by its adoption of the Bond Resolution. Such approval was given by the City Commission after a public hearing held by the Issuer of which not less than 14 days prior notice was given.

6. The Bonds are legal, valid and binding special obligations of the Issuer, enforceable in accordance with their terms and are entitled to the benefits of the Bond Indenture, Loan Agreement and the Act. Assuming due authorization and execution by the other parties thereto and the Issuer Documents constitute the legal, valid and obligations of the Issuer, enforceable in accordance with their respective terms.

7. No additional or further approval, consent or authorization of the Issuer is required in connection with (i) the issuance, sale and delivery of the Bonds or (ii) the entering into or performance of the Issuer's obligations under the Bonds or the Issuer Documents.

8. To the best of my knowledge there is no litigation, action, suit, legal proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or threatened, restraining or enjoining; or seeking to restrain or enjoin the authorization, issuance or delivery of the Bonds, or affecting in any way their validity, or questioning the appointment of any of the present members or officers to their respective offices, or the authorization, execution, performance, or

enforceability of the Bonds, the Bond Resolution or the Issuer Documents, or the existence or powers of the Issuer.

9. The adoption of the Bond Resolution by the Issuer, and the execution, delivery, receipt and due performance by the Issuer of its obligations under the Bonds, the Issuer Documents and the other agreements contemplated by the Issuer Documents and the compliance by the Issuer with the provisions thereof, will not conflict with, violate or constitute a breach of or default under the Issuer's Charter, ordinances or resolutions currently in effect or, to the best of my knowledge, any provision of existing law, regulation, decree, judgment or order of any court or any public or governmental agency or authority having jurisdiction over the Issuer or any agreement, indenture, lease or other instrument to which the Issuer is subject or by which the Issuer or any of its assets are bound.

10. No facts have come to my attention which would lead me to believe that the information in the Official Statement pertaining to the Issuer under the captions "THE ISSUER" and "LITIGATION—Issuer" contains as of its date and as of the date hereof, an untrue statement of a material fact, as it relates to the Issuer, or omits to state a material fact, as it relates to the Issuer, required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (no opinion is expressed with respect to any other information in the Official Statement).

Only the addressees hereof may rely on this opinion.

The opinions expressed herein are predicated upon present law, (and interpretations thereof) facts and circumstances, and I assume no affirmative obligation to update the opinions expressed herein if such laws (and interpretations thereof), facts or circumstances change after the date hereof. All opinions as to the enforceability of legal obligations of the Issuer as set forth herein are subject to and limited by bankruptcy, insolvency, reorganization, moratorium and similar laws, in each case relating to or affecting the enforcement of creditors' rights generally, and other general principles of equity.

Very truly yours,

GORDON B. LINN
City Attorney

EXHIBIT F

Opinion of Counsel to the Underwriter

February __, 2015

PNC Capital Markets LLC
Philadelphia, Pennsylvania

Re: \$_____ City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015

Ladies and Gentlemen:

We have acted as counsel to PNC Capital Markets LLC (the "Underwriter") in connection with the purchase by the Underwriter of \$_____ City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds"), pursuant to a Bond Purchase Agreement dated January __, 2015 (the "Purchase Agreement"), among the Underwriter, the City of Pompano Beach (the "Issuer"), John Knox Village of Florida, Inc. (the "Borrower" and "Obligated Group Representative"). Terms used, but not otherwise defined, herein shall have the respective meanings assigned such terms in the Purchase Agreement.

We have participated in the preparation and review of the Purchase Agreement and have reviewed the Resolution, the Bond Indenture, the Master Indenture, the Supplement, Obligation No. 2, the Continuing Disclosure Certificate and the Mortgage. We also participated in the preparation and review of the Official Statement relating to the Bonds dated January __, 2015 (the "Official Statement").

We have examined executed counterparts of the Purchase Agreement, the Continuing Disclosure Certificate, the Bond Indenture, the Loan Agreement, the Master Indenture, the Supplement, Obligation No. 2, the Mortgage and the Official Statement. We have conferred with and reviewed the opinions rendered by Bond Counsel, Counsel for the Borrower, Counsel for the Issuer and Counsel for the Bond Trustee and Master Trustee pursuant to the Purchase Agreement; we have conferred with certain of the Borrower's officers; and we also have examined such other documents, proceedings, corporate records and other instruments as we have deemed necessary or advisable for purposes of this opinion.

In rendering the opinions and making the statements hereinafter expressed, we are not expressing any opinion or view of the validity, accuracy or sufficiency of the documents, certificates or opinions referred to above or on the authorization, issuance, delivery or validity of the Bonds and we have assumed, but not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. For purposes of the opinions expressed in this letter we have assumed that any electronic version of the Official Statement is identical in all respects to the printed version.

Based upon the foregoing, we are of the opinion that:

1. Neither the purchase of the Bonds by the Underwriter nor the resale of the Bonds by the Underwriter to the public requires that the Bonds be registered under the Securities Act of 1933, as amended; and neither the Bond Indenture nor the Master Indenture need be qualified under the Trust Indenture Act of 1939, as amended.

2. We are not passing upon, and assume no responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement. During the course of the preparation of the Official Statement, however, we examined various documents and other papers and participated in conferences with your representatives, with Bond Counsel, with representatives of the Borrower and its Counsel, with representatives of the Issuer and its Counsel, and with representatives of the Trustee and the Master Trustee and their Counsel, at which conferences the contents of the Official Statement and related matters were discussed. We also have examined the certificates and other documents delivered at the closing. On the basis of the foregoing, but without independent verification of factual matters, nothing has come to our attention that would lead us to believe that the Official Statement (except for information concerning tax treatment of interest on the Bonds, statements in the Official Statement under the caption "FINANCIAL STATEMENTS," statements relating to The Depository Trust Company in Appendix F and the financial statements set forth in Appendix B, as to all of which we express no opinion) contains any untrue statement of material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. We express no opinion, however, as to the ability of the Borrower to comply with the terms and provisions of any financing document to which the Borrower is a party, or the ability of the Issuer to comply with the terms of the Bond Indenture or any other financing document to which the Issuer is a party, nor do we express any opinion as to any financial, statistical or demographic information included in the Official Statement, including, without limitation, in Appendices A and B thereto.

3. The Continuing Disclosure Certificate, together with the Purchase Agreement and the Master Indenture, satisfies Section (b)(5)(i) of Rule 15c2-12, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices to various information repositories at the time and in the manner required by the Rule.

In rendering the foregoing opinion in this paragraph 3 hereof, we have assumed the due authorization, execution and delivery of the Continuing Disclosure Certificate by the Borrower and that such Continuing Disclosure Certificate is a valid and binding obligation of the Borrower enforceable in accordance with its terms.

In reaching the conclusions expressed herein, we have with your concurrence, assumed and relied on the genuineness and authenticity of all signatures not witnessed by us; the authenticity of all documents, records, instruments, items and letters submitted to us as originals; the conformity with originals of all items submitted to us as certified or photostatic copies and examined by us; the legal capacity and authority of the persons who executed the documents; the accuracy of all warranties, representations and statements of fact contained in the documents and instruments submitted to us in connection with the purchase and sale of the Bonds; that neither you nor any of the parties to this transaction have any actual knowledge or any reason why any portion of the opinion is not accurate; and the continuing accuracy on this date of any certificates supplied to us regarding the matters addressed herein, which assumptions we have not verified. As to questions of fact material to our opinion, we have

relied upon the proceedings of the members of the Issuer authorizing, among other things, the execution and delivery of the Bond Indenture, the Loan Agreement and the Purchase Agreement, the members of the respective Board of Directors or Trustees of the Borrower authorizing, among other things, the execution and delivery of the Loan Agreement, the Master Indenture, the Supplement, Obligation No. 2, the Mortgage, the Official Statement, the Purchase Agreement and the Continuing Disclosure Certificate and the marketing of the Bonds, and assumed the correctness of the public records and certificates by and representations officers and representatives of various parties to this transaction furnished to us without undertaking to verify the same by independent investigation. We have no actual knowledge of any factual information that would lead us to form a legal opinion that the public records or the certificates which we have relied upon contain any untrue statement of a material fact.

The opinions expressed herein are based solely upon the laws of the State of Florida and the United States of America. We express no opinion as to the effect of the laws of any other jurisdictions.

This letter is furnished by us as Counsel for you and solely for your benefit, and may not be relied upon by other parties, filed with or furnished to any other party, quoted or otherwise used without our express written consent. The opinions expressed herein are given as of the date hereof and are based upon existing law as of the date hereof and we assume no obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. In addition, no other advice, opinions or statements shall be implied or inferred as a result of anything contained in or omitted from this letter.

In rendering these opinions, we are expressing no opinion on the validity of the Bonds or on the exclusion of interest evidenced by the Bonds from the gross income of the holders thereof for federal income tax purposes. We understand that you are relying on the opinion of Bond Counsel in that regard.

Very truly yours,

EXHIBIT G

Disclosure and Truth-In-Bonding Statement

February __, 2015

City of Pompano Beach
Pompano Beach, Florida

Re: \$_____ City of Pompano Beach, Florida Revenue Bonds (John Knox Village Project), Series 2015

Ladies and Gentlemen:

In connection with the proposed issuance by the City of Pompano Beach (the "Issuer") of its \$_____ original aggregate principal amount of Revenue Bonds (John Knox Village Project), Series 2015 (the "Series 2015 Bonds"), PNC Capital Markets LLC (the "Underwriter") is underwriting a public offering of the Series 2015 Bonds. Capitalized terms used, but not otherwise defined herein, shall have the respective meanings assigned such terms in the Bond Purchase Agreement dated January __, 2015 by and among the Issuer, the Underwriter and John Knox Village of Florida, Inc. (the "Borrower" and "Obligated Group Representative").

The Issuer is proposing to issue \$_____ of Series 2015 Bonds for the purpose of making a loan to the Borrower to (i) finance or reimburse the Borrower for the cost of acquisition of certain capital improvements, (ii) fund a debt service reserve fund for the Series 2015 Bonds and (iii) pay costs and expenses related to the issuance of the Series 2015 Bonds. The Series 2015 Bonds are expected to be repaid over a period of approximately ____ years. At an average interest rate of ____% per annum, total interest paid over the life of the Series 2015 Bonds will be \$_____. The source of repayment or security for this proposal consists primarily of payments to be made by the Borrower under the Loan Agreement and Obligation No. 2. Authorizing the Series 2015 Bonds will result in no monies of the Issuer not being available to finance other services of the Issuer in any year.

The purpose of the following paragraphs of this letter is to furnish, pursuant to the provisions of Section 218.385, Florida Statutes, certain information in respect of the arrangements contemplated for the purchase and sale of the Series 2015 Bonds, as follows:

1. The nature and estimated amount of expenses to be incurred by the Underwriter in connection with the purchase and offering of the Series 2015 Bonds are set forth in Schedule I attached hereto.
2. There are no "finders," as defined in Section 218.386, Florida Statutes, connected with the sale and purchase of the Series 2015 Bonds.
3. The underwriting spread, the difference between the price at which the Series 2015 Bonds will be initially offered to the public by the Underwriter and the price to be paid to the Issuer for the Series 2015 Bonds, exclusive of accrued interest, will be approximately \$_____ per \$1,000 of Series 2015 Bonds issued.

4. As part of the estimated underwriting spread set forth in paragraph (3) above, the Underwriter will charge a management fee of \$_____ per \$1,000 of Series 2015 Bonds issued.

5. No other fee, bonus or other compensation is estimated to be paid by the Underwriter in connection with the issuance of the Series 2015 Bonds to any person not regularly employed or retained by the Underwriter (including any "finder" as defined in Section 218.386, Florida Statutes), except as specifically enumerated as expenses to be incurred by the Underwriter, as set forth in paragraph (1) above.

6. The name and address of the Underwriter is:

PNC Capital Markets LLC
1600 Market Street, 21st Floor
Philadelphia, Pennsylvania 19103

[Remainder of Page Intentionally Left Blank]

[SIGNATURE PAGE TO DISCLOSURE AND TRUTH IN BONDING STATEMENT]

Yours very truly,

PNC CAPITAL MARKETS LLC

By: _____
Managing Director

SCHEDULE I

UNDERWRITER'S ESTIMATED EXPENSES
(Per \$1,000 of Bonds)

<u>Expense Item</u>	<u>Total Amount</u>	<u>Per Bond</u>
TOTAL	<u> </u>	<u> </u>

EXHIBIT D

FORM OF PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY ___, 2015

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions and subject to the conditions described herein under "TAX MATTERS," interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not subject to the federal alternative minimum tax imposed on individuals. Such interest will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences described herein under "TAX MATTERS."



One Community Sharing Life

\$ _____*

CITY OF POMPAÑO BEACH, FLORIDA
REVENUE BONDS
(JOHN KNOX VILLAGE PROJECT), SERIES 2015

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS
 ARE SHOWN ON THE INSIDE OF THE FRONT COVER

The City of Pompano Beach, Florida (the "Issuer") is issuing \$_____* aggregate principal amount of its Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds") pursuant to a Bond Indenture, to be dated as of February 1, 2015 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). The Issuer is entering into a Loan Agreement to be dated as of February 1, 2015 (the "Loan Agreement"), with John Knox Village of Florida, Inc. (the "Borrower" and the "Obligated Group Representative") under which the Issuer agrees to lend to the Borrower proceeds of the Bonds and in consideration and as evidence of the loan, the Borrower has agreed to make payments to the Bond Trustee in such amounts and at such times as are required to provide for the timely payment of the principal of, premium, if any, and interest on the Bonds. The Borrower will use the proceeds of the Bonds, together with certain other moneys, to (1) finance and reimburse the Borrower for the cost of certain capital improvements for or to the senior living and health care facilities owned and operated by the Borrower; (2) fund a debt service reserve fund for the Bonds; and (3) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Except as described in this Official Statement, the 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 Borrower pursuant to the Loan Agreement, and Obligation No. 2 (as defined herein) issued by the Obligated Group under the Amended and Restated Master Trust Indenture, dated as of December 1, 2010, as amended, and as supplemented by the Supplemental Indenture for Obligation No. 2, to be dated as of February 1, 2015 (as supplemented, the "Master Indenture"), and each between U.S. Bank National Association, as master trustee, and the Obligated Group. The Borrower is currently the sole Member of the Obligated Group. The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

The 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. See "THE BONDS-Redemption" herein.

The Bonds when issued will be registered only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased and ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Principal of and interest on the 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 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See "Book-Entry Only System" in Appendix F hereto.

An investment in the Bonds involves a certain degree of risk related to, among other things, the nature of the Obligated Group's business, the regulatory environment, and the provisions of the principal documents. See "SECURITY FOR THE BONDS" and "RISK FACTORS" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Bonds.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF FLORIDA (THE "STATE"), THE ISSUER OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE STATE, ISSUER NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE ISSUER OR OF ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The 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 PNC Capital Markets LLC (the "Underwriter") subject to the approving opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Gordon B. Linn, Esquire, City Attorney, Pompano Beach, Florida; for the Borrower by its counsel, The Gillespie Law Firm, Lighthouse Point, Florida; and for the Underwriter by its counsel, Bryant Miller Olive P.A., Orlando, Florida. Hamlin Capital Advisors, LLC, Tampa, Florida, is serving as Financial Advisor to the Borrower. It is expected that the Bonds will be available for delivery to the Bond Trustee on behalf of DTC, against payment therefor, on or about February __, 2015.



Dated: January __, 2015

*Preliminary, subject to change.

\$ _____ *

CITY OF POMPANO BEACH, FLORIDA
REVENUE BONDS
(JOHN KNOX VILLAGE PROJECT), SERIES 2015

The Bonds will be issuable in fully registered form without coupons in minimum denominations of \$5,000 and any integral multiples thereof. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2015.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP ^{®†}
	\$	%		

Term Bonds

\$ _____ % Due September 1, 20__ Yield _____ % Price _____ CUSIP^{®†} _____
 \$ _____ % Due September 1, 20__ Yield _____ % Price _____ CUSIP^{®†} _____

*Preliminary, subject to change.

†Copyright 2012, American Bankers Association. CUSIP data contained herein are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, the Underwriter nor the Borrower, and are included solely for the convenience of the holders of the Bonds. None of the Issuer, the Underwriter or the Borrower is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds as indicated above.

RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The Issuer and the Borrower have deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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 Borrower, the Issuer, or the Underwriter. The information set forth herein concerning the Borrower has been furnished by the Borrower 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.

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 Borrower, 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. 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 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 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 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 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 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

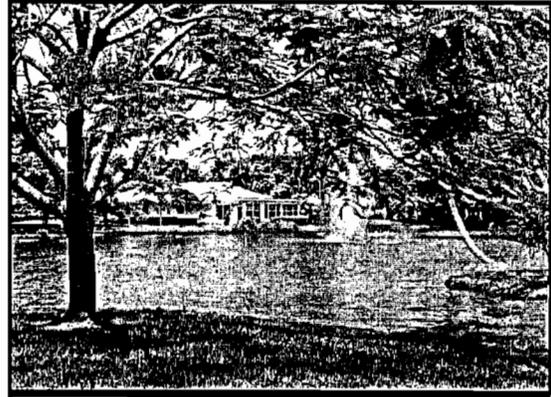
Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "anticipate," "believe," "budget," "estimate," "expect," "intend," "plan," "forecast," or other similar words.

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 BORROWER 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.

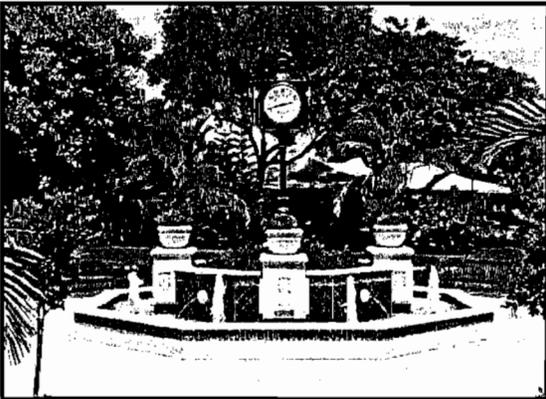
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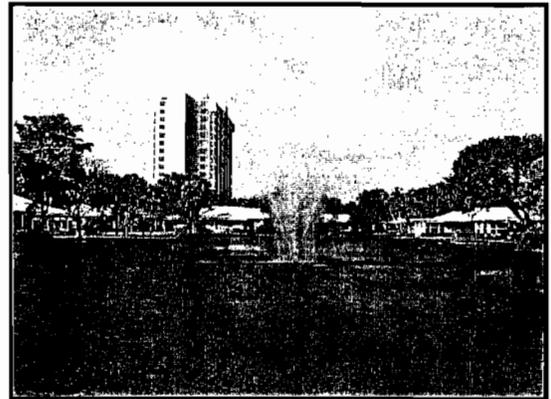
Heritage Tower



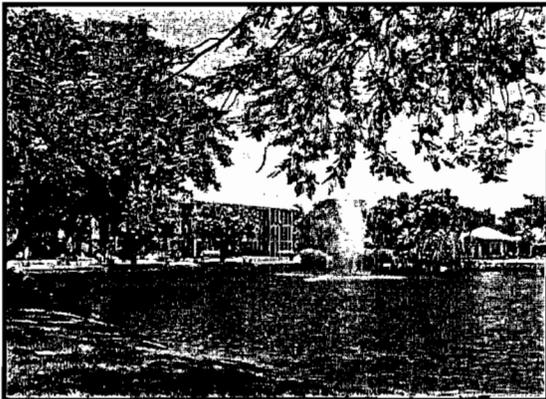
South Garden



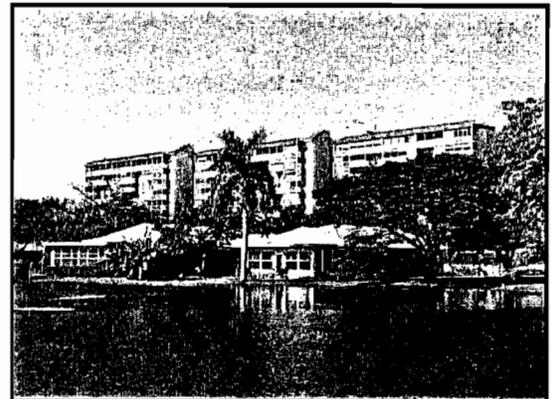
Furman Square



Cassels Tower



East Lake



Village Towers

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OFFICIAL STATEMENT
relating to

\$_____*

CITY OF POMPANO BEACH, FLORIDA
REVENUE BONDS
(JOHN KNOX VILLAGE PROJECT), SERIES 2015

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover page, inside cover page and Appendices hereto, is provided to furnish information with respect to the issuance, sale and delivery by the City of Pompano Beach, Florida (the "Issuer") of \$_____* in aggregate principal amount of its Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds").

The Bonds are being issued pursuant to the provisions of the Florida Constitution, the Charter of the Issuer, Chapter 166, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), and Chapter 159, Part II, Florida Statutes, as amended (the "Financing Act"), in conformity with the provisions, restrictions and limitations thereof and pursuant to the Bond Indenture to be dated as of February 1, 2015 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

See Appendix C hereto for definitions assigned to certain capitalized terms used, but not defined, herein. 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 Bonds

The proceeds of the Bonds will be lent to John Knox Village of Florida, Inc. (the "Borrower" and "Obligated Group Representative") pursuant to a Loan Agreement to be dated as of February 1, 2015, between the Issuer and the Borrower (the "Loan Agreement") and will be used, together with other available moneys described herein, to (1) finance and reimburse the Woodlands (as hereinafter defined) and the cost of certain capital improvements permitted by the Act for or to the senior living and health care facilities owned and operated by the Borrower (the "Project"); (2) fund a debt service reserve fund for the Bonds; and (3) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Risk Factors

An investment in the Bonds involves a significant degree of risk. Certain risks are inherent in the successful operation of continuing care retirement communities such as the continuing care retirement community owned and operated by the Borrower (the "Facilities") on a basis such that sufficient cash will

*Preliminary, subject to change.

be available to pay interest on and to retire indebtedness. See "RISK FACTORS" below for a discussion of certain of these risks. A prospective bondholder is advised to read the entire Official Statement, including the appendices hereto, before making an investment decision to purchase Bonds. Reference is made to "SECURITY FOR THE BONDS" and "RISK FACTORS" herein for a discussion of certain risk factors which should be considered in connection with an investment in the Bonds.

Security for the Bonds

Bond Indenture. The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, as follows: (1) the hereinafter described Obligation No. 2 relating to the Bonds ("Obligation No. 2"), (2) certain rights of the Issuer under the hereinafter described Loan Agreement and assigned by the Issuer to the Bond Trustee (except for certain reserved rights of the Issuer, including its rights to indemnification payments and the payment of certain expenses, its rights to give certain approvals and consents and its rights to receive certain documents, information and notices), (3) the funds and accounts, 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 such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or Obligation No. 2.

Loan Agreement. Pursuant to the Loan Agreement, the Borrower 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 "Loan Agreement" in Appendix C hereto.

Master Indenture and Mortgage. The obligation of the Borrower to repay the loan from the Issuer will be evidenced by Obligation No. 2, issued under and entitled to the benefit and security of an Amended and Restated Master Trust Indenture, dated as of December 1, 2010, as amended, and as supplemented by Supplemental Indenture for Obligation No. 2, to be dated as of February 1, 2015, and each between U.S. Bank National Association, as master trustee (the "Master Trustee"), and the Obligated Group (collectively, the "Master Indenture"). See "Master Indenture" in Appendix C hereto. The Borrower is currently the sole Member of the Obligated Group. Obligation No. 2 will constitute an unconditional promise by each Member of the Obligated Group (as defined in the Master Indenture) 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 Bonds; and Obligation No. 2 will be secured on a parity basis with any other Obligations heretofore issued under the Master Indenture, by a lien on and security interest in the Mortgaged Property granted to the Master Trustee pursuant to the Amended and Restated Mortgage and Security Agreement dated October 31, 2014, by and among the Obligated Group and the Master Trustee (the "Mortgage") and a security interest in the Gross Revenues of the Borrower and the Funds established under the Master Indenture. The Borrower and each Member of the Obligated Group 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.

Parity Obligations. Obligation No. 2 will be secured equally and ratably on parity with (1) Obligation No. 1, which was issued to secure the Borrower's payment obligations relating to the City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010 (the "Series 2010 Bonds"), and (2) any additional Obligations that may be issued pursuant to the Master Indenture (collectively, the "Parity Obligations"). Reference is made to "RISK FACTORS" herein for a discussion of the mandatory tender of the Series 2010 Bonds and certain other

risk factors which should be considered as a result of the Borrower's obligations with respect to the Series 2010 Bonds and Obligation No. 1.

Pledge of Gross Revenues. In order to secure the payment of the principal of, premium, if any, and interest on Obligation No. 2 and other Obligations issued under the Master Indenture, the Members of the Obligated Group have pledged, assigned, confirmed and granted a security interest unto the Master Trustee in the Gross Revenues of the Obligated Group. "Gross Revenues" means all revenues, income and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, including Entrance Fees (as defined in Appendix A hereto), (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent required by the Master Indenture to be applied in a manner consistent with their use as Gross Revenues, (ii) Accounts (as hereinafter defined), (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements, and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property. See "SECURITY FOR THE BONDS – Security for Obligation No. 2" herein.

Debt Service Reserve Fund. As additional security for the Bonds, a debt service reserve fund (the "Debt Service Reserve Fund") will be established pursuant to the Bond Indenture and will be funded from the proceeds of the Bonds. The Debt Service Reserve Fund is required to be funded in an amount equal to \$_____ (the "Debt Service Reserve Fund Requirement"). See "SECURITY FOR THE BONDS – Debt Service Reserve Fund." The Debt Service Reserve Fund only secures the Bonds and does not secure the Series 2010 Bonds or any other bonds or Obligations that may in the future be issued for the benefit of or by the Obligated Group or any other reserve. See also "Bond Indenture" in Appendix C hereto.

Covenants of the Obligated Group. The Master Indenture contains certain covenants of the Obligated Group, including covenants regarding maintaining a Long-Term Debt Service Coverage Ratio of not less than 1.10, maintaining at least 100 Days' Cash on Hand, and not incurring additional indebtedness unless certain conditions are met. See "SECURITY FOR THE BONDS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the Issuer and accepted by PNC Capital Markets LLC (the "Underwriter"), subject to prior sale and to withdrawal or modification of the offer without notice. See "UNDERWRITING" herein.

Professionals Involved in Offering

Certain legal matters pertaining to the issuance of the Bonds are subject to the approving opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, bond counsel. Certain legal matters will be passed on for the Issuer by Gordon B. Linn, Esquire, City Attorney, Pompano Beach, Florida; for the Borrower by its counsel, The Gillespie Law Firm, Lighthouse Point, Florida; and for the Underwriter by Bryant Miller Olive P.A., Orlando, Florida.

The Principal Documents

THE DESCRIPTIONS AND VARIOUS DOCUMENTS SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING APPENDIX C, DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE; AND REFERENCE IS MADE TO EACH DOCUMENT FOR COMPLETE DETAILS OF ALL TERMS AND CONDITIONS. ALL STATEMENTS HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY THE TERMS OF EACH SUCH DOCUMENT. DURING THE PERIOD OF THE OFFERING, COPIES OF DRAFTS OF THE BONDS, THE BOND INDENTURE, THE LOAN AGREEMENT, OBLIGATION NO. 2, THE MASTER INDENTURE, THE MORTGAGE AND THE CONTINUING DISCLOSURE CERTIFICATE ARE AVAILABLE FROM THE UNDERWRITER; AND FOLLOWING DELIVERY OF THE BONDS, COPIES OF THE EXECUTED ORIGINALS THEREOF MAY BE EXAMINED AT THE DESIGNATED CORPORATE TRUST OFFICE OF THE BOND TRUSTEE.

THE ISSUER

General

The Issuer is a duly created and validly existing municipal corporation of the State with the powers, among others, set forth in the Act and a "local agency" within the meaning of the Financing Act. The Issuer was incorporated in 1947 and operates under its own charter with a city manager-commission form of government.

Limitation of Liability

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE, THE ISSUER OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE STATE, THE ISSUER NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE ISSUER OR OF ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Disclosure Required by Section 517.051, Florida Statutes

Section 517.051, Florida Statutes, as amended, provides for the exemption from registration of certain governmental securities, provided that if an issuer or guarantor of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation, its securities may not be offered or sold in the State pursuant to the exemption except by means of an offering circular containing full and fair disclosure, as prescribed by rules of the Florida Department of Banking and Finance (the "Department"). Under the rules of the Department, the prescribed disclosure is not required if the information would not be considered material by a reasonable investor.

The Issuer has the power to issue, and has issued, bonds for the purpose of financing projects for the benefit of the Members of the Obligated Group and other conduit borrowers. Bonds issued by the Issuer for parties other than the Members of the Obligated Group may have been, or may be, in default as to principal and interest. However, disclosure with respect to any default on such bonds is not deemed

appropriate or material with respect to the Bonds because the source of payment for such defaulted bonds, if any, is separate and distinct from the source of payment for the Bonds.

To the best knowledge of the Issuer, the Issuer is not and has not been in default at any time after December 31, 1975 as to principal or interest with respect to any obligation issued by the Issuer for the benefit of any Member of the Obligated Group. The Obligated Group has represented to the Issuer that no Member of the Obligated Group has been in default at any time after December 31, 1975 as to principal or interest with respect to any obligation issued or guaranteed by any Member of the Obligated Group.

The Issuer assumes no responsibility as to the accuracy, adequacy or completeness of the information in this Official Statement other than with respect to the accuracy of the information relating to the Issuer under the captions "THE ISSUER" and "LITIGATION - Issuer" herein. The Issuer has relied upon representations of the Borrower and the advice of Bond Counsel, without independent investigation, as to various matters in executing and delivering the Bonds, the Bond Indenture, the Loan Agreement and various other documents and instruments in connection therewith.

THE OBLIGATED GROUP

General

The Borrower was incorporated in 1978 as a Florida not-for-profit corporation organized for the purpose of providing housing, health care and other related services to the senior population. The Borrower is the sole member of the Obligated Group. The Borrower has received a determination from the Internal Revenue Service (the "IRS") of its status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and exempt from federal income taxation under Section 501(a) of the Code. Other entities related to the Borrower, but not currently part of the Obligated Group, are described in Appendix A hereto under the section "Non-Obligated Group Members."

Members may be added to or withdraw from the Obligated Group in accordance with the provisions of the Master Indenture; provided that the Borrower is not permitted to withdraw from the Obligated Group under the terms of the Master Indenture.

The Obligated Group provides services to approximately 900 residents and estimates that the total assessed value for state tax purposes of its real property is approximately \$63,500,000. The Obligated Group is one of the largest single site continuing care retirement communities (each a "CCRC") in the country.

The Borrower is subject to Chapter 651, Florida Statutes, and is in full compliance with all applicable statutory reserve and reporting requirements contained therein. A brief description of the Borrower is set forth below.

Facilities

The Borrower operates a CCRC located on approximately 65 acres in Pompano Beach in Broward County, Florida. It currently consists of 729 Independent Living Units, 62 Assisted Living Units and a 177-bed skilled nursing facility (the "Health Center"). As of October 31, 2014, 86.1% of the Independent Living Units, 93.8% of the Assisted Living Units, and 93.9% of the skilled nursing beds were occupied.

The CCRC includes independent living, assisted living and nursing care and has been granted a certificate of authority from the Florida Department of Financial Services to offer continuing care contracts.

PLAN OF FINANCE

General

The proceeds of the Bonds are being loaned to the Borrower to finance and reimburse costs of the Woodlands and the cost of certain other capital improvements permitted by the Act for or to the senior living and health care facilities owned and operated by the Borrower.

The Project

Woodlands. The primary purpose of the Bonds is to finance and reimburse the acquisition, construction and equipping of the Woodlands, a 144-bed skilled nursing facility to be owned and operated by the Borrower and located on its campus, to replace a portion of the existing Health Center and add additional capacity to serve members of the local community (the "Woodlands"). For additional information relating to these capital improvements see "OTHER INFORMATION - The Project - Woodlands" in Appendix A hereto.

Reimbursements. Any available proceeds of the Bonds remaining after financing the Woodlands will be applied to finance capital improvements permitted by the Act for or to the Facilities including, without limitation, new audio visual equipment, information technology wiring and upgrades, replacement of the elevator in the Borrower's East Lake facility, installation of a visitor management system, construction and equipping of a new seven-story health care center, containing approximately 130,000 square feet for nursing services, the purchase and implementation of an electronic health record system in the current Health Center and other miscellaneous renovations, equipment and capital improvements. For additional information relating to these capital improvements see "OTHER INFORMATION - The Project" and "OTHER INFORMATION - Other Project Components" in Appendix A hereto.

Prior and Future Capital Improvements

2014 capital improvements to the Facilities have focused on the completion of several strategic initiatives, including implementation of electronic health records, upgrades of computers and information technology infrastructure throughout the campus and implementation of a new visitor management system as well as upgraded software for the Home Health Agency. As discussed above, all or a portion of the capital expenditures for such improvements may be reimbursed with the proceeds of the Bonds.

The Borrower's 2015 capital budget of approximately \$7.6 million includes funding for new strategic capital initiatives, including upgraded finish packages for new residents, additional parking and site lighting and renovations to the Village Centre. No additional borrowings are expected in the near future.

For additional information relating to these capital improvements see "CAMPUS DESCRIPTION - Capital Improvements" in Appendix A hereto.

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES OF FUNDS

Par Amount	\$
Original Issue [Premium] [Discount]	<u> </u>
Total	<u><u> </u></u>

USES OF FUNDS

Fund the Woodlands	\$
Reimburse Borrower for Prior Capital Expenditures	
Debt Service Reserve Fund	
Costs of Issuance*	<u> </u>
Total	<u><u> </u></u>

*The Borrower estimates that bond issuance costs would approximate this amount and would include legal fees, accounting fees, Underwriter's discount, and other costs associated with the issuance of the Bonds.

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ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

Following are the principal, mandatory redemption, and interest payment requirements with respect to the Bonds and the Series 2010 Bonds for each year ending December 31:

Period Ending December 31	The Bonds			Series 2010 Bonds ^{(1) (2)}	Total
	Principal	Interest	Subtotal		
2010	\$	\$	\$	\$370,323.76	\$
2011				1,791,513.36	
2012				1,780,912.52	
2013				1,770,129.19	
2014				1,756,119.58	
2015				1,746,615.81	
2016				1,738,528.75	
2017				1,725,783.33	
2018				1,714,454.56	
2019				1,702,517.50	
2020				1,691,652.08	
2021				1,676,818.31	
2022				1,668,018.33	
2023				1,653,495.81	
2024				1,644,634.58	
2025				1,627,435.81	
2026				1,615,898.33	
2027				1,603,600.39	
2028				1,586,484.57	
2029				1,571,913.36	
2030				1,557,486.27	
2031				1,547,260.81	
2032				1,531,630.83	
2033				1,514,300.39	
2034				1,501,641.64	
2035				1,483,108.31	
TOTAL	\$	\$	\$	\$41,572,278.18	\$

- (1) The Series 2010 Bonds are variable rate bonds bearing a rate equal to 65% of LIBOR (as defined in the Series 2010 Bonds), plus 1.05%, subject to adjustment, as described in the Loan Agreement related to the Series 2010 Bonds. For purposes of this table and as of the date of the date of this Preliminary Official Statement, interest on the Series 2010 Bonds is assumed to accrue at 3.00% per annum, the interest rate on the Series 2010 Bonds as of the date of this Preliminary Official Statement.
- (2) The Borrower is obligated to purchase the Series 2010 Bonds on September 25, 2024. For more information about the Series 2010 Bonds, see "RISK FACTORS – The Series 2010 Bonds" herein.

THE BONDS

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

General

The Bonds are dated as of the date of their initial delivery and mature as set forth on the inside cover of this Official Statement, subject to optional and mandatory redemption and purchase in lieu of redemption prior to maturity as described below. The Bonds are issuable only in registered form without coupons in denominations of \$5,000 and integral multiples thereof.

The Record Dates for the Bonds will be (i) the fifteenth (15th) day of the month (whether or not a Business Day) next preceding each interest payment date for such interest period, and (ii) the date established by the Bond Trustee pursuant to the Bond Indenture for the payment of defaulted interest on the Bonds.

The Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Bonds and payments of the principal or Redemption Price of and interest on the Bonds will be made as described below under "Book-Entry Only System." If the book-entry system is discontinued, interest on the Bonds will be payable by check mailed by the Bond Trustee to the persons in whose names the Bonds are registered as of the Record Date for the payment of such interest at the address shown on the registration books maintained by the Registrar, and the principal, Purchase Price or Redemption Price of the Bonds will be payable only upon presentation and surrender of such Bonds at the designated office of the Bond Trustee.

Interest

The Bonds will bear interest at the rates set forth on the inside cover of this Official Statement. Interest is payable on each September 1 and March 1, commencing on September 1, 2015, and upon earlier redemption.

Redemption

Optional Redemption of Bonds. Bonds maturing on or after September 1, 20__ are subject to redemption prior to maturity beginning on September 1, 20__, upon the direction of the Borrower, in whole or in part at any time, at the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption on September 1 of the following years and in the following amounts at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Bonds Maturing September 1, 20

<u>Year</u>	<u>Sinking Fund Installment</u>
	\$

Extraordinary Redemption of Bonds. The Bonds may be redeemed in whole or in part at the option and written direction of the Borrower, at any time, at par plus accrued interest, from proceeds of insurance or condemnation awards resulting from damage or destruction or condemnation of the Facilities (as defined in the Master Indenture), or from prepayments under the Loan Agreement which permits prepayment thereunder, as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by other governmental action, the Loan Agreement shall have become void or unenforceable or performance thereunder shall have become impossible in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Obligated Group or their property.

Purchase in Lieu of Redemption

The Bond Indenture provides that any Bonds subject to optional redemption and cancellation shall also be subject to optional call for purchase and resale by the Borrower (*i.e.*, a so-called purchase in lieu of redemption) at the same times and at the same Redemption Prices as are applicable to the optional redemption of such Bonds as provided above. Any Bonds so purchased by the Borrower may, as directed by the Borrower, be cancelled or held Outstanding by the Borrower. Any references in this paragraph to Redemption Price shall be deemed to refer to the purchase price of such Bonds if such Bonds are being purchased by the Borrower in accordance with the Bond Indenture.

Selection of Bonds to Be Redeemed

In the event of any redemption of less than all Outstanding Bonds, any maturity or maturities and amounts within maturities of the Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Borrower. If less than all of the Bonds of the same maturity are to be redeemed upon any

redemption of Bonds hereunder, DTC or any successor depository shall select the Bonds to be redeemed in accordance with its procedures or, if the book-entry system is discontinued, the Bond Trustee shall select the Bonds to be redeemed in such manner as may be directed by the Borrower. In making such selection, the Bond Trustee shall treat each Bond as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination.

Notice of Redemption

The Bond Trustee shall mail a notice of the redemption of any Bonds not less than 30 days nor more than 45 days prior to the date set for redemption to the holders of the Bonds or portions of Bonds to be redeemed, but failure to so mail any such notice or any defect in such mailing with respect to any Bond will not affect the validity of any proceedings for the redemption of any other Bond with respect to which notice was so mailed or with respect to which no such defect occurred, respectively.

Each such notice shall set forth the date fixed for redemption, official name of the issue, date of notice, date of issue, dated date, the Redemption Price to be paid and, if less than all of the Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP identification numbers, if any, and certificate numbers of such Bonds to be redeemed, the maturity date and interest rates of such Bonds to be redeemed, the name of the paying agent with address, telephone number, contact person and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Failure to give notice by mailing to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds. Any notice of optional redemption may indicate that it is conditional or that it may be rescinded by the Borrower.

Sixty days after the redemption date, the Bond Trustee shall also mail a second copy of the notice of redemption to any Bondholder who has not presented his Bonds for payment on or before such date, by the same means as the first notice.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given upon mailing, whether or not the Owner of such Bonds receives the notice.

SECURITY FOR THE BONDS

Security for the Bonds

The principal of, premium, if any, and interest on the Bonds will be payable from moneys paid by the Borrower pursuant to the Loan Agreement and Obligation No. 2. Obligation No. 2 is a joint and several general obligation of the Obligated Group. As holder of Obligation No. 2, the Bond Trustee will have (a) right, title and interest in and to Obligation No. 2, (b) rights under the Master Indenture as the owner of Obligation No. 2, and (c) right, title and interest in and to the Loan Agreement, including the right to receive Obligation No. 2 payments thereunder (except for certain reserved rights of the Issuer, including its rights to indemnification payments and the payment of certain expenses, its rights to give certain approvals and consents and its rights to receive certain documents, information and notices), as security for the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds will further be secured by the moneys and securities held by the Bond Trustee in certain funds and accounts created under the Bond Indenture.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Security for Obligation No. 2

Pursuant to the Master Indenture, the Obligated Group has granted to the Master Trustee a security interest in its Gross Revenues as security for the payment of amounts due on any Obligations issued under the Master Indenture, including Obligation No. 2. Gross Revenues means all revenues, income, and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, including Entrance Fees, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent required by the Master Indenture to be applied in a manner inconsistent with their use as Gross Revenues, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements, and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property.

The lien on Gross Revenues securing the Bonds will be on a parity with the lien on Gross Revenues securing the Parity Obligations (as defined herein). See "Parity Obligations" below.

The security interest in the Gross Revenues will be perfected to the extent, and only to the extent, that such security interest may be perfected by filing a financing statement under the Uniform Commercial Code. Continuation statements with respect to such filing must be filed as required by law to continue the perfection of such security interest. The security interest in the Gross Revenues is subject to Permitted Liens that exist prior to or that may be created subsequent to the time the security interest in the Gross Revenues attaches and is subject to the right of the Members of the Obligated Group to transfer Gross Revenues free of the security interest created in the Gross Revenues under certain circumstances as set forth in the Master Indenture.

If an Event of Default under the Master Indenture shall have occurred and be continuing, the Master Trustee may require that each Member of the Obligated Group deliver all Gross Revenues to it. Each Member of the Obligated Group has covenanted in the Master Indenture that, if an Event of Default under the Master Indenture shall have occurred and be continuing, it will, immediately upon receipt of a written request from the Master Trustee, deliver to or direct to be delivered to the Master Trustee all Gross Revenues thereafter received until such Event of Default has been cured, such Gross Revenues to be applied in accordance with the Master Indenture.

Pursuant to the Mortgage, as security for the payment of amounts due on all Obligations issued under the Master Indenture, including Obligation No. 2, the Obligated Group has granted to the Master Trustee a lien on the Mortgaged Property. In connection with the execution and delivery of the original mortgage in 2002, which was amended and restated in its entirety by the Mortgage, there was delivered to the Master Trustee a mortgagee title insurance policy which insured title to the Mortgaged Property in an amount equal to \$35 million. This policy was endorsed by the title insurance company on October 31, 2014 in connection with the recording of the Mortgage. This \$35 million in mortgagee title insurance is the only title insurance policy held by the Master Trustee. No additional mortgagee title insurance policy will be delivered in connection with the issuance of Obligation No. 2 and the Bonds.

Recovery under a title insurance policy issued to a mortgagee (here, the Master Trustee) is dependent upon a number of factors including, but not limited to, the amount of title insurance purchased relative to the value of the Mortgaged Property (with the current transaction, the current assessed value of the Mortgaged Property substantially exceeds the maximum coverage under the policy), the nature of the title defect, the presence of a payment default under the Obligations and the other terms and conditions of the insurance policy. No assurance can be given that any particular set of circumstances will give rise to a recovery under the title insurance policies. Other than the various exceptions to title contained in the mortgagee title insurance policies and similar type matters that might have arisen since the effective date of the mortgagee title insurance policies, the Obligated Group knows of no encumbrances, liens or other matters that might adversely affect title to the Mortgaged Property.

In the event any impairment of title to any portion of the Mortgaged Property or the lien of the Mortgage is asserted, there is no assurance that proceeds of the mortgagee title insurance policy or other available resources of the Borrower will be sufficient to cure any default in title or lien or to fully compensate the Master Trustee for any loss or impairment of the lien of the Mortgage.

Parity Obligations

Obligation No. 2 will be secured equally and ratably on parity with (1) Obligation No. 1, which was issued to secure the Borrower's payment obligations relating to the Series 2010 Bonds, and (2) any additional Parity Obligations.

Debt Service Reserve Fund

As additional security for the Bonds, the Debt Service Reserve Fund will be established pursuant to the Bond Indenture and will be funded from the proceeds of the Bonds. The Debt Service Reserve Fund is required to be funded in an amount equal to \$_____. The Debt Service Reserve Fund only secures the Bonds and does not secure the Series 2010 Bonds or any other bonds or Obligations that may in the future be issued for the benefit of or by the Obligated Group or any other reserve. See also "Bond Indenture" in Appendix C hereto.

Covenants; Additional Indebtedness

The Members of the Obligated Group will be subject to covenants contained in the Master Indenture and the Loan Agreement relating to maintenance of a Long-Term Debt Service Coverage Ratio, a Days' Cash on Hand requirement, and restricting, among other things, incurrence of Indebtedness, existence of Liens on Property, consolidation and merger, disposition of assets, addition of Members to

the Obligated Group, and withdrawal of Members from the Obligated Group. See also "Master Indenture" in Appendix C hereto.

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY ON A PARITY WITH THE PARITY OBLIGATIONS. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE AS SECURITY FOR THE BONDS.

Long-Term Debt Service Coverage Ratio Covenant

Each Member of the Obligated Group has covenanted in the Master Indenture to set rates and collect charges for its Facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each December 31, based upon the Financial Statements, will not be less than 1.10; *provided, however*, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after the Fiscal Year in which substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of living units or health care beds, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account until the earlier to occur of (i) the first full Fiscal Year next succeeding the Fiscal Year in which the average occupancy of such living units or health care beds was forecasted to reach 90% or (ii) the first full Fiscal Year next succeeding the Fiscal Year in which occurs that date which is 18 months following the date upon which substantially all of such capital improvements are placed in service; in either case, the Obligated Group agrees that it will notify the Master Trustee of such event within 10 days following its occurrence). For more information regarding the Obligated Group's historical Long-Term Debt Service Coverage Ratio, see Appendix A hereto under the Section "FINANCIAL INFORMATION."

In the event the Long-Term Debt Service Coverage Ratio, calculated at the end of any annual period is less than 1.10, a report shall be prepared by management of the Borrower and furnished to the Master Trustee within 30 days following the end of such period explaining in detail the reasons the Long-Term Debt Service Coverage Ratio was less than 1.10 and recommending corrective action. Further, during the period in which the Long-Term Debt Service Coverage Ratio is less than 1.10, the Obligated Group shall furnish to the Master Trustee, on a quarterly basis within 30 days following the end of each quarter, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such 12-month period then ended. In the event management of the Borrower prepares the required report and the Long-Term Debt Service Coverage Ratio is not 1.10 or greater within the fourth quarterly period after the end of the period in which such coverage ratio required such report, the Obligated Group shall retain a Management Consultant to analyze the reasons for the failure to achieve a Long-Term Debt Service Coverage Ratio of 1.10 and to make recommendations to increase the Long-Term Debt Service Coverage Ratio for the following Fiscal Year to such amount; such report of a Management Consultant shall be delivered to the Master Trustee within 30 days after the end of such period. In the event the Obligated Group fails to make a selection and give notice of such selection of a Management Consultant to the Master Trustee within 30 days after it shall have been required to do so, the Master Trustee may, at the direction of the Holders of a majority in aggregate principal amount of the Outstanding Obligations select, on behalf of the Obligated Group, a Management Consultant, the costs of which shall be paid by the Obligated Group, to make the recommendations described above. The Obligated Group agrees that it

will, to the extent permitted by law and consistent with the status of any Member of the Obligated Group as a Tax-Exempt Organization, follow any recommendations of the Management Consultant. Notwithstanding the foregoing, the Obligated Group may elect not to comply with any one or more of such recommendations if the Obligated Group submits to the Master Trustee a written report substantiating its determination not to comply with such recommendations, together with a resolution of the Governing Body (as defined in the Master Indenture) of the Borrower determining that noncompliance with such recommendations is in the best interest of the Obligated Group.

Notwithstanding any other provisions of the Master Indenture, if the Members of the Obligated Group shall revise such fees, rentals, rates and other charges in conformity with the recommendations of the Management Consultant and otherwise follow the recommendations of the Management Consultant, then the failure of the Obligated Group to maintain the Long-Term Debt Service Coverage Ratio required as described above shall not be deemed to constitute an Event of Default under the Master Indenture; *provided, however*, that failure to maintain a Long-Term Debt Service Coverage Ratio of at least 1.00 for a Fiscal Year may be declared to be an Event of Default but only if the amount of Days' Cash on Hand of the Obligated Group as of the last day of such Fiscal Year is less than 250. However, if as of the next succeeding December 31, the Long-Term Debt Service Coverage Ratio is less than 1.00, regardless of the amount of Days' Cash on Hand of the Obligated Group, an Event of Default may be declared by the Master Trustee.

Days' Cash on Hand Covenant

The Obligated Group has covenanted that it shall maintain at least 100 Days' Cash on Hand (the "Liquidity Covenant"). Compliance with the Liquidity Covenant shall be tested each December 31 based on audited financial statements. If the Liquidity Covenant is not met for any calculation date, management of the Borrower shall prepare a report to be delivered to the Master Trustee within 30 days following such calendar date explaining in detail the reasons for failing to meet the Days' Cash on Hand and recommending corrective action. If the Liquidity Covenant is not met in the next annual period after the delivery of such report, a report of a Consultant will be required recommending actions to be implemented by the Obligated Group which recommendations will be adopted. For more information regarding the Obligated Group's historical Days' Cash on Hand see Appendix A hereto under the Section "FINANCIAL INFORMATION."

The failure to comply with the Liquidity Covenant will not constitute a Default or Event of Default under the Master Indenture, so long as the Obligated Group takes all action within its control to comply with the procedures set forth in the Master Indenture in preparing and implementing a report and plan for correcting such a failure; provided that failure to provide a Consultant's report as described above or to implement its recommendations shall constitute an Event of Default under the Master Indenture. However, the Obligated Group may elect not to comply with any one or more of such recommendations if the Obligated Group submits to the Master Trustee a written report substantiating its determination not to comply with such recommendations, together with a resolution of the Governing Body of the Borrower determining that noncompliance with such recommendations is in the best interest of the Obligated Group.

Limitations on Incurrence of Indebtedness

In the Master Indenture, each Member of the Obligated Group covenants and agrees that it will not incur any Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated

Group, such Indebtedness could not be incurred pursuant to paragraphs (a) through (h), inclusive, below. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth as follows:

(a) Long-Term Indebtedness may be incurred if, prior to incurrence thereof, one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate certifying that (A) the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred as if it had been incurred at the beginning of such Fiscal Year, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Financial Statements are available is not less than 1.25 (accompanied by the certificate of the Accountant to the same effect) and (B) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year was not less than 1.25, all required deposits into the Operating Reserve and Renewal and Replacement Fund have been made and a *pro forma* Days' Cash on Hand of 100 days is forecasted to be met at the end of the three-year period following completion of any construction financed with such Long-Term Indebtedness after giving effect to the Long-Term Indebtedness proposed to be incurred; or

(ii) there is delivered to the Master Trustee (A) a report of a Management Consultant stating that (x) the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account for a three-year forecast period or three years following completion of any construction of revenue-producing Property the cost for which is in excess of \$10,000,000 (or for a two-year period if such Management Consultant is professionally unable to issue a forecast for a three-year period), is 1.35 for each Fiscal Year during the forecast period and (y) the Days' Cash on Hand of 100 is forecasted for the end of the forecast period and (B) an Officer's Certificate stating that (x) the Long-Term Debt Service Coverage Ratio has been 1.25 for the preceding Fiscal Year for which Financial Statements are available, and (y) any required deposits into the debt service reserve fund under Related Bond Indentures have been made; or

(iii) there is delivered to the Master Trustee an Officer's Certificate certifying that the principal amount of additional Long-Term Indebtedness proposed to be incurred subsequent to Long-Term Indebtedness incurred in compliance with clause (i) and (ii) above, if any, together with the principal amount of all other Outstanding Long-Term Indebtedness incurred prior to this clause (iii) does not exceed 25% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available.

(b) Long-Term Indebtedness may be incurred to refund any Outstanding Long-Term Indebtedness if, prior to the incurrence thereof, (i) the Master Trustee receives an Officer's Certificate stating that, taking into account the Long-Term Indebtedness proposed to be incurred, the existing Long-Term Indebtedness to remain Outstanding after the refunding and the refunding of the existing Long-Term Indebtedness to be refunded, Maximum Annual Debt Service will not be increased by more than 10% and (ii) the Master Trustee receives an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and the application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded will no longer be Outstanding.

(c) Long-Term Indebtedness may be incurred to complete capital improvements, if prior to the incurrence thereof there is delivered to the Master Trustee (i) an Officer's Certificate to the effect (A) the scope of the capital improvements being financed with such Long-Term Indebtedness is not being

changed, (B) Long-Term Indebtedness does not exceed 10% of the original principal amount of the obligations originally issued for such capital improvements or (ii) a report of a Management Consultant indicating that the Long-Term Debt Service Coverage Ratio calculated pursuant to the provisions of paragraph (a)(ii) above but for the two years following completion would not be reduced from what such ratio would have been without the issuance of such additional Long-Term Indebtedness.

(d) Short-Term Indebtedness may be incurred in the aggregate amount of 20% of Total Revenue for the most recent year for which Financial Statements are available.

(e) Indebtedness between Members of the Obligated Group may be incurred without limit.

(f) Put Indebtedness may be incurred if, prior to the incurrence of such Put Indebtedness, (i) the conditions described in paragraph (a)(i) or (a)(ii) are met and (ii) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness.

(g) Indebtedness in any amount which is secured by (i) a lien on Property which is not Mortgaged Property or (ii) a purchase money security interest on new or replacement equipment and fixtures.

(h) Indebtedness in any amount which is expressly subordinated in repayment to the repayment of the Obligations.

Insurance Requirements

The Master Indenture requires each Member of the Obligated Group to maintain the following types of insurance (including one or more self-insurance programs) as, in its judgment, are adequate to protect it and its Facility Property and Equipment and operations: (i) Builder's risk insurance during the construction of any project costing more than \$500,000, (ii) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned or hired automobiles (excluding collision and comprehensive coverage thereon), (iii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism, and malicious mischief endorsements and business interruption insurance (termination of such coverage to be subject to 30 days' advance notice thereof provided by the insurer to the Master Trustee), (iv) professional liability insurance, (v) workers' compensation insurance, (vi) fidelity insurance covering employees with access to revenues and receipts, and (vii) boiler and machinery insurance on a replacement cost basis.

By August 1 of each year the Obligated Group is required to provide to the Master Trustee a report of an Insurance Consultant as to whether the amounts of coverage for the insurance described in clauses (ii), (iii), (iv), (v), (vi) and (vii) above are appropriate to the risks to which the Obligated Group is subject when balanced against the cost of obtaining insurance coverage therefor.

For additional information with respect to the specific requirements set forth in the Master Indenture, see the description of insurance requirements set forth in Section 3.03 of the Master Indenture included in Appendix C hereto. For specific information as to the current insurance coverage obtained by the Obligated Group, see the section "CAMPUS DESCRIPTION - Insurance and Risk Management" in Appendix A attached hereto.

RISK FACTORS

General Risk Factors

The 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 Obligated Group under the Master Indenture.

An investment in the Bonds involves various risks as described in this Official Statement. Each prospective investor should carefully examine this Official Statement and his or her own financial condition in order to make a judgment as to whether the Bonds are an appropriate investment. A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND REFERENCE IS MADE TO THE SECTION "SECURITY FOR THE BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 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 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 Mortgaged Property, such principal, premium and interest will be payable solely from amounts paid by the Obligated Group under the Loan Agreement or by the Obligated Group under the Master Indenture, including Obligation No. 2.

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 Borrower and future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal of and interest on the Bonds in the amounts and at the times required to pay debt service on the 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 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.

Limited Obligations

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE, THE ISSUER OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE STATE, THE ISSUER NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE ISSUER OR OF ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

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

(1) *Loan payments received by the Bond Trustee from the Borrower pursuant to the terms of the Loan Agreement and the Obligated Group pursuant to Obligation No. 2.* The Issuer has no obligation to pay the Bonds except from loan payments derived from the Loan Agreement and from the Obligated Group pursuant to Obligation No. 2. The Bonds, together with interest and premium, if any, thereon, will be limited obligations of the Issuer and will never 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 or the State or any political subdivision of the State or a charge against the general credit or taxing powers, if any, of any of them. Under the Loan Agreement, which the Issuer has assigned to the Bond Trustee, the Obligated Group will be required to make loan payments to the Bond Trustee in amounts sufficient to enable the Bond Trustee to pay the principal of, premium, if any, and interest on the Bonds. Such loan payments are, however, anticipated to be derived solely from operation of the facilities of the Obligated Group and investment earnings. Profitable operation of the facilities of the Obligated Group depend in large part on achieving and maintaining certain occupancy levels throughout the term of the Bonds. However, no assurance can be made that the revenues derived from the operation of the Facilities will be realized by the Obligated Group in the amounts necessary, after payment of operating expenses of the facilities of the Obligated Group, to pay maturing principal of, premium, if any, and interest on the Bonds.

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

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

The best prospects for uninterrupted payment of principal and interest on the Bonds in accordance with their terms is the source described in (1) above, which is wholly dependent upon the success of the Obligated Group in operating its facilities in a profitable manner. Even if its facilities are operating profitably, other factors could affect the Obligated Group's ability to make loan payments under the Loan Agreement and Obligation No. 2.

The Mortgage

The Obligated Group has delivered the Mortgage on the Mortgaged Property to the Master Trustee to secure its obligations pursuant to the Master Indenture. In the event that there is a default under the Master Indenture, the Master Trustee has the right to foreclose on the Mortgaged Property under certain circumstances.

All amounts collected upon foreclosure of the Mortgaged Property pursuant to the Mortgage will be used to pay certain costs and expenses incurred by, or otherwise related to, the foreclosure, the performance of the Master Trustee and/or the beneficiary under the Mortgage, and then to pay amounts owing under the Master Indenture in accordance with the provisions of the Master Indenture. See also "Master Indenture" in Appendix C hereto.

In the event that the Mortgage is actually foreclosed, then, in addition to the customary costs and expenses of operating and maintaining the Facilities, the party or parties succeeding to the interest of the Obligated Group in the Mortgaged Property (including the Master Trustee, if such party were to acquire the interest of the Obligated Group 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 Facilities, such as the Americans with Disabilities Act; costs associated with the potential reconstruction or repair of the Mortgaged Property in the event of any casualty or condemnation.

The Facilities generally are suitable only for residential use and are designed for senior adults and are not composed of general purpose buildings; therefore, the Facilities would not be suitable for industrial or commercial use and consequently, it would be difficult to find a buyer or lessee for the Facilities, and, upon any default, the Master Trustee may not realize the amount of the outstanding Bonds from the sale or lease of the Facilities in the event of foreclosure. See also "FLORIDA REGULATION OF CONTINUING CARE FACILITIES" for a discussion of the rights of residents in the event of foreclosure.

Any valuation of the Facilities is based on future projections of income, expenses, capitalization rates, and the availability of the partial or total property tax exemption. Additionally, the value of the Facilities will at all times be dependent upon many factors beyond the control of the Obligated Group, 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 Facilities. Any weakened market condition may also depress the value of the Facilities. Any reduction in the market value of the Facilities could adversely affect the security available to the owners of the Facilities. There is no assurance that the amount available upon foreclosure of the Facilities after the payment of foreclosure costs will be sufficient to pay the amounts owing by the Obligated Group on Obligation No. 2 and other outstanding Parity Obligations.

In the event of foreclosure, a prospective purchaser of the Mortgaged Property may assign less value to the Mortgaged Property than the value of the Mortgaged Property while owned by the Obligated Group since such purchaser may not enjoy the favorable financing rates associated with the Bonds and other benefits. To the extent that buyers whose income is not tax-exempt may be willing to pay less for the Mortgaged Property than nonprofit buyers, then the resale of the Mortgaged Property

after foreclosure may require more time to solicit nonprofit buyers interested in assuming the financing now applicable to the Mortgaged Property. In addition, there can be no assurance that the Mortgaged Property could be sold at 100% of its fair market value in the event of foreclosure. Although the Master Trustee will have available the remedy of foreclosure of the Mortgage in the event of a default (after giving effect to any applicable grace periods, and subject to any legal rights which may operate to delay or stay such foreclosure, such as may be applicable in the event of the Obligated Group's bankruptcy), there are substantial risks that the exercise of such a remedy will not result in recovery of sufficient funds to satisfy all the Obligated Group's obligations.

Title Insurance

The Obligated Group has previously obtained mortgagee title insurance with respect to the Mortgaged Property as described under the caption "SECURITY FOR THE BONDS – Security for Obligation No. 2." No additional mortgagee title insurance is being obtained in connection with the issuance of the Bonds. Recovery under a title insurance policy issued to a mortgagee (here, the Master Trustee) is dependent upon a number of factors including, but not limited to, the amount of title insurance purchased relative to the value of the Mortgaged Property (with the current transaction, the current assessed value of the Mortgaged Property substantially exceeds the maximum coverage under the policy), the nature of the title defect, the presence of a payment default under the Obligations and the other terms and conditions of the insurance policy. No assurance can be given that any particular set of circumstances will give rise to a recovery under the title insurance policy or that proceeds received under such title insurance policy and the available resources of the Obligated Group will be sufficient to cure any title defect or to compensate for any loss of title.

The Series 2010 Bonds

The Series 2010 Bonds were issued and the proceeds thereof loaned to the Borrower pursuant to a Loan Agreement dated as of December 1, 2010 (the "Original 2010 Bonds Loan Agreement"), among the City of Pompano Beach, Florida, the Borrower and the Series 2010 Bondholder, as amended by the First Amendment to Loan Agreement (the "First Amendment to 2010 Bonds Loan Agreement," collectively with the Original 2010 Bonds Loan Agreement, the "Series 2010 Bonds Loan Agreement") dated as of September 25, 2014. The Series 2010 Bonds mature on September 1, 2035. Notwithstanding the foregoing, pursuant to the Series 2010 Bonds Loan Agreement, PNC Bank, National Association, the holder of the Series 2010 Bonds (the "Series 2010 Bondholder"), is obligated to tender the Series 2010 Bonds for purchase in full, at a purchase price equal to the outstanding principal amount thereof, plus accrued interest thereon, on September 25, 2024 and the Borrower is obligated to pay such purchase price upon the Series 2010 Bondholder's tender of the Series 2010 Bonds for purchase.

The Series 2010 Bonds bear interest at a variable rate calculated based upon a percentage of LIBOR, plus a credit spread. The interest rate on the Series 2010 Bonds is also subject to adjustment due to: (i) certain circumstances affecting the use of LIBOR in the calculation of interest on the Series 2010 Bonds, (ii) matters affecting the federal tax treatment of interest on the Series 2010 Bonds, and (iii) the occurrence of a Default (as defined in the Series 2010 Bonds Loan Agreement). It is possible that an adjustment in interest rate on the Series 2010 Bonds as a result of the foregoing could have an adverse effect on the Borrower's financial condition and ability to satisfy its obligations under the Master Indenture.

The Series 2010 Bonds Loan Agreement also includes yield protection and indemnity provisions for the benefit of the Series 2010 Bondholder. It is possible that payment obligations under such provisions could have an adverse effect on the Borrower's financial condition and ability to satisfy its obligations under the Master Indenture.

The Series 2010 Bonds Loan Agreement includes additional financial and operating covenants of the Borrower for the benefit of the Series 2010 Bondholder, including, among others, covenants of the Borrower to maintain (i) a ratio of Income Available for Debt Service divided by Maximum Annual Debt Service of 1.20, calculated as of December 31 of each year during the term of the Series 2010 Bonds Loan Agreement; (ii) Days' Cash on Hand of at least 200, to be tested semiannually on each June 30 and December 31; and (iii) a "BBB" rating from either Standard & Poor's Ratings Group or Fitch Ratings. The foregoing requirements are in addition to and higher than the requirements of the Master Indenture. Failure to comply with such covenants may give rise to an "Event of Default" under the Series 2010 Bonds Loan Agreement.

The Series 2010 Bonds Loan Agreement provides that the occurrence of certain events, including among others, a failure to comply with covenants of the Borrower provided therein and a "Material Adverse Change" in the Borrower's business, assets, operations, financial condition or results of operation, will constitute an "Event of Default" thereunder. The occurrence and continuation of an "Event of Default" under the Series 2010 Bonds Loan Agreement allows the Series 2010 Bondholder to pursue various remedial actions, including among others, the acceleration of the Series 2010 Bonds and Obligation No. 1 issued under the Master Indenture.

Pursuant to the Series 2010 Bonds Loan Agreement, the Borrower is required to and currently maintains its primary operating accounts with PNC Bank, National Association, which is also the Series 2010 Bondholder. Amounts held in depository accounts may be subject to a banker's lien or right to set-off in favor of PNC Bank, National Association for obligations owed to it prior to claims of other creditors.

Uncertainty of Occupancy and Entrance and Service Fee Collection

As noted elsewhere, except to the extent that the Bonds will be payable from the proceeds of insurance, sale or condemnation awards, the Bonds will be payable solely from payments or prepayments to be made by the Borrower under the Loan Agreement and the Obligated Group under Obligation No. 2. The ability of the Borrower to make payments under the Loan Agreement and the ability of the Obligated Group, including any future Members of the Obligated Group, to make payments on Obligation No. 2 and other outstanding Parity Obligations is dependent upon the generation by the Obligated Group of revenues in the amounts necessary for the Obligated Group to pay such Obligations, as well as other operating and capital expenses.

The financial feasibility of the Facilities and payment, when due, of the Bonds is dependent on the continuing ability of the Obligated Group to maintain high levels of occupancy of the Facilities and to (i) fill those facilities that accept residents who purchase the right to live there by paying Entrance Fees, (ii) collect new Entrance Fees from residents occupying apartment units vacated by deceased residents, residents permanently transferred to assisted living or nursing care facilities operated by the Obligated Group or residents leaving such facilities for other reasons, and (iii) keep the Facilities substantially occupied by residents who can pay the full amount of the Entrance Fees and/or Monthly Service Fees (as defined in Appendix A hereto). This depends to some extent on factors outside the Obligated Group's

control, such as the residents' right to terminate their continuing care contracts with the Borrower (each a "LifeCare Contract") in accordance with the terms of the LifeCare Contracts and by general economic conditions. In particular, a depressed housing market may prevent prospective residents from selling their homes and generating cash to pay Entrance Fees. If the Facilities fail to maintain a high level of occupancy, there may be insufficient funds to pay debt service on the bonds and any other outstanding Bonds and obligations. In addition, the economic feasibility of the Project also depends on the Obligated Group's ability to remarket units becoming available when residents die, withdraw, or are permanently transferred to a health care facility or any other facility.

Moreover, if a substantial number of independent living unit residents live beyond their anticipated life expectancies or if admissions or transfers to the health care components of the Facilities are substantially less than anticipated by the Obligated Group, or if market conditions or market changes prevent an increase in the amount of the resident Entrance Fees payable by new residents of the Facilities or the Monthly Service Fees payable by all residents, the receipt of additional resident Entrance Fees and/or Monthly Service Fees would be curtailed or limited, with a consequent impairment of the Obligated Group's revenues. Such impairment would also result if the Obligated Group is unable to remarket independent living units becoming available when residents die, withdraw, or are permanently transferred to the health care components of the Facilities.

As described in Appendix A hereto, the Obligated Group has historically made regular increases to both Entrance Fees and Monthly Service Fees to offset increasing operating costs due primarily to inflation. There can be no assurance that such increases will continue or that increases in expenses will not be greater than any such future rate increase. Also, since many of the residents may be living on fixed incomes or incomes that do not readily change in response to changes in economic conditions, there can be no assurance that any such Entrance Fee or Monthly Service Fee increases can be paid by residents or that such increases will not adversely affect the occupancy of the Facilities. It is possible that residents who unexpectedly become unable to make such payments would be allowed to remain residents, even though the costs of caring for them could have an adverse effect on the financial condition of the Obligated Group. As a charitable tax-exempt organization, the Obligated Group may be unable or unwilling to require residents who lack adequate financial resources to leave the Facilities. In the future, the Obligated Group could possibly be required to accept residents unable to pay all Entrance Fees or Monthly Service Fees or be required to provide services to a certain number of indigent persons unable to pay any fees, in order to maintain its tax-exempt status.

The Entrance Fees and Monthly Service Fees for the Facilities are described in Appendix A hereto. As set forth therein, the Obligated Group has set such fees based on, among other things, anticipated revenue needs and analysis of the market areas. If actual operating experience is substantially different from that anticipated, the revenues of the Obligated Group could be less than expenses. Should methods of payment other than Entrance Fees, including straight rental, become prevalent as the form of payment for elderly housing, the ability to charge resident Entrance Fees to potential future residents may decrease. If this should happen, the Obligated Group may be forced to alter its method of charging for elderly housing services and could encounter operational difficulties.

Sale of Homes

The number of persons who can afford payment of the substantial Entrance Fees and Monthly Service Fees may be affected by general economic conditions. It is anticipated that a substantial number of existing and potential applicants for residency in the Facilities will expect to pay the Entrance Fees

from the proceeds of the sale of a residence. Nationwide, and particularly in Florida, there previously had been a substantial reduction in residential sales volume, a reduction in residential sales prices and residential mortgage loans generally had become less available. While housing prices and sales volume in Florida have stabilized and shown recent improvement, if there is another reduction or stagnation in residential sales volume or if mortgage loans remain difficult to secure or if such loans are available only at interest rates that prospective home purchasers are unwilling to pay, or should there be any material adverse conditions in the residential housing market, such applicants might be unable to sell their homes at acceptable financial terms, and in such event may choose not to establish residence at the Facilities.

Utilization Demand

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

Potential Refund of Entrance Fees

Under certain circumstances, the Obligated Group is obligated to refund all or a portion of a resident's Entrance Fee upon the resident's departure from the Facilities. The payment of such refunds could adversely affect the Obligated Group's ability to make payments required by the Loan Agreement, the Bonds and Obligation No. 2. For more information regarding the Obligated Group's policies and procedures regarding deposits and Entrance Fees, see Appendix A hereto under the Section "CAMPUS DESCRIPTION - LifeCare Contract - *Termination of LifeCare Contract.*"

Nature of Income and Assets of the Elderly

A large percentage of the monthly income of the residents of the Facilities is expected to be fixed in amount, consisting of income derived from savings, pensions, investments and Social Security payments. If, due to inflation or otherwise, substantial increases in Monthly Service Fees are required to cover increases in operating costs and other expenses, residents may have difficulty paying or may be unable to pay increased fees. In addition, some residents may need to liquidate assets, such as by selling a home, to pay the required fees. The Obligated Group's inability to collect from residents the full amount of their payment obligations, either when due or at all, may jeopardize the ability of the Obligated Group to pay amounts due under the Loan Agreement and Obligation No. 2.

Impact of Market Turmoil, Disruption of Credit Markets and Federal Legislation

The recent economic turmoil has had and may continue to have negative repercussions upon the United States and global economies. To date, this turmoil has particularly impacted the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge and, in some cases, to cease operations. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

Changes in market conditions could adversely affect investment earnings and values and could adversely affect the value of the Obligated Group's investments and those of prospective residents, as well as future investment earnings. As a result, residents of the Facilities may encounter difficulty in liquidating investments in order to raise necessary cash to pay the Monthly Service Fees.

In response to the foregoing, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") was enacted by Congress in July 2010. The Financial Reform Act includes broad changes to the existing financial regulatory structure, including the creation of new federal agencies to identify and respond to risks to the financial stability of the United States. Additional legislation is pending or under active consideration by Congress and regulatory action is being considered by various federal agencies and the Federal Reserve Board and foreign governments, which are intended to increase the regulation of domestic and global credit markets. The effects of these legislative, regulatory and other governmental actions, including the Financial Reform Act and the Budget Control Act (defined below), upon the Obligated Group and, in particular upon its access to capital markets and its investment portfolios, cannot be predicted.

The senior housing sector has been adversely affected as a direct consequence of the disruption of the credit and financial markets. The consequences of these developments have generally included realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities, and increased borrowing costs. In addition, reduction of residential property values has limited seniors' ability to sell their homes to help finance relocations to senior housing.

In August 2011, President Obama signed the Budget Control Act of 2011 (the "Budget Control Act"). The Budget Control Act limits the federal government's discretionary spending caps to levels necessary to reduce expenditures by \$917 billion from the current federal budget baseline for federal fiscal years 2011 and 2012. Medicare, Social Security, Medicaid and other entitlement programs were not affected by the limit on discretionary spending caps but there can be no assurance that such programs will be unaffected by any funding reductions in the future.

The Budget Control Act also created a bipartisan joint congressional committee to identify additional deficit reductions. Because the committee failed to propose a plan to cut the deficit by an additional \$1.2 trillion by the November 23, 2011 deadline, the Budget Control Act requires automatic spending reductions of \$1.2 trillion for fiscal years 2014 through 2021, minus any deficit reductions enacted by Congress and debt service costs. However, the percentage reduction for Medicare may not be more than 2% for a fiscal year, with a uniform percentage reduction across all Medicare programs. On September 14, 2012, the White House Office of Management and Budget released a report that provides information on how federal agencies would implement approximately \$110 billion in spending reductions during fiscal year 2014. Collectively, for fiscal year 2014, such report provides that Medicare providers would see reductions of about \$11 billion beginning in January, 2014, as part of a series of such automatic spending reductions absent further Congressional action.

Competition

The Facilities are located in areas where other continuing care retirement facilities and other competitive facilities exist, and may in the future be developed. The Facilities may also face additional competition in the future as a result of changing demographic conditions and the construction of new, or the renovation or expansion of existing continuing care facilities in the geographic areas served by the

Facilities. The Obligated Group will also face competition from other forms of retirement living, including condominiums, apartment buildings and facilities not specifically designed for the elderly, some of which may be designed to offer similar facilities but not necessarily similar services, at lower prices. In addition, there are few entry barriers to future competitors because competing facilities generally do not require a certificate of need approval for independent living facilities, although continuing care facilities would be required to obtain a Certificate of Authority from the Office of Insurance Regulation of the State. All of these factors combine to make the elderly housing industry volatile and subject to material change that cannot be currently predicted. For more information regarding the Obligated Group's competition, see Appendix A hereto under the Section "Competition."

Rights of Residents

The Borrower enters into LifeCare Contracts with its residents. For more information about the LifeCare Contracts, see "CAMPUS DESCRIPTION - LifeCare Contract" in Appendix A hereto. Although the LifeCare Contracts give to each resident a contractual right to use space and not any ownership rights in the Project, in the event that the Bond Trustee or the holders of the Bonds seek to enforce any of the remedies provided by the Bond Indenture upon the occurrence of a default or the Master Trustee seeks to enforce remedies under the Mortgage or the Master Indenture, it is impossible to predict the resolution that a court might make of competing claims among the Master Trustee, the Bond Trustee, the Issuer or the holders of the Bonds and a resident of the Facilities who has fully complied with all the terms and conditions of his or her LifeCare Contract.

Regulation of Residency Agreements

As described herein under "FLORIDA REGULATION OF CONTINUING CARE FACILITIES," Chapter 651 requires every continuing care facility to maintain a certificate of authority from the Office of Insurance Regulation in order to operate. The Borrower has received final certificates of authority for the existing Facilities. If the Obligated Group fails to comply with the requirements of Chapter 651, it would be subject to sanctions including the possible revocation of certificates of authority for the respective Facilities. The certificate of authority may be revoked if certain grounds exist including, among others, failure by the provider to continue to meet the requirement for the certificate of authority originally granted, on account of deficiency of assets, failure of the provider to maintain escrow accounts or funds required by Chapter 651 and failure by the provider to honor its residency agreements, like the LifeCare Contracts, with residents. Under certain circumstances the Office of Insurance Regulation may petition for an appropriate court order for rehabilitation, liquidation, conservation, reorganization, seizure or summary proceedings. If the Office of Insurance Regulation has been appointed a receiver of a continuing care facility, it may petition a court to enjoin a secured creditor of a facility from seeking to dispose of the collateral securing its debt for a period of up to 12 months.

Organized Resident Activity

The Obligated Group may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of Monthly Service Fees with respect to the Facilities or other charges without increase. Moreover, the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down Monthly Service Fees and other charges. No assurance can be given that the Obligated Group will be able satisfactorily to meet the needs of such resident groups and that such activity would not adversely impact occupancy.

Management; Staffing

Future revenues and expenses of the Obligated Group are subject to, among other things, the capability of management of the Obligated Group and may be affected by changes in key management personnel.

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

Increases of Medical Costs

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

Labor Union Activity

Certain residential care facilities are being subjected to increasing union organizational efforts. Employees of the Obligated Group are not presently subject to any collective bargaining agreements. There can be no assurance, however, that such employees will not seek to establish collective bargaining agreements with the Obligated Group, and if so established, such collective bargaining agreements could result in significantly increased labor costs to the Obligated Group and have an adverse effect on the financial condition of the Obligated Group.

Natural Disasters

Florida has suffered from natural disasters over the years, including hurricanes. While the Obligated Group believes that it maintains adequate insurance to cover any loss arising from such natural disasters, there can be no assurance that in severe circumstances such insurance will be adequate to rebuild such Facilities. Additionally, there can be no assurance that after experiences with natural disasters, residents will continue to choose to live in such areas of the country. Such decisions could have an adverse impact on the financial success of the Obligated Group.

Malpractice Claims and Losses

The Obligated Group has covenanted in the Master Indenture to maintain professional liability insurance. The operations of the Obligated Group may be affected by increases in the incidence of malpractice lawsuits against elder care facilities and care providers in general and by increases in the dollar amount of client damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Obligated Group or the premiums at which such coverage can be obtained.

Additions to and Withdrawals from the Obligated Group

Upon satisfaction of certain conditions in the Master Indenture, other entities can become Members of the Obligated Group and existing Members may withdraw from the Obligated Group; provided that the Master Indenture prohibits the Borrower from withdrawing from the Obligated Group. See also "Master Indenture" in Appendix C hereto. Management of the Obligated Group currently has no plans to add additional Members to the Obligated Group. However, if and when new Members are added or one or more Members withdraw, the Obligated Group's financial situation and operations will likely be altered.

Third-Party Payments and Managed Care

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

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

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

Skilled nursing facilities ("SNFs") that accept payment from Medicare and Medicaid are required to comply with federal laws that affect the rights of residents, including the Federal Nursing Home Reform Act and related regulations. In addition, state laws establish the rights and responsibilities of residents of nursing homes and assisted living facilities. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect operation of the Facilities or the financial condition of the Obligated Group.

The health care industry in general is subject to highly technical regulation by a number of federal, state and local governmental agencies, including the Centers for Medicare and Medicaid Services. 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 Facility.

There is an expanding and increasingly complex body of law, regulation and policy (both federal and state) relating to the Medicaid and Medicare programs, which is not directly related to payments under such programs. This includes reporting and other technical rules as well as broadly stated prohibitions regarding improper inducements for referrals, referrals by physicians for designated health services to entities with which the physicians have a prohibited financial relationship, and payment of kickbacks in connection with the purchase of goods and services. Violations of prohibitions against false claims, improper inducements and payments, prohibited physician referrals, and illegal kickbacks may result in civil and/or criminal sanctions and penalties. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the Medicaid and Medicare programs. The determination that any of the facilities of the Obligated Group were in violation of these laws could have a material adverse effect on finances of the Obligated Group.

At this time, all the SNF beds are certified for Medicare and Medicaid. For the Fiscal Year ended December 31, 2013, approximately 13% of Obligated the Group's annual operating revenues were derived from Medicare and 7% from Medicaid. See also "CAMPUS DESCRIPTION - Sources of Resident Service Revenue" in Appendix A hereto.

General. Medicare is a federal insurance program that, among other things, provides reimbursement for nursing facility care in Medicare-certified facilities. Generally, a resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified resident. Medicare currently reimburses providers of nursing care for the lower of customary charges or allowable costs. Payments are made directly to the Obligated Group for residents qualifying for Medicare on the basis of per diem rates based on resident acuity as well as each facility's allowable costs for the cost reporting period that began in fiscal year 1995, updated by a factor based on the skilled nursing facility market basket percentage (except in the case of certain facilities in states having a Prospective Payment System demonstration project), but without adjustment for case mix or wage levels.

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

Medicare Reimbursement. Medicare reimbursement to SNFs depends on several factors, including the character of the facility, the beneficiary's circumstances, and the type of items and services provided. Extended care services furnished by SNFs are covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within 30 days of discharge from a qualifying hospital stay. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by the SNF. "Ancillary" services furnished to the non-Medicare Part A SNF patients are also covered under Medicare Part B. SNF services for Medicare Part A

inpatient stays are reimbursed for up to 100 days for each spell of illness. Medicare payments are subject to coinsurance and deductibles from the patient.

Payments of Medicare patients in SNFs are now based on a Prospective Payment System ("PPS"). Under the PPS, SNFs are paid a single per diem rate per resident according to the Resource Utilization Group ("RUG") to which the patient is assigned. RUG rates are based on the expected resource needs of patients and cover routine services, therapy services, and nursing costs. SNF PPS payment rates are adjusted annually based on the skilled nursing facility "market basket" index, or the cost of providing SNF services. There is no guarantee that the SNF rates, as they may change from time to time, will cover the actual costs of providing care to Medicare SNF patients. In March 2010, the Medicare Payment Advisory Commission recommended eliminating the market based update for skilled nursing facilities. In addition, certain health care reform statutes enacted by Congress (the "Health Care Reform Statutes") contain changes to Medicare reimbursement that may negatively impact the Medicare reimbursement levels for the Obligated Group. Commencing in 2014, the market basket adjustment is reduced by a productivity adjustment, which may result in payments lower than previous years.

The Health Care Reform Statutes also required the Secretary of the United States Department of Health and Human Services ("DHHS") to develop a "value based" purchasing program (based on performance and quality measures and other factors) for skilled nursing facilities. DHHS is required to publish the measures selected with respect to fiscal year 2014, including procedures for the public to review such data. This will eventually result in a mandatory requirement for nursing homes reporting on key performance and other quality performance measures and the development of a pay for performance program for SNFs which will impact reimbursement to skilled nursing facilities. Compliance with the performance and other quality performance measures will be essential for full reimbursement under the Medicare Program. In 2014, the Health Care Reform Statutes require that the annual update to the standard federal rate for discharges during the rate year will be reduced by two percentage points for each facility that does not report quality data. The Secretary is also required to study the impact of expanding Medicare's health care acquired conditions reduced payment policy to skilled nursing facilities. Because the Health Care Reform Statutes are relatively new, the full impact of these provisions is unknown and subsequent laws, regulation and guidance impacting Medicare policy and reimbursement may provide additional changes which may adversely impact skilled nursing homes.

Medicare has also increased its efforts to recover overpayments. The Centers for Medicare & Medicaid Services ("CMS") is expanding its use of Recovery Audit Contractors ("RACs") to further assure accurate payments to providers. RACs search for potentially improper Medicare payments from prior years that may have been detected through CMS existing program integrity efforts. RACs use their own software and review processes to determine areas for review. Once a RAC identifies a potentially improper claim as a result of an audit, it applies an assessment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. In 2007, during which time the RAC project was limited to five states including Florida it returned approximately \$247 million to the Medicare program. The permanent RAC program has been implemented in all 50 states. Such audits may result in reduced reimbursement for past alleged overpayments and may slow future Medicare payments to providers pending resolution of appeals process with RACs, as well as increase purported Medicare overpayments and associated costs for the Obligated Group.

Other future legislation, regulation or actions by the federal government are expected to continue to trend toward more restrictive limitations on reimbursement for the 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 financial performance of the Obligated Group 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 one or more Members of the Obligated Group may not incur such penalties in the future. These penalties could have a material adverse effect on the Obligated Groups 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 Obligated Group violates one of the fraud and abuse laws, among other possible sanctions, federal or state authorities could recover amounts paid, exclude the Obligated Group from participation in the Medicare program, impose civil monetary penalties, and suspend Medicare payments. The federal government (and individuals acting on its behalf) have brought many investigations, prosecutions and civil enforcement actions under the fraud and abuse laws in recent years. In some cases, the scope of the fraud and abuse laws are so broad that they may result in liability for business transactions that are traditional or commonplace in the health care industry.

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

The federal civil False Claims Act ("Civil FCA") prohibits anyone from knowingly submitting a false, fictitious or fraudulent claim to the federal government. Violation of the Civil FCA can result in civil money penalties and fines, including treble damages. Private individuals may initiate actions on behalf of the federal government in lawsuits called qui tam actions. The plaintiffs, or "whistleblowers," can recover significant amounts from the damages awarded to the government. In several cases, Civil FCA violations have been alleged solely on the existence of alleged kickback arrangements or violations of Section 1877 of the Social Security Act (commonly known as the "Stark Law"), even in the absence of

evidence that false claims had been submitted as a result of those arrangements. The Patient Protection and Affordable Care Act ("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 Obligated Group may not knowingly make a payment, directly or indirectly, to a physician as an inducement to reduce or limit services to Medicare or Medicaid patients under the physician's direct care. 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 and Medicaid programs. Subject to certain exceptions, the Stark Law provides that if a physician (or a family member of a physician) has a financial relationship with an entity (i) the physician may not make a referral to the entity for the furnishing of designated health services reimbursable under the Medicare and Medicaid programs, and (ii) the entity may not bill for designated health services furnished pursuant to a prohibited referral. Entities and physicians committing an act in violation of the Stark Law are subject to civil money penalties and exclusion from the Medicare and Medicaid programs. Mandated by PPACA, the recently published Medicare self-referral disclosure protocol ("SRDP") is intended to allow providers to self-disclose actual or potential violations of the Stark Law. PPACA provides for discretion to reduce penalties for providers submitting an SRDP. As a result of the scarcity of case law interpreting the Stark Law, there can be no assurance that the Obligated Group 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 Obligated Group.

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 Obligated Group, exclusion from Government Programs, loss of license or disciplinary action by licensing agencies, and/or substantial civil monetary penalties.

Management of the Obligated Group 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 Obligated Group could be required to pay a substantial rebate of prior payments. The federal government contracts with third-party RACs, on a contingent fee basis, to audit the propriety of payments to Medicare providers. The centers for Medicare and Medicaid Services recently passed rules resulting in several more types of Medicare and or Medicaid audits. Medicare zone program integrity contractors ("ZPICs") transitioned from the program safeguard contractor ("PSC") program, target potential fraud and abuse and are tasked with ensuring the integrity of all Medicare-related claims per assigned jurisdiction. PSCs, ZPICs, affiliated contractors ("ACs"), and Medicare administrative contractors ("MACs") must ensure that they pay the right amount for covered and correctly coded services rendered to eligible beneficiaries by legitimate providers. Four parallel strategies are employed in meeting this goal: (i) preventing fraud through effective enrollment and through education of providers and beneficiaries, (ii) early detection through, for example, medical review and data analysis, (iii) close coordination with partners, including PSCs, ZPICs, ACs, MACs, and law enforcement agencies, and (iv) fair and firm enforcement policies. The Obligated Group has not received claims or been a party to settlement negotiations outside of the routine audit processes. Nevertheless, ultimate liability could exceed reserves, and any excess could be substantial. Medicare regulations also provide for withholding payment in certain circumstances, which could adversely affect the Obligated Group's cash flow.

Health Care Reform

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

The "Patient Protection and Affordable Care Act" and "The Health Care and Education Affordability Reconciliation Act of 2010" (together referred to herein as the "Health Reform Act") were enacted in March 2010, but soon after became the subject of court challenges and efforts to repeal or modify its substantive provisions. On June 28, 2012, the U.S. Supreme Court upheld most of the provisions of the Health Reform Act, but rejected a requirement that states significantly expand Medicaid eligibility. Instead, each state must determine whether federal financial incentives included in the Health Reform Act merit expanding its Medicaid program. To date, Florida has not expanded its program.

Some of the provisions of the Health Reform Act took effect immediately while others will take effect over a 10-year period. Because of the complexity of the Health Reform Act generally additional legislation modifying or repealing portions of the Act is likely to be considered and enacted over time. New guidelines and regulations related to the Health Reform Act will also likely be enacted. It is impossible to predict what, if any, such new guidelines and regulations will entail or how they may affect the Obligated Group, its operations or its financial condition.

The Health Reform Act provides changes with respect to how consumers will pay for their own and their families' health care and how employers will procure health insurance for their employees. In addition, the Health Reform Act requires insurers to change certain underwriting practices and benefit structures in order to cover individuals who previously would have been ineligible for health insurance

coverage. As a result, there is expected to be a significant increase in the number of individuals eligible for health insurance coverage.

The overall stated goal of the Health Reform Act is to provide access to health insurance coverage to an additional 32 million people. The legislation intends to accomplish this objective through various provisions, including: (i) creating active markets (referred to as exchanges) in which individuals and small employers can purchase health insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to the federal poverty levels, (iii) mandating that individuals obtain, and certain employers provide, a minimum level of health insurance, and providing penalties or taxes on individuals and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through reforms such as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expanding existing public programs, including Medicaid, for individuals and families. Prior to the Supreme Court decision, the Congressional Budget Office ("CBO") estimated that in federal fiscal year 2015, 19 million consumers who were currently uninsured would become insured, followed by an additional 11 million consumers in federal fiscal year 2016. Because some states may choose not to implement expanded Medicaid eligibility, that estimate may decrease. However, to the extent the provisions of the Health Reform Act substantially increase the number of insured consumers, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

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

- With varying effective dates, the annual Medicare market basket updates for many providers, including skilled nursing, would be reduced, and adjustments to payment for expected productivity gains would be implemented.
- With varying effective dates, the Health Reform Act mandates a reduction of waste, fraud and abuse in public programs by allowing provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. The legislation requires the development of a database to capture and share health care provider data across federal health care programs and also provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- An Independent Payment Advisory Board is to be established to develop proposals commencing in 2015 to improve the quality of care and limit the growth of spending on the Medicare program. Those proposals would be automatically implemented if Congress does not act to invalidate them.

The Health Reform Act provides for the implementation of various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled

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

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

The Health Reform Act also includes The Elder Justice Act which provides funding for adult protective services aimed at elder abuse prevention and enhanced investigation of elder abuse and neglect. It became effective on March 23, 2010. The Elder Justice Act requires prompt reporting to the Department of Health and Human Services ("DHHS") by long term care facilities who receive at least \$10,000 per year in federal funds of any reasonable suspicion of a crime, as defined by local law, occurring at the long term care facility. This includes Medicare/Medicaid fraud and abuse. Reports are required to be made not later than two hours after forming the suspicion when serious physical injury occurs, and not later than 24 hours after forming suspicion where serious bodily injury was not involved. "Serious bodily injury" is not defined by the Elder Justice Act. Failure to report is subject to penalties up to \$200,000 plus potential exclusion from federal programs. Stricter penalties apply if delay led to further injury.

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

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

Possible Future Adverse Legislative Proposals

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

The discussion above (or as otherwise discussed herein) is not an exhaustive study of the laws and regulations which may apply to the Obligated Group and its operations. Other laws and regulations

not set forth herein (or elsewhere herein) may also apply to the Obligated Group and its operations and may have an adverse impact thereon.

Future Health Care and Regulatory Risks

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

Bills proposing to regulate or control, in some manner, health care costs and revenues and a number of proposals for a national health insurance program are regularly submitted to Congress. There are wide variations among these proposals and the effect on the health care industry and the Obligated Group cannot be determined. There can be no assurance that the implementation of any such bill or proposal or any future bill or proposal, or the implementation by the federal or state administrative bodies of cost containment or revenue control programs, would not adversely affect the revenues of the Facilities, and thus the revenues of the Obligated Group.

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

The Bond Trustee and the Issuer must look solely to the Gross Revenues, the Mortgaged Property and any funds held under the Bond Indenture and the Master Indenture to pay and satisfy the Bonds in accordance with their terms. The owners of the Bonds are dependent upon the success of the Obligated Group's Facilities and the value of the assets of the Obligated Group for the payment of the principal of, redemption price, if any and interest on, the Bonds. The Obligated Group has not made any representations to owners of the Bonds regarding the current market value of its Facilities. In the event of a default, the value of the Mortgaged Property may be less than the amount of the outstanding Bonds, since the Obligated Group's Facilities exist for the narrow use as a CCRC. The special design features of a CCRC and the continuing rights of residents under continuing care and lease agreements may make it difficult to convert the Facilities to other uses, which may have the effect of reducing their attractiveness to potential purchasers.

Availability of Remedies

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

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

Bankruptcy

If one or more Members of the Obligated Group were to file a petition for relief under the United States Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member or Members of the Obligated Group 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 property, including accounts receivable and proceeds thereof, of such Member or Members could be used for the benefit of the Obligated Group 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 health care 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 health care programs.

In the event of bankruptcy of one or more Members of the Obligated Group, 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 Obligated Group, as debtor in possession, or a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Owners for federal income tax purposes.

Additional Indebtedness

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be secured *pari passu* with Obligation No. 2 and the Parity Obligations. Any such Additional Indebtedness would be entitled to share ratably with the holders of Obligation No. 2 and the holders of Parity Obligations in any moneys realized from the exercise of remedies in the event of a default under

the Master Indenture. The issuance of such Additional Indebtedness could reduce the Historical Debt Service Coverage Ratio and could impair the ability of the Obligated Group to maintain its compliance with certain covenants described in the Master Indenture in Appendix C hereto. There is no assurance that, despite compliance with the conditions upon which such Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay Obligation No. 2 and the Parity Obligations may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Borrower and any future Member of the Obligated Group under Obligation No. 2 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 Borrower and any future Member of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including Obligation No. 2 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 (i) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a Tax-Exempt Organization; (ii) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Obligations cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on Obligation No. 2 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 Florida fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee

in bankruptcy and, under Florida 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 Florida 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.

Limitations on Security Interest in Gross Revenues

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, Medicaid, 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 Florida Uniform Commercial Code as from time to time in effect.

The Master Indenture provides that if an Event of Default shall have occurred and be continuing, the Master Trustee may request that each Member of the Obligated Group deliver all Gross Revenues to it; *provided*, that if the Holders of a majority in aggregate principal amount of Obligations then Outstanding request that each Member of the Obligated Group deliver all Gross Revenues to the Master Trustee, the Master Trustee shall make such demand.

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 Obligated Group 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 Obligated Group 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 Obligated Group 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.

In December 2010, the Obligated Group secured a Phase I Environmental Assessment (the "2010 Phase I") of the then current John Knox Village Complex located at 651 South West 6th Street, Pompano Beach, Florida, by Pfahler Environmental Services, Inc. ("PES"). In the 2010 Phase I, PES concluded that its investigation revealed no evidence of recognized environmental conditions on the property that warranted further assessment and or evaluation. However, since then the Obligated Group has acquired more property and the Obligated Group has not secured a Phase I Environmental Assessment in connection with the issuance of the Bonds. Management of the Obligated Group is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Obligated Group, would have a material adverse effect on its operations or financial condition.

Uncertainty of Investment Income

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

Factors Affecting Real Estate Taxes

In recent years various state and local legislative, regulatory and judicial bodies have reviewed the exemption of non-profit corporations from real estate taxes. Various state and local government bodies have challenged with increasing frequency and success the tax-exempt status of such institutions

and have sought to remove the exemption of property from real estate taxes of part or all of the property of various non-profit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

The skilled nursing facilities and the assisted living units (but not the independent living units) owned and operated by the Obligated Group are currently exempt from the payment of property taxes. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially and adversely affect the operation and revenues of the Obligated Group by requiring the Obligated Group to pay real estate taxes for such portions of the Facilities owned and operated by the Obligated Group.

Federal Tax Matters

Possible Changes in Obligated Group's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by one or more Members of the Obligated Group of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the revenues of the Obligated Group. Each Member of the Obligated Group has obtained a determination letter from the IRS to the effect that such Member of the Obligated Group 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, each Member of the Obligated Group is subject to a number of requirements affecting its operation. The failure of a Member of the Obligated Group to remain qualified as an exempt organization would affect the funds available to the Obligated Group for payments to be made under the Loan Agreement and Obligation No. 2. Failure of the Obligated Group or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Bond proceeds, could cause interest on the Bonds to be included in the gross income of holders of Bonds or former holders of Bonds 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 Bonds may be subject to audit, from time to time, by the IRS. The Obligated Group believes that the 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 Bonds, as described under the heading "TAX MATTERS." No ruling with respect to the tax-exempt status of the 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 Bonds will not adversely affect the tax-exempt status of the Bonds.

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 Facility's elderly persons, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly charges after being admitted to the facility.

IRS Form 990. IRS Form 990 is used by 501(c)(3) not-for-profit organizations to submit information required by the federal government for tax-exemption. Form 990 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. Form 990 also contains a separate schedule requiring detailed 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. Form 990 allows for enhanced transparency as to the operations of exempt organizations. It is likely to result in enhanced enforcement, as Form 990 makes available a wealth of detailed information on compliance risk areas to the IRS and other stakeholders, including state attorneys general, unions, plaintiff's class action attorneys, public watchdog groups and others.

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

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

whether the LifeCare Contracts come within the scope of the continuing care facility safe harbor or within the statute itself.

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

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

In recent years the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Obligated Group has covenanted in the Loan Agreement to take all appropriate measures to maintain the tax-exempt status of each of the Members of the Obligated Group, compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Obligated Group to charge and collect revenues at the level required by the Loan Agreement and Obligation No. 2, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Bonds.

Market for Bonds

It is the present practice of the Underwriter to make a secondary market in the bond issues that it offers. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, these secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially lower than the original purchase price. While there can be no guarantee or assurance that its present secondary marketing practices will always be continued, the Underwriter presently intends to make a secondary market in the Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price.

Other Possible Risk Factors

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

1. Reinstatement or establishment of mandatory governmental wage, rent or price controls;
2. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;

3. Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;
4. Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Obligated Group;
5. The cost and availability of energy;
6. Increased unemployment or other adverse economic conditions in the service areas of the Obligated Group which would increase the proportion of patients who are unable to pay fully for the cost of their care;
7. Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the Facilities in order to maintain the charitable status of the Obligated Group;
8. Inflation or other adverse economic conditions;
9. Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;
10. Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments;
11. **[Discuss. Jean asks whether or not we need something regarding actuarial methods and assumptions in the *pro forma* financial projections in the POS. PNC and Hamlin to discuss with Jean in connection with completion of tables.]**
12. The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, or failures of storm water detention devices during such naturally occurring events, which may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; or
13. Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability that organizations, such as the Obligated Group, generally carry.

FLORIDA REGULATION OF CONTINUING CARE FACILITIES

Continuing care facilities in Florida are regulated by the Department of Financial Services, Office of Insurance Regulation (the "OIR") under the provisions of Chapter 651, Florida Statutes, as amended ("Chapter 651"). Under Chapter 651, "continuing care" means furnishing pursuant to an agreement shelter, food and either nursing care or certain personal services, whether such nursing care or personal services are provided in the facility or in another setting designated by the agreement for continuing care, to an individual not related by consanguinity or affinity to the provider furnishing such care, upon payment of an entrance fee. Agreements to provide continuing care include agreements to provide care for any duration, including agreements that are terminable by either party. "Personal services" include, but are not limited to, such services as individual assistance with or supervision of essential activities of

daily living. "Entrance fee" means an initial or deferred payment of a sum of money or property made as full or partial payment to assure the resident a place in a facility. An accommodation fee, admission fee or other fee of similar form and application is considered to be an entrance fee.

Certificate of Authority

Chapter 651 provides that no person may engage in the business of providing continuing care or enter into continuing care agreements or construct a facility for the purpose of providing continuing care without a certificate of authority issued by the OIR. A final certificate of authority may be issued after the applicant has provided the OIR with the information and documents required by Chapter 651. The Obligated Group received a final certificate of authority for the Facilities, which remains in full force and effect.

Once issued, a certificate of authority is renewable annually as of each September 30 upon a determination by the OIR that the provider continues to meet the requirements of Chapter 651. Annual reports containing financial and other information about the provider and the facility are required to be filed with the OIR annually on or before each May 1. If a provider fails to correct deficiencies within 20 days of notice from the OIR, and if the time for correction is not extended, the OIR may institute delinquency proceedings against the provider, as described below.

Required Reserves

Chapter 651 requires that each continuing care provider maintain: (a) a debt service reserve in an amount equal to the principal and interest payments becoming due during the current fiscal year (12 months' interest on the financing if no principal payments are currently due) on any mortgage loan or other long term financing, including taxes and insurance; (b) an operating reserve in an amount equal to 15% of the facility's average total annual operating expenses set forth in the annual reports filed pursuant to Chapter 651 for the immediate preceding 3-year period, subject to adjustment in the event there is a change in the number of facilities owned; and (c) a renewal and replacement reserve in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements included in the facility's annual report filed pursuant to Chapter 651, not to exceed 15% of the facility's average operating expenses for the past 3 fiscal years based on the audited financial statements for each of such years. These reserves are required to be held in a segregated escrow account maintained with a Florida bank, savings and loan association or trust company acceptable to the OIR and, in the case of the operating reserve, must be in an unencumbered account held in escrow for the benefit of the residents. The Reserve Account established with the Bond Trustee pursuant to the Bond Indenture and the escrow account established with U.S. Bank National Association, as escrow agent, are intended to meet the requirements of Chapter 651 for those reserves (the "Required Reserves").

Chapter 651 requires the escrow agent holding the Required Reserves to deliver to the OIR quarterly reports on the status of the escrow funds, including balances, deposits and disbursements. Chapter 651 provides that withdrawals can be made from the Required Reserves only after 10 days' prior written notice to the OIR, except that in an emergency the provider may petition for a waiver of such 10-day notice requirement (a waiver being deemed granted if not denied by the OIR within three working days). Fines may be imposed for failure to deliver the quarterly reports or notices of withdrawal within the required time periods.

Continuing Care Agreements and Residents' Rights

Chapter 651 prescribes certain requirements for continuing care agreements and requires OIR approval of the form of an agreement before it is used and of any changes to the terms of an agreement once it has been approved. In addition to requiring that the agreement state the amounts payable by the resident, the services to be provided and the health and financial conditions for acceptance of a resident, Chapter 651 requires that the agreement may be canceled by either party upon at least 30 days' notice. A provider that does not give its residents a transferable membership right or ownership interest in the facility may retain 2% of the entrance fee per month of occupancy prior to cancellation, plus a processing fee not exceeding 5% of the entrance fee, and must pay the refund within 120 days of notice of cancellation. The Resident Agreements for the Facilities meet the requirements of this provision.

Chapter 651 requires that a prospective resident have the right to cancel without penalty a continuing care agreement within seven days of signing the continuing care agreement. During this seven-day period, any entrance fee or deposit must be held in escrow or, at the request of the prospective resident, held by the provider. If the prospective resident rescinds the continuing care contract during the seven-day rescission period, the entrance fee or deposit must be refunded to the prospective resident without deduction. If cancellation occurs after seven days, but prior to occupancy, the entire entrance fee must be refunded, less a processing fee not exceeding 5%, within 60 days of notice of cancellation. However, if cancellation occurs prior to occupancy due to death, illness, injury or incapacity of the prospective resident, the entire entrance fee must be refunded, less any costs specifically incurred by the provider at the written request of the resident.

Chapter 651 further requires that a resident may not be dismissed or discharged without just cause. Failure to pay monthly maintenance fees will not be considered just cause until such time as the amounts paid by the resident, plus any benefits under Medicare or third party insurance, exceed the cost of caring for the resident, based on the per capita cost to the facility (which cost may be adjusted proportionately for amounts paid above the minimum charge for above-standard accommodations).

Chapter 651 also contains provisions giving residents the right: to form residents' organizations and choose representatives; to attend quarterly meetings with the provider; and to inspect the provider's annual reports to the OIR and any examination reports prepared by the OIR or any other governmental agencies (except those which are required by law to be kept confidential). Prior to the implementation of any increase in the monthly maintenance fee, the provider must provide, at a quarterly meeting of the residents, the reasons, by department cost centers, for any increase in the fee that exceeds the most recently published Consumer Price Index for all Urban Consumers, all items, Class A Areas of the Southern Region. Residents must also be notified of any plans filed with the OIR relating to expansion of the facility or any additional financing or refinancing.

Examinations and Delinquency Proceedings

The OIR is required to examine the business of each continuing care provider at least once every three years, in the same manner as provided under Florida law for examination for insurance companies. Inspections may also be requested by any interested party. The OIR is required to notify the provider of any discrepancies and to set a reasonable time for corrective action and compliance by the provider.

The OIR may deny, suspend, revoke or refuse to renew a certificate of authority for various grounds relating to: the insolvent condition of the provider or the provider's being in a condition which

renders its conduct of further business hazardous or injurious to the public; lack of one or more of the qualifications for a certificate of authority; material misstatements, misrepresentation, fraud, misappropriation of moneys or demonstrated lack of fitness or untrustworthiness; violations of Chapter 651 or any regulation or order of the OIR; or refusal to permit examination or to furnish required information.

Suspension of a certificate of authority may not exceed one year, during which period the provider may continue to operate and must file annual reports, but may not issue new continuing care agreements. At the end of the suspension period, the certificate of authority is to be reinstated, unless the OIR finds that the causes for suspension have not been removed or that the provider is otherwise not in compliance with Chapter 651 (in which event the certificate of authority is deemed to have been revoked as of the end of the suspension period). In lieu of suspension, administrative fines may be levied, not exceeding \$1,000 per violation, or \$10,000 for knowing and willful violations.

If the OIR finds that sufficient grounds exist as to a continuing care provider for the rehabilitation (*i.e.*, receivership), liquidation, conservation, reorganization, seizure or summary proceedings of an insurer as provided under Florida law pertaining to insurance companies, the OIR may petition for an appropriate court order or pursue such other relief as is afforded under Part I of Chapter 631, Florida Statutes, as amended (the "Insurers Rehabilitation and Liquidation Act"), for insurance companies generally. Such grounds include, but are not limited to, insolvency or failure or refusal to comply with OIR requirements.

Chapter 651 provides that the rights of the OIR are subordinate to the rights of a trustee or lender pursuant to an indenture, loan agreement or mortgage securing bonds issued to finance or refinance the facility. However, if the OIR has been appointed as receiver of the facility, the court having jurisdiction over the receivership proceeding is authorized to enjoin a secured creditor from seeking to dispose of the collateral securing its mortgage for up to 12 months, upon a showing of good cause, such as a showing that the collateral should be retained in order to protect the life, health, safety or welfare of the residents or to provide sufficient time for relocation of the residents.

If, pursuant to the Mortgage, a trustee or lender becomes the owner of the Mortgaged Property pursuant to a foreclosure sale or otherwise through the exercise of remedies upon the default of the mortgagor, the rights of a resident of any portion of the Mortgaged Property governed by Chapter 651, Florida Statutes, under a continuing care agreement, shall be honored and shall not be disturbed or affected (except as described below) as long as the resident continues to comply with all provisions of the continuing care agreement and has asserted no claim inconsistent with the rights of the trustee or lender. In such event, the OIR shall not exercise its remedial rights provided under Chapter 651 with respect to the facility, including its right to enjoin disposal of the facility as described in the preceding paragraph. Upon acquisition of a facility by a trustee or lender pursuant to remedies under the Mortgage, the OIR shall issue a 90-day temporary certificate of authority to operate the facility, provided that the trustee or lender will not be required to continue to engage in the marketing or resale of new continuing care agreements, pay any refunds of entrance fees otherwise required to be paid under a resident's continuing care agreement until expiration of such 90-day period, be responsible for acts or omissions of the operator of the facility arising prior to the acquisition of the facility by the trustee or lender, or provide services to the residents to the extent that the trustee or lender would be required to advance funds that have not been designated or set aside for such purposes.

Florida Licensure

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

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting

In the Master Indenture, the Obligated Group covenants that it will:

(a) Within 30 days after receipt of the audit report mentioned below but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee, a copy of the Financial Statements of the Obligated Group as of the end of such Fiscal Year accompanied by the opinion of an Accountant.

(b) Within 30 days after receipt of the audit report mentioned above but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of an Accountant stating the Long-Term Debt Service Coverage Ratio and the Days' Cash on Hand for such Fiscal Year and (in the case of the Officer's Certificate) stating whether, to the best of the knowledge of the signer of such Officer's Certificate, any Member of the Obligated Group is not in compliance with any covenant contained in this Master Indenture and, if so, specifying each such failure to comply of which the signer may have knowledge and the steps that are being taken by the Obligated Group to cure such non-compliance.

(c) Within (i) 45 days after the close of the first three fiscal quarters and (ii) 60 days, in the case of the final fiscal quarter of each Fiscal Year, file with the Master Trustee, quarterly unaudited consolidated statements of the Obligated Group's operations including a balance sheet, (showing consolidated financial results for each member of the Obligated Group), statement of operations, statement of changes in net assets, and statement of cash flows for the most recent quarter ended in year-to-date for the current fiscal year, and comparing budgeted to actual operations, including consolidating statement showing the financial results for each Member of the Obligated Group.

(d) Within 30 days prior to the start of each Fiscal Year, the Obligated Group representative shall file or cause to be filed with the Master Trustee the annual budget for each Member of the Obligated Group. Material amendments thereto shall be filed within 45 days after the approval of the Governing Body.

(e) Within 45 days of the end of each fiscal quarter (60 days, in the case of the final fiscal quarter of each Fiscal Year), the Obligated Group Representative shall file or cause to be filed with the

Master Trustee occupancy reports indicating the actual occupancy of the Facilities of the Obligated Group as a percentage of capacity.

(f) Promptly upon the occurrence of any material event as to which notice is required to be reported pursuant to Securities and Exchange Commission Rule 15c2-12 to nationally recognized municipal securities information repositories shall be filed therewith and with the Master Trustee.

(g) Within 45 days of the end of each fiscal quarter, the Obligated Group Representative shall certify compliance by all Members of the Obligated Group with the covenants, agreements and obligations under this Master Indenture.

(h) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs, including those of any Member of the Obligated Group, as the Master Trustee may from time to time reasonably request, excluding, specifically, donor records, patient records, personnel records and records subject to attorney-client privilege and (ii) provide access to the Facilities, Gross Revenues, Facility Property and Equipment, and the Mortgaged Property for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(i) Unless required to be delivered at an earlier time, within 30 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Management Consultant or an Insurance Consultant.

(j) Within 30 days after the beginning of each Fiscal Year, file with the Master Trustee an Opinion of Counsel which shall state whether there are required to be filed in any office within the period of 12 full consecutive calendar months following the date of such Opinion of Counsel financing statements, including continuation statements, in order to continue the perfection of the security interests granted hereunder. In giving this Opinion of Counsel, counsel may rely on an Officer's Certificate of an Obligated Group Representative stating whether any transaction contemplated under this Article has occurred within the period of 12 full consecutive calendar months preceding the date of such Officer's Certificate or is expected to occur within the period of 12 full consecutive calendar months following the date of such Officer's Certificate.

Continuing Disclosure

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding, the Obligated Group will agree pursuant to a Continuing Disclosure Certificate to be dated as of February 1, 2015, to be delivered on the date of delivery of the Bonds substantially in the form attached to this Official Statement as Appendix D, to cause the certain financial and operating information to be provided to the Municipal Securities Rulemaking Board ("MSRB").

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described above and in Appendices C and D and the Issuer shall have no liability to the holders of the Bonds or any other person with respect to such disclosures.

As required by the Rule, the Continuing Disclosure Certificate provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. An MSRB rule change approved by the Securities and Exchange Commission establishes a continuing disclosure service of EMMA for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted pursuant to continuing disclosure undertakings (such as the Continuing Disclosure Certificate) entered into on or after July 1, 2009, consistent with the Rule. In general, all continuing disclosure documents and related information are to be submitted to the MSRB's continuing disclosure service through an Internet-based electronic submitter interface (EMMA Dataport) or electronic computer-to-computer data connection, accompanied by certain identification information, in portable document format (PDF) files configured to permit document to be saved, viewed, printed and retransmitted by electronic means and must be word-searchable.

The Continuing Disclosure Certificate provides Holders of the Bonds with certain enforcement rights in the event of a failure by the Obligated Group to comply with the terms thereof; however, a default under the Continuing Disclosure Certificate does not constitute a default under the Bond Indenture, the Loan Agreement, the Mortgage, Obligation No. 2 or the Master Indenture. The Continuing Disclosure Certificate may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Bonds are advised that the Continuing Disclosure Certificate should be read in its entirety for more complete information regarding its contents.

With respect to the Broward County Health Facilities Authority Revenue and Revenue Refunding Bonds, Series 2002 (John Knox Village of Florida, Inc. Project), which were refunded in full on January 3, 2011 (the "Refunded 2002 Bonds"), the Obligated Group did not fully comply with its continuing disclosure requirements as described in Section (b)(5)(i) of the Rule. The Obligated Group voluntarily entered into a continuing disclosure obligation in connection with the issuance of the Refunded 2002 Bonds, which were originally issued in a daily interest rate mode and secured by a municipal bond insurance policy issued by Radian Asset Assurance Inc. ("Radian") and a standby bond purchase agreement issued by LaSalle Bank National Association. In March 2008, the Refunded 2002 Bonds were remarketed in the weekly interest rate mode and secured by both the Radian bond insurance policy and an irrevocable direct-pay letter of credit issued by Wachovia Bank, National Association ("Wachovia Bank"). At that time, the Obligated Group erroneously believed that the voluntary continuing disclosure undertaking had terminated. For fiscal years ended December 31, 2009 and December 31, 2010, the Obligated Group failed to provide operating data and financial information of the type included in this Official Statement for the Refunded 2002 Bonds and its annual financial statements based upon its belief that its continuing disclosure obligations had been terminated. In addition, based upon its belief that its continuing disclosure obligations had been terminated, between August 2008 and December 2009, the Obligated Group failed to provide notice of certain rating downgrades on the Refunded 2002 Bonds as a result of rating downgrades of Radian, the bond insurer for the Refunded 2002 Bonds, and in August 2009, the Obligated Group failed to provide notice of a rating upgrade on the Refunded 2002 Bonds as a result of a rating upgrade of Wachovia Bank, provider of a letter of credit securing the Refunded 2002 Bonds. Pursuant to Section 9 of the Bond Purchase Agreement, the Obligated Group will represent, warrant and agree to establish and adopt appropriate continuing disclosure policies and procedures and training regarding its continuing disclosure obligations pursuant to the Rule within 180 days after the execution and delivery of the Bond Purchase Agreement. The Obligated Group anticipates fully complying with all of its future continuing disclosure obligations under the Rule.

LITIGATION

Issuer

There is not now pending or, to the Issuer's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery by the Issuer of the Bond Indenture or the Loan Agreement, or questioning or affecting the validity of the Bonds or the security therefor or the proceedings or authority under which they are or are to be issued, respectively.

Obligated Group

There is no litigation pending or, to the Obligated Group's knowledge, threatened against the Obligated Group, wherein an unfavorable decision would (i) adversely affect the ability of the Obligated Group to construct the Project or to operate its facilities or to carry out its obligations under the Master Indenture, the Loan Agreement or the Mortgage or (ii) would have a material adverse impact on the financial position or results of operations of the Obligated Group.

LEGAL MATTERS

Nabors, Giblin & Nickerson, P.A., Tampa, Florida, has served as bond counsel with respect to the issuance of the Bonds. Bond counsel will render an opinion with respect to the Bonds in substantially the form attached as Appendix E. The opinion of bond counsel should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed. Delivery of the Bonds is contingent upon the delivery of the opinion of bond counsel.

Bond counsel has not been engaged nor undertaken to review (a) the accuracy, completeness or sufficiency of this Official Statement or any other offering material related to the Bonds, except as may be provided in a supplemental opinion of Bond Counsel to the Underwriter, upon which only it may rely, and which will relate only to certain information contained in this Official Statement regarding (i) the terms of the Bonds and the Bond Indenture and the Loan Agreement, to the extent those statements purport to summarize the terms of the Bonds and the Bond Indenture and the Loan Agreement, (ii) the security and source of payment for the Bonds, and (iii) the tax-exempt status of the Bonds.

In connection with the issuance of the Bonds, Gordon B. Linn, Esquire, City Attorney, Pompano Beach, Florida, has served as counsel to the Issuer, The Gillespie Law Firm, Lighthouse Point, Florida, has served as counsel to the Borrower, and Bryant Miller Olive P.A., Orlando, Florida has served as counsel to the Underwriter.

The legal opinions of Bond Counsel, counsel to the Borrower, counsel to the Issuer, and counsel to the Underwriter are based on existing law, which is subject to change. Such legal opinions are further based on factual representations made to such counsel as of the date thereof. Bond Counsel, counsel to the Borrower, counsel to the Issuer, and counsel to the Underwriter assume no duty to update or supplement their respective opinions to reflect any facts or circumstances, including changes in law, which may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which

the opinion is rendered, or of the future performance of 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.

TAX MATTERS

General

The Code includes requirements which the Issuer and the Borrower must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The Issuer's or the Borrower's failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the Borrower have covenanted in the Tax Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the Borrower with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes. Bond Counsel is further of the opinion that the Bonds and the interest thereon are exempt from taxation under the laws of the State, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrower in the Bond Indenture and the Loan Agreement, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed thereby), without undertaking to verify the same by independent investigation.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences. For example, ownership of the bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Bonds in passive income for certain S corporations. In addition, the interest on the Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED

TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Bonds should consult their tax advisors as to the income tax status of interest on the Bonds in their particular state or local jurisdictions.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

Tax Treatment of Bond Premium

The difference between the principal amount of the Bonds maturing on September 1, ____ through and including ____ and ____ (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond [(or, in the case of a Premium Bond callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on the Premium Bond)]. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Tax Treatment of Original Issue Discount

The initial offering price of the Series ____ Bonds maturing on September 1, ____ through September 1, ____, ____, inclusive, and September 1, ____, ____ (the "Discount Bonds") is less than the stated principal amounts thereof. Under the Code, the difference between the principal amount of the Discount Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold, is "original issue discount." Original issue discount represents interest which is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and accrues actuarially over the term of a Discount Bond at a constant interest rate. A

purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof set forth on the cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for the purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership and sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon the sale or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Obligated Group as of and for the Fiscal Years ended December 31, 2013 and 2012 included in this Official Statement, have been audited by CliftonLarsonAllen LLP, Orlando, Florida, independent auditors, as stated in their report appearing in Appendix B to this Official Statement.

RATING

Fitch Ratings, Inc. ("Fitch") has assigned the Bonds a long-term rating of "A-." An explanation of the significance of any rating may be obtained only from Fitch at the following address: Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. The rating reflects only the view of Fitch at the time the rating was given. The rating is not a recommendation to buy, sell or hold the Bonds and should be evaluated independently. There is no assurance that such rating will not be withdrawn or revised downward by Fitch. Any such action may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

The Borrower has retained Hamlin Capital Advisors, LLC, Tampa, Florida, as Financial Advisor in connection with the Issuer's financing plans and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor did not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by PNC Capital Markets LLC, as Underwriter, for a purchase price of \$_____ (representing the principal amount of the Bonds minus an underwriter's discount of \$_____ [plus/less] original issue [premium/discount] of \$_____), plus accrued interest on the Bonds, pursuant to a Bond Purchase Agreement, entered into by and between the Issuer and the Underwriter as approved by the Obligated Group (the "Bond Purchase Agreement"). The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The

obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Bond Purchase Agreement. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any Bonds are purchased.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, the Mortgage and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials, copies of which will be furnished by the Bond Trustee upon request for further information.

Any 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.

The attached APPENDICES A through F are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any 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 Bonds.

The information assembled in this Official Statement has been supplied by the Obligated Group and other sources believed to be reliable. The Obligated Group has agreed to indemnify the Issuer and the Underwriter against certain liabilities relating to this Official Statement.

APPENDIX A

INFORMATION CONCERNING THE OBLIGATED GROUP

APPENDIX A
JOHN KNOX VILLAGE OF FLORIDA, INC.

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INFORMATION ON THE OBLIGATED GROUP

Background and History

John Knox Village of Florida, Inc. (the "Borrower") is the sole member of the Obligated Group. The facilities of the Borrower are referred to in this Appendix A generally as the "Village." In the last 47 years, the Village has grown from a small retirement community consisting of a three-story building and 24 triplexes surrounding a lake to become the second largest continuing care retirement community ("CCRC") in the State of Florida and one of the largest single-site CCRCs in the country. The Village enjoys excellent visibility and access from I-95, a major, heavily-travelled interstate.

The Borrower was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population. The Borrower is qualified as an exempt organization by the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code. The mission and vision statements of the Borrower are as follows:

Mission Statement

John Knox Village is dedicated to providing an environment of whole-person wellness in which the people we serve thrive

John Knox Village is committed to supporting our employees, partners and the greater community

Vision Statement

John Knox Village will be an innovator, creating engaging lifestyles that encourage personal growth, autonomy and independence, healthy aging and a sense of purpose

The Village is located on approximately 65 acres in the City of Pompano Beach, Broward County, Florida ("Broward County"), and consists of 729 independent living units, 64 assisted living units and a 177-bed skilled nursing facility (the "Health Center"). The Borrower provides lifetime housing, home maintenance, social activities and on-site nursing care to its residents under a life care contract. Residents occupy an independent living unit and, when their needs change, have unlimited use of the assisted living facility and the Health Center as their needs change.

The financial viability of the Borrower has always been a top priority for the Board of Directors as reflected in the following Statement of Purpose:

To operate a financially responsible not-for-profit continuing care retirement community that complies with legislative, professional and regulatory guidelines.

The Borrower has a long history as a leader in the long-term care industry and has received the following awards over the past few years:

- 2014 LeadingAge – National Joan Anne McHugh Nurse Leadership Award
- 2013 LeadingAge Florida – Best Practice – Sharing & Caring
- 2012 LeadingAge Florida – Quality First
- 2011 LeadingAge – National Excellence in the Workplace
- 2010 LeadingAge Florida – Trustee of the Year
- 2010 LeadingAge Florida – Resident Council of the Year
- 2010 Pompano Beach Chamber of Commerce – Founder's Award
- 2010 South Florida Business Journal – Finalist – Best Healthcare Company

The Borrower and its affiliates (the "JKV Companies") employ approximately 700 employees with annual salary and benefits in excess of \$22 million as of December 31, 2013. The JKV Companies are one of the five largest employers in Pompano Beach. Annual operating expenses, excluding payroll of the JKV Companies, totaled an additional \$20 million. The Borrower continually upgrades units as new residents move in and makes ongoing improvements to the campus. Over the last three years, the Borrower spent over \$18 million on capital improvements. See "CAMPUS DESCRIPTION - Capital Improvements" herein for a discussion of anticipated capital improvements to the Village.

Resident Senate

A key component of the Borrower's success has been the interaction and relationship between management and the residents. A group of more than 70 highly-engaged residents volunteer through the Resident Senate. The Resident Senate's purpose is to:

1. Promote the well-being of the residents;
2. Provide communication between the Board, management and the residents;
3. Disseminate information of general concern to all residents; and
4. Work with management toward the successful operation of the Borrower.

The Resident Senate Executive Committee as well as members of the 12 standing Senate committees meet with management on a regular basis to focus on such things as resident activities, wellness, dining services and long-range planning. In addition, the Resident Senate Fiscal Committee meets with management on a monthly basis to review the most recent financial statements. Through this organization, management and residents have forged strong relationships and are able to collaborate on current and future needs of the Borrower.

Non-Obligated Group Members. The following corporations are consolidated with the Borrower for financial reporting purposes but are not members of the Obligated Group and are not liable for the obligations of the Obligated Group under the Master Indenture. As detailed in the FINANCIAL INFORMATION section of this Appendix A, the Obligated Group accounted for approximately 90.0% of the total unrestricted revenues of the Consolidated Group for fiscal year ended December 31, 2013.

The John Knox Home Health Agency, Inc. John Knox Home Health Agency, Inc. (the "Home Health Agency") was established in 1987 and is a wholly-owned subsidiary of the Borrower. The Home Health Agency has a standard license to operate in Broward County. The agency provides registered nurses, licensed practical nurses, certified nurse's aides, home health aides, and escorts (for trips to physicians and outings and shopping services) to clients. Services provided include private nurses and aides, injections, wound care, medication administration, arranging medical tests and other treatments, labs, equipment, escorts to physicians and outings, light housekeeping and shopping services. Medicare home health services are provided through contracts with Medicare Certified Home Health Agencies. All licensed home health agencies in the State of Florida are subject to annual surveys by the Agency for Health Care Administration ("AHCA") to determine proper compliance with state regulations. For agencies that are deficiency free, this survey is performed on a tri-annual basis. The Home Health Agency has been deficiency-free in AHCA surveys for the last 18 years and is now surveyed by AHCA on a tri-annual basis. The Home Health Agency had over 245,000 visits for the year ended December 31, 2013. Management of the Home Health Agency intends to expand the services it offers to persons who are not residents of the Village. See "OTHER INFORMATION - Strategic Initiatives - Home Health

Agency and Community Based Services" herein for a discussion of the Borrower's strategic plan for the Home Health Agency.

For the 12 months ended December 31, 2013 and 2012, respectively, the Home Health Agency generated less than 10% of the combined revenues of the JKV Companies.

The John Knox Village of Florida Foundation, Inc. The John Knox Village of Florida Foundation, Inc. (the "Foundation") was incorporated in 2003 and was determined by the Internal Revenue Service to be a 501(c)(3) not-for-profit corporation in 2006. The Foundation operates exclusively for the benefit of the Borrower. The Foundation maintains three permanently restricted funds: the Benevolent Endowment Fund, the Chapel Endowment Fund and the Ernest & Maude Cason Endowment Fund. The Foundation also maintains many temporarily restricted funds for various uses of the Borrower and an unrestricted fund. As of October 31, 2014 and December 31, 2013, the Foundation held total assets of approximately \$13.7 and \$11.1 million, respectively, of which approximately \$5.2 million for the Woodlands (as hereinafter defined and described) and \$4.1 million for other Foundation initiatives, respectively, were permanently restricted assets. See "OTHER INFORMATION - Capital Campaign" herein for a discussion of the Foundation's financial support of the new Woodlands skilled nursing facility (the "Woodlands").

CORPORATE STRUCTURE AND GOVERNANCE

Board of Directors

The Borrower's Board of Directors exercises the corporate powers, controls the property and conducts the affairs of the Borrower. The Board is governed by at least three and not more than 15 members and currently consists of 15 members. The Board has three resident members that are appointed by the Board Nominating Committee based on recommendations by the residents of the Borrower and are elected to three-year terms. The balance of the Board is made up of volunteers from the community who provide expertise from their respective areas of business experience. Members of the Board are identified by the current members of the Board, nominated by the Board Nominating Committee and elected by the Board. The Board members are elected to three-year terms and can be re-elected for an additional three-year term upon the completion of their first term. This term limit restriction was not effective until 2011. Prior to election to the Board, potential Board members participate on the Advisory Council as a means to learn about the Borrower. The current members of the Board of Directors are as follows:

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Name	Occupation	Board Member	Term
		Since	Expires
Elizabeth Bousfield ⁽¹⁾	Retired – Educator	2013	2015
Jack Crissy, CPA	Partner, William Webb & Associates, LLC – Accountants	2014	2019
Dirk DeJong ⁽²⁾	President, Furman Insurance Company	2008	2018
Thomas Dieters	VP, Comerica Bank Charitable Services Group	2012	2017
Pauline Grant	CEO, Broward Health North	2006	2016
Thomas W. Johnston	Attorney, Johnston and Metevia, PA	2014	2019
Carol Kamman	Retired - Educator	2014	2017
William G. Knibloe, II, CPA ⁽³⁾	Partner, Crowe Horwath, LLP – Accountants	2006	2017
Boots Maurer	Retired – Administrative Assistant	2014	2016
William B. O’Leary, Jr.	Vice President, Northern Trust	2014	2017
H. Murray Todd, M.D.	Board Certified Neurologist	2010	2018
RN Sailappan	Owner, Quest Engineering Services & Testing, Inc.	2013	2018
Paul Simpson ⁽⁴⁾	President, Business Aspirations Incorporated – Strategic Business Consulting	2012	2017
Benjamin A. Smith, III	President, Smith & Associates Investments	2013	2018
Ghulam Usman	Owner, Alltech Construction and Management Services	2004	2018

⁽¹⁾ Secretary of the Board; ⁽²⁾ Vice-Chair of Board; ⁽³⁾ Chair of Board; ⁽⁴⁾ Treasurer of Board.

Management of Related Organizations

The members of the Board of Directors of the Home Health Agency are the same as the members of the Board of Directors of the Borrower. The Board of Directors of the Borrower appoints the members of the Board of Directors of the Foundation.

Board Committees

The Board of Directors has both permanent and discretionary committees to handle assigned responsibilities, including the following:

Executive Committee. Members of the Executive Committee consist of the Chair, Vice-Chair, Treasurer, Secretary and such other Board members as may be appointed. Members of the Executive Committee are identified in footnotes to the table above.

Finance and Audit Committee. The Chair of the Board appoints members of the Finance and Audit Committee, one of whom must be the Treasurer who usually serves as the Chair of this committee. In the capacity as Finance Committee, this committee reviews the monthly unaudited and annual audited financial statements. The Finance Committee is responsible for annual operating and capital budgets and for approving all expenditures in excess of \$100,000. As the Audit Committee, this committee is responsible for selecting and engaging the accounting firm that will perform the annual audits, completing certain filings with state and federal authorities, and approving the annual audit.

Asset Liability Management Committee. The Asset Liability Management Committee is a subcommittee of the Finance and Audit Committee and is composed of the same members. The Asset Liability Management Committee's goal is to match the investment strategy for certain operating and Board-designated accounts to the capital financing strategy in order to most efficiently manage the exposure to the Borrower on both sides of the balance sheet.

Employee Retirement Benefit Committee. The Employee Retirement Benefit Committee is a subcommittee of the Finance and Audit Committee and is composed of at least one Board member and other advisors as appointed by the Chair of the Board. The Employee Retirement Benefit Committee is responsible for monitoring the appropriateness of the various funds that comprise the portfolio of investment options available in the employee 401(k) retirement plans.

Health Care Committee. The Health Care Committee oversees the quality of services provided throughout the Borrower's health care delivery system, including the Wellness Nursing program in independent living, as well as the assisted living and skilled nursing programs.

Building and Grounds Committee. The Building and Grounds Committee provides oversight of the Borrower's physical plant. This includes approval of all construction projects, both new construction and renovation of existing buildings.

Wellness Committee. The Wellness Committee is tasked with developing proactive strategies to support the "Seven Dimensions of Wellness" in order to provide residents, staff and families education and opportunities to promote, motivate, achieve and sustain a healthy lifestyle. This committee provides oversight to the fitness program and the Home Health Agency.

Marketing Committee. The Marketing Committee provides oversight and strategy related to the Marketing Plan for Independent Living and the Health Center.

Woodlands Building Committee. This is an *ad hoc* committee focused on the program and design of the Woodlands. The Woodlands is the building that will be financed with a majority of the proceeds of the Bonds. See "OTHER INFORMATION - The Project - Woodlands" herein for a discussion of the Woodland's project.

Related-Party Transactions. A member of the Board owns the insurance agency from which the Borrower obtains its liability insurance coverage (including automobile, directors and officers and general liability). Commissions paid to the insurance agency related to these insurance policies approximated \$41,000 in 2013 and 2012, respectively. A member of the Board of the Foundation is employed by the firm which acts as the investment manager of the Borrower's charitable gift annuity investment portfolio. Fees paid to the organization where the Foundation Board member is an employee approximated \$30,100 and \$28,100 in 2013 and 2012, respectively. A member of the Board is a partner of a firm that owns a staffing agency. Fees paid to that staffing agency for temporary help and permanent hires by the Borrower totaled approximately \$4,700 in 2013. No fees were paid during 2012. The Board functions under a conflict-of-interest policy whereby members with any potential conflict of interest are not permitted to vote on such transactions.

Management

President – Robert P. Scharmann. Robert P. Scharmann, age 67, has been providing leadership for continuing care retirement communities for the past 31 years. Mr. Scharmann has been with the Borrower since 1998 and currently serves as President. Having been actively involved in the Florida Association of Homes and Services for the Aging ("FAHSA") for 24 years, Mr. Scharmann was a member of the FAHSA Board of Directors for 16 years.

In 2000, Florida Governor Jeb Bush appointed Mr. Scharmman to serve on the Governor's Continuing Care Advisory Council, and Mr. Scharmman chaired the Council from 2000 through 2006. He served as a member of the House of Delegates, representing the State of Florida, of the American Association of Homes and Services for the Aging, formerly known as "AAHSA," which changed its name to "LeadingAge" in 2011.

Mr. Scharmman earned his Master's degree in Business Administration from Florida Atlantic University and a B.S. degree in Education from Philadelphia Biblical University. He is licensed as a Nursing Home Administrator in Florida. In 2004, Mr. Scharmman was recognized as the Business Man of the Year by the Pompano Beach Chamber of Commerce. In 2006, FAHSA presented Mr. Scharmman with its Executive of the Year Award.

Mr. Scharmman is planning to retire within the next two years. As part of the strategic plan, Gerald Stryker was hired as the Chief Operating Officer in 2013 to provide for succession development in light of Mr. Scharmman's anticipated retirement. This plan has allowed Mr. Stryker to learn about the history of the JKV Companies, gradually manage departments within the JKV Companies and develop relationships with board members, staff and residents.

Chief Executive Officer and Chief Operating Officer – Gerald Stryker. Gerald Stryker, age 52, joined the Borrower in 2013 as Chief Operating Officer of the Borrower and was recently promoted to Chief Executive Officer as part of the strategic plan described above. He is responsible for leading the Strategic Planning Process and overseeing the Woodlands Project and the associated implementation of Green House® programs and staffing.

Immediately prior to joining the Borrower, Mr. Stryker served as Vice President/Chief Administrative Officer at St. John's Health Care Corporation ("St. John's") in Rochester, New York for 15 years. Under his leadership, St. John's achieved the successful start-up of the nation's first two community Green House® Homes consisting of two homes with 10 elders each. In addition, St. John's constructed two senior living communities during Mr. Stryker's tenure; St. John's Meadows, an approximately \$40 million, 339-unit rental senior living community and Brickstone, an approximately \$32 million, 104-unit community with restaurant and retail space. Mr. Stryker earned his MHSA from the George Washington University in 1986.

Chief Financial Officer – Jean M. Eccleston, CPA. Ms. Eccleston, age 46, joined the Borrower in 2001 as Controller and was promoted to Chief Financial Officer in 2007. Ms. Eccleston oversees the financial aspects of the JKV Companies, including treasury management, insurance and budgeting. In addition, Ms. Eccleston is responsible for the annual audit, Medicare and Medicaid cost reports, tax returns and annual reporting to the State of Florida.

Ms. Eccleston worked as an auditor for six years in public accounting with two of the then big six accounting firms and has over 23 years experience working in finance with hospitals, multi-physician practices, ambulatory surgery centers, medical office buildings and continuing care retirement communities. Ms. Eccleston earned a B.S. in Accounting from the University of Scranton. She is a member of the AICPA, FICPA and HFMA. She completed the FAHSA Leadership Academy through the University of Florida and has presented at LeadingAge, LeadingAge Florida, Florida Health Care Association and Healthcare Financial Management Association seminars. Ms. Eccleston is member of the finance committee for FAHA Health & Services.

Director of Health Facilities – Mark Rayner, NHA. Mr. Rayner, age 51, joined the Borrower in 2008 and oversees the Borrower's Health Center and the assisted living facilities. He is a licensed nursing home administrator and brings over 22 years experience in long-term care to the JKV Companies. He has a proven track record of improving occupancy and effectively managing the budget as well as improving resident and employee satisfaction. Mr. Rayner is responsible for implementing patient centered care at the Health Center. He obtained his Masters in Health Care Administration from Lynn University and is actively involved in the community through the Chamber of Commerce and the Alzheimer's Association. Mr. Rayner serves on the Executive Board of LeadingAge Florida. Mr. Rayner is a key leader in the Woodlands project. Under his leadership, the Health Center has demonstrated continued successful AHCA survey outcomes.

Director Sales and of Marketing – Mark Olson. Mr. Olson, age 66, has worked in the retirement living industry since 1999. He joined the management team of the Borrower in February 2010. He represented two large not-for-profit CCRCs in Illinois before moving to Florida in 2005. At Friendship Village, Schaumburg, Illinois, he had a favorable closing rate. At Beacon Hill in Lombard, Illinois, he worked for a LifeSpace Community managed by Life Care Services as their Marketing Director, where he brought overall occupancy to 100% from 90% within two years and maintained a 97% occupancy level for the five years he was the Director.

After moving to Florida in 2005, Mr. Olson represented Water's Edge of Bradenton and Marine Max as a consultant, Emeritus Senior Living as its Regional Marketing Director and Bay Indies Senior Living as its Sales Manager before joining the Borrower.

Mr. Olson earned a B.A. with a co-major in Accounting and Political Science from Parsons College in Fairfield, Iowa. Following college, he began a commercial real estate career that included 12 years appraising, loan production, purchasing and managing real estate for a major life insurance company, developing industrial condominium and commercial real estate for a contractor/developer, developing high rise office buildings for a foreign asset manager, principal in a partnership that re-developed corporate plant conversions and principal in a membership marketing company. His niche was as a workout specialist, focusing on marketing and sales turnarounds.

Corporate Compliance Officer – Frances Murphy, R.N., C, L.H.R., C.H.C. Ms. Murphy, age 61, has over 30 years of experience with the JKV Companies in the Health Center and the assisted living facility, as former supervisor of the Wellness Nursing program and as former Director of the Home Health Agency. She obtained her RN from Broward Community College, is certified as a Gerontological Nurse and is a Licensed Health Care Risk Manager and certified in health care compliance. In 2002, Ms. Murphy took on the position of Corporate Compliance Officer. Ms. Murphy is responsible for the oversight of the Corporate Compliance Program and reports directly to the Board of Directors.

Medical Director - Merelene Aramburu, D.O. Dr. Aramburu, age 40, joined the Borrower as interim Medical Director in December 2014. She is Board Certified in Geriatric and Osteopathic medicine. She received her B.S. from Nova Southeastern University and her medical degree from the College of Osteopathic Medicine. Dr. Aramburu is a member of the American Osteopathic Association, the Florida Osteopathic Medicine Association, the American Association of Family Physicians and the American Medical Directors Association.

Employees

The Borrower maintains an average of 524 employees (391 full-time, 103 part-time and 30 per-diem). Historically, the Borrower has maintained a low turnover rate that averages below 20%, far below industry norms. Approximately 54% of its employees have been employed by the Borrower for five years or longer. Management maintains a very strong relationship with the employees, and there is no affiliation with organized labor. The Borrower is "agency-free"; it does not use any agency employees to staff its health care facilities.

The Borrower has a culturally diverse workforce with some entry-level positions and many positions requiring educated, licensed and credentialed professionals. As a drug-free workplace, the Borrower requires drug screenings for pre-employment qualification, for work-related injuries (to show cause of injury), and on a quarterly, random basis as a quality assurance measure. The Borrower performs a background check on each job applicant. The background check consists of a Level 2 finger print screening, review against the Terrorism Watch List, verification that the applicant has not been precluded from participation in the Medicare or Medicaid programs, a Motor Vehicle Report (if licensed to operate a motor vehicle) and a credit report for certain positions. All local, county, state and federal licensing and certifications are verified through these agencies during the pre-screening and hiring process.

The Borrower provides a comprehensive employee benefits program, including the following elements: paid time off (vacation, sick, holiday); bereavement leave; life, health, vision and dental insurance; employee assistance program; legal aid; employer defined contribution pension plan; 401(k) plan; employee loan program; scholarship program; and an employee hardship relief fund.

Volunteers

Volunteerism by the Village's residents is prevalent with over 60% of the residents participating in volunteer opportunities on campus. Marketing Ambassadors assist with marketing and public relations efforts by preparing brochures, serving as models in publications and acting as hosts for potential residents. The on-campus gift shop is run entirely by a group of volunteers. The gift shop sells greeting cards, ice cream, bread, milk, office supplies, over-the-counter medicines and provides coffee and pastry for breakfast as well as pizza for lunch. The proceeds from the shop are used to publish the weekly resident newsletter. Resident Auxiliary Service ("RAS") volunteers operate a thrift shop on campus where items that have been donated by residents and families are offered for sale. RAS generates revenue of approximately \$70,000 per year, which is used for projects to improve resident-life. The annual bazaar is run entirely by resident volunteers for the benefit of the Health Center and generates approximately \$30,000 per year that is used for specific projects that will benefit the residents of the Health Center. From the "rose buddies" who clip flowers from the rose garden for residents in the Health Center to the information desk volunteers, to the scholarship committee that has awarded over 100 scholarships to employees of the Borrower, there are numerous examples of residents who participate and give back to their community.

Services Offered

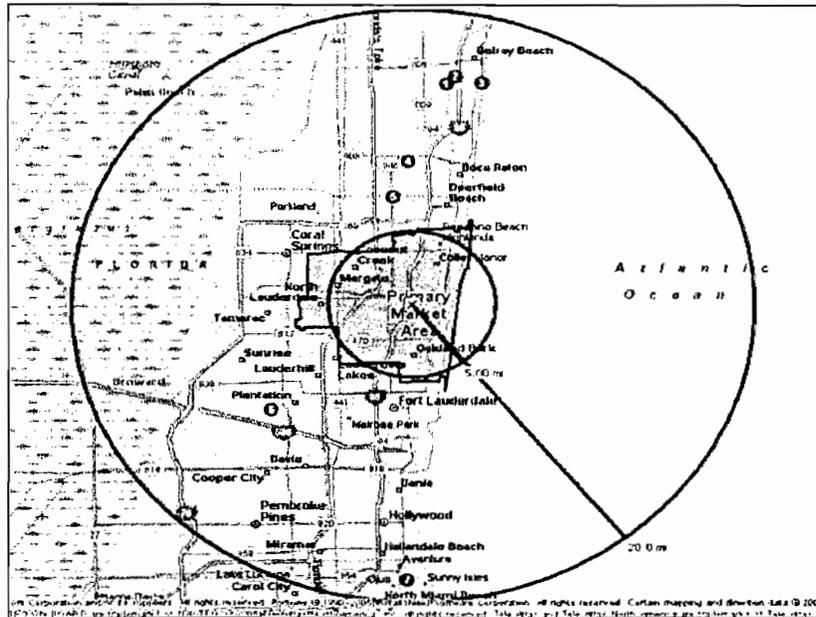
The residents of the Village enjoy the security of "life care" under the supervision of a dedicated staff. Among the many services included are:

- 15 meals per month with special diet menus and catering available for independent living residents;
- Bi-weekly housekeeping and weekly bed linen service;
- Round-the-clock security staff throughout the Village;
- Gated and controlled access;
- Comprehensive monitoring system including emergency alert cords, daily assurance check-in system and smoke detectors;
- Transportation via buses and electric carts within the Village;
- Scheduled transportation to doctor's offices, churches, banks, and shopping;
- All maintenance both inside and outside of homes;
- All utilities and property taxes;
- Nurses provide emergency and referral services through clinic 24 hours a day;
- Assisted Living at Gardens West on campus;
- Full-time skilled nursing care currently provided in the Village Health Center;
- Bank branch located on campus; and
- Doctor offices located in the John Knox Professional Building.

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Competition

The Village is situated 3.5 miles from the Atlantic Ocean and eight miles north of downtown Fort Lauderdale in Pompano Beach, Florida. The Village is the only CCRC within its primary market area. 85% of the Village's residents originate within an eight miles radius of the existing campus. The nearest CCRC is approximately 11 miles away in Palm Beach County, Florida.

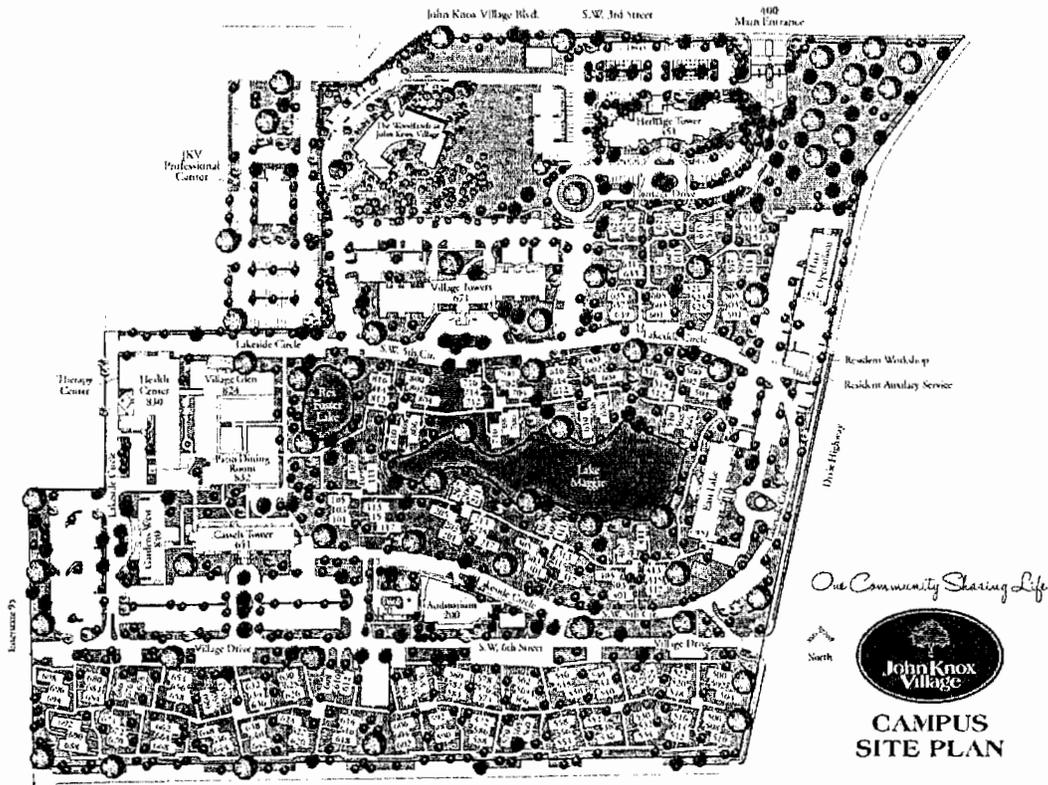


Name	Distance in Miles	Total Units
1. Abbey Delray South	18	375
2. Abbey Delray	18	540
3. Harbour's Edge	20	320
4. St. Andrews North & South	12	733
5. Edgewater Pointe Estates	11	503
6. Covenant Village of Florida	15	406
7. Vi at Aventura	23	313
8. Sinai Residences	12	369

Sinai Residences at Boca Raton, a new CCRC, is under construction in Boca Raton, Florida, approximately 11 miles from the Village. This project is expected to open in 2015 and is sponsored by the Jewish Federation of South Palm Beach County. The Borrower does not anticipate that this project will impact move-ins to the Village because _____.

CAMPUS DESCRIPTION

The Village is one of the largest single-site CCRCs in the continental United States with 729 independent living units, 64 assisted living units and 177 skilled nursing beds.



The campus includes two lakes, miles of extensive walkways throughout the community, numerous fountains and tropical landscaping. The Village is located within seven miles of three fine shopping areas and within one mile of a bank and grocery and drug stores. Nearby are three major seaports, three international airports and two major performing arts centers.

Independent Living

Independent living residents choose from 204 villa homes located in three neighborhoods and 525 apartment units situated in four apartment buildings. The apartment buildings offer a range of floor plans (efficiencies, studios, one bedroom/one bath, one bedroom/one and one-half bath, and two bedroom/two bath apartments).

East Lake ("East Lake") is the original three-story apartment building situated at the east end of Lake Maggie, offering lake and fountain views.

Cassels Tower, recently renovated lobby and corridors, and with 17 stories, is the largest of the Borrower's apartment buildings and acts as the Village hub with many administrative offices located on its first floor along with an independent branch bank office, beauty salon, and gift shop. It is also

attached by a breezeway to the Patio Dining Room. See "CAMPUS DESCRIPTION - Cassels Tower" herein for photographs of Cassels Tower.

Village Towers, also recently renovated, is a 10-story apartment building located on the northern part of the campus. Completed in 2004, Heritage Tower is the newest 10-story apartment building. The apartments feature open floor plans with nine-foot ceilings and large bay windows.

All four apartment buildings and the three villa neighborhoods are interconnected by wide, well-lit pathways. Beautiful foliage, including trees, together with signage, make walking around the campus a pleasant experience. All the apartment buildings have ample common areas including a lobby, a party room, a billiard table, a piano, a library and a mail room.

Residents can take advantage of an active lifestyle. They travel, take part in computer and fitness clubs, play bridge, and enjoy the many outside entertainment programs in the 250-seat auditorium. They are active in the affairs of the JKV Companies, some serving as corporate board members, or participating on the Village Resident Senate. They are also active in the community. Residents have the time to pursue travel, bridge, crafts, sports and the joy of new friendships. The Borrower's activities staff organizes escorted trips to popular destinations in Florida, the U.S. and abroad. Residents enjoy trips to the theater and symphony as well as visits to libraries, malls and favorite restaurants. The activities staff takes care of all the details and transportation. Residents also participate in the Red Hat Society and Rotary Club operating at the Village. There is a wood, metal and stained glass workshop, shuffleboard, horseshoes, a putting green and a heated swimming pool. Golf and tennis are played at nearby public and private clubs. Weekly religious services are conducted in the Village, and transportation is available to the many local houses of worship.

The JKV Companies' philosophy is to foster an environment of health and wellness that allows each resident to maximize his or her well-being. This includes addressing all residents' needs through a holistic approach including physical, social, emotional, intellectual, nutritional and spiritual needs. The JKV Companies provide a full continuum of health care and preventative programs designed to enhance residents' health, wellness, security and happiness. Wellness Nurses are available 24 hours a day to respond to resident needs and questions. Residents and employees can take advantage of the monthly medical screenings and the annual health fair to monitor blood pressure, blood sugar, cholesterol, balance, hearing and many other medical issues. Support groups are available for diabetes and Parkinson's disease. The fitness program includes a staff of five professionals offering screening, evaluation, orientation and supervision for each resident's level of function and a full range of classes, including water exercise, aerobics and yoga in the newly-renovated and enlarged fitness center.

The Borrower strives to offer a lifestyle that allows its residents to enhance their quality of life while maintaining independence and dignity.

Assisted Living

The Assisted Living program is provided in Gardens West, a three-story building with 64 private rooms and two suites. The lobby atrium provides a dramatic open area to the height of all three stories. There are common areas on every floor, and library and kitchen facilities available to residents as well as a large dining room serving three meals a day. Each unit is equipped with a large bathroom with a walk-in shower, large closet space, and a 24-hour emergency call system. Residents receive help with routine activities such as bathing, laundry, personal services and appointment setting. Weekly housekeeping, daily bed-making, 24-hour nursing supervision, medication monitoring, and social activity opportunities

are provided seven days a week. All units are unfurnished in order to allow residents to furnish their units with belongings that make them their homes. A Move-In Coordinator and Resident Relations Coordinator assist the residents and their families in making the move to this intermediate level of care.

Skilled Nursing

The Skilled Nursing care, custodial care and memory support programs are provided in the existing Health Center, a fully-licensed, 177-bed long-term care facility, in which all 177 beds are Medicare/Medicaid certified. The Health Center includes a 51-bed Special Care Unit dedicated to residents with memory disorders where the activity programs, staffing, meals and physical layout are designed to meet their specific needs and to maximize the quality of each resident day. The Health Center also includes a 10-bed hospice wing leased to a local not-for-profit hospice provider. Upon completion, the Woodlands will replace the existing Health Center. The Borrower is currently undertaking a strategic planning process to determine the optimal future usage for the existing Health Center.

Campus Amenities

Transportation is an important component of Village life. The Borrower has a fleet of vehicles available to take residents around campus and into the community. Enclosed carts are used to transport residents across campus. Regularly scheduled bus service transports residents to local grocers, shopping centers, pharmacies, and professional services on a complimentary basis. Personalized transportation is also available by car for an additional fee for those residents who choose not to take advantage of the bus service provided.

A modern kitchen and newly renovated Patio and Lakeside Dining Rooms are housed in a one-story building centrally located on the campus. The kitchen serves approximately 1,200 meals a day to all levels of care at the Village. The Patio Dining Room is the main dining room for independent living residents, although any Assisted Living resident may choose to dine there and Health Center residents may dine as guests of other independent living residents. A full-service catering department provides service for parties of all kinds in the Lakeside Dining Room or within other facilities of the campus.

Village Center

Village Center houses the newly expanded Fitness Center, 300-seat Auditorium, a large meeting room, craft room, library, pantry, as well as the offices for the Spiritual Life Director and the Activities Department. The Auditorium is equipped with state-of-the-art sound and projection equipment with an electrically-driven divider wall. Additional recreation areas include a unique resident-cultivated rose garden and the newly constructed Furman Square which provides a lushly landscaped area for residents to relax and enjoy the fountain as well as the chimes of the Village Clock.

The Professional Building is a three-story building that leases office space to medical, legal and financial professionals and houses the Human Resources and Information Technology departments for the Borrower. In addition, there are several fully equipped medical offices leased to over 19 different providers on a timeshare basis, allowing residents and employees to obtain medical services on campus.

The Village has been certified by the National Wildlife Federation as a Wildlife Habitat because of the conscientious planning, landscaping and sustainable gardening on campus.

LifeCare Contract

Generally. The Borrower enters into a Continuing Care Contract ("LifeCare Contract") with each resident whereby each resident is provided with an independent living unit and the services described previously. The LifeCare contract, known in the CCRC industry as a "Type A" contract, guarantees the provision of health care services in the assisted living and skilled nursing facilities as those services are needed with the only additional fees related to changes in the meal plans between the different levels of care.

Qualifications for Residency. Each prospective resident must be at least 62 years of age. Upon entry into the community, a physical examination is required to determine that the resident is capable of independent living. The prospect must meet financial requirements, including assets equal to two times the Entrance Fee ("Entrance Fee") of the applicable unit after deducting the purchase price from their assets. Additionally, an applicant's annualized monthly income must equal two times the Borrower's then current annualized Monthly Service Fees ("Monthly Service Fee"). For prospects 85 years or older, the applicant's annualized monthly income must equal 1½ times the Borrower's then current annualized Monthly Service Fee.

Entrance Fees and Monthly Service Fees. The Borrower requires an Entrance Fee be paid in connection with residence at the Village. A deposit equal to 10% of the Entrance Fee is payable upon selection of an independent living unit. The remaining Entrance Fee is payable at the time of execution of the LifeCare Contract. A second-person Entrance Fee is charged for those contracts where there is more than one resident in a unit. Entrance Fees are held in escrow for seven days. If the resident rescinds the LifeCare Contract within the seven-day period, the Entrance Fee is returned in full. The Entrance Fee may be refundable to the resident or the resident's estate as described below under "Termination of LifeCare Contract." Entrance Fees are amortized into income using life expectancies that vary by age, gender, level of care and couple status. These life expectancies were developed based on the historical experience of Borrower's residents.

The Borrower requires residents of the Village to pay monthly service fees associated with their residency at the Village (collectively, the "Monthly Service Fees"). Monthly Service Fees are based on the cost of the life care contract and the size of the independent living unit originally selected. The current Monthly Service Fee of the independent living unit occupied by the resident remains the same through the continuum of care provided in the Assisted Living facility and the Health Center. The base Monthly Service Fee includes 15 meals per resident per month in the independent living facility. Additional meals may be purchased at the resident's request. Monthly Service Fees in Assisted Living and the Health Center are increased accordingly for the provision of three meals a day. Approximately 25% of the Borrower's independent living units have more than one person per unit. These second persons must pay additional Entrance Fees and additional Monthly Service Fees. If a resident becomes unable to pay the Monthly Service Fees through no fault of the resident, the resident becomes eligible for the Benevolence Program. This program is funded through donations to the Foundation and allows the resident to remain at the Village without imposing additional costs on the operations. See "OTHER INFORMATION - Gifts" herein for more information about this program.

Transfer to Assisted Living or Skilled Nursing Units. Residents of independent living may be transferred to Assisted Living on a permanent basis or to the Health Center on either a temporary or permanent basis as health needs require. When a resident is transferred to either level of care, the resident continues to pay the Monthly Service Fee in effect while in independent living and pay

additional fees for the provision of three meals a day in those levels of care compared to the 15 dinners included with the independent living Monthly Service Fee.

Termination of LifeCare Contract. A prospective resident may terminate the LifeCare Contract for any reason prior to occupancy and receive a full refund of any deposits or Entrance Fees paid. Upon execution of the LifeCare Contract, the resident may terminate the contract for any reason and will receive a refund of the Entrance Fee for the unit less a 4% administrative fee and 2% of the Entrance Fee for each month of occupancy or right of occupancy by the resident. After four years of occupancy, no refund of the Entrance Fee is due.

If a resident dies within 12 months of executing the LifeCare Contract, 50% of the Entrance Fee will be refunded. If a resident dies after 12 months of executing the LifeCare Contract, no refund is due.

Entrance Fee refunds are paid within 60 days of receipt of written notice of contract termination or within 60 days of death of a resident, regardless of whether or not the resale of that unit or a comparable unit has occurred.

At any time after occupancy or right of occupancy, a resident may terminate the LifeCare Contract by providing 30 days' prior written notice. The LifeCare Contract will terminate automatically upon the resident's death. The Borrower may terminate a LifeCare Contract for just cause, including (i) non-payment; (ii) material breach of the LifeCare Contract or the reasonable rules of the community; and (iii) health status or behavior which constitutes a substantial threat to the health or safety of the resident, other residents or employees.

For the five years ended December 31, 2013, approximately 2.6% of all Entrance Fees received have resulted in a refund.

Preview to LifeCare Contracts

Prospective residents may choose to enter into a Preview to LifeCare Contract. This contract option allows potential residents to experience the community prior to paying an Entrance Fee and the resident must meet the same health and financial criteria as all other residents. The Preview to LifeCare Contract does not provide for the provision of health care and the number of contracts allowed is limited to 25. Currently, there are 10 Preview to LifeCare residents at the Village. Residents may convert this contract to a full LifeCare Contract or may chose to renew the preview contract on an annual basis.

Fee Schedules

The Entrance Fees and Monthly Service Fees, inclusive of the minimum 15 meal plan, are adjusted on February 1st of each year. At its November 10, 2014 meeting, the Board approved the 2015 fees for its existing facilities. The Borrower's average Entrance Fee is \$130,000, well below the average home price in Broward County of \$346,126.¹ The weighted average Entrance Fee for the 2015 period is \$162,000. The fees in effect as of February 1, 2015 will be as follows:

¹ Source: Florida Realtors® - Balistri Realtors. As of August 2014.

Independent Living:

Garden Villas (204 Total Units)

Unit Type	Units	Entrance Fee ^{(a)/(b)}	1 st Person Monthly Fee	2 nd Person Monthly Fee
1 Bedroom/1 Bath, Villa	63	\$197,400	\$2,236	\$1,408
1 Bedroom/1½ Bath Executive, Villa	2	207,200	2,334	1,408
1 Bedroom/1½ Bath Executive A, Villa	2	232,400	2,434	1,408
1 Bedroom/1½ Bath Deluxe	1	268,700	2,519	1,408
2 Bedroom/1 Bath, Villa	54	263,300	2, 519	1,408
2 Bedroom/1½ Bath, Villa	2	268,700	2, 519	1,408
2 Bedroom/2 Bath Deluxe, Villa	1	302,200	2,628	1,408
2 Bedroom/2 Bath, Villa	56	302,200	2,628	1,408
2 Bedroom/2 Bath Executive B, Villa	4	312,800	2,684	1,408
2 Bedroom/2 Bath Dlx, Exec, Villa	3	324,100	2,663	1,408
2 Bedroom/2 Bath Executive A, Villa	16	335,600	2,692	1,408

Village Towers (187 Total Units)

Unit Type	Units	Entrance Fee ^{(a)/(b)}	1 st Person Monthly Fee	2 nd Person Monthly Fee
Studio	15	\$104,800	\$2,056	-
1 Bedroom/1 Bath	21	147,400	2,236	\$1,408
1 Bedroom/1 Bath - Deluxe	48	161,800	2, 236	1,408
1 Bedroom/1½ Bath	28	168,700	2, 236	1,408
1 Bedroom/2 Bath	1	219,900	2,327	1,408
2 Bedroom/2 Bath	67	249,700	2,432	1,408
2 Bedroom/1½ Bath - Exec	1	271,800	2,523	1,408
2 Bedroom/2 Bath - Exec	5	345,600	2,655	1,408
2 Bedroom/2½ Bath – Exec	1	352,000	2,680	1,408

^(a) There is an additional Entrance Fee charged for units with patios and for lake front villas.

^(b) The Entrance Fee for the second person is \$15,000.

Cassels Tower (182 Total Units) and East Lake (36 Total Units)

Unit Type	Units	Entrance Fee ^{(a)/(b)}	1 st Person Monthly Fee	2 nd Person Monthly Fee
Efficiency	6	\$ 74,700	\$1,843	-
Studio	37	112,400	2,056	\$1,408
1 Bedroom/1 Bath	52	177,100	2,236	1,408
1 Bedroom/1½ Bath	24	184,400	2,236	1,408
1 Bedroom/1½ Bath - Exec	25	209,600	2,327	1,408
1 Bedroom/2 Bath - Exec	3	209,600	2,327	1,408
2 Bedroom/2 Bath - Exec A	35	249,700	2,424	1,408
2 Bedroom/2 Bath - Exec B	36	265,200	2,520	1,408

Heritage Tower (120 Total Units)

Unit Type	Units	Entrance Fee ^{(a)(b)}	1 st Person Monthly Fee	2 nd Person Monthly Fee
1 Bedroom/1 Bath	7	\$192,600 - 233,900	\$2,274 - 2,377	\$1,408
1 Bedroom/1½ Bath	20	257,200	2,407	1,408
1 Bedroom/1½ Bath with Den	20	300,800	2,501	1,408
2 Bedroom/2 Bath - Split	17	321,100	2,507	1,408
2 Bedroom/2 Bath	36	344,600 - 355,000	2,837	1,408
2 Bedroom/2 Bath – with Den	20	378,500	2,922	1,408

^(a) There is an additional Entrance Fee charged for units with patios and for lake front villas.

^(b) The Entrance Fee for the second person is \$15,000.

Health Center (Daily Rate):

	Private	Medicare	Medicaid
Semi-Private Room	\$288.00 ⁽¹⁾	\$527.22 ⁽²⁾	\$223.97 ⁽³⁾
Private Room	378.00	-	-

⁽¹⁾ Represents Semi-Private Room rates effective 02/01/15.

⁽²⁾ Represents weighted average Medicare per diem reimbursement rate from 01/01/14 through 10/31/14.

⁽³⁾ Represents Medicaid per diem as of 07/01/14.

Woodlands:

Management is currently developing a pricing structure for private payors consistent with the amenities and services that will be provided in the Woodlands.

Occupancy

The table below lists the occupancy at the end of the period by level of care for the Borrower.

Level of Care	10/31/14	10/31/13	2013	2012	2011
Independent Living	86.1%	85.8%	85.8%	87.3%	85.3%
Assisted Living	93.8%	93.8%	95.3%	96.9%	92.2%
Health Center	93.9%	91.4%	91.2%	93.2%	89.2%

Marketing

Over the last four years, the Borrower has made a substantial investment in the Marketing department by adding a LifeCare Counselor, a Public Relations Manager, a Production/Website Manager and Website/Video Production Specialist. Websites have been revamped and modernized and new brochures and videos have been developed. The Board of Directors Marketing Committee was established to focus on the marketing plan and strategies to maintain occupancy. Training programs were initiated and ongoing coaching has also been provided to the sales staff.

Incentive plans have been developed to enhance sales efforts. The most popular incentives utilized are the Promissory Note program and the Monthly Service Fee waivers.

- *Promissory Note Program* - Potential residents who have not sold their home are able to move into the Village by executing a promissory note. The note allows the resident six months interest free to sell the home and pay the Entrance Fee. The Entrance Fee becomes immediately due upon the sale of the residence. If necessary, an additional six months are available at a nominal interest rate. Since the program was implemented in 2009, 176 residents have been able to move to the Village using this particular incentive. Of the 176 residents who have used the incentive, only 18 have utilized the additional six month provision.
- *Monthly Service Fee Waiver* - Potential residents who are challenged by the costs of maintaining two homes while awaiting the sale of the primary residence may receive a three-month waiver on Monthly Service Fees. An additional three-month waiver may be available at the discretion of the Director of Marketing. Since this program was implemented in 2010, 163 residents have utilized this to move to the Village using this particular incentive.

The Borrower continues to monitor inventory and customer desires and has developed a new package of apartment finishes ranging from ceramic tile to stainless steel appliances and upgraded cabinets. These new décor packages have been well received by potential residents. Current residents may also take advantage of a special incentive to downsize from larger, more marketable two bedroom units to smaller one bedroom units that better fit their lifestyle.

In 2013, the Marketing Department began producing a monthly direct mail newspaper, the Gazette, which is mailed to more than 36,000 age and income qualified residents in the local community. The center spread and back page highlight the lifestyle enjoyed by residents of the Village. A flyer detailing the next two months of marketing events is included in the publication. This publication has produced several leads each month.

The Marketing Department also launched its Senior Connection Club (the "Club"), which seeks to build lasting relationships with area seniors and some Village residents who share common interests. Members gather for events at the Village and for outings to local attractions and restaurants, all organized through the Marketing Department. There are currently 150 members of the Club.

The Speakers Bureau presents informative and educational presentations on topics of interest to older adults, their families and caregivers. Our senior management team, health care professionals and residents have a wealth of knowledge on retirement living options, senior services, wellness and fitness, long-term care and financial strategies. The speakers are all experts in their chosen fields of and address issues such as financial planning for the future, choosing long-term health care options and deciding the right time to move to a retirement community. Two residents are included on the Bureau to talk about their passions of cooking, antique car collecting and kayaking.

Resident Fee Adjustments

The Borrower has the authority to increase the resident monthly fees with 60 days' written notice. Historically, the Borrower has only annually increased fees on February 1st. The following table shows the percentage by which rates were increase for the past 10 years as well as the increases with respect to Entrance Fees for such years.

Year	Increase in Residential Monthly Service Fees	Weighted Average Increase in Entrance Fees
2005	2.9%	7.0%
2006	5.6	10.0
2007	4.6	8.0
2008	8.3	5.2
2009	4.6	2.5
2010	2.5	2.5
2011	3.6	2.5
2012	3.1	2.5
2013	3.5	2.5
2014	3.5	2.5
2015*	2.9	2.5

*Approved by the Board on November 10, 2015.

Sources of Resident Service Revenue

The table below sets forth the percentage of gross resident service revenues for all levels of care, net of contractual adjustments, for the Borrower by payor source for the calendar years 2011 through 2013 and for the 10-month periods ended October 31, 2014 and 2013:

Payor	10/31/14	10/31/13	2013	2012	2011
Private Pay – Independent Living	62.2%	61.1%	62.3%	61.2%	60.6%
Private Pay – Assisted Living	5.5%	5.7%	5.5%	5.8%	5.7%
Private Pay – Health Center	11.1%	12.9%	11.2%	11.5%	11.6%
Medicare	13.5%	13.0%	13.3%	14.1%	15.3%
Medicaid	6.9%	6.1%	6.8%	6.5%	5.4%
Other	0.8%	1.2%	0.9%	0.9%	1.4%
Total	100%	100%	100%	100%	100%

For the 10 months ended October 31, 2014 and the 12 months ended December 31, 2013, 79% of the operating revenues for the [Borrower] came from private payors which consist of independent living, assisted living and private pay health center. For the 10 months ended October 31, 2014 and the 12 months ended December 31, 2013, Medicare represent 13.5% and 13.0% of resident service payors, respectively. For the 10 months ended October 31, 2014 and the 12 months ended December 31, 2013, Medicaid represented 7% of resident service payors.

Fiscal and Budget Philosophy

The Borrower has a conservative fiscal policy which includes the prudent use of debt and maintenance of liquidity and is tightly managed through an extensive budget process. Each Director and Department Manager is involved in the development of the annual budget and the three year projection. Detailed budget narratives are required to support line item expenses. Full Time Equivalents ("FTE's") are reviewed in detail and adjusted for occupancy assumptions. When the draft of the budget is complete, it is reviewed by the members of the Finance and Audit Committee as well as the President of the Resident Senate, the Chair of the Resident Fiscal Committee and two additional residents appointed

by the Chair of the Resident Fiscal Committee. The final budget is then submitted to the Board of Directors for approval. Contingency budgets are also developed during the annual budget process. These contingency budgets establish specific plans and targets for expense reduction and identify triggers to implement these cuts. This allows management to formulate a clear and concise plan of action that can be implemented in a short period of time.

Each month, Budget Variance Reports are reviewed by the Controller and distributed to Directors and Department Managers. Significant variances are noted, explanations and plans for corrective action are required to be returned to the Controller and Chief Financial Officer. Overtime is closely monitored and overtime reports are provided to each department on a bi-weekly basis. Occupancy is also reviewed on an on-going basis for shortfalls in Entrance Fees and maintenance fees compared to budget so adjustments to operations may be made on a pro-active basis.

By maintaining tight controls over finances, the Borrower has been able to achieve solid financial performance in conjunction with stable occupancy.

As illustrated by the tables below, the Borrower has maintained strong debt service coverage and liquidity since 2010.

Historic Pro Forma MADS Coverage

	2010	2011	2012	2013	Annualized 2014
Funds Available for Debt Service	\$6,918	\$12,337	\$10,779	\$10,526	
2010 and 2014 MADS*	3,729	3,729	3,729	3,729	
Coverage	1.86	3.31	2.89	2.93	

*Estimation of rate language.

Actual Days Cash on Hand

	2010	2011	2012	2013	Annualized 2014
Days Cash on Hand	473	506	504	512	
Days Cash on Hand, including MLR	570	633	629	645	

Information Technology

As information technology continues to change and become such an important part of our lifestyle, the Borrower has developed a strategic plan to upgrade information technology. Along these lines, the Borrower outsourced the services of a Chief Information Officer to provide the experience and leadership necessary to implement this plan.

2014 capital expenditures have focused on the completion of several strategic initiatives, including the purchase of new audio visual equipment, replacement of an elevator, installation of a new visitor management system, constructing and equipping of a new seven-story health care center containing approximately 130,000 square feet of nursing services, the purchase and implementation of an

electronic health record (EHR) system, upgrade of computers and information technology infrastructure throughout the campus as well as upgraded software for the Home Health Agency, which are being financed as part of the 2014 capital budget shown below.

Capital Improvements

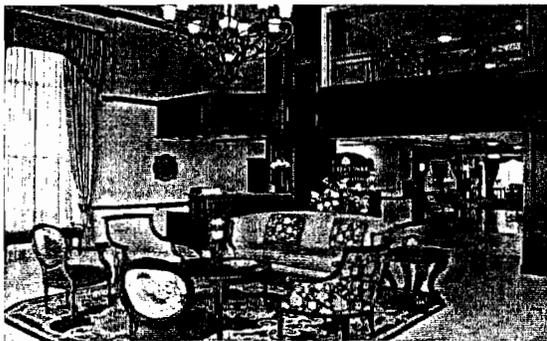
The Borrower invests continually in improvement, modernization and redevelopment of its campus in order to remain marketable, attractive and competitive. The Borrower's revitalization plan revolves around improving the marketability and long-term competitiveness of the Borrower. As a result of prior efforts, the average age of the Borrower's physical plant is currently 11.2 years. The following table provides the expenditures for capital improvements over the past three years and an estimate for 2014, excluding the Woodlands project.

Year Ending December 31	Amount
2014 (estimated)	\$5,942,000*
2013	4,540,000
2012	7,273,000
2011	4,797,000
Average	5,515,000

*See \$4,952,000 expended as of October 31, 2014.

The Borrower has recently completed major building upgrades to Village Tower and Cassels Tower. The Borrower intends to commence the renovation of the Village Center in 2015.

Cassels Tower - Lobby and Porte Cochere



The 2015 capital budget of approximately \$7.6 million includes funding for new strategic capital initiatives, including upgraded finish packages for new residents, additional parking and site lighting and renovations to the Village Center.

Upon completion of the Woodlands, the Borrower plans to engage a qualified firm to assist the Borrower in adopting a master plan for the Village that aligns with the Borrower's Mission Statement and Vision Statement to assist in possible redevelopment of existing assisted living and skilled nursing facilities and development of vacant land on the campus.

At closing, the Borrower intends to reimburse itself, from the proceeds of the Bonds, for approximately \$2.5 million in previous capital expenditures related to the Project. No additional borrowings are expected in the near future. See "OTHER INFORMATION - The Project" and "OTHER INFORMATION - Other Project Components" herein for a discussion of anticipated capital improvements expected to be reimbursed from the proceeds of the Bonds.

Insurance and Risk Management

The Borrower maintains a comprehensive insurance and risk management program designed to minimize potential harm and liability losses by using appropriate risk management techniques, addressing known risks and reflecting prudent levels of retained risk. The Corporate Compliance Officer, a Licensed Health Care Risk Manager, oversees the Corporate Compliance Program and reports directly to the Board of Directors. The Risk Manager focuses on safety issues for the entire campus.

General and Professional Liability. General and professional liability is provided through a fully funded program with an "A" rated insurance company. The current policy provides coverage of \$500,000 per claim and \$1.0 million in the aggregate. All general and professional liability claims are accrued as a liability based on management's experience and attorney recommendations. Any claims settled or adjudicated above the policy limits would be funded with general revenues of the Village.

Property Insurance. Property insurance is provided through a fully-insured program through AmRisc. The underlying insurance companies comprising the insurance pool carry a minimum rating of "A8," as rated by AM Best. Total property coverage, including wind, is \$100.0 million based on scheduled property limits by building of approximately \$124 million for building coverage, \$4.0 million for contents coverage and \$5.0 million in blanket business income and extra expense. The deductible for a named storm is 3% per building subject to \$100,000 minimum. The deductible for all other wind is \$50,000 and for all other perils is \$10,000. This property insurance policy covers boiler and machinery as well.

Workers' Compensation. Workers' compensation coverage is provided through a retrospectively rated policy administered by an "A" rated insurance provider. The Borrower's workers' compensation program identifies risks through quarterly inspections by the insurance company and through review of incidents and claims to identify target areas for improvement. A light duty program is utilized to minimize employee time away from work.

Directors and Officers. Directors and Officers liability insurance is provided by an "A" rated insurance provider. The policy includes a liability coverage aggregate limit and fiduciary liability coverage in the amount of \$5.0 million each with defense costs outside the aggregate limit at \$1.0 million and no deductible. Employment practices liability coverage and third party liability coverage is also included at \$5.0 million each with a \$50,000 deductible for each claim.

Environmental Matters. Management is not aware of any material environmental problems relating to the property.

Litigation. There is no litigation pending or, to its knowledge, threatened against the Borrower which, in the aggregate and after insurance coverage, would have a material adverse effect on the operations or financial condition of the Borrower.

Investments

The investments of the Borrower are monitored by the Asset Liability Management Committee. The primary investment objective for the Borrower's reserves is to achieve the maximum total rate of return given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. This is accomplished by utilizing a balanced strategy of equities, fixed income securities and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets. Subject to compliance with the provisions of the financing documents for the Borrower's outstanding bonds, the Borrower may change its investment policy at any time in accordance with its corporate documents. As of October 31, 2014, the overall portfolio mix is shown below:

**JKV Consolidated Portfolio by Investment Type
As of October 31, 2014**

Asset Class	Asset Balance	Actual Percentage of Portfolio
Fixed Income	\$25,547,431	39.7%
Domestic Equity	19,955,090	31.0
Cash and Cash Equivalents	15,282,525	23.8
International Equity	3,548,825	5.5
Portfolio Total	\$64,333,871	100.0%

OTHER INFORMATION

Strategic Initiatives

The Borrower's strategic plan for the next two years is focused on developing certain additional sources of revenue, providing additional contract options and implementing a new cost accounting system. Other than the Project, it is not expected any of the projects will require external financing.

Medicare Advantage Plans. A pilot program will begin in 2015 to contract with select Medicare Advantage providers, thereby increasing the potential pool of residents in the community that can receive rehab services in the Health Center. This pilot program will play a significant role in increasing the Medicare occupancy and filling community beds as described in the section "**The Project – Woodlands**" below.

Home Health Agency and Community Based Services. Home and Community Based Services continue to be a focus of the Home Health Agency. While the majority of home health services are provided on campus, the Home Health Agency has grown the community side of its business during 2014. The community home health aide volume has increased from 2% of total home health aide visits in

2013 to 9% of total home health aide visits in 2014. The first nine months of 2014, off campus aide visits are almost double the number of visits from the 12 months ended December 31, 2013. In the next year, the Home Health Agency is planning to establish a training school for Certified Nursing Assistants as an additional source of revenue as well as a mechanism to source top-quality care providers for both the Home Health Agency and the Woodlands. In addition, the Home Health Agency will continue its reach into the greater community through a unique program that provides both transportation and companion care for elders who require or desire that level of service.

Living Well at Home Program. The Living Well at Home Program allows the Borrower to provide lifecare services to those residents who desire the security of a LifeCare Contract but do not want to move into a lifecare community. This program, also referred to as "lifecare without walls," is currently in the development stage. Preliminary market assessments indicate that there is sufficient demand and favorable demographics to support this type of program in the County. There is only one other provider in the State of Florida with a similar program.

Marketing Initiatives. Marketing initiatives for 2015 include the ability to offer additional contract types to potential residents. The current Type A contract will be expanded to include a return-of-capital component. In addition, a Type C fee-for-service contract with and without refund provisions will be made available by the end of 2015. The Borrower is working closely with its actuaries to price these options.

Cost Accounting System. A cost accounting system will be implemented in 2015 allowing the Borrower to better understand the cost of providing care at different levels across the continuum and to provide more accurate data while contracting with Medicaid managed care providers, Medicare Advantage providers, and ACOs and prepare for future bundled payment arrangements.

Minimum Liquid Reserve

The Florida Office of Insurance Regulation (OIR) regulates CCRC's located in the State of Florida. One of the many regulations includes the funding of a reserve that is known as the Minimum Liquid Reserve. The requirement is that at least 15% of a CCRC's annual operating costs, an additional 15% of the CCRC's annual operating costs representing a capital project reserve plus one year's debt service including real estate taxes and property insurance be maintained in case of an emergency. Currently, the Borrower must maintain a combined minimum market value in the Minimum Liquid Reserve and MLR Debt Service Reserve accounts in excess of \$11,020,070, which is equivalent to approximately 122 Days' Cash on Hand. The Borrower is currently in compliance with OIR's Minimum Liquid Reserve requirement. A portion of the proceeds of the Bonds will be applied to fund the Debt Service Reserve Fund established under the Bond Indenture for the Bonds. In addition to securing the payment of debt service on the Bonds, the Debt Service Reserve Fund for the Bonds will be used by the Borrower to satisfy the OIR's Minimum Liquid Reserve requirement.

Benevolence and Other Gifts

The Borrower is contractually obligated to provide benevolent assistance should a resident outlive his or her income and assets. The Borrower's benevolence program was established over 30 years ago by residents to ensure that residents will receive assistance if needed without increasing operating costs funded through Monthly Service Fees. Through the generous contributions of current and former residents, the balance in the temporarily and permanently restricted benevolence funds exceeds \$5.2 million. As a tax-exempt corporation for federal income tax purposes, the Borrower developed a

Charitable Gift Annuity program over 15 years ago. This program allows residents to increase income while the gift residuum is available to benefit the Borrower. There are currently 90 annuities held by 66 annuitants with an original gift amount of \$3.3 million.

Other notable donations from past residents who appreciated the quality of care at the Village include a transportation fund that provides the capital necessary to purchase transportation needs. In 2006, a resident donated \$900,000 to purchase land adjacent to the Village for the building of additional villas. In 2014, a resident donated \$2 million for the Woodlands, resident assistance and additional trees for the campus. A Scholarship Fund is available for students who work for the Borrower for more than two years in order to provide an opportunity for employees to increase their knowledge base and quality of life. An endowment fund helps to maintain the Auditorium. Several Health Center funds provide monies for the purchase of equipment and furnishings as needed to improve the quality of care and life at the Village. The donation history since 2009 is shown below:

Period	JKV	Foundation	Total
10/31/14	\$14,000	\$2,261,000	\$2,275,000
12/31/13	28,300	1,272,000	1,300,300
12/31/12	23,000	1,176,000	1,199,000
12/31/11	24,000	437,400	461,400
12/31/10	118,000	624,000	742,000
12/31/09	99,000	579,000	578,000

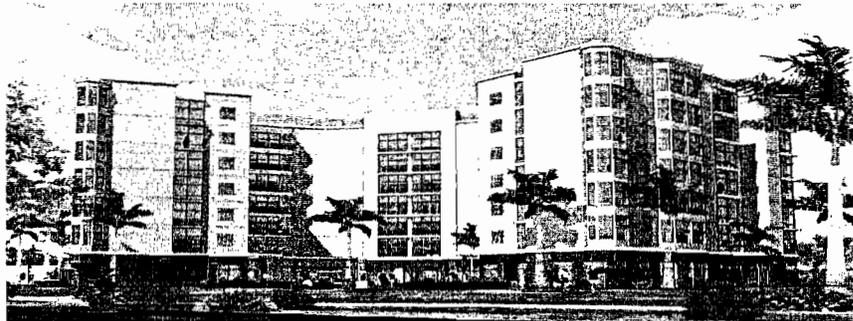
The Project

Woodlands. As part of its strategic plan, the Borrower's staff, residents and Board members identified the need to upgrade the existing Health Center as a key initiative for the long-term success of the Village. The planning process around this upgrade included the identification of the wants and desires of the current residents as well as research into improved methods of providing care.

As a result of this process, the Borrower is planning to construct the Woodlands, a 144-bed skilled nursing facility, on its current campus to replace a portion of the existing Health Center and add additional capacity to serve members of the local community. The Woodlands will be the first Skilled Nursing Facility in the State of Florida utilizing the Green House® model which emphasizes the following core values:

- Meaningful Life
- Empowered Staff
- Real Home

The almost 130,000 square foot building will consist of twelve 12-unit "homes," each designed to accommodate up-to 12 elders (for a total of 144 beds), in private rooms and private bathrooms surrounding a common area complete with kitchen, dining room and hearth room. There will also be a first floor common area that includes a convocation room, therapy space and a bistro.



The Green House® model is a change in the operational focus of providing care in the long-term care setting from the institutional needs of the organization to the needs of the individual. A prescribed reduction in middle management allows for additional direct care providers and this model has shown improved outcomes for the residents. Implementation Teams have been developed including staff, residents, family members and Green House® experts to adapt policies and procedures to this model of care with a focus on recruiting, quality of care, elder and family support and meaningful life and engagement. Extensive training has already begun related to self-managed work teams, appreciative inquiry and situational leadership in order to facilitate this new leadership model. Prior to opening the new building, additional training for the direct care givers will be provided covering such topics as CPR and first aid refreshers, culinary skills and food safety and care and maintenance of equipment. The second national GreenHouse® training center is being developed on the first floor of the Woodlands to facilitate training of staff and provide the training resources for new GreenHouse® implementers.

The Borrower's current license allows for a total of 177 beds; 107 "sheltered" beds for LifeCare Contract residents only and 70 beds for residents from the outside community. Due to space restrictions, the Borrower has not been able to take advantage of the opportunity to fill all of the 70 community beds. Upon completion of the new building, the Borrower's license will increase to 194 beds; 124 sheltered and 70 community. The additional space being created and the implementation of a new model of care will allow the Borrower to attract additional private pay and rehab residents to the campus, thereby creating an incremental source of revenue and will position the Village as the provider of choice for skilled nursing care in Broward County. In addition to this incremental revenue increase linked directly to the Project, the Borrower believes that providing the best health care services in the market and adding additional amenities will assist in increasing independent living occupancy. In addition, it is anticipated that the Woodlands will contribute to the long-term success of the Borrower by positioning the Borrower for participation in Accountable Care Organizations, produce a new, diversified, source of revenue, creating a large scale improvement to the entire Village and by providing new facilities and services that warrant future increases in Entrance Fees. Further, due to its location of the Village and ownership by the Borrower, the risk of filling the Woodlands is considered by the Borrower to be low.

The Project Team

The Project team, summarized below, has extensive experience in project construction and development for the senior living industry:

Owners Authorized Representative. Bill Gallo, AIA, LEED®, AP of Gallo Herbert Architects is the Owner's Authorized Representative. Mr. Gallo received a Master of Architecture degree from Harvard University and has experience as an architect and a construction manager and is often called upon to provide expert testimony for litigation and dispute resolution. He has a demonstrated specialty in the

health care and senior care environments and has served as a professor of architecture and construction at Spring Garden College.

Architect. RDG Schutte Wilscam Birge, Inc. ("RDG") is an architectural planning and design firm with offices in Iowa, Nebraska and Florida, employing approximately 150 design professionals. RDG has been active in the senior living market for nearly 50 years, and is currently working on senior living projects in nine states, including Florida. RDG has completed successful senior living projects in 25 states, 12 of them in Florida. Among these projects are more than 80 senior living environments, 40 of which are CCRCs.

Construction Manager. The Weitz Company ("Weitz") has been selected as the Construction Manager for the Woodlands. Weitz has completed over \$3 billion in construction projects in the senior living industry and has constructed over 29,000 units ranging from independent living, assisted living, skilled nursing, dementia and cottage homes. Weitz also has experience working with the Agency for Healthcare Administration, the State of Florida agency that licenses skilled nursing providers. In addition, Weitz has experience with GreenHouse®, having constructed a GreenHouse® model facility in Nebraska.

Guaranteed Maximum Price Contract

The construction contract and the program set up for the Project as a whole was designed to mitigate risk and dispute. The oversight team selected construction management at risk with a guaranteed maximum price as the delivery method for a variety of reasons, principally risk related, as it involves the contracting entity in the early program and project design development issues, injecting real world input on cost, schedule and constructability. The oversight team competitively selected both the designer and the contractor on a pure qualitative and cost proposal basis, following detailed analyses of prior projects, litigation history, reference checks, and following several rounds of interviews. The oversight team then competitively procured an owner's representative consulting firm, comprised of architects and engineers, to oversee the program and design development and ultimately the construction itself. The entire Project delivery is based on a team approach with numerous checks and balances.

Capital Campaign

The Foundation was challenged to raise \$5 million to help fund the Project and had its first ever capital campaign kick-off on October 2, 2013. As of October 31, 2014, the Foundation has raised over \$4.3 million towards this goal, including a single bequest from a resident for the Woodlands in excess of \$1 million. All of the capital campaign donations have come from residents, family members, employees and the Board of Directors. The Borrower expects to meet its \$5 million fundraising goal. However, if it does not, any shortfall will be funded from the Borrower's available funds on hand.

Woodlands Cost

The total project cost is broken out as follows:

Guaranteed Maximum Price Contract	\$27,359,270
Other Costs	<u>7,206,053</u>
Project Total	\$34,565,323
Less Donations and Equity Contribution (Capital Campaign)	<u>(5,000,000)</u>
Project Funding Required	<u>\$29,565,323</u>

Other Project Components

Included within the reimbursement resolution, adopted by the Board in anticipation of the issuance of the Bonds, are other projects, including new audio visual equipment, upgrades to information technology wiring and computers, replacement of the elevator in East Lake, installation of a visitor management system, implementation of an EHR system, the current Health Center and other miscellaneous renovations, equipment and capital improvements. **These projects will only be reimbursed to the Borrower upon completion of the Woodlands, if applicable.**

FINANCIAL INFORMATION

The financial information included in this section is presented on a consolidated basis including John Knox Village of Florida, Inc. and subsidiaries (the "Consolidated Group"). John Knox Village of Florida, Inc., the Borrower, is the sole member of the Obligated Group. The subsidiaries are not and will not be Members of the Obligated Group upon the issuing of the Bonds and are not obligated under the Master Indenture.

The Obligated Group accounted for approximately 90.00% of the total unrestricted revenues of the JKV Companies for the fiscal year ended December 31, 2013, and approximately 91.96% of the total assets of the JKV Companies as of December 31, 2013. The Obligated Group accounted for approximately 90.74% of the total unrestricted revenues of the JKV Companies for the fiscal year ended December 31, 2012, and approximately 99.65% of the total assets of the JKV Companies as of December 31, 2012. The Obligated Group accounted for approximately 91.16% of the total unrestricted revenues of the JKV Companies for the fiscal year December 31, 2011, and approximately 99.62% of the total assets of the JKV Companies as of December 31, 2011. Covenants are calculated based on the Obligated Group only.

As noted under "The Obligated Group," the members of the Obligated Group are the only entities obligated to make payments on the Bonds.

John Knox Village of Florida, Inc. &
Subsidiaries

Consolidated Balance Sheets

	Fiscal Year 12/31/2011 Audited Total	Fiscal Year 12/31/2012 Audited Total	Fiscal Year 12/31/2013 Audited Total	10-Month End 10/31/2013 Unaudited Total	10-Month End 10/31/2014 Unaudited Total
ASSETS					
Cash & Cash Equivalents	8,968,083	8,584,924	6,094,908	7,240,775	10,542,680
Investments	15,918,781	19,387,889	27,060,208	28,492,815	15,906,166
Accounts Receivable, Net	1,327,048	1,427,003	1,739,816	1,458,925	1,804,055
Other Receivables- current portion	3,152,954	2,622,319	1,879,849	2,545,625	2,183,405
Assets Limited as to Use- Current	35,636	30,441	29,623	29,770	26,115
Prepaid Expenses and Other-Current	939,116	962,417	950,292	325,026	278,136
TOTAL CURRENT ASSETS	30,341,618	33,014,993	37,754,696	40,092,935	30,740,556
Investments, Net of Current Portion	19,055,829	18,018,788	15,080,935	18,502,114	20,244,835
Assets Limited to Use, Net of Current	22,599,013	24,771,628	28,144,613	21,816,620	35,543,912
Property and Equipment, Net	57,553,764	60,178,450	60,906,499	58,715,492	61,773,083
Deferred Financing Costs, Net	553,526	424,850	356,173	377,619	277,532
Deposits	102,709	70,731	70,732	70,732	128,784
TOTAL ASSETS	130,206,459	136,479,440	142,313,648	139,575,511	148,708,703
CURRENT LIABILITIES					
Accounts Payable	943,627	1,626,053	1,780,179	553,472	717,250
Accrued Expenses and Other Current	1,951,581	2,372,820	1,667,946	3,068,370	3,404,395
Accrued Interest	35,636	30,441	29,623	29,770	26,115
Current Portion of Long-Term Debt	930,000	950,000	965,000	965,000	985,000
Wait List and Other Deposits	522,329	370,231	451,290	285,165	450,839
TOTAL CURRENT LIABILITIES	4,383,173	5,349,545	4,894,038	4,901,777	5,583,599
Long Term Debt Net of Current	27,200,000	26,250,000	25,285,000	25,285,000	24,300,000
Unearned Entrance Fees	56,409,709	57,956,288	58,904,211	58,812,636	60,163,607
Annuity Payment Liability	1,177,984	1,281,751	1,539,023	1,340,709	1,485,431
TOTAL LIABILITIES	89,170,866	90,837,584	90,622,272	90,340,123	91,532,637
NET ASSETS					
Unrestricted	31,726,362	35,108,744	39,474,054	37,646,032	42,780,360
Temporarily restricted	4,808,830	5,835,751	7,507,469	6,883,363	9,676,193
Permanently restricted	4,500,401	4,697,361	4,709,853	4,705,993	4,719,513
TOTAL NET ASSETS	41,035,593	45,641,856	51,691,376	49,235,388	57,176,066
TOTAL LIABILITIES AND NET ASSETS	130,206,459	136,479,440	142,313,648	139,575,511	148,708,703

John Knox Village of Florida, Inc. & Subsidiaries Consolidated Statement of Operations	Fiscal Year 12/31/2011 Audited Total	Fiscal Year 12/31/2012 Audited Total	Fiscal Year 12/31/2013 Audited Total	10-Month End 10/31/2013 Unaudited Total	10-Month End 10/31/2014 Unaudited Total
REVENUE, GAINS, AND OTHER SUPPORT					
Resident Fees and Services	32,095,632	33,477,660	34,868,267	28,888,636	30,177,577
Amortization of Earned Entrance Fees	9,085,246	9,445,199	9,295,997	7,609,872	8,288,010
Contributions	182,251	676,307	168,942	145,942	48,395
Investment Income and Realized Gains and Losses, Net	1,014,909	1,295,958	1,088,380	774,036	1,134,753
Net Assets Released from Restrictions	302,116	96,398	533,454	510,034	229,419
Total Revenues, Gains, and Support	42,680,154	44,991,513	45,955,040	37,928,520	39,878,154
EXPENSES					
Salaries and Benefits	20,677,241	21,864,750	22,176,425	18,358,379	19,085,814
Resident Services	9,008,798	9,799,888	10,259,182	8,249,526	8,760,633
General and Administrative	1,798,035	1,586,288	1,790,821	1,337,505	1,358,381
Insurance	1,248,686	1,151,959	1,226,344	1,004,545	993,537
Property Taxes	1,032,441	1,064,056	1,083,276	923,723	558,703
Interest	404,504	383,091	361,023	301,778	283,542
Depreciation and Amortization	5,438,744	5,635,569	5,215,597	5,731,654	6,055,884
Total Expenses	39,608,449	41,485,601	42,112,668	35,907,109	37,096,494
OPERATING INCOME	3,430,031	3,505,912	3,842,372	2,021,411	2,781,660
NON-OPERATING GAINS (LOSSES), NET					
Other	358,326	(1,800)	600	0	0
Total Non-Operating Gains (Losses), Net	358,326	(1,800)	600	0	0
EXCESS OF REVENUES OVER EXPENSES AND NON-OPERATING GAINS (LOSSES), NET	3,430,031	3,504,112	3,842,972	2,021,411	2,781,660
UNRESTRICTED NET ASSETS					
Unrealized Gain (Loss) on Other Than Trading Investments, Net	(525,686)	(64,066)	646,541	544,809	536,121
Change in Value of Split-Interest Agreements	117,288	(57,667)	(124,203)	(28,932)	(11,475)
Increase in Unrestricted Net Assets	3,021,633	3,382,379	4,365,310	2,537,288	3,306,306
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	565,453	580,063	1,168,307	618,096	2,001,317
Investment Income and Realized Gains and Losses, Net	123,448	194,862	657,660	621,055	301,409
Unrealized Gain (Loss) on Investments, Net	(29,647)	405,544	550,457	367,751	(7,393)
Net Assets Released From Restrictions	(302,117)	(96,388)	(533,454)	(510,034)	(229,419)
Change in Value of Split-Interest Agreements	115,314	(57,158)	(171,252)	(49,256)	102,811
Transfer to Permanently Restricted Net Assets	(106,071)	-	-	-	-
Increase in Temporarily Restricted Net Assets	366,380	1,026,923	1,671,718	1,047,612	2,168,724

PERMANENTLY RESTRICTED NET ASSETS

Contributions	189,571	196,960	12,492	8,632	9,660
Transfer from Temporarily Restricted Net Assets	<u>106,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Permanently Restricted Net Assets	<u>295,642</u>	<u>196,960</u>	<u>12,492</u>	<u>8,632</u>	<u>9,660</u>
INCREASE IN NET ASSETS	3,683,655	4,606,262	6,049,520	3,593,532	5,484,690

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John Knox Village of Florida, Inc. & Subsidiaries Consolidated Statement of Cash Flows	Fiscal Year 12/31/2011 Audited Total	Fiscal Year 12/31/2012 Audited Total	Fiscal Year 12/31/2013 Audited Total	10-Month End 10/31/2013 Unaudited Total	10-Month End 10/31/2014 Unaudited Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase in Net Assets	3,683,655	4,606,263	6,049,520	3,593,532	5,484,690
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:					
Amortization of Entrance Fees	(9,085,246)	(9,445,199)	(9,295,997)	(7,609,872)	(8,288,010)
Entrance Fees and Additional Fees Received	12,430,745	11,419,399	10,943,170	8,478,345	9,715,794
Restricted Contributions Received	(755,024)	(777,023)	(1,180,799)	(626,728)	(2,010,977)
Depreciation and Amortization	5,438,744	5,635,569	5,215,597	5,731,654	6,055,884
Unrealized Gain on Investments Other Than Trading, Net	555,333	(341,478)	(1,196,998)	(912,560)	(528,728)
Change in Value of Split-Interest Agreements	(232,602)	114,825	295,455	78,188	(91,336)
Changes in Operating Assets and Liabilities:					
Accounts Receivable	(101,119)	(99,955)	(312,813)	(31,921)	(64,238)
Other Receivables	(723,493)	703,316	243,300	222,648	28,624
Prepaid Expenses and Other Current Assets	(138,233)	8,677	12,124	637,392	672,156
Accounts Payable	181,352	682,426	154,126	(1,072,581)	(1,062,930)
Accrued Expenses and Other Current Liabilities	(23,181)	421,238	(704,874)	710,550	1,756,449
Accrued Interest	34,094	(5,195)	(818)	(670)	(3,508)
Wait List and Other Deposits	(107,521)	(152,098)	81,059	(85,066)	(451)
Annuity Payment Liability	152,271	(11,058)	(38,183)	(19,230)	37,744
Net Cash Provided by Operating Activities	11,309,775	12,759,707	10,263,869	9,093,681	11,701,163
CASH FLOWS FROM INVESTING ACTIVITIES					
Net Change in Investments and Assets Limited to Use Deposits	(5,126,676)	(4,258,009)	(6,909,635)	(5,720,013)	(876,921)
Deposits	-	-	-	-	(58,052)
Purchase of Property and Equipment	(3,102,819)	(8,131,579)	(5,874,969)	(4,221,465)	(6,843,827)
Net Cash Used in Investing Activities	(8,229,495)	(12,389,588)	(12,784,604)	(9,941,478)	(7,778,800)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(915,000)	(930,000)	(950,000)	(965,000)	(985,000)
Proceeds from Restricted Contributions	755,024	777,023	1,180,799	626,728	2,010,977
Entrance Fees Refunded	(120,600)	(600,301)	(200,080)	(158,080)	(500,568)
Net Cash Provided (Used) by Financing Activities	(280,576)	(753,278)	30,719	(496,352)	525,409
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,799,704	(383,159)	(2,490,016)	(1,344,149)	4,447,772
Cash and Cash Equivalents- Beginning of the Year	6,168,379	8,968,083	8,584,924	8,584,924	6,094,908
CASH AND CASH EQUIVALENTS- END OF YEAR	8,968,083	8,584,924	6,094,908	7,240,775	10,542,680
SUPPLEMENTAL CASH FLOWS INFORMATION					
Promissory Notes Issued for Entrance Fees	2,044,830	2,332,460	1,833,290	2,165,470	1,937,940

The Obligated Group Covenant Calculations Debt Service Coverage Ratio	Fiscal Year 12/31/2011 Audited Total	Fiscal Year 12/31/2012 Audited Total	Fiscal Year 12/31/2013 Audited Total	10-Month End 10/31/2013 Unaudited Total	10-Month End 10/31/2014 Unaudited Total
Increase (Decrease) in Net Assets	3,080,648	3,325,136	4,154,750	2,108,505	3,287,016
Less:					
Unrealized Gains	632,797	841,840	1,424,703	1,322,608	2,042,961
Add:					
Earned Entrance Fees and Refunds	(9,085,246)	(9,445,199)	(9,295,997)	(7,609,872)	(8,288,010)
Entrance Fee Refunds	(120,600)	(600,302)	(200,080)	(158,080)	(500,568)
Depreciation and Amortization	5,431,235	5,629,612	5,209,641	5,726,690	6,050,280
Non-Operating Gain	(358,652)	0	0	0	0
Interest Expense	433,937	386,490	361,024	301,778	283,541
Unrealized Losses	1,158,484	905,905	778,163	777,799	1,506,841
Cash Basis Entrance Fees Received	12,429,545	11,419,399	10,943,170	8,478,345	9,715,794
Net Income Available for Debt Service	12,336,554	10,779,201	10,525,968	8,302,557	10,011,933
Maximum Annual Debt Service Requirement	1,467,000	1,464,000	1,463,000	1,463,000	1,462,000
Actual Debt Service Coverage Requirement	8.41x	7.36x	7.19x	5.68x	6.85x
Requirement*	1.20x	1.20x	1.20x	1.20x	1.20x

*1.20x Debt Service Coverage is required pursuant to the financing documents for the Series 2010 Bonds. The Debt Service Coverage requirement for the Series 2015 Bonds is 1.10x.

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The Obligated Group Covenant Calculations	Fiscal Year	Fiscal Year	Fiscal Year	10-Month End	10-Month End
	12/31/2011	12/31/2012	12/31/2013	10/31/2013	10/31/2014
	Audited	Audited	Audited	Unaudited	Unaudited
	Total	Total	Total	Total	Total
Unrestricted Cash	41,615,133	43,664,556	45,614,362	47,035,002	49,157,074
Operating Expenses:					
Operating Expenses	34,925,008	36,881,517	37,285,257	32,071,589	3,3167,833
All Interest Expenses and Fees	508,001	452,548	456,680	378,429	456,343
Subtotal	35,433,009	37,334,065	37,741,937	32,450,018	33,624,176
Less: Depreciation	(5,431,236)	(5,629,615)	(5,209,643)	(5,726,692)	(6,050,280)
Operating Expenses for Days' Cash on Hand Calculation	30,001,773	31,704,450	32,532,294	26,723,326	27,573,896
Number of Days In Period	365	366	365	304	304
Operating Expense Per day	82,197	86,624	89,130	87,906	90,704
Days' Cash on Hand	506.29	504.07	511.78	535.06	541.95
Covenant Requirement*	200	200	200	200	200
Days in excess (deficit) of covenant	306	304	312	335	342
John Knox Village of Florida, Inc. & Subsidiaries	December 31,			October 31,	
Consolidated Statement of Cash Flows	2011	2012	2013	2013	2014
Series 2010 Bonds	<u>\$28,130,000</u>	<u>\$27,200,000</u>	<u>\$26,250,000</u>	<u>\$26,250,000</u>	<u>\$25,285,000</u>

*200 Days' Cash on Hand is required pursuant to the financing documents for the Series 2010 Bonds. The Days' Cash on Hand requirement for the Series 2015 Bonds is 100 Days' Cash on Hand.

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Management Discussion and Analysis

The Series 2010 Bonds. The first step of the Borrower's plan of finance for the Project included modifications to the tax-exempt variable rate City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010 (the "Series 2010 Bonds"), which are privately placed with PNC Bank, National Association, through a reduction in the credit spread and extension of the mandatory tender on the Series 2010 Bonds from 2017 to 2024. The second step is the issuance of the Bonds as long-term fixed rate debt. This achieves the goals of matching the term of the Bonds to the life of the asset, eliminating, until September 2024, risks associated with renewal, interest rates and remarketing and provides a blended rate of capital that takes advantage of the current low interest rate environment.

10 Months Ended October 31, 2014. For the 10 months ended August 31, 2014, Operating Income approximated \$2.8 million (7.0% of operating revenue) an increase of approximately \$760,000 (38%) over the 10 months ended October 31, 2013. Salaries and Benefits for the 10 months remained consistent at 51% of total operating expenses compared to 51% for the prior 10 month period. Entrance Fees increased by approximately \$1.2 million (15%) for the 10 months ended October 31, 2014 compared to the 10 months ended October 31, 2013. Total cash and investments of approximately \$82 million as of October 31, 2014 have increased 7.7% compared to total cash and investments of approximately \$76 million as of December 31, 2013.

The strong financial performance for the 10 months ended October 31, 2014 is a result of continued expense management by all of the Borrower's departments and reflects the results of continued corporate-wide efforts to managing employee related costs such as health insurance and overtime. In addition, with the successful conclusion of the property tax appeal which commenced in 2010, approximately \$700,000 in property tax refunds have been received and are reflected in the Statement of Operations as reductions in property tax expense.

12 Months Ended December 31, 2013. For the 12 months ended December 31, 2013, Operating Income approximated \$3.8 million (8.4% of operating revenue) an increase of approximately \$300,000 (10%) over the 12 months ended December 31, 2012. Salaries and Benefits for the 12 months remained consistent at 53% of total operating expenses compared to 53% for the prior 12-month period. Entrance Fees remained strong at approximately \$11.0 million, however they decreased by approximately \$500,000 (4%) for the 12 months ended December 31, 2013 compared to the 12 months ended December 31, 2012. Total cash and investments of approximately \$76.0 million as of December 31, 2013 increased 7.9% compared to total cash and investments of approximately \$71.0 million as of December 31, 2012.

12 Months Ended December 31, 2012. For the 12 months ended December 31, 2012, Operating Income approximated \$3.5 million (7.8% of operating revenue) an increase of approximately \$75,000 (2%) over the 12 months ended December 31, 2011. Salaries and Benefits for the 12 months remained consistent at 53% of total operating expenses compared to 53% for the prior 12-month period. Entrance Fees remained strong at approximately \$11.4 million, however they decreased by approximately \$1.0 million (8%) for the 12 months ended December 31, 2012 compared to the 12 months ended December 31, 2011. Total cash and investments of approximately \$70.0 million as of December 31, 2012 increased 6.3% compared to total cash and investments of approximately \$67.0 million as of December 31, 2011.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

MASTER INDENTURE, BOND INDENTURE AND LOAN AGREEMENT

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the 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 Borrower believes the source of such information to be reliable, but neither the Borrower nor the Issuer take any 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 Bonds, or redemption or other notices, to DTC Participants, as hereinafter defined (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 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 Participants" means the securities brokers and dealers, banks, trust companies, and clearing corporations, which may include underwriters, agents, or dealers that clear through or maintain a custodial relationship with any of the foregoing, either directly or indirectly.

DTC will act as securities depository for the Bonds. The 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

General

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 is rated AA+ by Standard & Poor's. 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 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 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 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 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 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 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 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 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 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 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 Bond Trustee, 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 Bond Trustee, 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 Bond Trustee, 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 Bonds at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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 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.

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 Bonds. The Bonds may be exchanged for an equal aggregate principal amount of the 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 or 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.

Limitations

For so long as the 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 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 Obligated Group'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 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Bonds, (ii) giving notices of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds, and (iv) the selection of Bonds for redemption. The Issuer and the Bond Trustee cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds, paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Holders of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of the Bonds for all purposes under the Bond Indenture.

The Issuer may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.