**NEW ISSUE**
**BOOK-ENTRY ONLY**

**RATING: Fitch: "AA-/F1+"**
**See "RATING" herein**

*In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law interest on the Series 2006B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006B Bonds (the "Code"). The opinion of Bond Counsel is based on certain certifications, covenants and representations of the Issuer and the Corporation and is conditioned on continuing compliance therewith. In the opinion of Bond Counsel, under existing law, interest on the Series 2006B Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes except the Indiana financial institutions tax. Interest on the Series 2006B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. See "TAX EXEMPTION" herein.*

Hartsfield Village

# $10,385,000
# INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY
## Variable Rate Demand Revenue Bonds
## (Community Village, Inc. - Hartsfield Village Project)
## Series 2006B

**Dated: Date of Issuance** **CUSIP 454795BQ7** **Due: August 1, 2036**

The Indiana Health and Educational Facility Financing Authority (the "Issuer") is issuing its Variable Rate Demand Revenue Bonds (Community Village, Inc. – Hartsfield Village Project), Series 2006B (the "Series 2006B Bonds") only as fully registered bonds. The Series 2006B Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2006B Bonds may be made in book-entry-only form. While in a Fixed Rate Mode or an Adjustable Rate Mode (each as defined herein), the Series 2006B Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and while in a Floating Rate Mode (as defined herein), the Series 2006B Bonds will be issued in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. Purchasers of beneficial interests in the Series 2006B Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Series 2006B Bonds.

The Series 2006B Bonds will initially be issued at a price equal to 100% of the principal amount thereof in the Floating Rate Mode. At the times and subject to certain conditions set forth in the Bond Indenture (as herein defined), Community Village, Inc., an Indiana nonprofit corporation (the "Corporation"), may elect to change the Mode of the Series 2006B Bonds to an Adjustable Rate Mode or Fixed Rate Mode. Interest on the Series 2006B Bonds, together with principal of and redemption premium, if any, on the Series 2006B Bonds will be paid by First Midwest Bank, as bond trustee ("Bond Trustee") directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2006B Bonds. The final disbursements of such payments to Beneficial Owners of the Series 2006B Bonds will be the responsibility of the DTC Participants and Indirect Participants (each as defined herein), all as more fully described herein. See "BOOK-ENTRY-ONLY SYSTEM." In the event the Series 2006B Bonds are no longer held in book-entry-only form, principal of and redemption premium, if any, on the Series 2006B Bonds will be paid at the principal corporate trust office of the Bond Trustee.

The Series 2006B Bonds in the Floating Rate Mode will bear interest at a weekly rate of interest established by Ziegler Capital Markets Group, a division of B.C. Ziegler and Company, as the initial Remarketing Agent. Interest on the Series 2006B Bonds in the Floating Rate Mode is payable on the first Business Day of each month, commencing November 1, 2006.

Except as described herein, as long as the Series 2006B Bonds are in a Floating Rate Mode, owners of the Series 2006B Bonds will have the right to have the Series 2006B Bonds purchased at a price equal to 100% of the principal amount thereof plus accrued interest, under certain circumstances as described herein. See "THE SERIES 2006B BONDS – Tenders and Purchases."

The Series 2006B Bonds are subject to redemption prior to maturity, all as more fully described in this Official Statement under the caption, "THE SERIES 2006B BONDS--Redemption."

The Series 2006B Bonds are special and limited obligations of the Issuer and are payable solely from and secured exclusively by the payments, revenues and amounts pledged thereto under the Bond Trust Indenture (the "Bond Indenture") dated as of September 1, 2006, by and between the Issuer and the Bond Trustee, including payments to be made by the Corporation under a Loan Agreement (the "Loan Agreement") dated as of September 1, 2006, by and between the Issuer and the Corporation and payments to be made by the Corporation under a Series 2006B Master Note (the "Series 2006B Master Note"), to be issued by the Corporation to the Issuer under the Master Trust Indenture dated as of May 1, 2006 (as supplemented to the date hereof, (the "Master Indenture") between the Corporation and First Midwest Bank (as successor to Bank Calumet National Association), as master trustee (the "Master Trustee"). The Notes under the Master Indenture, including the Series 2006B Master Note, are joint and several obligations of the Corporation and other members, if any, of the Obligated Group (herein defined). To secure its obligations under the Master Indenture, the Corporation will mortgage certain real property and pledge certain revenues to the Master Trustee. See "SECURITY FOR THE SERIES 2006B BONDS – The Master Indenture."

Initially, the payment of principal of and interest on the Series 2006B Bonds, when due or otherwise payable, shall be made with draws from a direct-pay letter of credit (the "Initial Credit Facility") issued by

## HARRIS N.A.

(the "Initial Credit Facility Provider"), a national banking association, in favor of the Bond Trustee. See "THE INITIAL CREDIT FACILITY PROVIDER" and APPENDIX E. The Initial Credit Facility will permit the Bond Trustee to draw an amount with respect to the Series 2006B Bonds up to (a) the outstanding principal amount of the Series 2006B Bonds, plus (b) an amount equal to interest to accrue on the Series 2006B Bonds for 35 days at the maximum interest rate of 10% per annum. The Initial Credit Facility will terminate on May 31, 2011, unless extended or replaced, as described herein. See "THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT" herein.

**THE SERIES 2006B BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY THE PAYMENTS, REVENUES AND AMOUNTS PLEDGED THERETO PURSUANT TO THE BOND INDENTURE. THE SERIES 2006B BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE SERIES 2006B BONDS DO NOT GRANT THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE SERIES 2006B BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SECURITY FOR THE SERIES 2006B BONDS."**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

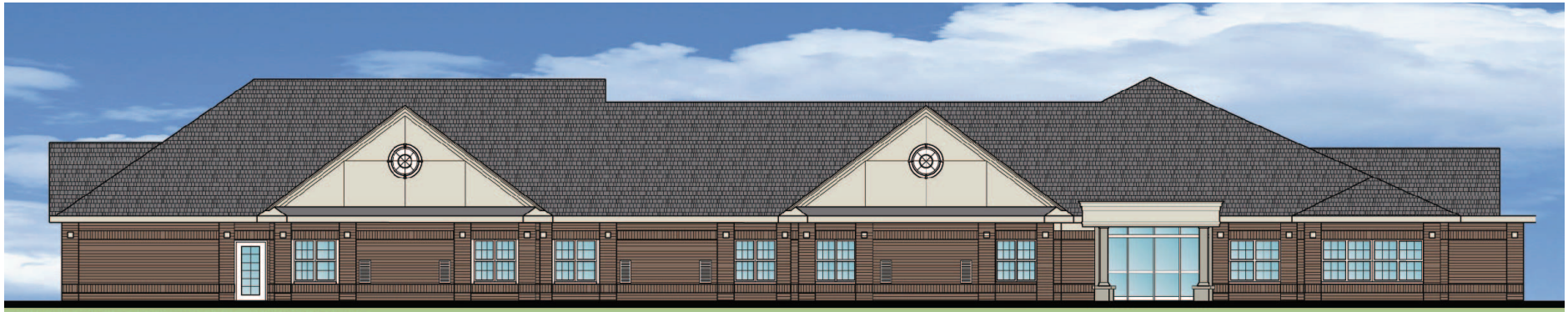
The Series 2006B Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the opinion as to their validity and certain other matters of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, the Attorney General of the State of Indiana, for the Corporation by its counsel, Lucas, Holcomb & Medrea LLP, Merrillville, Indiana, for the Initial Credit Facility Provider by its counsel, Chapman and Cutler LLP, Chicago, Illinois and for the Underwriter by its counsel, Ice Miller LLP, Indianapolis, Indiana. It is expected that the Series 2006B Bonds will be available for delivery through DTC in New York, New York, against payment therefor on or about October 4, 2006.

**ZIEGLER CAPITAL MARKETS GROUP**
a division of B.C. Ziegler and Company

Official Statement dated September 29, 2006

# Hartsfield Village – Munster, Indiana

# Hartsfield Village - Munster, Indiana
# Artist's Rendering of New Assisted Living Building



ENTRY (WEST) EXTERIOR ELEVATION - MEMORY CARE UNIT

Hartsfield Village

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security, other than the original offering by the Issuer of its Variable Rate Demand Revenue Bonds (Community Village, Inc. - Hartsfield Village Project), Series 2006B (the "Series 2006B Bonds") specifically offered hereby. No dealer, broker, salesman or other person has been authorized to give any information or to make any representation with respect to the Series 2006B Bonds other than those contained in this Official Statement and, if given or made, such other information or representation not so authorized must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2006B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents (including the Series 2006B Bonds), instruments and statutes are descriptions of selected provisions of and subject to the detailed provisions of such documents, instruments and statutes, respectively, and are qualified in their entirety by reference to the full text of each such document, instrument or statute. Copies of the documents will be on file with the Bond Trustee and will be furnished upon request. This Official Statement has been approved by the Corporation, and its use and distribution for the purposes set forth above have been authorized by the Corporation and the Issuer. 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 Issuer, the Corporation or the Initial Credit Facility Provider since the date hereof.

Upon issuance, the Series 2006B Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement nor, except the Issuer (to the extent described herein), approved the Series 2006B Bonds for sale. Any representation to the contrary is a criminal offense.

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## SUMMARY STATEMENT

**This summary statement is subject in all respects to the more complete information appearing elsewhere in this Official Statement. The summary statement is not to be read or used without reference to the entire Official Statement.**

### The Issuer

The Indiana Health and Educational Facility Financing Authority (the "Issuer") is a public body corporate and politic, not an agency of the State of Indiana, but an independent public body exercising essential public functions. The Issuer was created under Indiana Code 5-1-16, as amended (the "Act"). For further information concerning the Issuer, see information under the caption, "THE ISSUER."

### The Corporation

Community Village, Inc. (the "Corporation") is an Indiana nonprofit corporation. The Corporation is the only member of the obligated group (the "Obligated Group") under a Master Trust Indenture dated as of May 1, 2006 (the "Master Indenture") between the Corporation and First Midwest Bank (as successor to Bank Calumet National Association), as trustee (the "Master Trustee"). The Corporation owns and operates Hartsfield Village, a senior living community consisting of 106 independent living apartments, 50 assisted living units and a 106 bed health center, located in Munster, Indiana.

### The Initial Credit Facility Provider

Harris N.A. (the "Initial Credit Facility Provider") is a national banking association and will provide the direct-pay letter of credit related to the Series 2006B Bonds.

### Purposes of the Financing; The Project

The Corporation intends to apply the proceeds of the Series 2006B Bonds and other available funds to (1) finance, refinance or reimburse the cost of the acquisition, construction and equipping of an expansion to a continuing care retirement community (the "Project"); (2) pay the upfront fees relating to credit enhancement for the Series 2006B Bonds; (3) pay fees relating to credit enhancement for the Series 2006B Bonds, interest on the Series 2006B Bonds and remarketing fees for 18 months following the issuance of the Series 2006B Bonds and (4) pay certain costs associated with the issuance of the Series 2006B Bonds. See "Appendix A - Community Village, Inc. d/b/a Hartsfield Village - The Project" for a further description of the Project.

### Securities Being Offered

$10,385,000 principal amount of Variable Rate Demand Revenue Bonds (Community Village, Inc. - Hartsfield Village Project), Series 2006B (the "Series 2006B Bonds") will be issuable by the Issuer initially in the Floating Rate Mode in denominations of $100,000 and any integral multiples of $5,000 in excess thereof. If the Series 2006B Bonds bear interest at the Adjustable Rate Mode, they will be in issuable denominations of $5,000 or any integral multiple thereof. If the Series 2006B Bonds bear interest at the Fixed Rate, they will be in issuable denominations of $5,000 or any integral multiple thereof. The Series 2006B Bonds will be issuable only in fully registered form. See "THE SERIES 2006B BONDS."

**Underwriter**

Ziegler Capital Markets Group, a division of B.C. Ziegler and Company, will serve as the underwriter.

**Remarketing Agent**

Ziegler Capital Markets Group, a division of B.C. Ziegler and Company, will serve as the remarketing agent for the Series 2006B Bonds.

**Initial Credit Facility**

An irrevocable direct pay letter of credit (the "Initial Credit Facility") will be issued by the Initial Credit Facility Provider and will secure payment of $10,385,000 principal amount of the Series 2006B Bonds, plus $99,583 which is equal to 35 days' accrued interest thereon computed at the maximum rate of 10% per annum, calculated on the basis of a 365-day year while the Series 2006B Bonds bear interest at the Floating Rate and will expire May 31, 2011, unless extended or earlier terminated. See "SECURITY FOR THE SERIES 2006B BONDS – Initial Credit Facility." Payment of principal of and interest on the Series 2006B Bonds at maturity or upon redemption or acceleration will be made first from moneys obtained by First Midwest Bank, as trustee (the "Bond Trustee") pursuant to draws on the Credit Facility. Payment of the purchase price of the Series 2006B Bonds or beneficial ownership interests therein upon tenders for purchase by holders or beneficial owners will be made first from moneys consisting of remarketing proceeds and then from draws on the Credit Facility.

**Interest Rate**

From the date of initial delivery through and including October 11, 2006, the Series 2006B Bonds will bear interest at the Floating Rate established on or before the delivery of the Series 2006B Bonds. Thereafter, unless the Corporation, with the consent of the Credit Facility Provider, has elected to convert the interest rate to a different Mode, the interest rate will be the Floating Rate.

**Interest Payment Dates**

Interest on the Series 2006B Bonds is payable on the first Business Day of each month, commencing November 1, 2006 while the Series 2006B Bonds bear interest at the Floating Rate. While the Series 2006B Bonds bear interest at the Fixed Rate or at the Adjustable Rate for an Adjustable Rate Period of more than 365 days, interest will be payable on each February 1 and August 1. While the Series 2006B Bonds bear interest at the Adjustable Rate for an Adjustable Rate Period of 365 days or less, interest will be payable the day following the earlier of the last day of such Adjustable Rate Period or the maturity date of such Series 2006B Bond.

**Interest Rate Modes**

At the option of the Corporation, upon certain conditions, the interest rate may be converted on one or more occasions to a different Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration (collectively, with the Fixed Rate and the Floating Rate, the "Modes") unless or until converted to a Fixed Rate for the remaining term of the Series 2006B Bonds.

**Mandatory Redemption**

The Series 2006B Bonds are subject to mandatory redemption prior to maturity (1) in whole on the Floating Rate Interest Payment Date which immediately precedes the termination date of the Credit

Facility, if the Credit Facility has not been extended or an Alternate Credit Facility has not been provided and (2) following completion of the Project to the extent that any Series 2006B Bond proceeds remain in the Project Fund established under the Bond Indenture. See "THE SERIES 2006B BONDS -- Redemption."

**Optional Redemption**

Unless previously redeemed, the Series 2006B Bonds are subject to redemption, at the option of the Issuer, upon the direction of the Corporation (subject to compliance with the Bond Indenture), (1) if the Series 2006B Bonds bear interest at the Floating Rate, in whole or in part (and if in part in Authorized Denominations; provided that no Series 2006B Bonds may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination), on any date selected by the Issuer, at the direction of the Corporation upon 45 days' notice to the Bond Trustee or (2) if the Series 2006B Bonds bear interest at the Fixed Rate or the Adjustable Rate as described under the heading "THE SERIES 2006B BONDS -- Redemption -- During Adjustable Rate Period or Fixed Rate Period."

**Extraordinary Optional Redemption**

The Series 2006B Bonds are also subject to optional redemption in whole and, under certain limited circumstances, in part upon the occurrence of certain calamities and unforeseen events at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date. See "THE SERIES 2006B BONDS -- Redemption."

**Optional Tender**

During each Floating Rate Period, each holder of the Series 2006B Bonds may give notice of a demand for purchase of such owner's beneficial interest in the Series 2006B Bonds. During each Adjustable Rate Period and Fixed Rate Period, holders shall not have the right to optionally tender their Series 2006B Bonds. See "THE SERIES 2006B BONDS – Tenders and Purchases – Optional Tenders."

**Mandatory Tender**

Series 2006B Bonds (other than Pledged Bonds, Corporation Bonds or Series 2006B Bonds bearing interest at a Fixed Rate) are subject to mandatory tender for purchase on each Conversion Date and Adjustable Rate Reset Date and on the effective date of an Alternate Credit Facility. The Series 2006B Bonds shall also be subject to mandatory tender and purchase after receipt by the Bond Trustee of a written notice from the Credit Facility Provider that an event of default has occurred under the Reimbursement Agreement. See "THE SERIES 2006B BONDS – Tenders and Purchases – Mandatory Purchase."

**The Bond Trustee**

First Midwest Bank (the "Bond Trustee"), is a national banking association and duly authorized to exercise corporate trust powers under the laws of the United States of America, with a corporate trust office located in Joliet, Illinois, and initially serves as the Bond Trustee under the Bond Indenture.

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**OFFICIAL STATEMENT**

**RELATING TO THE ORIGINAL ISSUANCE OF**

**$10,385,000**

# INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY VARIABLE RATE DEMAND REVENUE BONDS (COMMUNITY VILLAGE, INC. - HARTSFIELD VILLAGE PROJECT) SERIES 2006B

## INTRODUCTION

This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of $10,385,000 principal amount of Variable Rate Demand Revenue Bonds (Community Village, Inc. - Hartsfield Village Project), Series 2006B (the "Series 2006B Bonds"), by the Indiana Health and Educational Facility Financing Authority (the "Issuer").

Community Village, Inc. (the "Corporation"), an Indiana nonprofit corporation, currently owns and operates a retirement community in Munster, Indiana, comprised of 106 independent living apartments, 50 assisted living units, a 106-bed nursing home and related facilities. See "THE CORPORATION" herein.

The Issuer proposes to issue $10,385,000 principal amount of the Series 2006B Bonds to mature and bear interest as more fully described below. Concurrently with, and as a condition to, the issuance of the Series 2006B Bonds, the Corporation will cause to be delivered to First Midwest Bank, as trustee (the "Bond Trustee") an irrevocable direct pay letter of credit (the "Initial Credit Facility") of Harris N.A., a national banking association (the "Initial Credit Facility Provider" together with the issuer of any Alternate Credit Facility, the "Credit Provider"). The Bond Trustee will be entitled to draw under the Initial Credit Facility an amount not exceeding $10,484,583 which consists of (a) up to $10,385,000, which amount equals the principal amount of the Series 2006B Bonds, in order to pay the principal on the Series 2006B Bonds when due or upon redemption or acceleration or to pay the portion of the purchase price thereof corresponding to the principal amount upon certain tenders, plus (b) $99,583 initially, and for so long as the Series 2006B Bonds bear interest at the Floating Rate Mode, which amount equals 35 days' interest on the principal amount of the Series 2006B Bonds, computed at the maximum rate of 10% per annum, in order to pay accrued interest on the Series 2006B Bonds when due or to pay the portion of the purchase price of the Series 2006B Bonds or Beneficial Ownership Interests corresponding to accrued interest. The Initial Credit Facility expires on May 31, 2011, unless terminated or extended pursuant to its terms.

The Series 2006B Bonds are to be issued in accordance with the laws of the State of Indiana, particularly Indiana Code 5-1-16 (collectively, the "Act") and the Indenture.

To secure the issuance of the Initial Credit Facility, the Corporation and the Initial Credit Facility Provider have entered into a Reimbursement Agreement dated as of September 1, 2006 (the "Reimbursement Agreement"), pursuant to which, among other things, the Corporation is obligated to reimburse the Initial Credit Facility Provider for drawings made under the Initial Credit Facility.

## THE ISSUER

The Issuer was established on May 15, 2005, as successor to the Indiana Health Facility Financing Authority (the "IHFFA"), which was created in 1983 pursuant to the provisions of the Act, and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana (the "State"), but as an independent public instrumentality exercising essential public functions. Under the Act, the Issuer is authorized to make loans to private institutions of higher education, or "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation, or housing of "health facility property" (as defined in the Act). The Issuer may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Issuer, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Issuer, in Indiana. The Issuer has no taxing power.

The Act provides that the Issuer shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and investment matters related to health care and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to higher education. The Issuer shall also include among its members (i) the Governor or the Governor's designee, who shall serve as the chairman of the Issuer, (ii) the state public finance director or the public finance director's designee, and (iii) the state health commissioner or the state health commissioner's designee. All Issuer members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Issuer members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Issuer. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Issuer shall determine. The Executive Director serves as ex officio secretary of the Issuer, administers, manages and directs the employees of the Issuer (under the direction of the members of the Issuer), approves all accounts and expenses and performs other additional duties as directed by the members of the Issuer.

The Act provides that the State of Indiana pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Issuer by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligation.

**THE SERIES 2006B BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, NOR ARE HOLDERS OF THE SERIES 2006B BONDS GRANTED ANY RIGHT TO HAVE THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE SERIES 2006B BONDS. THE ISSUER HAS NO TAXING POWER.**

## THE CORPORATION

The Corporation is an Indiana nonprofit corporation. The Corporation is the only member of an obligated group (the "Obligated Group") under a Master Trust Indenture dated as of May 1, 2006 (the "Master Indenture") between the Corporation and First Midwest Bank (as successor Bank Calumet National Association), as trustee (the "Master Trustee"). The Corporation owns and operates Hartsfield Village (the "Facility"), consisting of 106 independent living apartments, 50 assisted living units and 106 nursing home beds, located in Munster, Indiana. The Corporation currently has as its member Community Foundation of Northwest Indiana, Inc., an Indiana nonprofit corporation ("Community Foundation").

THE SERIES 2006B BONDS ARE BEING OFFERED ON THE BASIS OF THE INITIAL CREDIT FACILITY AND NOT ON THE BASIS OF THE FINANCIAL STRENGTH OF THE CORPORATION. ACCORDINGLY, ONLY LIMITED FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION IS INCLUDED IN THIS OFFICIAL STATEMENT AND THE APPENDICES. THE SERIES 2006B BONDS ARE SUBJECT TO ACCELERATION OF MATURITY UPON THE OCCURRENCE OF AN EVENT OF DEFAULT BY THE CORPORATION UNDER THE REIMBURSEMENT AGREEMENT BETWEEN THE CREDIT FACILITY PROVIDER AND THE CORPORATION.

AS A RESULT OF THE FOREGOING, PROSPECTIVE INVESTORS WILL NOT BE ABLE TO EVALUATE THE LIKELIHOOD OF A DEFAULT BY THE CORPORATION UNDER THE REIMBURSEMENT AGREEMENT.

## THE INITIAL CREDIT FACILITY PROVIDER

The Initial Credit Facility Provider is the issuer of the Initial Credit Facility. Certain information concerning the Initial Credit Facility Provider, including certain financial information, has been provided by the Initial Credit Facility Provider and is contained in APPENDIX E to this Official Statement. Neither the Issuer, the Corporation nor the Underwriter makes any representation or warranty as to the accuracy or completeness thereof.

## THE INITIAL CREDIT FACILITY AND THE REIMBURSEMENT AGREEMENT

The Initial Credit Facility will be issued pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the Initial Credit Facility and the Reimbursement Agreement, to which documents, in their entirety, reference is made for the complete provisions thereof. The provisions of any Alternate Credit Facility and related Reimbursement Agreement may be different from those summarized below.

### Initial Credit Facility

The Initial Credit Facility will be in all respects an irrevocable obligation of the Initial Credit Facility Provider. The Initial Credit Facility will be issued in an amount equal to the aggregate principal amount of the outstanding Series 2006B Bonds, plus 35 days' interest thereon at the rate of 10% per annum (the *"Cap Interest Rate"*). The Bond Trustee, upon compliance with the terms of the Initial Credit Facility, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the Series 2006B Bonds when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the purchase price of Series 2006B Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed equal to the principal amount of such Series 2006B Bonds, plus (b) an amount not to exceed 35 days of accrued

interest on such Series 2006B Bonds at the Cap Interest Rate (i) to pay interest on Series 2006B Bonds when due, and (ii) to pay the portion of the purchase price of Series 2006B Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Series 2006B Bonds. Notwithstanding the foregoing, no drawings shall be made under the Initial Credit Facility for payment of the principal or Purchase Price of or interest on Pledged Bonds or Corporation Bonds.

The Initial Credit Facility will terminate on the Initial Credit Facility Provider's close of business on the earliest of (a) the stated expiration date (May 31, 2011, unless renewed or extended); (b) the earlier of (i) the date which is fifteen (15) days following the Conversion Date of all of the Series 2006B Bonds as specified in a notice from the Bond Trustee to the Initial Credit Facility Provider or (ii) the date on which the Initial Credit Facility Provider honors a drawing under the Initial Credit Facility on or after the Conversion Date of all of the Series 2006B Bonds; (c) the date which is fifteen (15) days following the Initial Credit Facility Provider's receipt of written notice from the Bond Trustee that (i) no Series 2006B Bonds remain Outstanding, (ii) all drawings required to be made under the Bond Indenture and available under the Initial Credit Facility have been made and honored, or (iii) a substitute letter of credit has been issued to replace the Initial Credit Facility in accordance with the terms of the Bond Indenture and the Loan Agreement; (d) the date on which an acceleration drawing is honored by the Initial Credit Facility Provider; or (e) the date which is fifteen (15) days following the date the Bond Trustee receives a written notice from the Initial Credit Facility Provider specifying the occurrence of an event of default under the Reimbursement Agreement and directing the Bond Trustee to accelerate or to cause a mandatory tender of the Series 2006B Bonds.

The amount available under the Initial Credit Facility (the "Available Amount") will be reduced automatically by the amount of any drawing thereunder. However, the amount of any drawing under the Initial Credit Facility to pay accrued interest on the Series 2006B Bonds, less the amount of the reduction in the Available Amount attributable to interest as specified in a Reduction Certificate (as herein defined), will be automatically reinstated immediately upon payment by the Initial Credit Facility Provider of such drawing. After payment by the Initial Credit Facility Provider of a drawing to pay the purchase price of Series 2006B Bonds tendered for purchase pursuant to the Bond Indenture which have not been successfully remarketed or for which the purchase price has not been timely received (a "Liquidity Drawing"), the obligation of the Initial Credit Facility Provider to honor drawings under the Initial Credit Facility will be automatically reduced by an amount equal to the purchase price of any Series 2006B Bonds purchased pursuant to such drawing. Prior to the Conversion Date of all of the Series 2006B Bonds, in the event of the remarketing of any Series 2006B Bonds previously purchased with the proceeds of a Liquidity Drawing, the Initial Credit Facility Provider's obligation to honor drawings under the Initial Credit Facility will be automatically reinstated concurrently upon receipt by the Initial Credit Facility Provider of an amount equal to the purchase price of such Series 2006B Bonds, the amount of such reinstatement to be equal to the purchase price of such Series 2006B Bonds. Upon receipt by the Initial Credit Facility Provider of a certificate from the Bond Trustee that the Available Amount is to be reduced (a "Reduction Certificate"), the Initial Credit Facility will automatically and permanently reduce the amount available to be drawn thereunder by the amount specified in such certificate.

**Reimbursement Agreement**

If an event of default under the Reimbursement Agreement occurs and is continuing, the Initial Credit Facility Provider may, among other things (i) require that the Corporation immediately prepay to the Initial Credit Facility Provider an amount equal to the Available Amount, (ii) declare all amounts due thereunder by the Corporation immediately due and payable, (iii) give notice of the occurrence of such event of default to the Bond Trustee directing the Bond Trustee to accelerate or to cause a mandatory tender of the Series 2006B Bonds, thereby causing the Initial Credit Facility to expire 15 days thereafter,

(iv) pursue any rights or remedies the Initial Credit Facility Provider may have under the "Related Documents", or (v) pursue any other action available at law or in equity. The Bond Indenture directs the Bond Trustee, upon receipt of the notice described in clause (iii) of the preceding sentence, to immediately accelerate the maturity of the Series 2006B Bonds and to make the required drawing prior to the termination of the Initial Credit Facility.

*"Events of Default"* under the Reimbursement Agreement include the following:

(a) any material representation or warranty made by the Corporation in the Reimbursement Agreement (or incorporated therein by reference) or in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;

(b) any *"event of default"* shall have occurred under any of the Related Documents (as defined respectively therein);

(c) failure to reimburse the Initial Credit Facility Provider for any obligations when and as due under the Reimbursement Agreement;

(d) default in the due observance or performance of certain covenants set forth in the Reimbursement Agreement or any provision of any Related Document requiring the maintenance of insurance on the collateral subject thereto or dealing with the use or remittance of proceeds of the collateral;

(e) default in the due observance or performance by the Corporation of any other term, covenant or agreement set forth in the Reimbursement Agreement and the continuance of such default for 30 days;

(f) any material provision of the Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the Corporation shall contest any such provision, or the Corporation or any agent or trustee on behalf of the Corporation shall deny that it has any or further liability under the Reimbursement Agreement or any of the Related Documents;

(g) the occurrence of certain events of bankruptcy, insolvency or liquidation of the Corporation or any Obligated Issuer;

(h) dissolution or termination of the existence of the Corporation or any Obligated Issuer;

(i) default by the Corporation under certain evidences of indebtedness issued, assumed, or guaranteed by the Corporation or any Obligated Issuer;

(j) certain judgments or writs are entered or filed against the Corporation or any Obligated Issuer or against any of their respective property and remain unvacated, unbonded or unstayed for a period of 30 days;

(k) the occurrence of certain events with respect to certain retirement plans maintained by the Corporation or certain related entities;

(l) a default shall occur and be continuing under any other agreement between the Corporation and the Initial Credit Facility Provider or under any other obligation owed by the Corporation to the Initial Credit Facility Provider, including, under any rate management agreement; or

(m) Community Foundation of Northwest Indiana, Inc. shall cease to maintain at least a 60% membership interest in the Corporation without the prior written consent of the Initial Credit Facility Provider.

*"Related Documents"* means the Reimbursement Agreement, the Initial Credit Facility, the Bond Indenture, the Loan Agreement, the Series 2006B Bonds, the Remarketing Agreement, the Purchase Agreement, the Mortgage and Security Agreement, the Master Indenture, the Series 2006B Bank Note, any rate management agreement, this Official Statement and any other agreement or instrument relating thereto.

## THE PROJECT

The Corporation intends to apply the proceeds of the Series 2006B Bonds and other available funds to (i) finance, refinance or reimburse certain costs of constructing, acquiring, renovating or equipping the Project, (ii) pay the upfront fees relating to credit enhancement for the Series 2006B Bonds; (iii) pay fees relating to credit enhancement for the Series 2006B Bonds, interest on the Series 2006B Bonds and remarketing fees for 18 months following the date of issuance of the Series 2006B Bonds, and (iv) pay certain costs associated with the issuance of the Series 2006B Bonds.

See "Appendix A – Community Village, Inc. d/b/a Hartsfield Village - The Project" for a further description of the Project.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2006B Bonds, exclusive of investment earnings, and other funds to be contributed by the Corporation are expected to be applied by the Bond Trustee, under the provisions of the Bond Indenture, for the following uses and in the following respective estimated amounts.

| | |
|---|---|
| **Source of Funds:** | |
| Series 2006B Bond Proceeds | $10,385,000 |
| Corporation Contribution | 1,000,000 |
| Total Sources of Funds | $11,385,000 |
| **Uses of Funds:** | |
| Project | $10,526,471 |
| Credit Enhancement Fees (upfront) | 78,343 |
| Credit Enhancement Fees (18 months) | 137,305 |
| Funded Interest (18 months) | 274,860 |
| Remarketing Fees (18 months) | 19,364 |
| Costs of Issuance[1] | 348,657 |
| Total Uses of Funds | $11,385,000 |

(1) The Costs of Issuance consist of the Underwriter's discount and legal, accounting and other incidental costs. The amount of these costs paid from the proceeds of the Series 2006B Bonds will not exceed 2% of the proceeds of the Series 2006B Bonds.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amount projected to be required in each Bond Year ending August 1 for the payment of principal at maturity or upon the redemption scheduled for the Series 2006B Bonds pursuant to the Reimbursement Agreement, the payment of interest on the Series 2006B Bonds and total debt service requirements for the Issuer's Variable Rate Demand Refunding Revenue Bonds (Community Village, Inc. – Hartsfield Village Project) Series 2006A (the "Series 2006A Bonds").

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS

| | Series 2006B Bonds | | | | |
|---|---|---|---|---|---|
| Years | Principal[1] | Interest[2] | Total Series 2006B Bonds[1][2] | Total Series 2006A Bonds[1][3] | Total Debt Service [1][2][3] |
| 2006 | $ 0 | $ 0 | $ 0 | $ 322,433 | $ 322,433 |
| 2007 | 0 | 441,050 | 441,050 | 1,486,690 | 1,927,740 |
| 2008 | 0 | 535,564 | 535,564 | 1,486,265 | 2,021,829 |
| 2009 | 0 | 534,091 | 534,091 | 1,485,382 | 2,019,473 |
| 2010 | 0 | 534,828 | 534,828 | 1,483,130 | 2,017,958 |
| 2011 | 200,000 | 534,828 | 734,828 | 1,483,560 | 2,218,388 |
| 2012 | 210,000 | 525,250 | 735,250 | 1,484,424 | 2,219,674 |
| 2013 | 220,000 | 513,005 | 733,005 | 1,484,896 | 2,217,901 |
| 2014 | 230,000 | 502,382 | 732,382 | 1,483,413 | 2,215,795 |
| 2015 | 245,000 | 490,538 | 735,538 | 1,484,465 | 2,220,003 |
| 2016 | 255,000 | 478,578 | 733,578 | 1,485,565 | 2,219,143 |
| 2017 | 270,000 | 464,147 | 734,147 | 1,486,409 | 2,220,556 |
| 2018 | 285,000 | 450,883 | 735,883 | 1,484,640 | 2,220,523 |
| 2019 | 300,000 | 436,205 | 736,205 | 1,485,285 | 2,221,490 |
| 2020 | 310,000 | 421,335 | 731,335 | 1,485,562 | 2,216,897 |
| 2021 | 330,000 | 404,232 | 734,232 | 1,485,808 | 2,220,040 |
| 2022 | 345,000 | 387,795 | 732,795 | 1,487,693 | 2,220,488 |
| 2023 | 365,000 | 370,027 | 735,027 | 1,486,643 | 2,221,670 |
| 2024 | 380,000 | 351,714 | 731,714 | 1,489,773 | 2,221,487 |
| 2025 | 400,000 | 331,203 | 731,203 | 1,487,949 | 2,219,152 |
| 2026 | 420,000 | 311,060 | 731,060 | 1,486,905 | 2,217,965 |
| 2027 | 445,000 | 289,430 | 734,430 | 1,487,873 | 2,222,303 |
| 2028 | 465,000 | 266,880 | 731,880 | 1,487,268 | 2,219,148 |
| 2029 | 490,000 | 242,231 | 732,231 | 1,487,176 | 2,219,407 |
| 2030 | 515,000 | 217,330 | 732,330 | 1,486,613 | 2,218,943 |
| 2031 | 545,000 | 190,808 | 735,808 | 1,487,795 | 2,223,603 |
| 2032 | 570,000 | 162,964 | 732,964 | 1,491,601 | 2,224,565 |
| 2033 | 600,000 | 133,201 | 733,201 | 1,491,031 | 2,224,232 |
| 2034 | 630,000 | 102,485 | 732,485 | 1,488,575 | 2,221,060 |
| 2035 | 665,000 | 70,040 | 735,040 | 1,492,655 | 2,227,695 |
| 2036 | 695,000 | 35,842 | 730,842 | 1,493,231 | 2,224,073 |
| TOTAL | $10,385,000 | $10,729,926 | $21,114,926 | $44,930,708 | $66,045,634 |

(1) Principal payments are based on amounts required to be redeemed pursuant to the reimbursement agreement with the provider of the credit facility for such bonds. Such amounts are subject to change with the consent of such provider, without any notice to or consent of the Issuer, the Bond Trustee or any Bondholders.

(2) Assumes a 5.15% interest rate per annum on the Series 2006B Bonds, inclusive of interest, estimated Initial Credit Facility and remarketing fees.

(3) Assumes a 5.15% interest rate per annum on the Series 2006A Bonds, inclusive of net payments under an interest rate swap and estimated credit facility and remarketing fees.

## THE SERIES 2006B BONDS

### Introduction

The information in the following section applies only to the Series 2006B Bonds that are in a Floating Rate Mode or an Adjustable Rate Mode with an Adjustable Rate Period of 365 days or less and secured by a Credit Facility.

So long as the Series 2006B Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2006B Bonds will be paid as described herein under "BOOK-ENTRY ONLY SYSTEM." The following information is subject in its entirety to the provisions described below under the caption "BOOK-ENTRY ONLY SYSTEM." See "BOOK-ENTRY ONLY SYSTEM" herein for information relating to presentation of tendered Series 2006B Bonds while the Series 2006B Bonds are in the Book-Entry Only System.

The Series 2006B Bonds, as initially issued, will be dated the date of issuance and will mature, subject to prior redemption and purchase, on the due date shown on the cover page of this Official Statement.

The Series 2006B Bonds will be available only in fully registered form in Authorized Denominations. "Authorized Denomination" means: (i) for any Series 2006B Bond in the Floating Rate Mode, the denomination of $100,000 or any integral multiple of $5,000 in excess thereof; and (ii) for any Series 2006B Bond in the Fixed Rate Mode or the Adjustable Rate Mode, the denomination of $5,000 or any integral multiple thereof.

While the Series 2006B Bonds are held in a book-entry only system, it will be the duty of the Remarketing Agent to effect transfers and exchanges of beneficial interests in the Series 2006B Bonds.

The Bond Trustee will keep the registration books for the Series 2006B Bonds at its principal office, initially located at 2801 West Jefferson, Joliet, Illinois 60435. Subject to further conditions contained in the Bond Indenture, the Series 2006B Bonds may be transferred or exchanged for one or more Series 2006B Bonds in different Authorized Denominations.

No Tender Agent will be appointed in connection with the issuance and delivery of the Series 2006B Bonds. Until such time as a Tender Agent is appointed in accordance with the Bond Indenture, all duties and responsibilities of the Tender Agent described herein and in the Bond Indenture will be performed by the Bond Trustee.

### Modes of Operation

**General**. Under the Bond Indenture, the Series 2006B Bonds may operate in one or more of three Modes of operation, provided that the requirements of the Bond Indenture, certain of which are described below, for entering into such Mode or Modes have been satisfied. The three Modes of operation are the Floating Rate Mode, the Adjustable Rate Mode, and the Fixed Rate Mode. While any single Series 2006B Bond may operate in only one Mode at any given time, other Series 2006B Bonds may operate in different Modes at the same time. Generally all Series 2006B Bonds in the Floating Rate Mode will bear interest at the same interest rate. Series 2006B Bonds operating in the Adjustable Rate Mode may bear interest at different rates for different Adjustable Rate Periods. Series 2006B Bonds bearing interest at a Fixed Rate will not be secured by the Credit Facility and are not subject to mandatory

tender for purchase. See "THE SERIES 2006B BONDS – Modes of Operation – Fixed Rate Mode." Generally, the Modes have different operating features, including different demand features, purchase features, redemption provisions, Interest Periods and Interest Payment Dates. Except as otherwise described below, once a Mode is designated for any particular Series 2006B Bond, such Series 2006B Bond will remain in that Mode until a new Mode for such Series 2006B Bond is designated as described below. However, Series 2006B Bonds converted to bear interest at a Fixed Rate will remain in such Mode until maturity or redemption thereof prior to maturity.

The Series 2006B Bonds will be initially issued in a Floating Rate Mode. Thereafter, except in the instances where a Series 2006B Bond is in the Fixed Rate Mode, a different Mode for each Series 2006B Bond may be designated, provided the requirements of the Bond Indenture for changing Modes are satisfied. A Conversion Date from one Mode to another Mode may be designated to occur with respect to any Series 2006B Bond during a Floating Rate Mode on any Floating Rate Interest Payment Date, and, with respect to any Series 2006B Bond during an Adjustable Rate Mode, on the last Adjustable Rate Interest Payment Date of the then current Adjustable Rate Period, all subject to the limitations set forth in the Bond Indenture. However, once a Series 2006B Bond is converted to a Fixed Rate Mode, it will remain in the Fixed Rate Mode until maturity or redemption thereof prior to maturity. Any such Conversion Date for any Series 2006B Bond in a particular Mode (other than a Fixed Rate Mode) will be a mandatory purchase date for such Series 2006B Bond. If a subsequent Mode is designated, the Bond Trustee will give written notice to the owner of each affected Series 2006B Bond that such Series 2006B Bond will be subject to mandatory tender for purchase on such Conversion Date. Series 2006B Bonds in such Mode are required to be tendered for purchase on such Conversion Date at 100% of the principal amount thereof, plus accrued interest to the date of purchase. See "THE SERIES 2006B BONDS – Tenders and Purchases – Mandatory Purchase."

Under certain circumstances described in the Bond Indenture, Bond Counsel opinions are required to be delivered to the Bond Trustee when a conversion is: (i) from a Floating Rate Mode or an Adjustable Rate Mode with an Adjustable Rate Period of 365 days or less in duration to an Adjustable Rate Mode with an Adjustable Rate Period in excess of 365 days in duration or to a Fixed Rate Mode; or (ii) from an Adjustable Rate Mode with an Adjustable Rate Period in excess of 365 days in duration to a Floating Rate Mode or an Adjustable Rate Mode with an Adjustable Rate Period of 365 days or less in duration.

In the event that, with respect to any Series 2006B Bond, any condition precedent to the conversion from one Mode to another Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration, is not fulfilled (including, but not limited to, the establishment of the appropriate interest rate for such Mode or the Adjustable Rate Period, as the case may be), after the mandatory tender date such Series 2006B Bond will continue in its then current Mode for the same period and bear the same interest rate as was last borne by such Series 2006B Bond in such Mode; provided, however, in the case when the then current Mode is the Adjustable Rate Mode, such Series 2006B Bond will: (i) if it is in an Adjustable Rate Period of 365 days or less, convert to a Floating Rate Mode; (ii) if it is in an Adjustable Rate Period of 366 days or more and an opinion of Bond Counsel is furnished to the Bond Trustee stating that such change is authorized or permitted by the Bond Indenture, the Loan Agreement and the Act and that such change will not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on the Series 2006B Bonds, convert to a Floating Rate Mode; or (iii) if it is in an Adjustable Rate Period of 366 days or more and such Bond Counsel opinion is not so furnished, remain in an Adjustable Rate Mode with an Adjustment Rate Period of 366 days; provided, however, if the period of time between the applicable Adjustable Rate Reset Date and the maturity date of such Series 2006B Bond is less than 366 days, the new Adjustable Rate Period shall end on the maturity date of such Series 2006B Bond.

**Floating Rate Mode.** During each Floating Rate Period, each Series 2006B Bond in the Floating Rate Mode will bear interest at a weekly rate of interest (the "Floating Rate"). The Floating Rate will be set each Wednesday (unless Wednesday is not a Business Day, in which case the Floating Rate will be set on the next preceding Business Day) by the Remarketing Agent at the lesser of the Maximum Rate or the lowest rate of interest which would, in the sole judgment of the Remarketing Agent having due regard for prevailing financial market conditions, permit the Series 2006B Bonds to be remarketed on the following Thursday at par plus accrued interest, if any.

The Floating Rate determined each week during a Floating Rate Period will be effective for the period from and including Thursday of each week through and including the following Wednesday, whether or not such days are Business Days (the "Floating Rate Interest Period"). In the event the Floating Rate is not determined for any Floating Rate Interest Period, the Floating Rate for that Floating Rate Interest Period will be the Floating Rate in effect for the immediately preceding Floating Rate Interest Period. In the event any such Series 2006B Bond commences to bear interest at a Floating Rate as a result of the provisions described in "THE SERIES 2006B BONDS – Modes of Operation – Adjustable Rate Mode," on the date that the Floating Rate is so established, the Remarketing Agent will follow the procedures for establishing a Floating Rate for such Series 2006B Bond set forth in the preceding paragraph.

The Floating Rate for the initial Floating Rate Interest Period will be set by the Remarketing Agent on or prior to the Closing Date at the lesser of the Maximum Rate or the lowest rate of interest which would, in the sole judgment of the Remarketing Agent having due regard for prevailing financial market conditions, permit the Series 2006B Bonds to be sold on the Closing Date at par. Each determination of the Floating Rate by the Remarketing Agent will be conclusive and binding upon the Issuer, the Corporation, the Bond Trustee, the Credit Provider, the Tender Agent and the registered owners of the Series 2006B Bonds.

While any Series 2006B Bonds are in the Floating Rate Mode, if at any time the Remarketing Agent determines that, in its reasonable judgment, the scheduled rate determination date or rate change date has become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Series 2006B Bonds, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent may, upon receipt of an opinion of Bond Counsel acceptable to the Bond Trustee, to the effect that such change will not adversely affect the exclusion of interest on the Series 2006B Bonds from gross income for federal income tax purposes, after consultation with the Corporation, designate new scheduled rate determination dates and/or rate change dates, to remain in effect until another redetermination of scheduled rate determination dates or rate change dates. However, the interest rate on the Series 2006B Bonds must continue to be calculated on a weekly basis. The Remarketing Agent will give written notice of any change in scheduled rate determination dates and/or rate change dates to the Issuer, the Bond Trustee, the Tender Agent, the Credit Provider and the Corporation, and such change will become effective on the first scheduled rate determination date or rate change date, as the case may be, so designated occurring not less than 14 days following the giving of such notices. Promptly upon receipt of such notice, the Bond Trustee will notify or cause the Remarketing Agent to notify each affected Series 2006B Bondholder of such change in writing.

**Adjustable Rate Mode.** During each Adjustable Rate Period (which Adjustable Rate Period will be a period of not less than 30 days in duration, unless the provisions described below apply, and will end on a Conversion Date or Adjustable Rate Reset Date), each Series 2006B Bond in the Adjustable Rate Mode will bear interest at an Adjustable Rate from an Adjustable Rate Conversion Date or Adjustable Rate Reset Date, as appropriate, to the earlier of its redemption, the following Conversion Date, the following Adjustable Rate Reset Date or its maturity date (unless and until the Corporation elects and

effects a conversion of such Series 2006B Bonds from the Adjustable Rate Mode to another Mode, or a change in the duration of the Adjustable Rate Period). If, at the end of the then current Adjustable Rate Period, the Corporation does not elect and effect a conversion of any Series 2006B Bond in an Adjustable Rate Mode from the Adjustable Rate Mode to another Mode, or elect to change or continue the duration of the Adjustable Rate Period, that Series 2006B Bond will: (i) if it is in an Adjustable Rate Period of 365 days or less, convert to a Floating Rate Mode; (ii) if it is in an Adjustable Rate Period of 366 days or more and an opinion of Bond Counsel is furnished to the Bond Trustee stating that such change is authorized or permitted by the Bond Indenture, the Loan Agreement and the Act and that such change will not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on the Series 2006B Bonds, convert to a Floating Rate Mode; or (iii) if it is in an Adjustable Rate Period of 366 days or more and such Bond Counsel opinion is not so furnished, remain in an Adjustable Rate Mode with an Adjustable Rate Period of 366 days; provided, however, if the period of time between the applicable Adjustable Rate Reset Date and the maturity date of such Series 2006B Bond is less than 366 days, the new Adjustable Rate Period will end on the maturity date of such Bond.

The Adjustable Rate will be established by the Remarketing Agent no later than 11:00 a.m., Chicago time, on the first day of each Adjustable Rate Period in its sole judgment having due regard for prevailing financial market conditions at the lowest rate which will permit the Series 2006B Bonds to be sold at par, plus accrued interest, if any, on the first day of such Adjustable Rate Period. Notwithstanding the foregoing, the Adjustable Rate so established will not be more than the Maximum Rate. In the event no Adjustable Rate is determined by the Remarketing Agent for an Adjustable Rate Period the duration of which has been established as described above, the Adjustable Rate for such Adjustable Rate Period will be the Adjustable Rate in effect for the immediately preceding Adjustable Rate Period. Each determination of an Adjustable Rate by the Remarketing Agent will be conclusive and binding upon the Issuer, the Corporation, the Bond Trustee, the Credit Provider, the Tender Agent and the registered owners of the Series 2006B Bonds.

**Fixed Rate Mode.** Series 2006B Bonds in a Fixed Rate Mode will bear interest at a Fixed Rate until maturity or prior redemption or acceleration of such Series 2006B Bonds. Owners of Series 2006B Bonds operating in such Fixed Rate Mode will not be entitled to demand purchase of their Series 2006B Bonds, and the Series 2006B Bonds bearing interest at a Fixed Rate will not he entitled to the benefit of the Credit Facility.

The Fixed Rate will be established in accordance with the firm commitment underwriting or purchase contract required to be delivered to the Bond Trustee pursuant to the Bond Indenture and as described under the caption "Conversion Features" below. Notwithstanding the foregoing, the Fixed Rate so established will not be more than the Maximum Rate. The determination of the Fixed Rate will be conclusive and binding upon the Issuer, the Corporation, the Bond Trustee, the Credit Provider, the Tender Agent and the registered owners of the Series 2006B Bonds.

**Conversion Features.** The Series 2006B Bonds will be converted from one Mode to another Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration within the Adjustable Rate Mode, if the Corporation notifies in writing the Bond Trustee, the Issuer, the Tender Agent, the Credit Provider and the Remarketing Agent of its irrevocable election to effect such conversion, and together with such notice specifies the Interest Payment Date on which such conversion is to take place, and, if such conversion is to or within the Adjustable Rate Mode, the Adjustable Rate Interest Payment Date upon which such Adjustable Rate Period is to terminate, and when a conversion is (i) from a Floating Rate Mode or an Adjustable Rate Mode with an Adjustable Rate Period of 365 days or less in duration to an Adjustable Rate Mode with an Adjustable Rate Period in excess of 365 days in duration or to a Fixed Rate Mode or (ii) from an Adjustable Rate Mode in excess of 365 days in duration to a Floating Rate Mode or an Adjustable Rate Mode of 365 days or less in duration,

delivers an opinion of Bond Counsel (which opinion is confirmed on the Conversion Date or Adjustable Rate Reset Date, as appropriate) stating that such conversion is authorized or permitted by the Bond Indenture, the Loan Agreement and the Act, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2006B Bonds.

If the conversion is from the Floating Rate Mode, the conversion date will be the Floating Rate Interest Payment Date specified by the Corporation, not less than 45 days succeeding receipt by the Issuer, the Bond Trustee, the Tender Agent, the Credit Provider and the Remarketing Agent of such notice of the Corporation's election to effect such conversion. If the conversion is from or within the Adjustable Rate Mode, the conversion date will be the last Adjustable Rate Interest Payment Date of the then current Adjustable Rate Period; provided that the Corporation has given the Issuer, the Bond Trustee, the Tender Agent, the Credit Provider and the Remarketing Agent not less than 45 days' notice of its election to effect such conversion.

In the event the Corporation fails to make an election to convert a Series 2006B Bond from the Adjustable Rate Mode to another Mode or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration within the Adjustable Rate Mode, that Series 2006B Bond will: (i) if it is in an Adjustable Rate Period of 365 days or less, convert to a Floating Rate Mode; (ii) if it is in an Adjustable Rate Period of 366 days or more and an opinion of Bond Counsel is furnished to the Bond Trustee stating that such change is authorized or permitted by the Bond Indenture, the Loan Agreement and the Act and that such change will not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on the Series 2006B Bonds, convert to a Floating Rate Mode; or (iii) if it is in an Adjustable Rate Period of 366 days or more and such Bond Counsel opinion is not so furnished, remain in an Adjustable Rate Mode with an Adjustable Rate Period of 366 days; provided, however, if the period of time between the applicable Adjustable Rate Reset Date and the maturity date of such Series 2006B Bonds is less than 366 days, the new Adjustable Rate Period will end on the maturity date of such Series 2006B Bonds.

The Series 2006B Bonds will be subject to mandatory tender for purchase on each Conversion Date or Adjustable Rate Reset Date, as appropriate. The Series 2006B Bonds will not be converted from one Mode to another Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration, if an Event of Default has occurred and is continuing under the Bond Indenture.

In the event any condition precedent to the conversion from one Mode to another Mode, or from an Adjustable Rate Period of one duration to an Adjustable Rate Period of another duration within the Adjustable Rate Mode, is not fulfilled (including, but not limited to, the establishment of the appropriate interest rate for such Mode or Adjustable Rate Period, as the case may be), after the mandatory tender date the Series 2006B Bonds will continue in their then current Mode, for the same period (in the case where the then current Mode is the Adjustable Rate Mode) and bear the same interest rate as was last borne by the Series 2006B Bonds in such Mode; provided, however, in the case when the then current Mode is the Adjustable Rate Mode, such Series 2006B Bond will be in the Mode and at the interest rate established as described in the second preceding paragraph. In the event Series 2006B Bonds are not remarketed on the mandatory tender date and become Corporation Bonds or Pledged Bonds, the Remarketing Agent will be entitled to determine a new and higher Floating Rate or Adjustable Rate with respect to such Series 2006B Bonds (under the conditions and subject to the limitations described above), as is necessary to remarket such Corporation Bonds or Pledged Bonds at a price of par plus accrued interest, if any. In any event such new rate with respect to such Series 2006B Bonds will not be in excess of the Maximum Rate. The determination of the new Floating Rate or Adjustable Rate with respect to such Series 2006B Bonds, as appropriate, by the Remarketing Agent will be conclusive and binding on

the Issuer, the Corporation, the Bond Trustee, the Credit Provider, the Tender Agent and the registered owners of the Series 2006B Bonds.

**Notices.** At least 30 days prior to each Conversion Date or Adjustable Rate Reset Date, as appropriate, notice will be given to each affected owner of Series 2006B Bonds by the Bond Trustee by first class mail stating: (a) the Conversion Date or Adjustable Rate Reset Date, as appropriate; and (b) that on the Conversion Date or Adjustable Rate Reset Date, as appropriate, beneficial interests in the Series 2006B Bonds are subject to mandatory purchase.

After receipt by the Bond Trustee of written notice from the Credit Provider that an event of default has occurred under a Reimbursement Agreement, which notice directs the Bond Trustee to cause a mandatory tender of any Series 2006B Bonds, the Bond Trustee will, within one Business Day, give to each affected Bondholder notice by first class mail stating that on any Business Day selected by the Bond Trustee, which Business Day is specified in such notice and is not later than fifteen (15) days after the date of such notice, such Series 2006B Bond is subject to mandatory tender and purchase (or, if such Series 2006B Bond is held in a book-entry system, that the beneficial interests in such Series 2006B Bond are subject to mandatory purchase).

**Interest Payments**

During the initial Floating Rate Period, interest on the Series 2006B Bonds will be payable on the first Business Day of each month, commencing November 1, 2006, and on the maturity date of the Series 2006B Bonds (to the extent such Series 2006B Bonds are in the Floating Rate Mode at such time).

During each Floating Rate Period occurring subsequent to an Adjustable Rate Period, with respect to any Series 2006B Bond in such Mode interest on such Series 2006B Bonds will be payable on the first Business Day of each month, commencing with the first Business Day of the month following the Floating Rate Conversion Date, and on the maturity date of the Series 2006B Bonds (if such Series 2006B Bonds are in the Floating Rate Mode at such time).

During each Adjustable Rate Period of 365 days or less with respect to any Series 2006B Bond, the interest on such Series 2006B Bond will be payable the day following the earlier of the last day of such Adjustable Rate Period or the maturity date of such Series 2006B Bond. During each Adjustable Rate Period of more than 365 days and the Fixed Rate Period with respect to any Series 2006B Bond, interest on such Series 2006B Bond will be payable on each February 1 and August 1, commencing with the first February 1 or August 1 following the Adjustable Rate Conversion Date, the Adjustable Rate Reset Date or the Fixed Rate Conversion Date, as appropriate, and on the maturity date of such Series 2006B Bonds.

Interest on the Series 2006B Bonds will be payable to the nominee of DTC, while all of the Series 2006B Bonds are registered in the name of such nominee.

The Series 2006B Bonds will initially bear interest from the Closing Date, and thereafter will bear interest from the Interest Payment Date next preceding the date of authentication, unless (i) authenticated prior to the first Interest Payment Date, in which event such Series 2006B Bonds will bear interest from the Closing Date, (ii) authenticated on an Interest Payment Date, in which event such Series 2006B Bonds will bear interest from the date of authentication, or (iii) authenticated after a Record Date and before the following Interest Payment Date, in which event such Series 2006B Bonds will bear interest from the following Interest Payment Date. If interest on the Series 2006B Bonds is in default, the Series 2006B Bonds will thereafter bear interest from the date to which interest has been paid in full, or, if no interest has been paid on the Series 2006B Bonds, from the Closing Date.

Interest on the Series 2006B Bonds is computed, while a Series 2006B Bond is in the Floating Rate Mode or an Adjustable Rate Mode of 365 days or less, on the basis of a 365- or 366-day year, for the actual number of days elapsed; and, while a Series 2006B Bond is in an Adjustable Rate Mode of more than 365 days or the Fixed Rate Mode, on the basis of a 360--day year, composed of twelve 30-day months, payable on each Interest Payment Date. Interest on Series 2006B Bonds in the Floating Rate Mode will accrue from and including each Interest Payment Date to and including the day next preceding the next Interest Payment Date.

All Series 2006B Bonds need not be in the same Mode simultaneously; however, each Series 2006B Bond may be in only one Mode at any one time.

In no event will interest accrue on Series 2006B Bonds at a rate greater than the lesser of (i) 15% per annum or (ii) the assumed per annum interest rate used in determining the interest portion of the Credit Facility, if any, or (iii) the maximum rate permitted by law. Upon the issuance of the Series 2006B Bonds and the concurrent delivery of the Initial Credit Facility, the Maximum Rate will be 10% for the Series 2006B Bonds secured by such Initial Credit Facility.

THE BOND TRUSTEE HAS NO OBLIGATION TO INFORM THE BONDHOLDERS OF THE INTEREST RATE APPLICABLE IN ANY INTEREST PERIOD WHILE SERIES 2006B BONDS BEAR INTEREST AT A FLOATING RATE. Should any Bondholder or Beneficial Owner request in writing the Floating Rate applicable to its Series 2006B Bonds for any particular Interest Period during a Floating Rate Period, the Bond Trustee (if such Series 2006B Bonds are not held in a book-entry only system) or the Remarketing Agent (if such Series 2006B Bonds are held in a book-entry only system) will furnish notice (by first class mail, postage prepaid) of the Floating Rate for such Interest Period to such requesting Bondholder or Beneficial Owner, respectively.

**Payment of Series 2006B Bonds**

Principal of and premium, if any, on each Series 2006B Bond will be payable by the Bond Trustee to the holder thereof upon presentation and surrender of such Series 2006B Bond as the same become due at the principal corporate trust office of the Bond Trustee. Interest on the Series 2006B Bonds will be paid by the Bond Trustee by check or draft drawn upon the Bond Trustee and mailed by first class mail on the respective Interest Payment Dates to the holders thereof at their addresses shown on the Registration Books of the Bond Trustee as of the close of business on the Record Date with respect to such Interest Payment Date, or to such other addresses as are furnished to the Bond Trustee (in form satisfactory to the Bond Trustee) by such holders prior to such Record Date. However, payment of interest will be made by the Bond Trustee by wire transfer to the Owner of $1,000,000 or more in aggregate principal amount of Series 2006B Bonds upon such Owner providing the Bond Trustee with written wire transfer instructions before the applicable Record Date. If the last day for making any payment falls on a day other than a Business Day, such payment may be made on the next succeeding Business Day, and, if so made, will have the same effect as if made on the required date, and the amount of any payment due will not be affected because payment is made on a date other than the required date.

**Tenders and Purchases**

**Optional Tenders.**

Floating Rate Mode. During each Floating Rate Period, each beneficial owner of a beneficial interest in the Series 2006B Bonds may give written notice to the Remarketing Agent of a demand for purchase of such beneficial owner's beneficial interest (or portion thereof; provided that the portion thereof tendered is in the amount of $100,000 or any integral multiple of $5,000 in excess thereof; and

provided, further, that the portion thereof retained is itself in the amount of $100,000 or any integral multiple of $5,000 in excess thereof) at a price equal to the principal amount of such beneficial interest (or authorized portion thereof) plus accrued and unpaid interest, without premium. Each such beneficial interest (or authorized portion thereof) will be purchased on the date designated by the beneficial owner, which date must be a Business Day not prior to the seventh day next succeeding the date of delivery of such notice; delivery of notice will be effective only if accomplished on a Business Day. Any such notice will be irrevocable. Beneficial interests subject to tender notices will be deemed to have been surrendered on the purchase date specified in the notice.

No Optional Tender – Adjustable Rate Period and Fixed Rate Period. A Beneficial Owner shall not have the right to optionally tender its beneficial interest in its Series 2006B Bonds for purchase during an Adjustable Rate Period or the Fixed Rate Period with respect to such Series 2006B Bonds.

**Mandatory Purchase.** Beneficial interests in the Series 2006B Bonds, other than Pledged Bonds, Corporation Bonds or Series 2006B Bonds bearing interest at a Fixed Rate, are subject to mandatory tender for purchase on each Conversion Date and Adjustable Rate Reset Date (see "THE SERIES 2006B BONDS - Modes of Operation - Conversion Features") and on the effective date of an Alternate Credit Facility. The Series 2006B Bonds shall also he subject to mandatory tender and purchase after receipt by the Bond Trustee of written notice from the Credit Provider that an event of default has occurred under a Reimbursement Agreement, which notice directs the Bond Trustee to cause a mandatory tender of any Series 2006B Bonds. The purchase price on each mandatory tender date will be par plus accrued interest to the mandatory tender date. The Bond Trustee shall give the required notice to holders of Series 2006B Bonds affected thereby: (i) no later than 30 days prior to each Conversion Date or Adjustable Rate Reset Date or effective date of an Alternate Credit Facility; or (ii) within one Business Day after receiving notice from the Credit Provider that the Series 2006B Bonds are subject to mandatory tender as a result of the occurrence of an event of default under the Reimbursement Agreement on a Business Day specified in such notice, which Business Day shall be no later than 15 days after the date of such notice. See "THE SERIES 2006B BONDS - Modes of Operation - Notices."

**Bondholder's Failure to Deliver the Series 2006B Bonds**. In the event of a failure by an owner of Series 2006B Bonds to deliver its Series 2006B Bonds on or prior to the required delivery date, said owner will not be entitled to any payment (including interest to accrue subsequent to the purchase date) other than the purchase price for such Undelivered Series 2006B Bonds, and any such Undelivered Series 2006B Bonds will no longer be entitled to the benefit and security of the Bond Indenture, except for the purpose of the payment of the purchase price thereof; and the Bond Trustee will not register any further transfers of such Undelivered Series 2006B Bonds.

**Redemption**

**During Floating Rate Period.** Each Series 2006B Bond in a Floating Rate Period is subject to redemption by the Issuer prior to maturity only as follows:

(a) Each such Series 2006B Bond is subject to optional redemption in whole or in part (and if in part in any Authorized Denomination; provided that no Series 2006B Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date selected by the Issuer, at the direction of the Corporation and with the consent of the Credit Provider upon 45 days' prior written notice to the Bond Trustee, the Credit Provider and the Remarketing Agent, at a redemption price equal to the aggregate principal amount of such Series 2006B Bonds to be redeemed plus accrued interest thereon to the redemption date, without premium, to the extent of optional prepayments of the Loan in accordance with the Loan Agreement.

(b) Each such Series 2006B Bond is subject to mandatory redemption in whole on the last Floating Rate Interest Payment Date prior to the Expiration of the Term of the Credit Facility, at a redemption price equal to the aggregate principal amount of such Series 2006B Bond plus accrued interest thereon to the redemption date, without premium.

(c) The Series 2006B Bonds are subject to mandatory redemption in whole or in part (and if in part in Authorized Denominations, provided that no Series 2006B Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date selected by the Issuer at the direction of the Corporation for which timely notice of redemption can be given by the Bond Trustee following the date of completion of the Project (the "Completion Date") at a redemption price equal to the aggregate principal amount of the Series 2006B Bonds to be redeemed plus accrued interest thereon to the redemption date, without premium, to the extent of any Series 2006B Bond proceeds then remaining on deposit in the Project Fund established under the Bond Indenture, together with any amount prepaid under the Loan Agreement to equal an Authorized Denomination.

Upon satisfying certain conditions, the Corporation may elect, in lieu of a redemption of the Series 2006B Bonds as described in paragraph (a), (b) or (c) above, to cause a mandatory tender of the Series 2006B Bonds on what would have been the redemption date thereof. The purchase price for the Series 2006B Bonds on any such mandatory tender date would be the redemption price otherwise payable.

**During Adjustable Rate Period or Fixed Rate Period.** Each Series 2006B Bond in an Adjustable Rate Period or the Fixed Rate Period is subject to redemption by the Issuer prior to maturity only as follows:

(a) Each such Series 2006B Bond is subject to extraordinary optional redemption in whole or in part on any date selected by the Issuer, at the direction of the Corporation, at a redemption price equal to the aggregate principal amount of such Series 2006B Bonds plus accrued interest thereon to the redemption date, without premium if: (i) the Facility is damaged or destroyed; (ii) title in and to, or the temporary use of, all or substantially all of the Facility is taken under the exercise of the power of eminent domain, (iii) as a result of any change in law or any court or administrative action, the Loan Agreement becomes void or unenforceable or impossible of performance; (iv) unreasonable burdens or excessive liabilities are imposed on the Corporation with respect to the operation of the Facility; (v) legal curtailment of the Corporation's use and occupancy of all or substantially all of the Facility; or (vi) the Loan Agreement is terminated prior to its expiration for any reason other than the occurrence of an event of default thereunder.. See "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF LOAN AGREEMENT – Prepayment – Option to Prepay Upon Occurrence of Certain Events During Adjustable Rate Period or Fixed Rate Period" in APPENDIX C hereto.

(b) Each such Series 2006B Bond is subject to optional redemption in whole or in part (and if in part in Authorized Denominations; provided that no Series 2006B Bond may he redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date selected by the Issuer, at the direction of the Corporation upon 45 days' prior written notice to the Bond Trustee, the Credit Provider and (during an Adjustable Rate Period) the Remarketing Agent, as described below, to the extent of optional prepayments of the Loan in accordance with the Loan Agreement, at the applicable redemption price (expressed as a percentage of the principal amount to he redeemed) relating to

the length of the applicable Adjustable Rate Period or Fixed Rate Period set forth below, plus accrued interest thereon to the date of redemption:

| Length of Period (expressed in whole years)* | Dates on Which Redemption is Allowed and Redemption Prices** |
|---|---|
| greater than 12 | after 10 years at 102%, declining by 1% annually to 100% |
| less than or equal to 12 and greater than 4 | non-callable until 2 years prior to the end of the Adjustable Rate Period or, if the Series 2006B Bond is in a Fixed Rate Period, until 2 years prior to the maturity date, then at 102%, declining by 1% annually to 100% |
| less than or equal to 4 | NOT SUBJECT TO OPTIONAL REDEMPTION |

* The Adjustable Rate Period and the Fixed Rate Period will be rounded up to the next whole year if otherwise a partial year.

** Measured from the first day of the Adjustable Rate Period or the Fixed Rate Period, as appropriate.

The foregoing schedule may be modified upon any Adjustable Rate Conversion Date, Adjustable Rate Reset Date or Fixed Rate Conversion Date if the Corporation delivers to the Issuer, the Bond Trustee and the Credit Provider: (i) a modified schedule; (ii) with respect to either an Adjustable Rate Conversion Date or an Adjustable Rate Reset Date, a certification of the Remarketing Agent that such modification is necessary for the Remarketing Agent to remarket the Series 2006B Bonds on such Adjustable Rate Conversion Date or Adjustable Rate Reset Date, as appropriate, at a price of par plus accrued interest, if any; (iii) with respect to a Fixed Rate Conversion Date, a certification of the party purchasing Fixed Rate Series 2006B Bonds that such modification is necessary for such party to remarket such Series 2006B Bonds on such Fixed Rate Conversion Date at a price of par plus accrued interest, if any; and (iv) an opinion of Bond Counsel stating that such modification is authorized or permitted by the Bond Indenture, the Loan Agreement and the Act, and that such modification will not adversely affect the exclusion from gross income of interest on the Series 2006B Bonds for purposes of federal income taxation.

The payment of any premium upon the optional redemption of Series 2006B Bonds after the Conversion Date or Adjustable Rate Reset Date, as appropriate, if such Series 2006B Bonds are secured by a Credit Facility, will be made from (i) Seasoned Funds deposited by the Corporation with the Bond Trustee, or (ii) if permitted by the terms of the Credit Facility, a draw on such Credit Facility.

(c) Each such Series 2006B Bond is subject to mandatory redemption in whole on the last Adjustable Rate Interest Payment Date prior to the Expiration of the Term of the applicable Credit Facility, if such Series 2006B Bond is in the Adjustable Rate Mode, at a redemption price equal to the aggregate principal amount of such Series 2006B Bond plus accrued interest thereon to the redemption date, without premium.

(d) The Series 2006B Bonds are subject to mandatory redemption in whole or in part (and if in part in Authorized Denominations, provided that no Series 2006B Bond may be

redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date selected by the Issuer at the direction of the Corporation for which timely notice of redemption can be given by the Bond Trustee following the Completion Date at a redemption price equal to the aggregate principal amount of the Series 2006B Bonds to be redeemed plus accrued interest thereon to the redemption date, without premium, to the extent of any Series 2006B Bond proceeds then remaining on deposit in the Project Fund established under the Bond Indenture, together with any amount prepaid under the Loan Agreement to equal an Authorized Denomination.

(e) The Series 2006B Bonds in the Fixed Rate Mode are subject to mandatory redemption in part on August 1 in each year prior to maturity, by lot, at a redemption price equal to the aggregate principal amount of such Series 2006B Bond being redeemed plus accrued interest thereon to the redemption date, without premium, in such principal amount per annum as will result in level annual debt service on such Series 2006B Bonds from their Fixed Rate Conversion Date until maturity as is set forth in the firm underwriting or purchase agreement presented in connection with the Fixed Rate Conversion Date.

Upon satisfying certain conditions, the Corporation may elect, in lieu of a redemption of the Series 2006B Bonds as described in paragraph (b), (c) or (d) above, to cause a mandatory tender of the Series 2006B Bonds on what would have been the redemption date thereof. The purchase price for the Series 2006B Bonds on any such mandatory tender date would be the redemption price otherwise payable.

**Notice of Redemption; Effect of Redemption.** Not less than 30 nor more than 45 days prior to any redemption date, the Bond Trustee will, upon receipt of written consent from the Credit Provider if such redemption is an optional redemption, cause notice of the call for redemption, identifying each Series 2006B Bond or portion thereof to be redeemed, given in the name of the Issuer, to be sent by first-class mail, postage prepaid, to the Tender Agent, the Credit Provider, the Remarketing Agent, the Corporation and the Owner of each Series 2006B Bond to be redeemed at the address of such Owner shown on the Registration Books. However, neither the failure to give any such notice nor any defect in any notice so given with respect to any Series 2006B Bond will affect the sufficiency or the validity of any proceedings for the redemption of the other Series 2006B Bonds; and provided further, if such notice by mail has not been given with respect to a Series 2006B Bond delivered for purchase pursuant to the Bond Indenture and if such Series 2006B Bond is deemed to have been selected for redemption pursuant to the Bond Indenture, such notice may be given by the Bond Trustee by telephone, telecopy (receipt confirmed by telephone) or telegram, confirmed in writing, as promptly as practicable to the registered owner of such Series 2006B Bond, but failure to duly give such notice by telephone, telecopy or telegram or any defect therein will not affect the validity of proceedings for the redemption of other Series 2006B Bonds. If (i) any Series 2006B Bonds to be redeemed are secured by a Credit Facility, (ii) upon redemption of such Series 2006B Bonds, any optional redemption premium not payable from a draw under such Credit Facility will be due and (iii) Seasoned Funds available to pay such optional redemption are not on deposit with the Bond Trustee on the date of the giving of such notice of redemption, then such notice will state that such redemption is subject to the condition precedent that Seasoned Funds available to pay such optional redemption premium are on deposit with the Bond Trustee on the date of such redemption.

On the date fixed for redemption of any Series 2006B Bond, funds for the payment thereof must be on deposit with the Bond Trustee representing (a) during a Floating Rate Period or an Adjustable Rate Period, the proceeds of draws under the Credit Facility, or (b) during a Floating Rate Period or an Adjustable Rate Period, (i) if such Series 2006B Bond is secured by a Credit Facility, the proceeds of draws under the Credit Facility and Seasoned Funds (with respect to any optional redemption premium

not paid with a draw under the Credit Facility) deposited by the Corporation with the Bond Trustee, and (ii) if such Series 2006B Bond is not secured by a Credit Facility, moneys deposited by the Corporation with the Bond Trustee.

Interest will not accrue after the redemption date on any Series 2006B Bond called for redemption if notice has been given and if sufficient moneys have been deposited with the Bond Trustee to pay principal of, premium, if any, and interest on such Series 2006B Bonds to the redemption date.

**Partial Redemption.** If fewer than all of the Series 2006B Bonds are called for redemption, the portion of Series 2006B Bonds to be redeemed will be selected by lot by the Bond Trustee from among all outstanding Series 2006B Bonds eligible for redemption, and, for this purpose, each Authorized Denomination increment of principal amount represented by any Series 2006B Bond will be considered a separate Series 2006B Bond for purposes of selecting the Series 2006B Bonds to he redeemed. However, no Series 2006B Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If it is determined that one or more, but not all, of the Authorized Denomination increments of principal amount represented by any Series 2006B Bond are to be called for redemption, then, upon notice of intention to redeem such Authorized Denomination increments of principal amount of such Series 2006B Bond, the Owner of such Series 2006B Bond, upon surrender of such Series 2006B Bond to the Bond Trustee for payment to such Owner of the redemption price or the principal amount of such Series 2006B Bond called for redemption, will be entitled to receive a new Series 2006B Bond or Series 2006B Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Series 2006B Bond and in the same Mode. New Series 2006B Bonds representing the unredeemed balance of the principal amount of such Series 2006B Bonds will be issued to the Owner thereof without charge therefor.

If the owner of any Series 2006B Bond of a denomination greater than an Authorized Denomination fails to present such Series 2006B Bond to the Bond Trustee for payment and exchange as aforesaid, such Series 2006B Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the Authorized Denomination increments of principal amount called for redemption (and to that extent only).

Notwithstanding the foregoing provisions, the Bond Trustee will first redeem Pledged Bonds and Corporation Bonds (in that order of priority).

While the Series 2006B Bonds are held in a book-entry only system, it will be the duty of the Remarketing Agent to effect a partial redemption of the beneficial interests in the Series 2006B Bonds in accordance with the foregoing provisions.

**Transfers and Exchanges; Persons Treated as Owners**

The ownership of a Series 2006B Bond may be transferred (in the amount of any Authorized Denomination, provided that any portion thereof retained is itself in an Authorized Denomination) only upon surrender thereof at the principal corporate trust office of the Bond Trustee or, in the case of tenders, at the principal office of the Tender Agent (as agent of the Bond Trustee), accompanied by an assignment, duly executed by the Owner of such Series 2006B Bond or its duly authorized attorney-in-fact, in such form as is satisfactory to the Bond Trustee or the Tender Agent, as the case may be. Upon the due presentation of any Series 2006B Bond for transfer and on request of the Bond Trustee, the Issuer will execute in the name of the transferee, and the Bond Trustee or the Tender Agent (as agent of the Bond Trustee) will authenticate and deliver, a new fully registered Series 2006B Bond or Series 2006B Bonds, in any Authorized Denomination, in an aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Series 2006B Bond, and bearing interest

at the same rate and in the same Mode, and maturing on the same date, as such transferred Series 2006B Bond.

Series 2006B Bonds may be exchanged at the principal corporate trust office of the Bond Trustee for a like aggregate principal amount of Series 2006B Bonds of Authorized Denominations and of the same Mode. Neither the Issuer nor the Bond Trustee will be required to make any such transfer or exchange of any Series 2006B Bond during the three Business Days immediately preceding the selection of the Series 2006B Bonds for redemption or, with respect to a Series 2006B Bond, after such Series 2006B Bond or any portion thereof has been selected for redemption. Notwithstanding the foregoing, the Bond Trustee or the Tender Agent (as agent of the Bond Trustee) will authenticate and make available for receipt by the purchaser or purchasers of any Series 2006B Bond tendered or deemed to be tendered against payment therefor, a new fully registered Series 2006B Bond or Series 2006B Bonds, in any Authorized Denomination, in an aggregate principal amount equal to the principal amount of the Series 2006B Bond so deemed to be tendered and in the same Mode.

In all cases of the transfer of a Series 2006B Bond, the Bond Trustee will register at the earliest practicable time, on the Registration Books, such Series 2006B Bond in accordance with the Bond Indenture. The Issuer, the Tender Agent or the Bond Trustee may make a charge to the Series 2006B Bond Owner for every such transfer and every exchange of a Series 2006B Bond sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and may demand that such charge be paid before any new Series 2006B Bond is delivered.

As to any Series 2006B Bond, the person in whose name the ownership of such Series 2006B Bond is registered on the Registration Books will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on any such Series 2006B Bond will be made only to or upon the order of the registered Owner thereof or its legal representative.

While the Series 2006B Bonds are held in a book-entry only system, it will be the duty of the Remarketing Agent to effect transfers and exchanges of beneficial interests in the Series 2006B Bonds in accordance with the foregoing provisions.

**Remarketing Agent**

Ziegler Securities, a division of B.C. Ziegler and Company, will serve as the initial Remarketing Agent for the Series 2006B Bonds. The Remarketing Agent will designate to the Bond Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it under the Bond Indenture by a written instrument of acceptance or a remarketing agent agreement delivered to the Issuer under which the Remarketing Agent will also agree to keep such books and records as will be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Bond Trustee, the Tender Agent and the Corporation at all reasonable times.

The Remarketing Agent will be a recognized municipal bond dealer, will have a "net capital" of greater than $10,000,000 and will be authorized by law to perform all the duties imposed upon it by the Bond Indenture. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Bond Indenture by giving at least 30 days' written notice to the Issuer, the Corporation, the Tender Agent and the Bond Trustee. The Remarketing Agent may be removed at any time, without cause, upon at least 30 days' written notice to the Remarketing Agent, at the discretion of the Corporation by an instrument filed with the Bond Trustee, the Tender Agent, the Issuer and the Remarketing Agent. In no event will the resignation or removal of the Remarketing Agent be effective until a qualified successor has accepted appointment as such.

The Corporation, with the prior written consent of the Credit Provider, will appoint a successor Remarketing Agent upon written notice to the Issuer, the Bond Trustee and the Tender Agent. In the event that the Corporation shall fail to appoint a Remarketing Agent within 15 days of the resignation or removal of the prior Remarketing Agent, the Issuer may do so. If the Issuer fails to appoint a Remarketing Agent within 30 days of the resignation or removal of the prior Remarketing Agent, the Bond Trustee may do so.

## BOOK-ENTRY ONLY SYSTEM

The following information regarding DTC and Cede & Co. has been furnished by DTC. The Issuer, the Corporation, the Initial Credit Facility Provider, the Bond Trustee and the Underwriter do not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry," and the Issuer, the Corporation, the Initial Credit Facility Provider, the Bond Trustee and the Underwriter are not required to supervise, and will not supervise, the operation of the book entry system described herein.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2006B Bonds. The Series 2006B 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 Series 2006B Bond certificate will be issued for the Series 2006B Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com.**

Purchases of Series 2006B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006B 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 Series 2006B Bonds, except in the event that use of the book-entry system for the Series 2006B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006B 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 Series 2006B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006B Bond documents. For example, Beneficial Owners of Series 2006B Bonds may wish to ascertain that the nominee holding the Series 2006B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2006B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2006B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2006B 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, principal and interest 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.

A Beneficial Owner shall give notice to elect to have its Series 2006B Bonds purchased or tendered, through its Participant, to the Bond Trustee, and shall effect delivery of such Series 2006B

Bonds by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Bond Trustee. The requirement for physical delivery of Series 2006B Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2006B Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Bond Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2006B 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, Series 2006B Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2006B Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, the Corporation, the Initial Credit Facility Provider, the Underwriter and the Bond Trustee believe to be reliable, but the Issuer, the Corporation, the Initial Credit Facility Provider, the Underwriter and the Bond Trustee take no responsibility for the accuracy thereof.

## SECURITY FOR THE SERIES 2006B BONDS

### General

The Series 2006B Bonds will be issued under and will he equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee:

A. All right, title and interest of the Issuer in, to and under the Loan Agreement (except the Unassigned Rights), including, but without limiting the generality of the foregoing, the present and continuing right thereunder to (i) make claim for, collect or cause to he collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things that the Issuer is or may become entitled to do under the related Loan Agreement;

B. All right, title and interest of the Issuer in and to the Series 2006B Master Note, and all sums payable in respect of the indebtedness evidenced thereby;

C. All right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture (except amounts held in the Rebate Fund, amounts and Pledged Bonds held in the Custody Account, amounts held in the Purchase Fund and amounts held for particular Bondholders), subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein; and

D. Any and all other property, or interest therein, of every kind or description that may from time to time hereafter, by delivery or by writing of any kind be sold, transferred, conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered to or deposited with the related Bond Trustee as additional security thereunder.

The Series 2006B Master Note will be issued pursuant to the Supplemental Indenture No. 4 dated as of September 1, 2006 between the Corporation and the Master Trustee and will constitute an unconditional promise by the Corporation to pay amounts sufficient to pay principal of (whether at

maturity, by acceleration or call for redemption) and premium, if any, and interest on the Series 2006B Bonds and will be secured, on a parity basis with any other Notes hereafter issued under the Master Indenture, by a lien on the property pledged thereto in the Master Indenture and the Mortgage and Security Agreement described herein.

**Special, Limited Obligations**

The Series 2006B Bonds and the interest thereon are special and limited obligations of the Issuer, payable solely from and secured exclusively by certain payments to be made by the Corporation under the Loan Agreement and the Series 2006B Master Note and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Issuer.

**THE SERIES 2006B BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE ISSUER OR THE STATE WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR THE STATE, AND THE SERIES 2006B BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE ISSUER OR THE STATE LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.**

**The Master Indenture**

**Series 2006A Master Note.** To evidence the loan made by the Issuer to the Corporation pursuant to a loan agreement and to secure the payment of the Issuer's Variable Rate Demand Revenue Refunding Bonds (Community Village, Inc. – Hartsfield Village Project) Series 2006A Bonds (the "Series 2006A Bonds"), the Corporation issued a Series 2006A Master Note (the "Series 2006A Master Note") under the Master Indenture, payable to the Issuer, which Series 2006A Master Note was pledged and assigned by the Issuer to a bond trustee to secure the payment of the Series 2006A Bonds of such series. The Series 2006A Master Note stands on a parity under the Master Indenture with any Notes that are issued under and in accordance with the terms of the Master Indenture.

**Series 2006A (Reimbursement Obligation) Master Note.** To evidence its obligations to the provider of a credit facility for the Series 2006A Bonds, the Corporation issued to such provider a Series 2006A (Reimbursement Obligation) Master Note (the "Series 2006A Bank Note") under the Master Indenture. The Series 2006A Bank Note stands on a parity under the Master Indenture with any Notes that are issued under and in accordance with the terms of the Master Indenture.

**Series 2006A (Qualified Swap Agreement) Master Note.** To evidence its obligations to make payments to the provider of an interest rate swap for the Series 2006A Bonds, the Corporation issued to such provider a Series 2006A (Qualified Swap Agreement) Master Note (the "Series 2006A Swap Note" and together with the Series 2006A Master Note and the Series 2006A Bank Note, the "Series 2006A Notes") under the Master Indenture. The Series 2006A Swap Note stands on a parity under the Master Indenture with any Notes that are issued under and in accordance with the terms of the Master Indenture.

**Series 2006B Master Note.** To evidence the loan made by the Issuer to the Corporation pursuant to the Loan Agreement and to secure the payment of the Series 2006B Bonds, the Corporation will issue a Series 2006B Master Note under the Master Indenture, payable to the Issuer, which Series 2006B Master Note will be pledged and assigned by the Issuer to the Bond Trustee to secure the payment of the Series 2006B Bonds of such series. The Series 2006B Master Note will stand on a parity under the Master

Indenture with the Series 2006A Notes and any other Notes that are issued under and in accordance with the terms of the Master Indenture.

**Series 2006B (Reimbursement Obligation) Master Note.** To evidence its obligations to reimburse the Initial Credit Facility Provider for any amounts due under the Reimbursement Agreement, the Corporation will issue a Series 2006B (Reimbursement Obligation) Master Note (the "Series 2006B Bank Note") pursuant to a Supplemental Indenture No. 5 dated as of September 1, 2006 between the Corporation and the Master Trustee. The Series 2006B Bank Note will stand on a parity under the Master Indenture with the Series 2006A Notes, the Series 2006B Master Note and any other Notes that are issued under and in accordance with the terms of the Master Indenture.

**Notes.** Under the Master Indenture, each member of the Obligated Group (currently consisting solely of the Corporation) may issue Notes to evidence or secure Indebtedness (as defined in the Master Indenture). All members of the Obligated Group are jointly and severally liable with respect to the payment of each Note issued under the Master Indenture. For a more detailed discussion of entry to or withdrawal from the Obligated Group, see the caption "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE - Obligated Issuers" in APPENDIX C.

**Mortgage of the Mortgaged Property.** Pursuant to Mortgage, Security Agreement and Financing Statement dated as of May 1, 2006 (the "Mortgage and Security Agreement"), the Corporation mortgaged certain real estate on which the Project is located, as well as certain buildings, structures, additions, improvements, fixtures, equipment, furniture and machinery located thereon (the "Mortgaged Property"), to the Master Trustee as security for the Series 2006A Notes and any additional Notes thereafter issued under the Master Indenture including the Series 2006B Master Note and the Series 2006B Bank Note (collectively, the "2006B Notes"). Additionally, each member of the Obligated Group covenants under the Master Indenture not to create or permit any Mortgage on its Property, Plant and Equipment (as defined in the Master Indenture) other than those specifically permitted under the terms of the Master Indenture, i.e., Permitted Encumbrances. See the caption "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF PROVISIONS OF MASTER INDENTURE – Covenants of Obligated Issuers — Restrictions as to Creation of Mortgages" in APPENDIX C.

**Pledge of Unrestricted Receivables**. Under the Master Indenture, each member of the Obligated Group (currently consisting solely of the Corporation) has pledged to the Master Trustee as security for the Notes all accounts and assignable general intangibles now owned or hereafter acquired by any Obligated Issuer regardless of how generated, whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as from time to time supplemented or amended, of the state in which such Obligated Issuer has its primary place of business; excluding, however, gifts, grants, bequests, donations and contributions to any Obligated Issuer heretofore or hereafter made, and the income and gains derived therefrom, that are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on the Notes (such accounts, assignable general intangibles and proceeds, subject to such exclusions, "Unrestricted Receivables"), subject to Permitted Encumbrances. Pursuant to the Master Indenture, the Corporation (or any future member of the Obligated Group) is permitted to grant a superior security interest in not more than 15 percent of its accounts, which are included in Unrestricted Receivables, to secure Short-Term Indebtedness, provided the principal amount of all such Short-Term Indebtedness of the Obligated Group so secured does not exceed 10 percent of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available. See "BONDHOLDERS' RISKS – Certain Matters Relating to Enforceability of the Master Indenture**."**

As further security for the Notes, each member of the Obligated Group covenants under the Master Indenture that, if an "event of default" of the type described in subparagraph (a) under "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE – Remedies of Trustee and Noteholders in Event of Default —Events of Default" in APPENDIX C should occur, each member will, forthwith upon receipt, deposit with the Master Trustee all of its Revenues. Such deposits will continue until such "event of default" has been cured. Any moneys deposited with the Master Trustee by a member may, in the sole discretion of the Master Trustee, be released to the member depositing such moneys and applied to pay operating expenses of such member. See "BONDHOLDERS' RISKS – Certain Matters Relating to Enforceability of the Master Indenture."

**Disposition of Property of Obligated Group Members.** Each member of the Obligated Group agrees to restrictions on the disposition of its Property, other than dispositions specifically permitted under the terms of the Master Indenture. See the caption "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE – Covenants of Obligated Issuers – Sale, Lease or Other Disposition of Property" in APPENDIX C.

**Additional Indebtedness.** The Master Indenture restricts the Indebtedness which may be incurred by members of the Obligated Group as described under the caption "SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE- Covenants of Obligated Issuers – Restrictions as to the Incurrence of Additional Indebtedness" in APPENDIX C. Notwithstanding uncertainties as to the enforceability of the covenant of each member of the Obligated Group in the Master Indenture to be jointly and severally liable for each Note (as described under "BONDHOLDERS' RISKS – Certain Matters Relating to Enforceability of the Master Indenture"), the accounts of the Corporation and all future members of the Obligated Group will he combined in the Master Indenture for purposes of determining whether certain financial tests (including tests relating to the issuance of Additional Indebtedness) are met.

**Debt Service Coverage Ratio.** Each Obligated Issuer (currently consisting solely of the Corporation) agrees that it will set rates and charges for its facilities such that the Debt Service Coverage Ratio of the Obligated Group, for each Fiscal Year will be not less than 1.20.

## BONDHOLDERS' RISKS

Set forth below are certain risk factors which should be considered before any investment in the Series 2006B Bonds is made. Certain risks are inherent in the successful operation of Facility such as the Facility of the Corporation. **This section discusses some of these risks but is not intended to be a comprehensive listing of all risks associated with the operation of the Facility or the payment of the Series 2006B Bonds**.

### General Risk Factors

The Series 2006B 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 Corporation under the Master Indenture.

A BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION "SECURITY FOR THE SERIES 2006B BONDS" AND THIS SECTION FOR A

DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2006B BONDS.

**Initial Credit Facility**

Enforcement of remedies provided in the Bond Indenture with respect to payments to be made by the Initial Credit Facility Provider under the Initial Credit Facility may be limited by insolvency, bankruptcy or other laws relating to creditors' rights generally. The security provided by the Initial Credit Facility for payment of the principal of and interest on the Series 2006B Bonds, or the purchase price of the Series 2006B Bonds, may be impaired in the event of a deterioration of the financial condition of the Initial Credit Facility Provider, as the Initial Credit Facility represents a general, unsecured claim against the assets of the Initial Credit Facility Provider. In the event of a default by the Initial Credit Facility Provider under the Initial Credit Facility, no insurance proceeds from the Federal Deposit Insurance Corporation or any other governmental agency, instrumentality or authority would be available to pay the Series 2006B Bonds.

Performance by the Initial Credit Facility Provider of its obligations under the Initial Credit Facility is subject to the satisfaction of certain conditions by the Bond Trustee, as set forth in the Initial Credit Facility. Bondholders are thus dependent upon the Bond Trustee acting to satisfy such conditions before they will receive the benefit of the Initial Credit Facility. Furthermore, the question of whether the Bond Trustee has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Bond Trustee's rights of enforcement of the Initial Credit Facility.

The United States Bankruptcy Code generally stays the enforcement of claims against the estate of a bankrupt once a petition in bankruptcy is filed. The Initial Credit Facility Provider is required under the Initial Credit Facility to pay amounts sufficient to pay the principal of and up to 35 days' interest on the Series 2006B Bonds notwithstanding the bankruptcy of the Corporation. However, it is possible in the event of a bankruptcy of the Corporation that a bankruptcy court could temporarily stay the payment of the Initial Credit Facility until relief from that stay is granted by the court, thus delaying payment to the Series 2006B Bondholders. Moreover, in the event of the bankruptcy of the Corporation, a bankruptcy court, invoking equitable or other doctrines, could restructure the transactions which are the subject hereof, or enjoin drawings under the Initial Credit Facility for the payment of principal of or interest on the Series 2006B Bonds, thus possibly resulting in impairment of rights of, or deferment of payments owed to, the Series 2006B Bondholders.

**Possible Consequences of a Reimbursement Agreement Event of Default**

At the option of the Initial Credit Facility Provider, an event of default under the Reimbursement Agreement may also constitute both: (i) an Event of Default under the Bond Indenture, for which the Initial Credit Facility Provider can require the Bond Trustee to accelerate the Series 2006B Bonds, and (ii) an Event of Default under the Loan Agreement, for which all principal and interest payments thereunder are accelerated. The Initial Credit Facility Provider can also choose to have the Series 2006B Bonds subject to mandatory purchase. Upon such acceleration or mandatory purchase, the principal of and accrued interest on the Series 2006B Bonds will be paid from the proceeds of a draw on the Initial Credit Facility.

Under the Master Indenture, if the accelerated amounts due under the Series 2006B Master Note are not paid in a timely manner, such failure would be an Event of Default under the Master Indenture. Upon an Event of Default under the Master Indenture, the Master Trustee may exercise remedies available under the Master Indenture. Such remedies include acceleration of all outstanding Notes and foreclosure of the Mortgage and Security Agreement.

**Insolvency of the Initial Credit Facility Provider or Corporation**

In the event of its bankruptcy, insolvency or reorganization, or if for any other reason the Initial Credit Facility Provider fails to honor a properly presented and conforming drawing under the Initial Credit Facility, the Owners of the Series 2006B Bonds would have to depend entirely on the ability of the Corporation to pay the principal and purchase price of, premium, if any, and interest on the Series 2006B Bonds.

Selected financial information with respect to the Initial Credit Facility Provider is set forth under the caption "INITIAL CREDIT FACILITY PROVIDER." Such information has been furnished by the Initial Credit Facility Provider. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

If the Corporation were to file a petition for relief under the Federal Bankruptcy Code, such filing would constitute an Event of Default under the Master Indenture permitting the Master Trustee, under the terms set forth in the Master Indenture, to accelerate the payment of principal and interest on the Series 2006B Master Note.

**Additions to the Obligated Group**

The Corporation is the initial member of the Obligated Group. Upon satisfaction of certain conditions in the Master Indenture, other entities can become members of the Obligated Group. Management of the Corporation currently has no plans to add additional members to the Obligated Group. However, if and when new members are added, the Obligated Group's financial situation and operations will likely be altered from that of the Corporation.

**Management**

The successful operation of the Facility is heavily dependent upon the efforts of its management. No assurance can be given that successful operations of the past will continue. For more information, see APPENDIX A – "ORGANIZATION AND OPERATIONS – Executive Director."

**Utilization Demand**

Several factors could, if implemented, affect demand for services of the Facility including: (i) efforts by insurers and governmental agencies to reduce utilization of nursing home and long-term care facility by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology; and (iii) increased or more effective competition from nursing home, assisted living facility and long-term care facility now or hereafter located in the service area of the Facility.

**Competition**

Competition from other lifecare facility, continuing care retirement communities, congregate housing, assisted living centers, home healthcare agencies and other long-term care facility which offer sheltered, assisted living or nursing care now or hereafter located in the Facility's service area could adversely affect its revenues. The Corporation may face additional competition in the future from other providers of new, expanded, or renovated retirement living and nursing facility servicing the housing and health care needs of the elderly.

**Uncertainty of Investment Income**

The investment earnings of, and accumulations in, certain funds established pursuant to the Bond Indenture have been estimated and are based on assumed interest rates as indicated. While these assumptions are believed to be reasonable in view of the rates of return presently and previously available on the types of securities in which the Bond Trustee is permitted to invest under the Bond Indenture, there can be no assurance that similar interest rates will be available on such securities in the future, nor can there be any assurance that the estimated funds will actually be realized. Guaranteed investment contracts may be entered into with respect to certain of the funds held under the Bond Indenture.

**Rights of Residents**

The Corporation enters into residency agreements with its residents. For more information about the residency agreements, see APPENDIX A – "RESIDENCY AGREEMENT." Although these agreements give to each resident a contractual right to use space and not any ownership rights in the Facility, in the event that the Bond Trustee or the holders of the Series 2006B 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 and Security Agreement, it is impossible to predict the resolution that a court might make of competing claims between the Master Trustee, the Bond Trustee, the Issuer or the holders of the Series 2006B Bonds and a resident of the Facility who has fully complied with all the terms and conditions of his or her Residency Agreement.

**Regulation**

The Facility is and will continue to be subject to certain governmental regulation. Indiana has enacted comprehensive legislation which regulates the Facility. Such legislation is not expected to have a material adverse effect on operations at the Facility.

Regulation of the Facility is effected under the Securities Division of the Office of the Indiana Secretary of State. Indiana Code 23-2-4 became effective September 1, 1983. Registration with the Securities Commissioner is required by any facility that charges an entrance fee and assures a person a place in the facility for one or more months. Re-registration is required annually on the anniversary date of the initial registration. An annual disclosure statement, including detailed financial information, is required under the act. In addition, all advertising and contents of the facility disclosure statements and residency agreements must be approved by the Securities Commissioner.

**Present and Prospective Federal and State Regulation**

**General**. The operations of the Facility, like other health care facilities throughout the country, will be affected on a day-to-day basis by numerous legislative, regulatory and industry-imposed operations and financial requirements which are administered by a variety of federal and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. It is impossible, however, to predict the effect of any such legislation and regulation on the operations or financial condition of the Facility.

Nursing care facilities, including those of the Corporation, are subject to numerous licensing, certification, accreditation, and other governmental requirements. These include, but are not limited to, requirements relating to state licensing agencies, private payors and accreditation organizations and certificate of need approval by state agencies of certain capital expenditures. Sheltered and assisted living facilities, including those of the Corporation, are also subject to licensing requirements. Renewal and continuance of certain of these licenses, certifications, approvals and accreditations are based upon

inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by the Corporation. An adverse determination could result in a loss, fine or reduction in the Corporation's scope of licensure, certification or accreditation, could affect the ability to undertake certain expenditures or could reduce the payment received or require the repayment of the amounts previously remitted.

**Medicare Reimbursement**

The Health Insurance for Aged and Disabled Act (Title XVIII of the Social Security Act), known as "Medicare," has made available to nearly every American 65 years of age and older a broad program of health insurance designed to help the nation's elderly meet hospital and other health care costs. The Facility's health care units are certified to provide skilled nursing services covered by the Medicare program. The requirements for certification under the Medicare program are subject to change, and to remain qualified, it may be necessary for the Facility's health care units to make changes from time to time in its facility, equipment, personnel or services. Although the Corporation intends for the Facility's health care units to participate in Medicare, there can be no assurance that the Facility's health care units will continue to be qualified for participation.

Covered nursing facility services under Medicare include: (i) nursing care provided by or under the supervision of a registered professional nurse; (ii) bed and board in connection with the furnishing of such nursing care; (iii) physical, occupational or speech therapy furnished by the nursing facility or by others under arrangement; (iv) medical social services; and (v) such drugs, biological supplies, appliances, and equipment furnished for use in the nursing facility, as are ordinarily furnished by such facilities for the care and treatment of inpatients.

**Health Insurance Portability and Accountability Act**. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") was enacted on August 21, 1996. HIPAA adds two prohibited practices, the commission of which may lead to civil monetary penalties: 1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, i.e., upcoding, and 2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could amount to civil monetary penalties of up to $10,000 for each item or service involved.

HIPAA also includes administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of information formats and greater use of electronic technology presents additional privacy and security risks due to the increased likelihood that databases of personally identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information.

In December 2000, the Secretary of the Department of Health and Human Services ("HHS") released privacy regulations that protect patient medical records and other personal health information maintained by health care providers, hospitals, health plans, health insurers, and health care clearinghouses. Such regulations were modified in August 2002, and compliance with the privacy regulations, as modified, was required as of April 14, 2003. HIPAA also mandates the establishment of security regulations. Though these were issued in final form on February 20, 2003, with a compliance date of April 21, 2005, it is not known at this point how these requirements will affect the Corporation. Violation of the privacy or security rules is punishable by civil money penalties of up to $25,000 per year and criminal penalties of up to $250,000 and/or imprisonment of up to ten years.

Finally, HHS promulgated regulations to standardize the electronic transfer of information pursuant to certain enumerated transactions (the "Code Set Transactions"). These regulations state that health care entities are not required to conduct electronic transactions. However, if they choose to do so, they will eventually be required to use the mandated data code sets to conduct the transactions.

**Licensure**. The Corporation and its operations are subject to regulation and certification by various federal, state and local government agencies. No assurance can be given as to the effect on future operations of the Corporation of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards. The assisted living units and nursing beds are subject to various licensing requirements.

**Medicaid Reimbursement**

The Medicaid program provides medical benefits to groups of low-income individuals who may have no or inadequate medical insurance. Although the Federal government establishes general guidelines for the program, the Medicaid program requirements are actually established by each state. All states provide community long term care services for individuals who are Medicaid eligible and qualify for institutional care. Most states use eligibility requirements for such individuals that are more liberal than those used in the community.

Indiana requires an individual to pay for a portion of their care. The portion an individual pays is based mainly on their level of income. The state then pays the balance of the cost of care based on the facilities allowed Medicaid daily case mix rate. This rate is base on several components including the costs for direct care, indirect care, and administrative and capital components. The case mix rate is reviewed and changed as calculated on a quarterly basis.

Qualifications for certification are subject to change similar to the Medicare program. Therefore, the Corporation's health care unit may need to make changes in its facility, equipment, personnel or services as required to remain certified to provide services under the Medicaid program.

Covered nursing facility services under Medicaid include: (i) nursing care provided by or under the supervision of registered professional nurse; (ii) bed and board in connection with the furnishings of such nursing care; (iii) medical social services; (iv) such drugs, biological supplies, appliance, and equipment furnished for use in the nursing home, as are ordinarily furnished by such facilities for the care and treatment of inpatients.

**Increases in Medical Costs**

Because the Corporation is obligated to provide a majority of its residents with certain medical care, a deviation from the anticipated mortality rate or medical care requirements of the resident population or substantial unanticipated increases in the cost of medical care could have a negative impact on the operations of the Facility. The undertaking to provide such medical care is a contractual obligation of the Corporation, and no assurance can be given that the Corporation will have sufficient funds to meet its anticipated obligations. Residents are required to obtain Medicare Part A, Medicare Part B, supplemental insurance and, with respect to some residents, Medicare Part D satisfactory to the Corporation; however, Medicare does not cover the cost of nursing home care except under certain limited circumstances (including up to 100 days of skilled nursing care following a 3-day hospital stay). In addition, the cost of providing healthcare services may increase due to increases in salaries paid to nurses and other healthcare personnel and due to shortages in such personnel which may require use of employment agencies.

**Malpractice Claims**

The operations of the Facility may also be affected by increases in the incidence of malpractice lawsuits against physicians, nursing homes and life care facilities in general and increases in the dollar amount of patient damage recoveries, resulting in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Corporation or the premiums at which such coverage can be obtained.

**Nursing Shortage**

Recently the healthcare industry has experienced a shortage of nursing and other technical staff, which has resulted in increased costs and lost revenues due to the need to hire agency nursing personnel at higher rates, increased compensation levels, and the inability to use otherwise available beds as a result of staffing shortages. If the shortage continues, it could adversely affect the operations or financial condition of the Corporation and any future Members of the Obligated Group.

**Risks Related To Tax Exempt-Status**

**Below-Market Interest Loans.** 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 facility 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(g) 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 residency agreements come within the scope of the continuing care facility safe harbor or within the statute itself. Section 7872 is applicable only to "loans" in excess of $158,100. Current Entrance Fees for the Independent Living Units in the Facility are in excess of the applicable threshold of Section 7872. Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Facility.

**Intermediate Sanctions**. On July 31, 1996, the Taxpayers Bill of Rights 2 (the "Taxpayers Act") was signed into law. The Taxpayers Act 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., an insider) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving unreasonable 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.

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) of the Code. Revenue Rulings 61-72 and 72-124 state 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, or (3) renders services that minister to the needs of the elderly and relieve hardship or distress. Revenue Ruling 79-18 states that a facility providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the community's elderly persons. The Revenue Ruling also states that the organization must be 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.

**Tax-Exempt Status**. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Corporation of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Corporation and thereby the revenues of the Corporation. Failure of the Corporation or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Series 2006B Bond proceeds, could cause interest on the Series 2006B Bonds to be included in the gross income of Bondholders or former Bondholders of such Series 2006B Bonds for federal income tax purposes. In such event, the Bond Indenture does not contain any specific provision for acceleration of the Series 2006B Bonds nor provide that any additional interest will be paid to the owners of the Series 2006B Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF BOND INDENTURE – Events of Default and Remedies."

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

**Amendments to the Documents**

Certain amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the owners of a majority of the principal amount of the outstanding related Series 2006B Bonds Outstanding under the Bond Indenture. Certain amendments to the Master Indenture and the Mortgage and Security Agreement may be made with the consent of the holders of a majority of the principal amount of Outstanding Notes. Such amendments may adversely affect the security of the Bondholders and, with respect to the Master Indenture and the Mortgage and Security Agreement, such percentage may be composed wholly or partially of the holders of Notes other than the Series 2006B Master Note. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF BOND INDENTURE – Supplemental

Indentures" and "SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE – Supplements and Amendments Not Creating New Series of Notes."

**Additional Debt**

The Master Indenture permits the Corporation and any future member of the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2006B Master Notes. Any such additional parity indebtedness would be entitled to share ratably in security interest with the owners of the 2006B Notes and any other Notes issued under and in accordance with the Master Indenture. Any Additional Indebtedness could reduce the Debt Service Coverage Ratio and could impair the ability of the Obligated Group to maintain its compliance with certain covenants described in APPENDIX C under the caption "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE – Covenants of Obligated Issuers – Permitted Additional Indebtedness." There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the 2006B Notes may not be materially, adversely affected upon the incurrence of Additional Indebtedness.

**Bankruptcy**

If the Corporation were to file a petition for relief under Chapter 11 of the Federal Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation 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 Corporation's property, including its accounts receivable and proceeds thereof, could be used for the benefit of the Corporation despite the security interest of the Master Trustee therein, provided that "adequate protection" is given to the lienholder.

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

**Certain Matters Relating to Enforceability of the Master Indenture**

The obligations of the Corporation and any future members of the Obligated Group under the 2006B Notes 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 Corporation and any future members 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 Notes, including the Series 2006B Master Note pledged under the Bond Indenture as security for the Series 2006B Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Notes 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 Notes 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 2006B Notes 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 Note, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such member of the Obligated Group to the extent that such payment would render such member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a member of the Obligated Group in order to pay debt service on the 2006B Notes 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 Indiana fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Indiana 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 Indiana 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 a Note for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the member of the Obligated Group is analogous to a guarantor of the debt of the member of the Obligated Group who directly benefited from the borrowing and that sufficient consideration for the member of the Obligated Group's guaranty was not received and that the incurrence of such Note has rendered or will render the member of the Obligated Group insolvent.

The effectiveness of the security interest in the Obligated Group's Unrestricted Receivables 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 various 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 and Security Agreement or the security interest in the Unrestricted Receivables 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 Unrestricted Receivables 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 Indiana Uniform Commercial Code as from time to time in effect.

There exist, in addition to the foregoing, common law authority and authority under Indiana statutes pursuant to which the Indiana courts may terminate the existence of a not for profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion pursuant to a petition of the Indiana Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

**The Mortgage and Security Agreement**

The Corporation will execute the Mortgage and Security Agreement on the Mortgaged Property 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 and Security Agreement 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 Security Agreement, and then to pay amounts owing under the Master Indenture in accordance with the provisions of the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE – Remedies of Master Trustee and Noteholders in Event of Default" in APPENDIX C.

In the event that the Mortgage and Security Agreement is actually foreclosed, then, in addition to the customary costs and expenses of operating and maintaining the Facility, the party or parties succeeding to the interest of the Corporation in the Mortgaged Property (including the Master Trustee, if such party was to acquire the interest of the Corporation 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 Facility, such as the Americans with Disabilities Act; and costs associated with the potential reconstruction or repair of the Mortgaged Property in the event of any casualty or condemnation.

The Facility is not comprised of general purpose buildings and generally would not be suitable for industrial or commercial use.

Any valuation of the Facility 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 Facility will at all times be dependent upon many factors beyond the control of the Corporation, 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 Facility. Any weakened market condition may also depress the value of the Facility. Any reduction in the market value of the Facility could adversely affect the security available to the owners of the Series 2006B Bonds. There is no assurance that the amount available upon foreclosure of the Facility after the payment of foreclosure costs will be sufficient to pay the amounts owing by the Corporation on the Series 2006B Master Note.

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 Corporation since such purchaser may not enjoy the favorable financing rates associated with the Series 2006B 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 one hundred percent (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 Corporation'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 Corporation's obligations.

**Environmental Matters**

Health care facilities, such as the Corporation's health care units, are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, operations of facilities and properties owned or operated by such facilities. Among the types of regulatory requirements faced by such facilities are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos; polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at such facilities; requirements for training employees in the proper handling and management of hazardous materials and wastes; and other requirements. In their role as owners and operators of properties or facilities, such facilities may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off of the property. Typical operations of such facilities include, to some extent 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. For this reason, operations of such facilities are susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost or both; may result in legal liability, damages, injunctions or fines, or may trigger investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation.

**Other Possible Risk Factors**

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

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

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

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

(4) A decline in the population, a change in the age composition of the population or a decline in the economic conditions of the market area of the Corporation;

(5) The cost and availability of energy which could, among other things, affect the cost of utilities of the Facility;

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

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

(8) The attempted imposition of or the increase in taxes related to the property and operations of not for profit organizations as has occurred in Indiana in connection with a determination that a hospital or nursing care facility not affiliated with the Obligated Group was not fulfilling its charitable requirements under State law;

(9) Inflation or other adverse economic conditions;

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

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

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

(13) The occurrence of natural disasters, including floods and earthquakes, which may damage the Facility of the Corporation and any future members of the Obligated Group, interrupt utility service to the Facility, or otherwise impair the operation and generation of revenues from said Facility;

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

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

## Enforceability of Rights and Remedies

The enforceability of rights and remedies of the Bond Trustee or the holders of the Series 2006B Bonds under the Bond Indenture, or of the Master Trustee under the Master Indenture, and the availability of remedies to any party seeking to enforce the pledge of the Bond Indenture or Master Indenture, are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the rights and remedies provided in the Bond Indenture, the Master Indenture and any other agreement in this financing, and the rights and remedies of any party seeking to enforce the pledge of the Bond Indenture or Master Indenture, may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Series 2006B Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the State), in a manner consistent with the public health and welfare. Enforceability of the Bond Indenture or the Master Indenture, and availability of remedies to a party seeking to enforce the pledge of the Bond Indenture or Master Indenture, in a situation where such enforcement or availability may adversely affect public health and welfare, may be subject to these police powers.

### Lack of Marketability

Although the Underwriter intends, but is not obligated, to make a market for the Series 2006B Bonds, there can be no assurance that there will be a secondary market for the Series 2006B Bonds, and the absence of such a market for such bonds could result in investors not being able to resell the Series 2006B Bonds should they need to or wish to do so.

## RATING

As noted on the cover page of this Official Statement, Fitch Ratings Services ("Fitch") has given the Series 2006B Bonds a rating of "AA-/F1+" based on the support of the Initial Credit Facility. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Series 2006B Bonds. The rating reflects only the view of Fitch, and any desired explanation of the significance of such rating should be obtained from Fitch. Certain information and materials not included in this Official Statement were furnished to Fitch. Generally, rating agencies base their rating on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriter, the Issuer, the Corporation and the Initial Credit Facility Provider have undertaken no responsibility either to bring to the attention of the

owners of the Series 2006B Bonds any proposed revision or withdrawal of the rating of the Series 2006B Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2006B Bonds.

## TAX EXEMPTION

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2006B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2006B Bonds (the "Code"), except that if the Issuer, the Corporation or another person, by taking action after the date of issuance of the Series 2006B Bonds, causes the $150,000,000 limitation set forth in Section 145(b) of the Code to be exceeded, such action may cause interest on the Series 2006B Bonds to become included in gross income retroactively to the date of issuance of the Series 2006B Bonds for federal income tax purposes. The opinion of Barnes & Thornburg LLP is based on certain certifications, covenants and representations of the Issuer and the Corporation and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2006B Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See APPENDIX D for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2006B Bonds as a condition to the exclusion from gross income of interest on the Series 2006B Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2006B Bonds to be included in gross income for federal tax purposes retroactively to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2006B Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2006B Bonds would be materially and adversely affected.

The interest on the Series 2006B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2006B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Series 2006B Bonds are ***not*** qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Under the Bond Indenture and the Loan Agreement, the interest rate on the Series 2006B Bonds may, under certain circumstances, be converted from one Mode to another Mode, or the Credit Facility may, under certain circumstances, be replaced by an Alternate Credit Facility. Bond Counsel expresses no opinion regarding the effect of any such conversion or replacement on the exclusion of interest on the Series 2006B Bonds from gross income for federal income tax purposes.

Although Bond Counsel will render an opinion that interest on the Series 2006B Bonds is excludable from gross income for federal tax purposes and exempt from State income tax, the accrual or receipt of interest on the Series 2006B Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular

tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2006B Bonds should consult their own tax advisors with respect to the other tax consequences of owning the Series 2006B Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2006B Bonds. Prospective purchasers of the Series 2006B Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2006B Bonds.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2006B Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION" herein) are subject to the approving legal opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of original delivery of the Series 2006B Bonds, will be delivered to the Underwriter at the time of such original delivery and a draft of that opinion is attached hereto as Appendix D.

Certain legal matters will be passed upon for the Issuer by its counsel, the Attorney General of the State of Indiana, for the Corporation by its counsel, Lucas, Holcomb & Medrea LLP, Merrillville, Indiana, for the Initial Credit Facility Provider by its counsel, Chapman and Cutler LLP, and for the Underwriter by its counsel, Ice Miller LLP, Indianapolis, Indiana.

## UNDERWRITING

Ziegler Capital Markets Group, a division of B.C. Ziegler and Company (the "Underwriter"), has agreed, subject to the terms and provisions of the Bond Purchase Agreement among the Corporation, the Issuer and the Underwriter (the "Purchase Agreement") to purchase the Series 2006B Bonds from the Issuer at a purchase price of 99.05% of the principal amount thereof. The total compensation to the Underwriter in connection with the sale of the Series 2006B Bonds will be approximately $98,658.

The obligation of the Underwriter to accept delivery of the Series 2006B Bonds is subject to various conditions set forth in the Purchase Agreement; provided, however, that the Underwriter is obligated to purchase all of the Series 2006B Bonds if any are purchased.

It is intended that the Series 2006B Bonds will be offered to the public initially at the offering price set forth on the front page of this Official Statement. The initial public offering price may be changed from time to time by the Underwriter without giving any prior notice; provided such changes do not cause the issuance costs financed out of the proceeds of the Series 2006B Bonds to exceed 2% of the proceeds of such Bonds. The Underwriter may offer the Series 2006B Bonds to other dealers at prices lower than those offered to the public.

The Corporation has agreed in the Purchase Agreement to indemnify the Underwriter, the Initial Credit Facility Provider and the Issuer against certain liabilities.

## ABSENCE OF LITIGATION AFFECTING THE SERIES 2006B BONDS

### The Issuer

There is not now pending or, to the knowledge of the Issuer, threatened against the Issuer any litigation restraining or enjoining the issuance or delivery of the Series 2006B Bonds or questioning or affecting the validity of the Series 2006B Bonds or the proceedings or authority under which the Series 2006B Bonds are to be issued. Neither the creation, organization or existence of the Issuer nor the title of any of the present members or other officials of the Issuer to their respective offices is being contested. There is no litigation pending or, to the Issuer's knowledge, threatened against the Issuer which in any manner questions the right of the Issuer to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2006B Bonds in the manner provided in the Bond Indenture and the Act.

### The Corporation

The Corporation has advised that no litigation, proceedings or investigations are pending or, to its knowledge, threatened against it except (i) litigation, proceedings or investigations in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management, will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total reserves held under the applicable self-insurance program, or (ii) litigation, proceedings or investigations which if adversely determined will not, in the opinion of management, have a material adverse effect on the operations or condition, financial or otherwise, of the Corporation. The Corporation also has advised that there is no litigation pending or, to the knowledge of the Corporation, threatened, which in any manner questions the right of the Corporation to enter into the financing described herein.

## MISCELLANEOUS

### General

The references in this Official Statement to the Series 2006B Bonds, the Initial Credit Facility, the Reimbursement Agreement, the Bond Indenture, the Master Indenture, the Loan Agreement, the 2006B Notes, the Mortgage and Security Agreement and the Purchase Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Series 2006B Bonds, the Initial Credit Facility, the Reimbursement Agreement, the Bond Indenture, the Master Indenture, the Loan Agreement, the 2006B Notes, the Mortgage and Security Agreement and the Purchase Agreement, copies of which are on file in the offices of the Underwriter and following delivery of the Series 2006B Bonds will be on file at the designated office of the Bond Trustee.

The agreement of the Issuer with the holders of the Series 2006B Bonds is fully set forth in the Bond Indenture, and neither any advertisements of the Series 2006B Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2006B Bonds. Statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of facts.

The attached Appendices are integral parts of this Official Statement and should be read together with all foregoing statements.

**Independent Auditors**

The financial statements of the Corporation as of June 30, 2005, 2004 and 2003, and for each of the three years in the period ended June 30, 2005, included as APPENDIX B have been audited by Ernst & Young, independent auditors, as stated in their report appearing herein.

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The execution and delivery of this Official Statement have been duly authorized by the Issuer and duly approved by the Corporation.

**INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY**

By: /s/ Ryan C. Kitchell
Vice Chair

Approved:

**COMMUNITY VILLAGE, INC.**

By: /s/ Richard S. McClaughry
President

By: /s/ Bradley E. Ronco
Secretary

# APPENDIX A

# OFFICIAL STATEMENT

# COMMUNITY VILLAGE, INC.

## d/b/a Hartsfield Village

## (Series 2006B)

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# HARTSFIELD VILLAGE

## APPENDIX A

## ORGANIZATION AND OPERATIONS

### History and Background

Community Village, Inc. d/b/a Hartsfield Village (the "Corporation") is a non-profit corporation incorporated in 1995 under the laws of the State of Indiana and is a tax-exempt charitable organization under 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. The Corporation was created for the purpose of the development, ownership and operation of a state-of-the-art senior living community in Munster, Indiana, to provide housing, health care services and financial security for Munster-area senior citizens.

The Corporation owns and operates the Hartsfield Village senior living community (the "Community") on a 36 acre site in southwest Munster to fulfill the need for a state-of-the-art retirement option in Munster and the surrounding area. The Community was designed to appeal to elderly persons seeking an active social environment, quality maintenance-free housing and supportive services. Toward this end, the Community design emphasizes a residential character rather than an institutional environment. In response to changing health care needs of residents, the retirement community now encompasses a complete continuum of care which includes independent living apartments, assisted living units, a health center, separate independent and assisted living dining rooms, a delicatessen, a library, multi-purpose room, business center, fitness center with wellness programs, beauty salon, barber shop, billiards, game and card room, private lounges for entertaining, a garden room, gift shop, activities center and outdoor patio areas.

### The Project

The Community currently includes 106 independent living apartments, 50 assisted living units, and a 106 bed health center. The Corporation plans to expand its facilities by adding 24 (net 23) assisted living units, and 24 assisted living memory support units, so that upon completion of the facility expansion, the Community will consist of 106 independent living units, 97 assisted living units, and a 106 bed health center. The facility expansion is scheduled to commence in the fall of 2006, to be funded in part with the proceeds of the Series 2006B Bonds. The facility expansion development consultant will be Greystone Development Company, LLC, an affiliate of the Community's management company, Greystone Management Services Company, LLC. The architect will be The Troyer Group, Inc. The general contractor will be Berglund Construction Company. The estimated cost of the facility expansion is $10,525,000.00.

## The Corporation

The Corporation is responsible for the operation of the Community. Community Foundation of Northwest Indiana, Inc. ("Community Foundation") is the sole member of the Corporation, and has the exclusive right to appoint the President, all of the members of the Board of Directors and to replace the President and the directors whose terms have expired or who have not completed their terms.

All corporate powers at all times shall be exercised by or under the authority of the Board of Directors of the Corporation.

## Member Corporation

The Corporation has as its sole member one of northwest Indiana's leading providers of health care. Community Foundation is an Indiana nonprofit corporation which is the sole member of (1) Munster Medical Research Foundation, Inc. d/b/a The Community Hospital, an Indiana nonprofit corporation ("Community Hospital"), (2) St. Catherine Hospital, Inc., an Indiana nonprofit corporation (St. Catherine), and (3) St. Mary Medical Center, Inc., an Indiana nonprofit corporation (St. Mary). Community Hospital is a 367-bed nonprofit hospital located in Munster, Indiana, St. Catherine is a 181-bed nonprofit hospital located in East Chicago, Indiana, and St. Mary is a 186-bed nonprofit hospital located in Hobart, Indiana. These hospitals offer numerous services. Community Foundation views the development and operation of a senior living community as a natural extension and important component of its health care system.

## Equity Contributions

Community Foundation originally contributed approximately $8.88 million of equity to the Corporation, which constituted approximately 21.5% of the cost of developing and constructing the Community. Community Foundation and the Corporation may enter into an agreement prior to the delivery of the Series 2006B Bonds which will include certain restrictions on the Corporation's incurrence of long-term indebtedness or expansion without approval of Community Foundation, and will permit, if certain financial ratios are met, cash transfers to Community Foundation. No cash transfer is to be made by the Corporation in violation of its covenants in the Master Indenture.

The Corporation will fund One Million Dollars ($1,000,000.00) of the cost of the Project.

## Existing Debt

On May 12, 2006, the Issuer loaned the proceeds of the Series 2006A Bonds to the Corporation. See the Annual Debt Service Requirements in the Official Statement.

## Board of Directors of the Corporation

The Board of Directors has general charge of the business affairs of the Corporation and may do and perform all acts necessary to carry out its purposes. The following are the directors of the Corporation:

| Name | Board Office | Occupation | Year First Elected | Current Term Expiration |
|---|---|---|---|---|
| Richard S. McClaughry | President and Director | Inland Steel Company - Retired (engineer, supervisor/ manager) | 1995 | 2007 |
| Bradley E. Ronco | Secretary, Treasurer and Director | Director, Property Management, Community Foundation | 1995 | 2007 |
| Dr. Peggy S. Gerard | Director | Professor, Purdue Calumet | 2006 | 2007 |
| Don P. Johnson | Director | Director of Community Veterans Memorial | 2006 | 2007 |
| Donald S. Powers | Director | Real estate developer; President, Community Foundation | 1995 | 2007 |
| Donald F. Sands | Director | Amoco Oil Company - Retired (General Manager of Refining, Planning and Profit Improvement) | 1995 | 2007 |
| William K. Schenck | Director | Indiana University Northwest Professor, retired | 1995 | 2007 |

Community Foundation has the exclusive right to appoint the President and all of the members of the Board of Directors and to replace the President and the appointed directors whose terms have expired or who have not completed their terms.

**Executive Director**

Timothy H. Nix was appointed Executive Director for Hartsfield Village in Munster, Indiana, in July 1998.

Prior to serving as Executive Director, Mr. Nix was a Regional Manager for TLC Management (11/97 – 7/98) overseeing two of their Skilled Nursing Facilities located in Northwest Indiana. Mr. Nix previously served as Owner/Director of Operations/Administrator for Home Management, Inc. (7/90 – 2/98), a management company with a budget of $4 million operating two health care facilities – Lincolnshire Health Care Center in Merrillville, Indiana and Homeview Center of Franklin, Indiana. In this role, Mr. Nix managed daily operations of the corporation's two properties, supervised personnel activities of 160 employees, managed the regulatory process, interacted with consultants and government agencies including politicians, community leaders, and physicians, and assumed responsibility for the fiscal management of the corporation.

Mr. Nix is a licensed Health Facility Administrator in the State of Indiana. He is a veteran of the Air Force and has received a Bachelor of Science in Supervision from Purdue University, a Certificate in Long-Term Care Administration from St. Francis College, and a Master of Health Care Administration from Indiana University.

**Certain Relationships**

Mr. Powers, Mr. McClaughry, and Mr. Schenck are also members of the Board of Directors of Community Hospital. Mr. Powers, Mr. McClaughry, Mr. Sands and Mr. Schenck are also members of the Board of Directors of Community Foundation, and Mr. Powers is the President of Community Foundation.

**Management Agreement**

The Corporation has entered into a Management Services Agreement dated August 1, 2003 (the "Management Agreement") with Greystone Management Services Company, LLC ("Greystone Management"), whereby Greystone Management will manage the day-to-day operations of the Community for a period ending on July 31, 2008, with automatic annual renewals, subject to non-renewal notices given at least 90 days in advance of the applicable anniversary dates. Under the Management Agreement, Greystone Management will do the following: provide a qualified Executive Director employed by Greystone Management; recruit, hire and train all necessary personnel to operate the Community; prepare monthly operating statements and an annual budget with complete accounting, bookkeeping and record-keeping services; coordinate purchases of necessary furniture, fixtures, equipment and supplies; provide all payroll, sales, use and occupancy tax reports and other data to meet all local, state and federal regulatory requirements; make available to the Corporation its dietary, nursing and other management consultants; and collect all revenues and pay all operating expenses of the Corporation.

The Management Agreement provides that the total base compensation to Greystone Management shall not exceed $15,300.00 per month, plus $535.50 for overhead reimbursement.

The Management Agreement may be terminated by the Corporation or Greystone Management, without cause, by written notice to the other party given within 60 days after the thirty-sixth month after the commencement date of the Management Agreement, or for cause in the event of a breach of the Management Agreement, if the breach is not cured within 60 days after notice thereof.

**Fee Structure**

***Fees for Independent Living Apartments***. Independent living residents will pay the following:

1. *A one-time, refundable resident deposit (the "Entrance Fee") per unit*. Prior to occupancy, prospective residents may terminate the Residency Agreement and withdraw their 10% deposit in full within seven days of executing a Residency Agreement or 30 days from the date the disclosure statement was delivered, whichever date is later. Residents terminating the Residency Agreement after the later of the two dates will receive a refund of their 10% deposit less a $250 administrative fee (the administrative fee will not apply for termination resulting from death or poor health). The balance of the Entrance Fee is due on or before the date of occupancy of the apartment. Subsequent to occupancy, residents or their estates are entitled to a refund of the Entrance Fee in an amount equal to 95% for single occupancy and 90% for double occupancy of the Refundable Residency Deposit previously paid by the resident, less any amounts owed to the Corporation, upon termination of the Residency Agreement, receipt by the Corporation of an Entrance Fee from a new resident for the vacated apartment, and occupancy of the vacated apartment by a new resident. In the event of a financial or medical hardship to a former resident, the Corporation may refund the deposit prior to re-occupancy of the vacated apartment as long as the financial integrity of the Project is not materially impaired. Once paid, the Entrance Fee will not be increased or changed during the duration of the Residency Agreement. Also available are 70%, 50% and 30% refundable Entrance Fee alternatives, and a deferred Entrance Fee payment plan.

2. *A monthly service fee (the "Monthly Fee").* The Monthly Fee along with payment of the Entrance Fee will cover the following basic services: one meal credit each day, limited weekly housekeeping, laundering of flat linens weekly, utilities (except for telephone and cable television services), unit maintenance, scheduled transportation, security monitoring, a 24-hour emergency call system, underground parking, wellness program and various recreational, educational, cultural and social programs and long-term care benefit. As of August 1, 2006, Monthly Fees range from $1,345.00 to approximately $2,825.00, depending on size of apartment selected. An additional $495.00 is charged for dual occupancy regardless of the size of the unit. The Corporation may increase the Monthly Fee upon 60 days prior written notice to residents if, in its sole discretion, it deems it necessary. It is the current intention of the Corporation to adjust the Monthly Fee not more frequently than annually.

3. *Fees for optional services*. These will include additional housekeeping, laundry service for personal items, catering for special occasions, tray service when medically advisable, additional and guest meals, and additional storage. Fees for optional services may be changed from time to time upon 60 days prior written notice to residents.

The following table sets forth the Entrance Fees and estimated Monthly Fees for the independent living apartments:

**Independent Living Apartment Fee Schedule**

| | No. of Units | Approximate Square Footage | Refundable Entrance Fee Per Unit | 2006-2007 Monthly Fee First Person | 2006-2007 Monthly Fee Second Person |
|---|---|---|---|---|---|
| Custom Studio | 3 | 523 | $ 99,840 | $1,295 | $495 |
| One-Bedroom Traditional | 6 | 633 | $146,120 | $1,890 | $495 |
| One-Bedroom Deluxe | 24 | 738 | $157,375 | $2,105 | $495 |
| One-Bedroom Custom | 3 | 770 | $161,160 | $2,150 | $495 |
| One-Bedroom Manor | 2 | 770 | $161,160 | $2,150 | $495 |
| One-Bedroom Classic | 1 | 896 | $164,950 | $2,190 | $495 |
| Two-Bedroom Special | 21 | 948 | $168,620 | $2,235 | $495 |
| Two-Bedroom Traditional (N) | 2 | 1006 | $192,830 | $2,360 | $495 |
| Two-Bedroom Traditional (S) | 2 | 1006 | $192,830 | $2,360 | $495 |
| Two-Bedroom Manor (N) | 9 | 1045 | $209,615 | $2,495 | $495 |
| Two-Bedroom Classic (W) | 6 | 1045 | $209,615 | $2,495 | $495 |
| Two-Bedroom Classic (E&S) | 9 | 1045 | $209,615 | $2,495 | $495 |
| Two-Bedroom Deluxe | 3 | 1193 | $225,735 | $2,565 | $495 |
| Two-Bedroom Custom | 7 | 1293 | $238,995 | $2,625 | $495 |
| Two-Bedroom Grand | 8 | 1304 | $252,300 | $2,825 | $495 |

***Fees for Assisted Living Units***. Assisted living unit residents will pay a Monthly Fee that covers the same basic service provided to residents of independent living units, except that residents of assisted living units will receive three meals per day and assistance with activities of daily living, as needed, but not to the level of intermediate or skilled nursing care. In addition, assisted living residents will not receive underground parking in their Monthly Fee. As of August 1, 2006, Monthly Fees range from $3,325.00 to $3,565.00, depending on size of unit selected. An additional $885.00 is charged for dual occupancy regardless of the unit size. If a spouse or co-resident is transferred to an assisted living apartment, the non-transferred spouse or co-resident in the independent living apartment will continue to pay the current charge for single occupancy of the unit occupied.

The new assisted living units and the new assisted living memory support units are anticipated to be available for occupancy in the Fall of 2007. The Monthly Fees are anticipated to range from $3,947.00 to $4,571.00 for the new assisted living units. An additional fee of $995.00 will be charged for dual occupancy regardless of the size of the unit. The Monthly Fee for the assisted living memory support units will be $5,071.00.

***Fees for Nursing***. Nursing residents pay a per diem rate that covers nursing services. The per diem rates currently in effect range from $172.00 to $198.00, depending on type of room and level of services provided. If a spouse or co-resident is transferred to a nursing unit, the non-transferred spouse or co-resident in the independent living unit will continue to pay the current charge for single occupancy of the unit occupied.

***Admissions Requirements***. To be accepted for residence at the Facility, a resident must not be of the condition that either (a) presents a direct threat to the health or safety of other individuals or such that occupancy would result in substantial physical damage to the property of others, or (b) such resident is physically or mentally incapable of caring for himself and the independent living unit occupied.

Each prospective resident must have sufficient assets and income to meet the minimum guidelines established by the Corporation, unless waived by the Corporation. As a general rule, a resident's obligation for payment of a Monthly Fee for an independent living apartment should not exceed 50% of the resident's monthly income after payment of the Entrance Fee. Each resident must complete a confidential data application and agree not to transfer assets to other individuals or agents for purposes other than to meet living expenses deemed ordinary and customary for persons of similar age and physical condition.

Each resident must be at least 62 years of age. No dependent children may reside in the Facility unless otherwise agreed by the Corporation.

## RESIDENCY AGREEMENT

*Independent Living Apartments*. Applicants for residency in the independent living apartments must enter into a residency agreement (a "Residency Agreement") with the Corporation and generally must exhibit an ability to live independently and to meet their financial obligations as residents of the independent living apartments, unless waived by the Corporation. The Residency Agreement sets forth the amounts and time of payment of the Entrance Fee and Monthly Fee and the circumstances in which the Entrance Fee is refundable, all as described above. The Residency Agreement may be terminated by the resident at any time subject to 60 days written notice to the Corporation, or by the Corporation, if the resident fails to pay any amount owed to the Corporation under the Residency Agreement; provided resident will have thirty days to cure any such default; or if the resident (a) is or becomes infected with a dangerous or contagious disease or a disease for which the Community is not licensed to provide care, (b) becomes mentally or emotionally disturbed to the degree that resident's continued presence in the Community is deemed by the medical advisor to be detrimental to the health, safety or welfare of resident or to other residents of the Community, (c) is determined by a court of competent jurisdiction to be legally incapacitated or incompetent, (d) resident creates a disturbance within the Community which is detrimental to the health, safety or peaceful enjoyment of the other residents, or (e) files for protection under bankruptcy laws or conveys all of the resident's assets for the benefit of creditors. The Residency Agreement will automatically terminate when a resident dies.

*Assisted Living*. The Community also includes an Assisted Living Center for persons in need of supportive services, but not intermediate or skilled nursing care. Residents will be transferred to the Assisted Living Center on a priority basis as appropriate, upon meeting standards for admission then in effect. Residents pay fees and charges then in effect for occupancy in the Assisted Living Center.

*Nursing Care*. The Community also includes a Health Center for residents in need of nursing care. If transfer to nursing care is appropriate for a resident as provided in the Residency Agreement and admission requirements are met, then the resident will be given priority admission to the extent allowed by licensure and law and availability of space. Residents will pay fees and charges then in effect for occupancy in the Health Center.

*Long-Term Care Benefit*. The Corporation provides a limited package of long-term care benefits (the "Long-Term Care Benefit") to each independent living resident. Residents who qualify for the Long-Term Care Benefit will be required to use the Corporation's Assisted Living Center or Health Center as availability permits in order to receive such benefit. This Long-Term Care Benefit is designed to assist residents in the reduction of costs associated with increased levels of care should they ever be required.

**(i) Temporary Transfer.** If an independent living apartment resident utilizes assisted living or nursing on a temporary basis and plans to return to his or her independent living unit, the resident will be responsible for paying fees and costs currently in effect for both levels of care.

**(ii) Permanent Transfer.** If an independent living apartment resident whether previously residing in a single or double occupancy apartment home permanently transfers to assisted living or nursing care and vacates his or her independent living apartment, the resident will be responsible for all fees and costs of the appropriate level of care. Following permanent assignment to assisted living or nursing care, the Corporation will provide eligible residents the following financial benefit/discount to offset the cost of the higher level of care:

a. Residents transferring to assisted living will receive $500 monthly while in assisted living for up to 36 months.

b. Residents transferring to nursing care will receive $1,000 monthly while in nursing care for up to 36 months.

c. if used to completion, the total maximum value of the benefit is $36,000, whether used for assisted living, nursing care or a combination of both, in single or multiple incidents.

d. Upon the expiration of the Long-Term Care Benefit, the refundable resident deposit will be refunded in accordance with the Residency Agreement.

*Health Insurance by Resident*. Each resident is required to enroll in Medicare Parts A and B and any future program that may be offered by Medicare or in an acceptable equivalent program and maintain in effect supplemental Medicare insurance coverage. Residents not qualifying for Medicare coverage because of age are required to maintain comprehensive health coverage satisfactory to the Corporation.

*Agreement to Make a Temporary or Permanent Transfer*. Each resident agrees to make a temporary transfer to the Assisted Living Center, if deemed appropriate, or Health Center, in the event that the Corporation determines that such resident is unable to live independently in his or her independent living apartment. To the extent feasible, the Corporation will make all

determinations concerning temporary or permanent transfers in consultation with the resident, family members or representatives and an attending physician. A resident will be considered a Permanent Transferee and will forfeit rights to his or her independent living unit if he is unlikely to return to such unit within 90 days and is moved to the Assisted Center or Health Center.

*Changes in Occupancy*. If an independent living apartment is occupied by two persons and one surrenders possession of the unit other than by death or by transfer to the other resident, the obligations of the person remaining in the unit under the Agreement remain in legal force and effect, except that the Monthly Fee will be adjusted to reflect the single occupancy rate then in effect for the unit. No refund of the Entrance Fee will occur until the remaining person leaves and the unit is occupied by a new resident. A resident may elect not to receive a refund of the Entrance Fee at such time and have the Corporation invest such resident's Entrance Fee for the resident's benefit and pay such amounts to the resident.

If a resident, while at the Facility, marries an individual who does not meet the residency requirements for the Facility, the Corporation, at its sole discretion, may allow such person to reside at the Facility. However, such person will not have any rights, privileges or protection under the Residency Agreement and may have to pay additional fees.

**Financial Assistance**

The Corporation may assist residents who become unable to pay in full the Monthly Fee or other charges by reason of circumstances beyond the resident's control. If the Corporation determines that there are facts justifying such assistance, the Corporation may subsidize in whole or in part a resident's Monthly Fee and other charges. Any decision to grant financial assistance to a resident will be within the sole discretion of the Corporation and will be limited by the Corporation's obligation to meet its commitments to all residents and to operate on a sound financial basis.

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# APPENDIX B

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# FINANCIAL STATEMENTS

Community Village, Inc.
Years Ended June 30, 2005, 2004, and 2003

Community Village, Inc.

Financial Statements

Years Ended June 30, 2005, 2004, and 2003

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ERNST & YOUNG

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Chicago, IL 60606-6301

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www.ey.com

# Report of Independent Auditors

Board of Directors
Community Village, Inc.

We have audited the accompanying balance sheets of Community Village, Inc. (the Corporation) as of June 30, 2005, 2004, and 2003, and the related statements of operations and changes in net assets and cash flows for each of the three years in the period ended June 30, 2005. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Village, Inc. at June 30, 2005, 2004, and 2003, and the results of its operations and changes in net assets and its cash flows for each of the three years in the period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

September 1, 2005

# Community Village, Inc.

## Balance Sheets

| | June 30 | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | **$ 2,158,488** | $ 2,339,851 | $ 2,631,185 |
| Resident receivable | **202,833** | 644,967 | 621,329 |
| Other receivable | **165,147** | 142,072 | 162,491 |
| Prepaids and other assets | **315,402** | 279,214 | 294,038 |
| Total current assets | **2,841,870** | 3,406,104 | 3,709,043 |
| Assets limited as to use: | | | |
| Internally designated for capital improvements | **12,163,053** | 11,724,956 | 11,317,548 |
| Externally designated under debt agreements | **3,303,905** | 3,226,430 | 3,862,918 |
| Deferred financing costs, net of accumulated amortization ($268,329 in 2005, $226,418 in 2004, and $184,543 in 2003) | **607,872** | 649,783 | 691,658 |
| Acquisition costs of initial residency agreements and other intangibles, net of accumulated amortization ($1,175,838 in 2005, $993,911 in 2004, and $789,292 in 2003) | **469,571** | 651,497 | 856,116 |
| Land, buildings, and equipment, net | **28,307,448** | 29,415,657 | 30,567,706 |
| Total assets | **$ 47,693,719** | $ 49,074,427 | $ 51,004,989 |
| **Liabilities and net assets** | | | |
| Current liabilities: | | | |
| Accounts payable | **$ 266,767** | $ 159,829 | $ 217,172 |
| Accrued expenses and other | **900,075** | 1,234,896 | 1,190,462 |
| Construction retainage payable | **–** | – | 882,392 |
| Current portion of long-term debt | **545,000** | 610,000 | 490,000 |
| Refundable residents deposits | **62,014** | 218,166 | 32,423 |
| Total current liabilities | **1,773,856** | 2,222,891 | 2,812,449 |
| Other liabilities | **–** | – | 7,400 |
| Deferred revenue from advance fees, net of accumulated amortization ($2,300,456 in 2005, $1,897,857 in 2004, and $1,476,244 in 2003) | **13,774,378** | 13,994,455 | 14,683,495 |
| Long-term debt, less current portion | **24,680,000** | 25,225,000 | 25,740,000 |
| Total liabilities | **40,228,234** | 41,442,346 | 43,243,344 |
| Unrestricted net assets | **7,465,485** | 7,632,081 | 7,761,645 |
| Total liabilities and net assets | **$ 47,693,719** | $ 49,074,427 | $ 51,004,989 |

*See accompanying notes.*

Community Village, Inc.

Statements of Operations and Changes in Net Assets

| | Years Ended June 30 | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| **Revenue** | | | |
| Net resident service revenue | **$ 11,805,233** | $ 11,552,437 | $ 11,066,165 |
| Investment income | **540,339** | 637,592 | 489,194 |
| Other | **106,594** | 89,144 | 94,087 |
| Total unrestricted revenue | **12,452,166** | 12,279,173 | 11,649,446 |
| | | | |
| **Expenses** | | | |
| Salaries | **4,717,583** | 4,596,162 | 4,478,822 |
| Employee benefits | **1,295,524** | 1,171,457 | 1,002,052 |
| Medical and other supplies | **1,036,208** | 1,005,231 | 958,804 |
| Outside services | **1,002,283** | 967,722 | 899,724 |
| Depreciation and amortization | **1,643,439** | 1,657,425 | 1,656,680 |
| Interest expense | **1,307,608** | 1,254,074 | 1,312,565 |
| Other | **1,209,812** | 1,183,904 | 1,266,674 |
| Total expenses | **12,212,457** | 11,835,975 | 11,575,321 |
| Revenue in excess of expenses | **239,709** | 443,198 | 74,125 |
| Net assets transferred to affiliates | **(500,000)** | (500,000) | (500,000) |
| Change in unrealized appreciation (depreciation) in fair value of investments | **93,695** | (72,762) | 525,040 |
| Increase (decrease) in unrestricted net assets | **(166,596)** | (129,564) | 99,165 |
| Unrestricted net assets at beginning of year | **7,761,645** | 7,761,645 | 7,662,480 |
| Unrestricted net assets at end of year | **$ 7,595,049** | $ 7,632,081 | $ 7,761,645 |

*See accompanying notes.*

Community Village, Inc.

Statements of Cash Flows

| | Years Ended June 30 | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| **Operating activities** | | | |
| Change in net assets | **$ (166,596)** | $ (129,564) | $ 99,165 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | |
| Depreciation and amortization | **1,643,439** | 1,657,425 | 1,656,680 |
| Amortization of admission fees | **(402,599)** | (421,613) | (436,692) |
| Change in unrealized (appreciation) depreciation in investments | **(93,695)** | 72,762 | (525,040) |
| Advance fees and deposits received (paid) | **182,522** | (267,427) | 363,145 |
| Net assets transferred to affiliates | **500,000** | 500,000 | 500,000 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and other current assets | **382,871** | 11,605 | 26,143 |
| Accounts payable, accrued expenses, and other | **(384,035)** | 165,434 | 101,946 |
| Construction payable | **–** | (882,392) | (30,747) |
| Net cash provided by operating activities | **1,661,907** | 706,230 | 1,754,600 |
| **Investing activities** | | | |
| Purchase of land, buildings, and equipment, net | **(311,393)** | (258,882) | (199,158) |
| Sales and maturities of assets limited as to use | **3,111,262** | 4,094,311 | 1,428,646 |
| Purchases of assets limited as to use | **(3,533,139)** | (3,937,993) | (4,370,741) |
| Net cash used in investing activities | **(733,270)** | (102,564) | (3,141,253) |
| **Financing activities** | | | |
| Payment of notes payable | **(610,000)** | (395,000) | – |
| Net assets transferred to affiliates | **(500,000)** | (500,000) | (500,000) |
| Net cash used in financing activities | **(1,110,000)** | (895,000) | (500,000) |
| Decrease in cash | **(181,363)** | (291,334) | (1,886,653) |
| Cash and cash equivalents at beginning of year | **2,339,851** | 2,631,185 | 4,517,838 |
| Cash and cash equivalents at end of year | **$ 2,158,488** | $ 2,339,851 | $ 2,631,185 |

*See accompanying notes.*

Community Village, Inc.

Notes to Financial Statements

Years Ended June 30, 2005, 2004 and 2003

## 1. Organization and Description of the Business

Community Village, Inc. (Corporation) is an Indiana not-for-profit corporation established for the purpose of providing housing, healthcare, and other long-term care services to residents through the development, ownership, and operation of a senior living community in Northwest Indiana (Hartsfield Village). There are 103 independent living units, 50 assisted living units, and 106 beds in the nursing care facility. A majority of the Corporation's expenses relate to providing healthcare services. The Corporation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

Community Foundation of Northwest Indiana, Inc. (Foundation) and St. Margaret Mercy Healthcare Centers, Inc. (St. Margaret) are the sole members of the Corporation with membership interests of 60% and 40%, respectively. The Corporation's Board of Directors includes directors appointed by its members in direct proportion to their membership interests in the Corporation in addition to the chairmen of the boards of both members. The capital requirements of the Corporation, as determined by its Board of Directors, are to be contributed by its members in direct proportion to their membership interests.

The Corporation operates under the "continuing care" concept in which certain residents enter into an occupancy agreement that requires payment of a one-time admission fee and a monthly service fee. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. Also, under the terms of the occupancy agreement, eligible residents are entitled to receive certain limited healthcare benefits from the Corporation. The total maximum benefit per resident under the residency agreement is $36,000, whether used in single or multiple incidents.

## 2. Summary of Significant Accounting Policies

### Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less.

**2. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ.

**Accounts Receivable**

The Corporation evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible. The Corporation does not require collateral.

**Assets Limited as to Use**

Assets limited as to use consist of investments set aside by the Board of Directors (Board) for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Additionally, assets limited as to use include investments held by trustees under debt agreements.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income is included in revenue in excess of expenses unless the income or loss is restricted by donor or law. Unrealized (depreciation) appreciation in the value of investments is recognized as changes in unrestricted net assets.

**Deferred Financing Costs**

Deferred financing costs are amortized using the straight-line method over the term of the related financing agreement, which approximates the effective interest method.

**2. Summary of Significant Accounting Policies (continued)**

**Acquisition Costs of Initial Residency Agreements**

Acquisition costs of initial residency agreements include costs associated with the procurement of initial residency agreements. Amortization of such costs began February 1, 2002, one year following completion of the facility.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost. Depreciation is computed on the straight-line method based on the following estimated useful lives:

| | |
|---|---|
| Land improvements | 21 years |
| Buildings | 40 years |
| Furniture and equipment | 3-17 years |

**Refundable Deposits**

Refundable deposits represent amounts received from interested seniors placing them on a priority list and making them eligible, once qualified, to receive certain resident benefits upon occupancy and amounts received from seniors based on a deposit of 10% of the entrance fee for the unit selected under the residency agreement, making them eligible to receive certain other benefits. Deposits received by the Corporation and refunded prior to occupancy would include interest at a rate which approximates the rate earned by the Corporation on the balance of such resident deposits held.

**Refundable and Unearned Residency Fees**

The Corporation offers a return of capital plan. This plan provides for a refund of advance residency fees of 90% for double occupancy and 95% for single occupancy upon termination of the residency contract or death and reoccupancy of the vacated or a similar unit before amounts are required to be refunded.

**2. Summary of Significant Accounting Policies (continued)**

The refundable amount of the residency fees paid in advance by residents of the Corporation under residency contracts is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated life of the facility. The balance of refundable residency fees at June 30, 2005, 2004, and 2003, is $15,009,829, $14,924,979, and $15,105,690, respectively. The related amortization at June 30, 2005, 2004, and 2003, is $1,972,919, $1,589,318, and $1,215,754, respectively. The nonrefundable portion of the residency fees paid in advance is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated remaining life expectancy of each resident. The balance of nonrefundable residency fees at June 30, 2005, 2004, and 2003, is $1,065,005, $967,333, and $1,054,049, respectively. The related amortization at June 30, 2005, 2004, and 2003, is $327,537, $308,590, and $260,490, respectively.

**Obligation to Provide Future Services**

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from admission fees, a liability (obligation to provide future services) is recorded with a corresponding charge to operations. At June 30, 2005, 2004, and 2003, no such excess required accrual.

**Restricted Net Assets and Contributions**

Temporarily and permanently restricted net asset classifications are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operation of the Corporation. At June 30, 2005, 2004, and 2003, the Corporation did not have temporarily or permanently restricted net assets.

Unconditional promises of others to contribute cash or other assets to the Corporation are reported at fair value at the date the promise is made to the extent estimated to be collectible. Contributions received with donor restrictions that limit the use of the contributed assets are reported as increases in temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for which the contributed assets were restricted is fulfilled, temporarily restricted net assets are reclassified as

**2. Summary of Significant Accounting Policies (continued)**

unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Net assets released from restrictions that are used for the purchase of fixed assets or for capital purposes in accordance with the donor restriction are reported in the statements of operations and changes in net assets as other increases in unrestricted net assets. Net assets released from restrictions that are used for operating purposes are reported in the statements of operations and changes in net assets as unrestricted support.

Resources restricted by donors or grantors for specific operating purposes are reported as unrestricted revenue and other support to the extent expended within the period. Earnings on restricted resources if also restricted by the donor are reported as additions to temporarily restricted net assets until such amounts are expended in accordance with the donor's specifications.

**Revenue in Excess of Expenses**

The statements of operations and changes in net assets include revenue in excess of expenses. Changes in unrestricted net assets, which are excluded from revenue in excess of expenses, include unrealized appreciation or depreciation on investments and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, were to be used for the purposes of acquiring such assets).

**Net Resident Service Revenue**

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

**2. Summary of Significant Accounting Policies (continued)**

**Professional Liability**

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Corporation has the option to purchase insurance for claims having occurred during its term but reported subsequently. Prior to July 1, 1999, the Indiana Medical Malpractice Act provided for a maximum recovery of $750,000 per occurrence for professional liability, $100,000 of which would be paid through the Corporation's malpractice insurance coverage, and the balance would be paid by the State of Indiana Patient Compensation Fund. As of July 1999, the Indiana Medical Malpractice Act provides recovery up to $1,250,000 per occurrence, with the first $250,000 covered by the Corporation's insurance.

**3. Contractual Arrangements With Third-Party Payors**

The Corporation provides care to certain residents under Medicare and Medicaid reimbursement arrangements. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined. Reported costs and/or services provided under certain of the arrangements are subject to audit by the administering agencies. Changes in Medicare and Medicaid programs and reduction in funding levels could have an adverse effect on the future amounts recognized as net resident service revenue.

Amounts received under the Medicare and Medicaid payments arrangement account for 19% of the Corporation's net resident service revenue in 2005, 2004, and 2003. Medicare and Medicaid accounts receivable account for 62%, 30%, and 27% of the Corporation's net accounts receivable at June 30, 2005, 2004, and 2003, respectively.

Provision has been made in the financial statements for estimated contractual adjustments, representing the difference between the Corporation's standard charges for services and the estimated payments to be received from the third-party payors.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

## 4. Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30 (in thousands):

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Land and improvements | **$ 5,776** | $ 5,731 | $ 5,714 |
| Buildings and components | **20,195** | 20,126 | 20,029 |
| Furniture and equipment | **11,312** | 11,113 | 10,969 |
| | **37,283** | 36,970 | 36,712 |
| Less allowances for depreciation | **8,976** | 7,554 | 6,144 |
| | **$ 28,307** | $ 29,416 | $ 30,568 |

## 5. Assets Limited as to Use and Other Financial Instruments

The composition of assets limited as to use at June 30 is summarized as follows (in thousands):

| | 2005 | | 2004 | | 2003 | |
|---|---|---|---|---|---|---|
| | Cost | Fair Value* | Cost | Fair Value* | Cost | Fair Value* |
| U.S. government obligations | **$ 3,510** | **$ 3,525** | $ 3,701 | $ 3,699 | $ 4,204 | $ 4,428 |
| Corporate bonds | **3,751** | **3,797** | 3,695 | 3,602 | 3,085 | 3,372 |
| Repurchase agreements | **886** | **876** | – | – | – | – |
| Equities | **3,635** | **3,863** | 3,599 | 3,879 | 3,739 | 3,485 |
| Cash equivalents | **3,406** | **3,406** | 3,772 | 3,772 | 3,896 | 3,896 |
| | **$ 15,188** | **$ 15,467** | $ 14,767 | $ 14,952 | $ 14,924 | $ 15,181 |

*The fair value of investments is based on quoted market values.

**5. Assets Limited as to Use and Other Financial Instruments (continued)**

Total investment return consists of the following for the years ended June 30 (in thousands):

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Dividend and interest income | **$ 677** | $ 593 | $ 577 |
| Net realized (losses) gains on the sale of investments | **(87)** | 93 | (45) |
| Management fees | **(50)** | (48) | (43) |
| | **540** | 638 | 489 |
| Net change in unrealized appreciation (depreciation) on investments | **94** | (73) | 525 |
| | **$ 634** | $ 565 | $ 1,014 |

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are reasonable estimates of their fair value due to the short-term nature of those financial instruments.

**6. Long-Term Debt**

Long-term debt consists of the following at June 30 (in thousands):

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Indiana Health Facility Financing Authority Revenue Bonds, Series 1997A, maturing in varying installments through 2027; bearing interest at fixed rates ranging from 5.4% to 6.375% | **$ 15,625** | $ 15,935 | $ 16,230 |
| Indiana Health Facility Financing Authority Variable Rate Demand Revenue Bonds, Series 1997B, maturing in varying installments through 2027; interest rate varies weekly based on prevailing market conditions (2.97% at June 30, 2005) | **9,600** | 9,900 | 10,000 |
| | **25,225** | 25,835 | 26,230 |
| Less current portion | **545** | 610 | 490 |
| | **$ 24,680** | $ 25,225 | $ 25,740 |

**6. Long-Term Debt (continued)**

Effective September 1, 1997, the Indiana Health Facility Financing Authority (Authority), on behalf of the Corporation, issued its Revenue Bonds, Series 1997A, and its Variable Rate Demand Revenue Bonds, Series 1997B, in the principal amounts of $16,230,000 and $10,000,000, respectively. The 1997A and 1997B Bonds (1997 Series Bonds) were used to finance the construction of the senior living facility. Contemporaneously with the issuance of the Series 1997 Bonds, the Corporation entered into a Master Trust Indenture and a Master Note. The Master Trust Indenture required the Corporation to comply with certain financial covenants subsequent to the termination of a Credit Support Agreement (see below). The bonds are collateralized by substantially all of the assets of the Corporation.

At June 30, 2005, the fair market value of the Series 1997A fixed rate debt was $15,629,000.

The Series 1997B Bonds were initially issued as a floating rate obligation. However, they may be converted to either an adjustable or fixed rate obligation at the discretion of the Corporation.

The Corporation has an irrevocable letter-of-credit agreement with a bank under the terms of which the bank agrees to make liquidity loans to the Corporation in the amount necessary to purchase the Series 1997B Variable Rate Demand Revenue Bonds if not remarketed. The maximum amount of the liquidity loan would be the principal ($9,600,000 at June 30, 2005) plus accrued interest. The liquidity loans are payable upon expiration of the letter of credit, which is September 2007.

Annual principal maturities of long-term debt and sinking fund requirements for each of the next five years are as follows, assuming remarketing of the Series 1997B Variable Rate Demand Revenue Bond:

| | |
|---|---|
| 2006 | $ 545,000 |
| 2007 | 605,000 |
| 2008 | 640,000 |
| 2009 | 680,000 |
| 2010 | 720,000 |

Interest paid amounted to $1,153,023, $1,099,457, and $1,146,609 in 2005, 2004, and 2003, respectively.

**7. Development Services and Management Agreements**

The Corporation has entered into a development services agreement and a management agreement with an independent senior housing consultant. Under the development services agreement, the Corporation has agreed to pay $1,089,000 in varying installments at scheduled times or upon reaching certain stages of development in connection with the development of the Hartsfield Village Project. Under the management agreement, the Corporation has agreed to pay $8,500 per month, beginning six months prior to occupancy, plus an incentive fee of up to $3,000 per month based upon reaching certain predetermined rates of occupancy for a period not to exceed five years in connection with the management of the operations of the Hartsfield Village Project. Total expenses incurred under these agreements amounted to $372,000, $369,000, and $383,000 in 2005, 2004, and 2003, respectively.

**8. Contingencies**

The Corporation is involved in certain legal actions arising in the ordinary course of business. Although the Corporation is unable to precisely estimate the ultimate cost of these claims, a provision is made for management's best estimate of losses for uninsured portions of pending claims and for known incidents that may result in the assertion of additional claims. Management believes, after considering legal counsels' evaluations of all actions and claims, that insurance coverage and accruals recorded for estimated losses are adequate to cover expected settlements.

**9. Employee Benefits**

The Corporation sponsors a 401(k) defined-contribution plan covering substantially all eligible employees. Employee contributions to the plan are voluntary. Participants may contribute up to 25% of their salary up to the annual tax deferred contribution limit allowed by the Internal Revenue Service. The Corporation may contribute discretionary amounts to the plan. Discretionary contributions were $38,600, $36,900, and $35,400 in 2005, 2004, and 2003, respectively. Total plan expenses amounted to $1,935, $945, and $900 in 2005, 2004, and 2003, respectively.

# APPENDIX C

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

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## DEFINITIONS OF CERTAIN TERMS

*The following are definitions of certain terms used in this Official Statement.*

"Accountant's Certificate" means a certificate, report or opinion prepared and executed by a firm of independent certified public accountants acceptable to the Master Trustee that has no interest, direct or indirect, in any Obligated Issuer and, in the case of an individual, is not a partner, member, director, officer or employee of any Obligated Issuer and, in the case of a firm, does not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Obligated Issuer.

"Act" means Indiana Code, Title 5, Article 1, Chapter 16, as heretofore and hereafter amended or supplemented.

"Act of Bankruptcy" means the dissolution or liquidation of the Corporation, any Obligated Issuer or the Issuer, or the filing of a voluntary petition in bankruptcy by the Corporation, any Obligated Issuer or the Issuer, or the consent to the filing of a bankruptcy petition against the Corporation, any Obligated Issuer or the Issuer, or the failure by the Corporation, any Obligated Issuer or the Issuer promptly to institute judicial proceedings to lift any execution, garnishment or attachment of such consequence as will materially impair its ability to carry on its operations, or the filing of a petition by or against the Corporation, any Obligated Issuer or the Issuer under the Federal Bankruptcy Code (11 USC 101, *et seq*.), or the adjudication of the Corporation, any Obligated Issuer or the Issuer as a bankrupt, or any assignment by the Corporation, any Obligated Issuer or the Issuer for the benefit of its creditors, or the application for, or consent to, the appointment of any receiver, trustee, custodian or similar officer by the Corporation, any Obligated Issuer or the Issuer, or the entry by the Corporation, any Obligated Issuer or the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Corporation, any Obligated Issuer or the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Code, or under any similar act which may hereafter be enacted, However, no involuntary petition in bankruptcy, or appointment of a trustee, custodian or receiver, without the consent of the Corporation, any Obligated Issuer or the Issuer, will constitute an Act of Bankruptcy until 60 days have elapsed from the date of filing thereof, during which time the Corporation, any Obligated Issuer or the Issuer has been unable to obtain the dismissal of the petition.

"Additional Indebtedness" means any Indebtedness incurred or assumed by an Obligated Issuer subsequent to the date of the Master Indenture.

"Adjustable Rate" means the interest rate per annum on a Series 2006B Bond established as described under "THE SERIES 2006B BONDS—Modes of Operation—Adjustable Rate Mode."

"Adjustable Rate Conversion Date" means the Floating Rate Interest Payment Date on which a Series 2006B Bond begins to bear interest at an Adjustable Rate.

"Adjustable Rate Interest Payment Date" means: (i) with respect to a Series 2006B Bond in an Adjustable Rate Period of 365 days or less, the day following the last day of such Adjustable Rate Period or the maturity date of such Series 2006B Bond (to the extent the conditions in the Bond Indenture are met); and (ii) with respect to a Series 2006B Bond in an Adjustable Rate Period of more than 365 days, each February 1 and August 1, commencing with the February 1 or August 1 next succeeding the Adjustable Rate Conversion Date or the Adjustable Rate Reset Date, or the maturity date of such Series 2006B Bond (to the extent the conditions specified in the Bond Indenture are met).

"Adjustable Rate Mode" means the Mode in which a Series 2006B Bond bears interest at an Adjustable Rate.

"Adjustable Rate Period" means the period from (a) an Adjustable Rate Conversion Date or an Adjustable Rate Reset Date, as appropriate, to (b) a subsequent Conversion Date or Adjustable Rate Reset Date, as appropriate, which Conversion Date or Adjustable Rate Reset Date may not be less than 30 days from commencement of such Period and, if such date is more than 365 days from commencement of such Period, will be any February 1 or

August 1 or the maturity date of such Series 2006B Bond as is specified by the Corporation on the Adjustable Rate Conversion Date or Adjustable Rate Reset Date.

"Adjustable Rate Reset Date" means an Adjustable Rate Interest Payment Date subsequent to an Adjustable Rate Conversion Date on which a Series 2006B Bond begins to bear interest at a new Adjustable Rate.

"Affiliate" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. A Person will be deemed to control another Person for the purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Alternate Credit Facility" means any letter of credit meeting the requirements of the Loan Agreement, or any bank bond purchase agreement, revolving credit agreement, surety bond, bond insurance policy or other agreement or instrument under which any person or entity (other than the Issuer or the Corporation) undertakes to make or provide funds to make payment of the principal or purchase price of and premium, if any (if the Credit Facility being replaced secures the premium, if any, payable upon an optional redemption of such Series 2006B Bonds) and interest on Series 2006B Bonds supported by a Credit Facility, delivered to and received by the Bond Trustee: (i) replacing a then existing Credit Facility; (ii) effective as of a date at least five days prior to the expiration of the Credit Facility being replaced; (iii) expiring on a date which is at least 15 days after an Interest Payment Date with respect to such Series 2006B Bonds and at least five days after the delivery of any Alternate Credit Facility; (iv) issued on similar terms and conditions as the then existing Credit Facility, except that the Alternate Credit Facility may expire on a date which is later (but not earlier) than the expiration date of the Credit Facility being replaced, but such Alternate Credit Facility must have a term of at least 364 days, and that the stated amount of the Alternate Credit Facility must equal the sum of (A) the aggregate principal amount of Series 2006B Bonds at the time Outstanding supported by the Credit Facility (plus, if such Credit Facility secures the premium, if any, payable upon an optional redemption of such Series 2006B Bonds, the maximum premium so secured), plus (B) an amount equal to the number of days' interest computed at the Maximum Rate sufficient to maintain the then current rating on the Series 2006B Bonds; and (v) accompanied by an opinion of Bond Counsel to the effect that the delivery thereof is authorized or permitted by the terms of the Bond Indenture, the Loan Agreement and the Act, and will not adversely affect the exclusion from gross income of interest on the Series 2006B Bonds for federal income tax purposes. Whenever reference is made in this Official Statement to actions occurring or to be taken under the Credit Facility, such reference includes any Alternate Credit Facility, as appropriate. An Alternate Credit Facility may be issued to provide only credit support or liquidity support so long as a separate Alternate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary liquidity support or credit support, as the case may be. An Alternate Credit Facility may be issued to provide credit support, liquidity support or both to one, some or all of the Series 2006B Bonds; however no more than one Alternate Credit Facility may provide credit or liquidity support on some or all of the Series 2006B Bonds at any time. At all times while any Series 2006B Bond is in a Floating Rate Mode or an Adjustable Rate Mode, such Series 2006B Bond will be entitled to both credit support and liquidity support.

"Appraiser" means any Person engaged in the business of appraising property, whether or not employed by, or in any way affiliated with, the Obligated Group. With respect to any appraisal of real property, an Appraiser must be a member of the American Institute of Real Estate Appraisers and licensed to practice in the State of Indiana, and must have at least five years experience in appraising like properties.

"Assisted Living Expansion Project" means any addition to or expansion of the Project to occur on a site contiguous to, or part of the same campus as, the Project, which addition or expansion includes assisted living units.

"Authorized Denomination" means: (i) for any Series 2006B Bond in the Floating Rate Mode, the denomination of $100,000 or any integral multiple of $5,000 in excess thereof; and (ii) for any Series 2006B Bond in the Adjustable Rate Mode or the Fixed Rate Mode, the denomination of $5,000 or any integral multiple thereof.

"Balloon Indebtedness" means Long-Term Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12-month period (a "Balloon Year" ), if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month

period. Balloon Indebtedness does not include Indebtedness that otherwise would be classified under the Master Indenture as Put Indebtedness.

"Beneficial Owner" or "beneficial owner" means the actual purchasers (rather than the registered owners) of the Series 2006B Bonds.

"Bond Counsel" means a firm of attorneys of nationally recognized expertise with respect to the tax-exempt obligations of political subdivisions, selected by the Corporation and acceptable to the Issuer, the Remarketing Agent and the Credit Provider and not objected to by the Bond Trustee.

"Bond Indenture" means the Bond Trust Indenture between the Issuer and the Bond Trustee, dated as of September 1, 2006, including all amendments thereof and supplements thereto.

"Bond Owner," "Bondowner," "Owner," "owner," "Bondholder," "bondholder," "holder" or "owner of the Bonds," when used with respect to a Series 2006B Bond, means the person or entity in whose name such Series 2006B Bond is registered.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated the date of its delivery, among the Issuer, the Corporation and the Underwriter, including all amendments thereof and supplements thereto.

"Bond Registrar" means the Bond Trustee.

"Bond Trustee" means First Midwest Bank, an Illinois state banking corporation, not in its individual capacity but solely as Bond Trustee under the Bond Indenture, or any successor trustee or co-trustee serving as such under the Bond Indenture.

"Bond Year" means the initial period beginning on the date of issuance of the Series 2006B Bonds and ending on August 1, 2007, and thereafter each one year period ending on August 1, or, if earlier, the day on which all outstanding Series 2006B Bonds are retired.

"Book Value" means, when used in connection with Property of any Obligated Issuer, that value of such Property, net of accumulated depreciation, and any unimproved Property or interest therein, as it is carried on the books of account of such Obligated Issuer and in conformity with generally accepted accounting principles, and when used in connection with Property of the Obligated Group, means the aggregate of the values so determined with respect to Property of each member of the Obligated Group.

"Building" means the buildings and site improvements and all other facilities and improvements forming a part of the Facility, and not constituting Fixtures or Equipment, and all other buildings, structures and improvements hereafter located on the Land, as they may at any time exist.

"Business Day" or "business day" means any day other than a day on which banking institutions in the city in which the principal corporate trust office of the Bond Trustee or the principal corporate trust office of the Tender Agent or the principal office of the Remarketing Agent is located, or in the City of Chicago, Illinois, are required or authorized by law to remain closed, or other than a day on which the New York Stock Exchange is closed.

"Certificate of the Obligated Group Representative" means a written certificate signed by the Obligated Group Representative, which certificate (i) shall be deemed to constitute a representation of, and shall be binding upon, each member of the Obligated Group with respect to matters set forth therein and (ii) shall not be deemed to constitute a representation of, and shall not be binding upon, the Obligated Group Representative (or any corporate entity, not a member of the Obligated Group, of which the Obligated Group Representative may be a member, officer, trustee or director) personally.

"Closing Date" means the date the Series 2006B Bonds are delivered to the Underwriter against payment therefor pursuant to the Bond Purchase Agreement.

"Code" means the Internal Revenue Code of 1986, as from time to time supplemented and amended.

"Commitment Indebtedness" means the obligation of any Person to repay amounts disbursed pursuant to a commitment from a financial institution to pay or refinance when due other Indebtedness of such Person, which other Indebtedness would be classified as Short-Term Indebtedness, Balloon Indebtedness or Put Indebtedness under the Master Indenture and was incurred in accordance with the provisions of the Master Indenture.

"Completion Date" means the date of completion of the Project, as that date is certified by a Corporation Representative in accordance with the Loan Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF LOAN AGREEMENT—Project."

"Completion Indebtedness" means any Long-Term Additional Indebtedness incurred by any Obligated Issuer for the purpose of financing, without materially changing the scope thereof, (a) the completion of facilities for which Long-Term Indebtedness, Balloon Indebtedness or Put Indebtedness has been incurred, or (b) the improvement, replacement or substitutions for, or additions to, facilities of such Obligated Issuer for which Long-Term Indebtedness, Balloon Indebtedness or Put Indebtedness has been incurred, necessitated by faulty design, damage to or destruction of such facilities, or required by enactment of legislation or the promulgation of any ruling affecting the operation of such Obligated Issuer by a government agency.

"Construction Index" means the most recent issue of the "Dodge Construction Index for U.S. and Canadian Cities" for the city located closest to the property in question or, if such index is no longer published, such other index as is certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee and is acceptable to the Master Trustee.

"Conversion Date" means an Adjustable Rate Conversion Date, a Floating Rate Conversion Date or a Fixed Rate Conversion Date, as appropriate.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other document pursuant to which such corporation was organized and is existing under the laws of the United States of America or any state thereof, as amended from time to time.

"Corporation Representative" shall mean such person at the time, and from time to time, designated by written certificate of the Corporation furnished to the Issuer and the Bond Trustee containing the specimen signature of such person and signed on behalf of the Corporation by its Chief Executive Officer. Such certificate shall designate an alternate or alternates, any of whom may act at any time as Corporation Representative.

"Corporation" means Community Village, Inc., an Indiana nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee corporation.

"Corporation Bonds" means Series 2006B Bonds purchased with moneys provided to the Tender Agent, or beneficial interests in Series 2006B Bonds purchased with moneys provided to the Remarketing Agent, by the Corporation, the Issuer, the Bond Trustee or an agent of the Bond Trustee for the account of the Corporation or the Issuer, an Affiliate of the Corporation or by another Person for the account of the Corporation or the Issuer.

"Cost of the Project" means the actual costs of the following: (a) labor or materials and related costs of the Project; (b) contract bonds and insurance of all kinds that may be required or necessary during the course of acquisition, construction and installation of the Project that are not paid by the contractor or contractors or otherwise provided for; (c) test borings, surveys, estimates, plans and specifications, and preliminary investigations therefor, supervision of construction, and performance of all other duties required by or reasonably necessary for the acquisition, construction and installation of the Project; (d) all other actual costs that the Corporation is required to pay, under the terms of any contract or contracts, for the acquisition, construction and installation of the Project; (e) any sums required to reimburse the Corporation for actual advances made by the Corporation for any of the above items; (f) Costs of Issuance; (g) any interest accruing on the Bonds; (h) any fees payable to any Credit Provider for any Credit Facility; (i) any fees payable to any Remarketing Agent under any Remarketing Agreement; (j) any development or marketing fees or expenses for the Project; and (k) any other actual costs incurred by either the

Issuer or the Corporation that are properly chargeable to capital accounts with respect to the acquisition, construction and installation of the Project and the financing thereof.

"Costs of Issuance" means (i) payment of all reasonable costs incurred by the Corporation in connection with the issuance of the Series 2006B Bonds including, but not limited to, legal and accounting fees and expenses, printing expenses, financial consultants' fees, financing charges (including underwriting fees and discounts), printing and engraving costs, the fees and expenses of the Rating Agencies, preparation of the financing statements, preparation of any disclosure document and any other documents necessary for the issuance of the Series 2006B Bonds; and (ii) payment of the fees and expenses of the Bond Trustee, the Issuer, any Bond Registrar, the Tender Agent, the Credit Provider, the Remarketing Agent and any construction monitor and the reasonable expenses of their counsel properly incurred under or in connection with the Bond Indenture, the Loan Agreement, the Reimbursement Agreement and the Remarketing Agreement and the transactions contemplated thereby.

"Credit Facility" means the Initial Credit Facility and, if an Alternate Credit Facility is issued, the Alternate Credit Facility. All references to "Credit Facility" are of no effect if (i) the Credit Facility is no longer outstanding and (ii) no obligations of the Corporation to the Credit Provider remain outstanding under the Reimbursement Agreement.

"Credit Provider" means with respect to the Credit Facility supporting any of the Series 2006B Bonds, the issuer of the Initial Credit Facility, and its successor in such capacity and its assigns; or, if an Alternate Credit Facility is issued, the issuer or issuers thereof, and their successors in such capacity and their assigns. All references to "Credit Provider" will be of no effect if (i) no Series 2006B Bond is secured by a Credit Facility, and (ii) no obligations of the Corporation to the Credit Provider remain outstanding under the Reimbursement Agreement.

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

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

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

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

"Days' Cash on Hand" of any Person on any date for any period means the amount determined by dividing (a) the sum of the amount of cash, cash equivalents and marketable securities plus (without duplication) the amount of any board-designated assets consisting of cash, cash equivalents and marketable securities (excluding trustee-held funds (such as any debt service reserve fund held by any Related Bond Trustee under any Related Bond Indenture)

and donor-restricted funds) of such Person on such date, as shown on the most recent audited or unaudited financial statements of such Person, by (b) the quotient obtained by dividing the operating expenses (excluding depreciation and amortization expense) of such Person for such period, as shown on such financial statements, by the number of days in such period.

"Debt Service" means the aggregate annual principal (whether at maturity or pursuant to sinking fund redemption retirements), interest payments and other payments of the Obligated Issuers on Outstanding Long-Term Indebtedness, including but not limited to any Balloon Indebtedness, Commitment Indebtedness and Put Indebtedness that constitutes Long-Term Indebtedness, for the period of time for which calculated. However, for purposes of calculating such amount:

(a) the amount of such payments for any future period will be calculated in accordance with the assumptions contained in the Master Indenture (see "SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE—Covenants of Obligated Issuers—Restrictions as to Incurrence of Additional Indebtedness" and "—Calculation of Debt Service";

(b) principal and interest will be excluded from the determination of Debt Service to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Master Trustee, a Related Bond Trustee or another person approved by the Master Trustee; and

(c) any annual fees payable in respect of any Credit Facility (other than annual fees to be paid from amounts escrowed for such purpose) will be included in the determination of Debt Service.

"Debt Service Coverage Ratio" means, for any period, the ratio of Net Income Available for Debt Service for such period to the Debt Service for such period.

"Engineer" means any engineer or firm of engineers licensed to practice in the State of Indiana, selected by the Corporation and acceptable to the Master Trustee.

"Entrance Fees" means the fees, other than monthly service charges, paid by residents of the Facility to the Corporation for the purpose of obtaining the right to reside in the Facility, including any Refundable Resident Deposits described in Residency Agreements with respect to the Facility, but excluding any such amounts that are escrowed or otherwise set aside pursuant to the requirements of any Residency Agreement prior to the occupancy of the unit covered by such Residency Agreement (which amounts shall be included if and when such occupancy occurs).

"Equipment" means any and all items of furniture, machinery, equipment or other personal property located on the Land or in the Building, and all additions thereto and substitutions therefor including the proceeds therefrom, less any machinery, furniture, equipment or other personal property as may be taken by exercise of the power of eminent domain or as may be released from the lien of the Mortgage, as such items may at any time exist.

"Excluded Property" means all Property now owned or hereafter acquired by any Obligated Issuer, except: (a) the Land and (b) any other real property of any Obligated Issuer that is necessary and material to the Obligated Group in its revenue-producing delivery of retirement care services. Any such property shall be deemed to be "necessary and material" if (i) it accounts for 10% or more of the Revenues of the Obligated Group for the most recently completed Fiscal Year for which audited financial statements are available or (ii) the exclusion of the Revenues properly allocable to such property would have caused the Obligated Group to fail to meet, on a *pro forma* basis, any financial covenant, ratio, condition or requirement set forth in the Master Indenture for the most recently completed Fiscal Year for which audited financial statements are available.

"Expansion" means any addition to or expansion of the Project to occur on a site contiguous to, or part of the same campus as, the Project.

"Extendable Indebtedness" means Long-Term Indebtedness that is required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity date (which purchase or redemption requirement may be subject to conditions, including without limitation the availability of certain funds), but no more frequently than once every year.

"Expiration of the Term of the Credit Facility" means the expiration of a then existing Credit Facility in effect with respect to any Series 2006B Bonds, including extensions thereof, without provisions being made for the delivery of an Alternate Credit Facility prior to any date upon which the Bond Trustee is required to give notice of a redemption of Series 2006B Bonds as a result of such expiration. No "Expiration of the Term of the Credit Facility" with respect to a Series 2006B Bond will be deemed to occur to the extent of a remarketing of such Series 2006B Bond on the Fixed Rate Conversion Date without the security of a Credit Facility, and such Series 2006B Bond will not be mandatorially redeemed.

"Facility" means the facility known as "Hartsfield Village" and located in Munster, Indiana, including the Land, all buildings, structures, additions, improvements and fixtures existing or to be constructed on the Land and any furnishings, machinery, equipment and other property being financed in whole or in part with the proceeds of the Series 2006B Bonds and any repairs, replacements, substitutions or improvements thereto.

"Federal Bankruptcy Code" means United States Code, Title 11--Bankruptcy, as from time to time supplemented and amended.

"Fiscal Year" means the fiscal year of the Obligated Group commencing on the first day of July of any calendar year and ending on the thirtieth day of June of the next succeeding calendar year, or such other period as is established from time to time for accounting purposes of the Obligated Group.

"Fixed Rate" means the interest rate per annum on a Series 2006B Bond established as described under "THE SERIES 2006B BONDS—Modes of Operation—Fixed Rate Mode."

"Fixed Rate Conversion Date" means the Floating Rate Interest Payment Date or the Adjustable Rate Interest Payment Date on which a Series 2006B Bond begins to bear interest at the Fixed Rate.

"Fixed Rate Interest Payment Date" means each February 1 and August 1, commencing with the February 1 or August 1 next succeeding the Fixed Rate Conversion Date, and the maturity date of a Series 2006B Bond.

"Fixed Rate Mode" means the Mode in which a Series 2006B Bond bears interest at the Fixed Rate.

"Fixed Rate Period" means the period from the Fixed Rate Conversion Date to the maturity date of a Series 2006B Bond.

"Fixtures" means any and all items or fixtures now owned or hereafter acquired by the Grantor and now or hereafter attached to or installed within or used in connection with the Land.

"Floating Rate" means the interest rate per annum on a Series 2006B Bond established as described under "THE SERIES 2006B BONDS—Modes of Operation—Floating Rate Mode.".

"Floating Rate Conversion Date" means the Adjustable Rate Interest Payment Date on which a Series 2006B Bond begins to bear interest at a Floating Rate.

"Floating Rate Interest Payment Date" means (a) with respect to the Floating Rate Period commencing on the Closing Date, the first Business Day of each month, commencing November 1, 2006, and the maturity date of a Series 2006B Bond (to the extent such Series 2006B Bond is in the Floating Rate Mode at such time), and (b) with respect to each Floating Rate Period commencing after an Adjustable Rate Period, the first Business Day of each month, commencing with the first Business Day of the month next succeeding the Floating Rate Conversion Date, and the maturity date of a Series 2006B Bond.

"Floating Rate Mode" means the Mode in which a Series 2006B Bond bears interest at a Floating Rate.

"Floating Rate Period" means the period from the Closing Date until the earlier of the following Conversion Date or the maturity date of a Series 2006B Bond (to the extent such Series 2006B Bond is in the Floating Rate Mode at such time), and, should a Floating Rate Conversion Date occur, the period from such Floating Rate Conversion Date to the earlier of the following Conversion Date or the maturity date of a Series 2006B Bond (to the extent such Series 2006B Bond is in the Floating Rate Mode at such time).

"Governing Body" means with respect to any corporation the board of trustees or directors or other analogous body established as required by the law of the state of incorporation of such corporation.

"Government Obligations" means (a) United States Government Obligations or (b) evidences of a direct ownership in future interest or principal payments on United States Government Obligations, which obligations are held in a custody account by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian satisfactory to the Bond Trustee pursuant to the terms of a custody agreement.

"Guaranty" when used in connection with a particular Person means all obligations of such Person guaranteeing or in effect guaranteeing any indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any Property or assets constituting security therefor;

(b) to advance or supply funds:

(i) for the purchase or payment of such indebtedness or obligation, or

(ii) to maintain working capital or other balance sheet condition;

(c) to lease Property or to purchase securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the primary obligor to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of the indebtedness or obligation of the primary obligor against loss in respect thereof.

provided, however, that notwithstanding the foregoing, none of the following shall be deemed to constitute a Guaranty: (A) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection; (B) the discount or sale with recourse of any such Person's notes receivable or accounts receivable; (C) rentals payable in future years under operating leases; (D) the obligation to make payments on Notes pursuant to the provisions of the Master Indenture; and (E) any guaranty by an Obligated Issuer of Indebtedness incurred by another Obligated Issuer.

"Indebtedness" means the Notes and all other obligations appearing as liabilities on the balance sheet for the payment of moneys incurred or assumed by any Obligated Issuer, all as determined in accordance with generally accepted accounting principles consistently applied, and Guaranties, except that Indebtedness does not include:

(a) Indebtedness of one Obligated Issuer to another Obligated Issuer;

(b) rentals with respect to operating leases payable in future years;

(c) any continuing obligation of any Obligated Issuer to pay principal of and interest on Indebtedness or with respect to Related Bonds that is deemed to be discharged or defeased in accordance

with the terms of the instrument or instruments creating or evidencing such Indebtedness or Related Bonds, as the case may be; provided, however, that there is delivered to the Master Trustee a letter from a nationally recognized firm of independent certified public accountants verifying the adequacy of any escrow established in connection with the discharge or defeasance of such Indebtedness or Related Bonds;

(d) any obligation of the Corporation to residents of the Facility incurred in the normal course of business for health care, housing or other services; and

(e) any liability for which a prepayment or deposit exists related to the Facility (in the amount of such prepayment or deposit).

"Independent Architect" means an architect, engineer or firm of architects or engineers independently selected by the Corporation and licensed by, or permitted to practice in, the State, which architect, engineer or firm of architects or engineers shall have no interest, direct or indirect, in the Corporation, and, in the case of an individual, shall not be a director, officer or employee of the Corporation and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Corporation; it being understood that an arm's-length contract with any Obligated Issuer for the performance of architectural or engineering services shall not in and of itself be regarded as creating an interest in or an employee relationship with such entity and that the term Independent Architect may include an architect or engineer or a firm of architects or engineers who otherwise meet the requirements of this definition and who also are under contract to construct the facility that they have designed.

"Independent Consultant" means a professional consulting, accounting, investment banking or commercial banking firm in which no employee or officer is an employee or officer of any Obligated Issuer or an employee or elected official of any Related Issuer, appointed by any Obligated Issuer and satisfactory to the Master Trustee (excluding any such firm that then currently manages any facilities pursuant to a contract with any Obligated Issuer), having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for skill and experience in such affairs.

"Independent Insurance Consultant" means a Person who is not an employee or officer of any Obligated Issuer, appointed by any Obligated Issuer and satisfactory to the Trustee, qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Obligated Issuers and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom any Obligated Issuer transacts business.

"Initial Credit Facility" means the original Credit Facility delivered by the Corporation to the Bond Trustee on the Closing Date, against which the Bond Trustee is entitled to draw, in accordance with the terms thereof: (a) an amount sufficient to pay, with respect to the Series 2006B Bonds supported by such Credit Facility, (i) the aggregate principal amount of such Series 2006B Bonds, plus (at the option of the Corporation) an amount equal to the maximum optional redemption premium payable on such Series 2006B Bonds subsequent to such Conversion Date or Adjustable Rate Reset Date, as appropriate, or (ii) the purchase price or a portion of the purchase price equal to the aggregate principal amount of such Series 2006B Bonds delivered for purchase pursuant to the Bond Indenture; plus (b) while Series 2006B Bonds are outstanding in the Floating Rate Mode or the Adjustable Rate Mode, an amount equal to at least 35 days' accrued interest on such Series 2006B Bonds, calculated at an assumed rate per annum established in such Credit Facility and no greater than the Maximum Rate.

"Initial Entrance Fees" means Entrance Fees received upon the initial occupancy of any living unit in the Facility not previously occupied.

"Interest Payment Date" means an Adjustable Rate Interest Payment Date, a Floating Rate Interest Payment Date or a Fixed Rate Interest Payment Date, as appropriate.

"Interest Period" means, while a Series 2006B Bond is in the Floating Rate Mode, the period from and including the Closing Date or a Floating Rate Conversion Date, as appropriate, through and including the following

Wednesday, and, after the first Interest Period, the period from and including Thursday of each week through and including the following Wednesday, whether or not such days are Business Days.

"Issuer" means Indiana Health and Educational Facility Financing Authority and its lawful successors and assigns.

"Issuer Representative" shall mean the Executive Director of the Issuer or such other person at the time, and from time to time, designated by written certificate of the Issuer furnished to the Corporation and the Bond Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Chairman. Such certificate shall designate an alternate or alternates, any of whom may act at any time as Issuer Representative.

"Land" means the real estate in the City of Munster, Indiana, on which the Facility is located.

"Loan" means the loan made by the Issuer to the Corporation from the proceeds of the Series 2006B Bonds pursuant to the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of September 1, 2006, between the Issuer and the Corporation, including all amendments thereof and supplements thereto.

"Long-Term" when used in connection with Indebtedness means Indebtedness having an original maturity greater than one year or renewable or extendible at the option of the Obligated Issuer for a period greater than one year from the date of original issuance or incurrence thereof.

"Master Indenture" means the Master Trust Indenture among the Corporation, certain other persons referred to as "Obligated Issuers" therein, and the Master Trustee, dated as of May 1, 2006, and all amendments and supplements thereto.

"Master Trustee" means First Midwest Bank (successor to Bank Calumet National Association), as trustee under the Master Indenture.

"Maximum Annual Debt Service" means the maximum amount of Debt Service as computed for the then current or any future Fiscal Year.

"Maximum Annual Debt Service Coverage Ratio" means, for any period, the ratio of Net Income Available for Debt Service for such period to the Maximum Annual Debt Service.

"Maximum Rate" means the least of (i) 15% per annum or (ii) the assumed per annum interest rate used in determining the interest portion of the Credit Facility, if any, or (iii) the maximum rate permitted by law. Upon the issuance of the Series 2006B Bonds and the concurrent delivery of the Initial Credit Facility, the Maximum Rate will be 10% while such Initial Credit Facility secures the Bonds.

"Member" means, with respect to any corporation organized on a not-for-profit basis under state law, a Person so designated under such corporation's Corporate Charter having the power to elect or appoint, together with the other Members, the Governing Body of such corporation.

"Mode" means the Adjustable Rate Mode, the Floating Rate Mode or the Fixed Rate Mode, as appropriate. The period that any Series 2006B Bond is in any Mode is not less than 30 days.

"Mortgage" means any mortgage or security interest in, lien, charge or encumbrance on or pledge of Property.

"Mortgage and Security Agreement" means the Mortgage, Security Agreement and Financing Statement, given by the Corporation to the Trustee, dated as of May 1, 2006, as supplemented and amended from time to time.

"Net Income Available for Debt Service" means, as to any period of time, all Revenues of the Obligated Group minus Total Expenses of the Obligated Group other than depreciation, amortization and interest, all as determined on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Mortgage on Property, Plant and Equipment of any Member (other than the Land), the liability for which is effectively limited to Property, Plant and Equipment subject to the Mortgage and the income therefrom, with no recourse, directly or indirectly, to any other Property of any Member. However, Indebtedness will be treated as Non-Recourse Indebtedness only so long as any Member does not, either through a commitment or actual payment, satisfy such Indebtedness with any Property of the Member other than the Property, Plant and Equipment subject to such Mortgage and the income therefrom.

"Note" means any Note issued, authenticated and delivered under the Master Indenture.

"Obligated Group" means the Corporation and each other Obligated Issuer.

"Obligated Group Representative" means the President of the Corporation.

"Obligated Issuer" means the Corporation and any Person that has become an Obligated Issuer pursuant to the Master Indenture and has not withdrawn as such pursuant to the Master Indenture.

"Officer's Certificate" means a certificate signed by the Chairman of the Board of Directors, the President or any Vice President or any other authorized officer of one or more Obligated Issuers.

"Opinion of Bond Counsel" means an opinion in writing signed by legal counsel who is nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers (as described in the definition of the term "Related Issuer") and the exemption from Federal income taxation of interest on such obligations.

"Opinion of Counsel" means an opinion in writing signed by legal counsel who may be an employee of or counsel to the Corporation or any other Obligated Issuer and who is satisfactory to the Master Trustee.

"Opinion Required Conversion" means any of the following Mode changes: (a) a conversion from the Floating Rate Mode to either an Adjustable Rate Mode of a duration of 366 days or more or the Fixed Rate Mode; (b) a conversion from an Adjustable Rate Mode of a duration of 365 days or less to either an Adjustable Rate Mode of a duration of 366 days or more or the Fixed Rate Mode; or (c) a conversion from an Adjustable Rate Mode of a duration of 366 days or more to an Adjustable Rate Mode of a duration of 365 days or less or the Floating Rate Mode.

"Outstanding" means:

(a) when used in connection with Indebtedness, as of any time, Indebtedness issued or incurred and for which payment has neither been made nor been provided for by deposit of money or securities with the Master Trustee or other bank or trust company pursuant to the Master Indenture and does not include Notes surrendered for exchange pursuant to the Master Indenture, or otherwise, Notes for which replacement Notes have been issued pursuant to the Master Indenture, or Notes that the Master Indenture otherwise provides deemed not to be Outstanding; and

(b) when used in connection with the Series 2006B Bonds, at the time in question, means all Series 2006B Bonds which have been executed and delivered by the Issuer and authenticated by the Bond Trustee or the Tender Agent under the Bond Indenture, except:

(i) Series 2006B Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation;

(ii) Series 2006B Bonds paid or deemed to be paid pursuant to the Bond Indenture;

(iii) Series 2006B Bonds in lieu of or in exchange for which other Bonds have been executed and delivered by the Issuer and authenticated by the Bond Trustee or the Tender Agent pursuant to the Bond Indenture; and

(iv) Undelivered Bonds.

"Permitted Encumbrances" means those encumbrances described in "SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE—Covenants of Obligated Group—Restrictions as to Creation of Mortgages."

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a limited liability partnership, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government entity, or any agency or political subdivision thereof.

"Pledged Bonds" means Series 2006B Bonds purchased with moneys provided to the Tender Agent, or beneficial interests in Series 2006B Bonds purchased with moneys provided to the Remarketing Agent, pursuant to the Bond Indenture.

"Premium" or "premium," when used with respect to a Series 2006B Bond, means any amount in addition to the principal of and interest on such Series 2006B Bond that is required to be paid in the event of the exercise of an option or obligation to pay the principal of such Series 2006B Bond prior to maturity as permitted or required by the Bond Indenture, and, when used with respect to the Loan, means any amount in addition to the principal of and interest on the Loan that is required to be paid pursuant to an option or obligation to pay the principal of such Loan prior to maturity as permitted by the Loan Agreement.

"Prepayment" or "prepayment," when used with respect to the Loan, means the payment of all or a portion of the principal of the Loan prior to maturity, except for a payment made in advance of the scheduled due date thereof that is not to be applied against the outstanding principal balance of the Loan until such due date.

"Project" means an addition to or expansion of a residential facility for the elderly in Munster, Indiana.

"Projected Rate" means the projected yield at par of an obligation, as set forth in the report of an Independent Consultant (which Consultant and report, including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee), which report states that in determining the Projected Rate such Independent Consultant reviewed the yield evaluations at par of not less than five obligations selected by such Independent Consultant, the interest on which is exempt from federal income tax (or, if it is not expected that it will be possible to issue such tax-exempt obligations to refinance the Indebtedness with respect to which debt service is being estimated, obligations the interest on which is subject to federal income tax), which obligations such Independent Consultant states in its opinion are reasonable comparators to be utilized in developing such Projected Rate and which obligations: (i) were outstanding on a date selected by the Independent Consultant which date so selected occurred during the 45-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit enhancement including without limitation any letter of credit or insurance policy, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being determined.

"Property," when used in connection with a particular Person, means any and all rights, title and interests of such Person in and to any and all property whether real or personal, tangible or intangible, and wherever situated.

"Property, Plant and Equipment" means, with respect to each Obligated Issuer, the entire complex of tangible long-lived assets used by such Obligated Issuer as shown on the balance sheet of such Obligated Issuer, determined on a combined basis in accordance with generally accepted accounting principles consistently applied.

"Put Date" means any date on which a holder of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed prior to its stated maturity date.

"Put Indebtedness" means Indebtedness that is payable or required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity date.

"Qualified Investments" means:

(a) Government Obligations;

(b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency;

(c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Student Loan Marketing Association) which is either (i) rated in the highest rating category by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;

(d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Bond Trustee or its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which mature not more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) investment agreements with banks that at the time such agreement is executed are rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time such agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if such non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short term indebtedness by any Rating Agency; provided, however, that if such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with such non-bank financial institutions will be permitted;

(h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including without limitation the Bond Trustee), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is, to the knowledge of the Bond Trustee, free and clear of third party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or Bond Trustee's agent;

(i) investments in a money market fund, which may be funds of the Bond Trustee or an affiliate of the Bond Trustee, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Agency;

(j) shares in any investment company, money market mutual fund, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and the majority of whose investments consist solely of Permitted Investments as defined in paragraphs (a) through (i) above, including money market mutual funds from which the Bond Trustee or its affiliates derive a fee for investment advisory or other services to the fund; or

(k) any investment agreement between the Bond Trustee and Transamerica Life Insurance Company.

In addition, moneys in the Purchase Fund may be invested only in Government Obligations which mature no later than the Purchase Date next following the date of such investment.

"Qualified Swap Agreement" means an agreement between an Obligated Issuer and a Swap Provider under which an Obligated Issuer agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay an Obligated Issuer for a specified period of time an amount calculated at an agreed-upon rate or index based upon the same notional amount, where each rating agency then rating any Related Bonds has assigned to the unsecured long-term obligations of the Swap Provider, or of any Person who guarantees the obligation of the Swap Provider to make its payments to an Obligated Issuer, as of the date the swap agreement is entered into, a rating that is within the three highest rating categories (without regard to modifiers) of such rating agency.

"Rating Agency" or "Rating Agencies" means, with respect to any Related Bonds, Standard & Poor's Ratings Services, a division of McGraw Hill Companies, Moody's Investors Service, Inc., and/or Fitch Ratings, Inc., according to which of such rating agencies then rates such Related Bond. However, if none of such rating agencies then rates such Related Bond, the term "Rating Agency" or "Rating Agencies" refers to any national rating agency (if any) which provides such rating.

"Record Date" means (a) with respect to any Floating Rate Interest Payment Date, the close of business on the Business Day next preceding such Interest Payment Date, and (b) with respect to any Adjustable Rate Interest Payment Date or Fixed Rate Interest Payment Date, the close of business on the fifteenth ($15^{th}$) day of the calendar month next preceding the calendar month in which such Interest Payment Date occurs.

"Refunding Indebtedness" means any Additional Indebtedness issued for the purpose of refunding any Outstanding Long-Term Indebtedness, Balloon Indebtedness or Put Indebtedness.

"Related Bond Indenture" means any indenture or other document pursuant to which a series of Related Bonds is issued or incurred.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Bonds" means the bonds, participation certificates, debentures or other obligations of any Related Issuer issued or incurred pursuant to a Related Bond Indenture, the proceeds of which are lent or otherwise made available to any Obligated Issuer in consideration of the execution, authentication and delivery of a Note or Notes to such Related Issuer.

"Related Issuer" means any state of the United States or any municipal corporation or political subdivision formed under the laws thereof or any body corporate and politic or any constituted authority or any agency or instrumentality of any of the foregoing empowered to issue or incur obligations on behalf thereof that is the issuer or obligor of any series of Related Bonds.

"Registered Land Surveyor" means a Person engaged in the profession of surveying land and licensed in the State of Indiana, whether or not employed by, or in any way affiliated with, the Issuer or the Corporation.

"Registration Books" means the registration records of the Issuer, maintained by the Bond Trustee, as registrar for the Series 2006B Bonds.

"Regulations" means the temporary and permanent Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code, as applicable to the Series 2006B Bonds.

"Reimbursement Agreement" means, with respect to each Credit Facility, the agreement pursuant to which such Credit Facility is issued, including all amendments thereof and supplements thereto.

"Remarketing Agent" means the Remarketing Agent appointed in accordance with the Bond Indenture, and means initially Ziegler Securities, a division of B.C. Ziegler and Company.

"Remarketing Agreement" means the Remarketing Agreement between the Corporation and the Remarketing Agent, dated as of September 1, 2006, including all amendments thereof and supplements thereto.

"Residency Agreement" means any agreement between the Corporation and any Person providing for such Person's residence in the Facility.

"Revenues" means for any period: (i) in the case of any Obligated Issuer providing health care or residential and health care related services, the sum of (a) gross service revenues less contractual allowances and provisions for uncollectible accounts, free care and discounted care, plus (b) other operating revenues other than earned Entrance Fees, plus (c) non-operating revenues, all as determined in accordance with generally accepted accounting principles consistently applied, plus (d) Entrance Fees, other than the Initial Entrance Fees, actually received net of refunds; and (ii) in the case of any other Obligated Issuer, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles consistently applied; *provided, however,* that no determination thereof will take into account (u) any unrealized gains or losses resulting from any change in value of any investments or derivative instruments (regardless of whether, under generally accepted accounting principles, such unrealized gains or losses may, for any purpose, be treated as realized gains or losses), (v) income derived from the investment of the proceeds of Cross-over Refunding Indebtedness prior to the Cross-over Date, (w) any gains or losses resulting from the early extinguishment of Indebtedness or the sale, exchange or other disposition of Property not in the ordinary course of business, (x) gifts, grants, bequests or donations restricted as to use for a purpose inconsistent with the payment of Debt Service, (y) insurance (other than business interruption) and condemnation proceeds and (z) amounts required to be excluded with respect to Qualified Swap Agreements. For purposes of any calculation hereunder that is made with reference to both Revenues and Total Expenses, any deduction from revenues otherwise required by the preceding provisions of this definition will not be made if and to the extent that the amount of such deduction is included in Total Expenses.

"Seasoned Funds" means moneys deposited by the Corporation with the Bond Trustee and so designated by the Corporation, which moneys either: (i) are accompanied by an opinion of nationally recognized bankruptcy

counsel (selected by the Corporation and acceptable to the Credit Provider and the Bond Trustee), which opinion is acceptable to Moody's Investors Service, Inc. (if any Series 2006B Bonds are then rated by Moody's Investors Service, Inc.), Standard & Poor's (if any Series 2006B Bonds are then rated by Standard & Poor's), Fitch Ratings, Inc. (if any Series 2006B Bonds are then rated by Fitch Ratings, Inc.), and the Bond Trustee to the effect that such moneys are not subject to avoidance as a preferential transfer under Section 547 of the Federal Bankruptcy Code in the event of the filing of a petition under Chapter 3 of the Federal Bankruptcy Code by or against the Issuer or the Corporation (or any "insider" of the Corporation within the meaning of the Federal Bankruptcy Code); or (ii) have been held by the Bond Trustee for at least 123 days (367 days, if the Corporation's obligations under the Loan Agreement or the Reimbursement Agreement are at any time guaranteed by an "insider" of the Corporation within the meaning of the Federal Bankruptcy Code) prior to the date such moneys are to be used to make payments on the Series 2006B Bonds, provided that no Act of Bankruptcy has occurred (or is continuing) during such 123-day period (367-day period, if the obligations of the Corporation under the Loan Agreement or the Reimbursement Agreement are at any time guaranteed by an "insider" of the Corporation within the meaning of the Federal Bankruptcy Code) after such moneys were deposited with the Bond Trustee.

"Secured Indebtedness" means any Indebtedness secured by a Mortgage.

"Series 2006B Bonds" means the Indiana Health and Educational Facility Financing Authority Variable Rate Demand Revenue Bonds (Community Village, Inc. - Hartsfield Village Project), Series 2006B. Any reference to the Series 2006B Bonds, if it is appropriate in the context in which the term is used, is a reference to the beneficial ownership interests in the Series 2006B Bonds.

"Series 2006B Master Note" means the Series 2006B Master Note issued by the Corporation to the Issuer in accordance with the Master Indenture and the Supplemental Indenture and assigned, pledged and delivered by the Issuer to the Bond Trustee in order to secure the loan by the Issuer to the Corporation of the proceeds of the Series 2006B Bonds and to secure the performance by the Corporation of its obligations under the Loan Agreement.

"Short-Term" when used in connection with Indebtedness means Indebtedness having an original maturity less than or equal to one year, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance, but does not mean Balloon Indebtedness, Commitment Indebtedness or Put Indebtedness.

"Significant Obligated Issuer" means any Obligated Issuer that, for any of the three Fiscal Years immediately preceding the withdrawal of such Obligated Issuer from the Obligated Group, either has had Revenues (determined solely with reference to such Obligated Issuer) greater than or equal to 3% of the Revenues of the Obligated Group for such Fiscal Year or has owned or leased Property having a Book Value greater than or equal to 3% of the Book Value of the Property of the Obligated Group as of the end of such Fiscal year.

"Stable Occupancy" of any facilities means the first day on which the occupancy of such facilities is not less than 90%.

"State" means the State of Indiana.

"Subordinated Indebtedness" means Indebtedness that, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such indebtedness.

"Supplemental Indenture" means Supplemental Indenture No. 4 executed and delivered by the Corporation to the Master Trustee, dated as of September 1, 2006, supplemental to the Master Indenture, providing for the issuance of the Series 2006B Master Note.

"Supplemental Master Indenture" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture for the purpose of creating one or more series of Notes issued thereunder or amending or supplementing the terms thereof.

"Swap Provider" means the counterparty with whom an Obligated Issuer enters into a Qualified Swap Agreement.

"Tax Compliance Agreement" means the Tax Compliance Agreement, dated as of the Closing Date, among the Corporation, the Issuer and the Bond Trustee, as such may be amended or supplemented from time to time in accordance with its terms.

"Tax-Exempt Organization" means a nonprofit corporation organized under the laws of one of the states of the United States of America or the District of Columbia that is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or any predecessor or successor provisions of similar import heretofore or hereafter enacted.

"Tender Agent" means the Tender Agent, if any (or any successor to its interests), appointed in accordance with the Bond Indenture.

"Total Expenses" means total operating and non-operating expenses of each Obligated Issuer, determined on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied; *provided, however,* that no determination thereof will take into account (a) any unrealized gains or losses resulting from any change in value of any investments or derivative instruments (regardless of whether, under generally accepted accounting principles, such unrealized gains or losses may, for any purpose, be treated as realized gains or losses), (b) any extraordinary expenses, (c) any gains or losses resulting from the early extinguishment of Indebtedness or the sale, exchange or other disposition of Property not in the ordinary course of business, and (d) amounts required to be excluded with respect to Qualified Swap Agreements.

"Trust Estate" means:

A. All right, title and interest of the Issuer in, to and under the Loan Agreement (except the Unassigned Rights), including, but without limiting the generality of the foregoing, the present and continuing right thereunder to (i) 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 actions and proceedings thereunder or for the enforcement thereof and (iii) to do any and all things that the Issuer is or may become entitled to do under the Loan Agreement;

B. All right, title and interest of the Issuer in and to the Series 2006B Master Note, and all sums payable in respect of the indebtedness evidenced thereby;

C. All right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture (except amounts held in the Rebate Fund, amounts and Pledged Bonds held in the Custody Account, amounts held in the Purchase Fund and amounts held for particular Bondholders), subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture; and

D. Any and all other property, or interests therein, of every kind or description that may from time to time hereafter, by delivery or by writing of any kind be sold, transferred, conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered to or deposited with the Bond Trustee as additional security thereunder.

"Unassigned Rights" means the Issuer's rights under the Loan Agreement to execute and deliver supplements and amendments to the Loan Agreement, to be reimbursed by the Corporation for reasonable fees and expenses incurred by the Issuer and to be indemnified by the Corporation for any liability incurred by the Issuer pursuant to the Loan Agreement.

"Undelivered Series 2006B Bonds" means any Series 2006B Bond required to be delivered for purchase upon any optional or mandatory tender for purchase, which Series 2006B Bond is not delivered to the Tender Agent on the purchase date in accordance with the Bond Indenture.

"Underwriter" means Ziegler Capital Markets Group, a division of B.C. Ziegler and Company.

"Unencumbered" means not subject to a Mortgage.

"United States Government Obligations" means non-callable direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America.

"Unrestricted Receivables" means all accounts and assignable general intangibles now or hereafter acquired by any Obligated Issuer regardless of how generated, including, without limitation, all Entrance Fees and all proceeds therefrom, whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as from time to time supplemented or amended, of the state in which such Obligated Issuer has its primary place of business; *excluding, however,* gifts, grants, bequests, donations and contributions to any Obligated Issuer heretofore or hereafter made, and the income and gains derived therefrom, that are specifically restricted by the donor or grantor to a particular purpose that is inconsistent with its use for payments required under the Master Indenture or on the Notes.

"Written Request" means, with respect to the Corporation, a request in writing signed by the Corporation Representative or alternate Corporate Representative and, with respect to the Issuer, a request in writing signed by the Issuer Representative or alternate Issuer Representative.

## SUMMARY OF CERTAIN PROVISIONS OF BOND INDENTURE

*The following is a summary of certain provisions of the Bond Indenture. The summary does not purport to be comprehensive, and reference should be made to the Bond Indenture for more complete information. Copies of the Bond Indenture are available from the Bond Trustee upon request.*

### Revenues and Funds

***Source of Payment of Series 2006B Bonds.*** The Bond Indenture and the Series 2006B Bonds, and the obligations of the Issuer thereunder, are special and limited obligations of the Issuer payable solely from and secured exclusively by the Trust Estate, and do not represent or constitute a debt of the Issuer or the State within the meaning of the provisions of the Constitution or statutes of the State or a pledge of the faith and credit of the Issuer or the State or grant to the Bond Trustee, any Series 2006B Bondholder or any other person any right to have the Issuer or the State levy any taxes or appropriate any funds for the payment of the Bond Indenture or the principal of or premium, if any, or interest on the Series 2006B Bonds, or the obligations of the Issuer thereunder. The Issuer has no taxing power.

***Application of Original Proceeds.*** The proceeds received by the Issuer from the sale of the Series 2006B Bonds will be immediately applied to make the Loan to the Corporation. After payment to the Underwriter of an underwriter's discount, such proceeds, together with certain other moneys of the Corporation, will be deposited as follows:

(a) To the Project Fund, to pay a portion of the Cost of the Project;

(b) To the Funded Interest Subaccount of the Revenue Account of the Bond Fund, to pay a portion of the interest accruing on the Series 2006B Bonds;

(c) To Credit Facility Fees Account of the Expense Fund, to pay a portion of the fees of the Credit Provider;

(d) To the Remarketing Fees Account of the Expense Fund, to pay a portion of the fees of the Remarketing Agent; and

(e) To the Costs of Issuance Account of the Expense Fund, to pay a portion of the Costs of Issuance.

***Project Fund.*** The Bond Indenture establishes with the Bond Trustee the Project Fund. The Bond Trustee will make payments from the Project Fund, to or upon the order of the Corporation, to pay any Cost of the Project.

The Corporation may, upon satisfaction of certain conditions, elect to pay, or be reimbursed for its prior payment of, the costs of any buildings, improvements or equipment from Series 2006B Bond proceeds in substitution for any portion of the Project.

If an Event of Default occurs under the Bond Indenture, and the Bond Trustee declares the principal of all Series 2006B Bonds and the interest accrued thereon to be due and payable, no moneys may be paid out of the Project Fund by the Bond Trustee during the continuance of such Event of Default, except into the Revenue Account of the Bond Fund as and when necessary for the purposes of (i) paying the Series 2006B Bonds as due as a result of such Event of Default or (ii) reimbursing the Credit Provider for any draw under the Credit Facility to pay Series 2006B Bonds due as a result of such Event of Default. However, if such Event of Default is waived and such declaration is rescinded by the Bond Trustee or the holders and owners of the Series 2006B Bonds pursuant to the terms of the Bond Indenture, the full amount of any such remaining moneys in the Project Fund may again be disbursed by the Bond Trustee in accordance with the provisions of the Loan Agreement and Bond Indenture.

The completion of the Project and the payment of all costs and expenses incident thereto will be evidenced by the filing with the Bond Trustee of the items required by the provisions of the Loan Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF LOAN AGREEMENT—Project." Any balance remaining in the Project Fund after the Completion Date (other than any amount retained by the Bond Trustee for costs not then due and payable or the liability for which the Corporation is contesting or disputing) will be transferred in the following order of priority:

(a) First, to the extent such balance does not exceed the sum of the amounts deposited by the Corporation in the Project Fund, the Funded Interest Subaccount of the Revenue Account of the Bond Fund and any accounts of the Expense Fund, from moneys *other than* Series 2006B Bond proceeds (together with any interest thereon), as described in "Application of Original Proceeds," such balance will be transferred to the Corporation; and

(b) Second, such balance will be transferred to the Revenue Account of the Bond Fund and applied to the redemption of the Series 2006B Bonds as described in subparagraph (c) under "THE SERIES 2006B BONDS—Redemption—During Floating Rate Period" or subparagraph (d) under "THE SERIES 2006B BONDS—Redemption—During Adjustable Rate Period or Fixed Rate Period."

***Expense Fund.*** The Bond Indenture establishes with the Bond Trustee the Expense Fund. Within the Expense Fund there are three accounts: the Credit Facility Fees Account, the Remarketing Fees Account and the Costs of Issuance Account.

The Bond Trustee will make payments from the Credit Facility Fees Account of the Expense Fund, to or upon the order of the Corporation, to pay any fees payable to any Credit Provider for any Credit Facility.

The Bond Trustee will make payments from the Remarketing Fees Account of the Expense Fund, to or upon the order of the Corporation, to pay any fees payable to any Remarketing Agent under any Remarketing Agreement.

The Bond Trustee will make payments from the Costs of Issuance Account of the Expense Fund, to or upon the order of the Corporation, to pay any Costs of Issuance.

Any balance in any account of the Expense Fund will, at the Written Request of the Corporation, be transferred to any other account of the Expense Fund, to the Project Fund or to any subaccount of the Revenue Account of the Bond Fund.

***Bond Fund.*** The Bond Indenture establishes with the Bond Trustee the Bond Fund. Within the Bond Fund there are four accounts: the Revenue Account, the Seasoned Funds Account, the Credit Facility Account and the Accrued Interest Account. Within the Revenue Account there are two subaccounts: the Revenue Subaccount and the Funded Interest Subaccount.

There will be deposited into the Bond Fund when received: (i) all payments specified under the Loan Agreement; (ii) all moneys required to be so deposited in connection with any redemption of Bonds; (iii) all revenues derived or received by the Bond Trustee under or with respect to the Credit Facility except those required to be deposited in the Purchase Fund; (iv) any amounts directed to be transferred into the Bond Fund pursuant to any provision of the Bond Indenture; (v) all other moneys when received by the Bond Trustee which are required to be deposited into the Bond Fund or which are accompanied by directions that such moneys are to be paid into the Bond Fund; and (vi) any amounts received pursuant to the Loan Agreement if the Corporation elects not to replace, repair, rebuild or restore the Project as provided therein.

Any amounts derived or received by the Bond Trustee under or with respect to the Credit Facility will be held in the Credit Facility Account and will not be commingled with any other moneys held by the Bond Trustee. Any amounts deposited in the Bond Fund by the Corporation from moneys *other than* Series 2006B Bond proceeds, as described in subparagraph (b) under "Application of Original Proceeds," will be held in the Funded Interest Subaccount of the Revenue Account and will not be commingled with any other moneys held by the Bond Trustee; provided, however, that any balance in the Funded Interest Subaccount of the Reserve Account will, at the Written Request of the Corporation, be transferred to any account of the Expense Fund or to the Project Fund. Any other amounts received for deposit in the Bond Fund will be held in the Revenue Subaccount of the Revenue Account and will not be commingled with any other moneys held by the Bond Trustee.

On the Business Day immediately preceding each Interest Payment Date, or the date upon which Series 2006B Bonds that are secured by the Credit Facility mature or are to be redeemed, the Bond Trustee will draw on the Credit Facility, in accordance with the terms thereof, with respect to Series 2006B Bonds secured by the Credit Facility an amount which will be sufficient for the purpose of paying the principal, premium (but only if such is permitted by the terms of the Credit Facility) and interest coming due and payable on the Series 2006B Bonds (whether at maturity, upon redemption or upon acceleration in accordance therewith) on such Interest Payment Date (or, in the case of Series 2006B Bonds in the Adjustable Rate Mode, interest accrued or which will accrue to such draw date net of any moneys on deposit in the Credit Facility Account with respect to such Series 2006B Bonds) or such date upon which Series 2006B Bonds mature or are to be redeemed and interest accrued on any Series 2006B Bond in the Adjustable Rate Mode since the last interest drawing with respect to such Series 2006B Bonds (net of any moneys on deposit in the Credit Facility Account with respect to such Series 2006B Bonds). However, the Bond Trustee will not draw under any Credit Facility with respect to the payment of any Pledged Bond, Corporation Bond or Fixed Rate Bond. All amounts paid to the Bond Trustee with respect to the Credit Facility will be deposited in the Credit Facility Account of the Bond Fund upon receipt thereof by the Bond Trustee. The Bond Trustee will use such funds promptly to pay Series 2006B Bondholders when due.

On the date upon which any Bonds are to be purchased, the Bond Trustee will draw on the Credit Facility an amount which, when added to the remarketing proceeds (if any), will be sufficient for the purpose of paying the purchase price coming due and payable on the Series 2006B Bonds (or beneficial interests therein) secured by such Credit Facility on such purchase date. However, the Bond Trustee will not draw on any Credit Facility with respect to the payment of any Pledged Bond, Corporation Bond or any Fixed Rate Bond. All amounts paid to the Tender Agent with respect to the Credit Facility will be deposited in the Purchase Fund.

Moneys derived from the Credit Facility will be used solely for the payment of the principal or purchase price of and premium, if any (but only if the Credit Facility secures the premium, if any, payable upon an optional redemption of such Series 2006B Bonds), and interest on the Series 2006B Bonds secured by such Credit Facility (other than Pledged Bonds, Corporation Bonds or Fixed Rate Bonds). The payment of any premium on the Series 2006B Bonds in the event of an optional redemption thereof after an Adjustable Rate Conversion Date or an Adjustable Rate Reset Date will be made from Seasoned Funds or from funds derived from a draw under the Credit Facility if such is permitted by the terms thereof (in each case, if the Series 2006B Bonds are secured by a Credit Facility). Immediately following the honoring of any draw under any Credit Facility, an amount equal to the

amount of such draw will be transferred from the Revenue Account of the Bond Fund or from remarketing proceeds in the Purchase Fund to the Credit Provider as reimbursement for such draw.

Any amounts required by the Bond Indenture to be transferred from the Revenue Account of the Bond Fund will be transferred in the following order of priority: (a) first, from the Funded Interest Subaccount of the Revenue Account; and (b) second, from the Revenue Subaccount of the Revenue Account.

***Purchase Fund.*** The Bond Indenture establishes with the Tender Agent the Purchase Fund. The Tender Agent will hold, as agent and bailee, all moneys delivered to it for the purchase of Series 2006B Bonds in the Purchase Fund in trust and without investment, solely for the benefit of the persons delivering such moneys, until such Series 2006B Bonds purchased with such moneys have been designated by the Tender Agent as being held for the account of such persons.

The Tender Agent shall withdraw sufficient funds from the Purchase Fund to pay the purchase price of tendered Series 2006B Bonds as the same becomes due and payable.

The Remarketing Agent will use its best efforts to remarket (i) optionally tendered Series 2006B Bonds, of which it has received notice of tender, or (ii) mandatorily tendered Series 2006B Bonds, in each case at a price equal to 100% of the principal amount thereof plus accrued interest to the purchase date.

With respect to any Series 2006B Bonds then secured by a Credit Facility, on each purchase date (whether optional or mandatory), the Bond Trustee will draw upon the Credit Facility securing such Series 2006B Bonds, in accordance with the terms of the Credit Facility, in an amount equal to the purchase price of: (1) any tendered Bonds not remarketed and (2) any tendered Bonds remarketed and for which payment has not been received. The Tender Agent will use such funds promptly to pay Series 2006B Bondholders.

There is no obligation of the Remarketing Agent to remarket Series 2006B Bonds if there has occurred and is continuing an Event of Default under the Bond Indenture or upon a Fixed Rate Conversion.

Any Series 2006B Bond optionally tendered for purchase after the date on which the Bond Trustee has notified the Series 2006B Bondholders of a Conversion Date will not be remarketed unless the purchaser has been notified by the Remarketing Agent (if the Series 2006B Bonds are held in a book-entry only system) or the Bond Trustee (if the Series 2006B Bonds are no longer held in a book-entry only system) of the conversion. Any purchaser so notified must deliver a notice to the Bond Trustee and the Tender Agent stating that such purchaser will tender its Series 2006B Bonds for purchase on the Conversion Date.

On the date Series 2006B Bonds are to be purchased pursuant to the Bond Indenture, the Tender Agent will deliver the purchase price to the tendering Series 2006B Bondholder only from the funds listed below, in the order of priority indicated:

(a) the proceeds of the sale of such Series 2006B Bonds which have been remarketed by the Remarketing Agent to any person other than the Corporation (or any "insider" of the Corporation within the meaning of the federal Bankruptcy Code) or the Issuer or any guarantor of the Corporation's obligations under the Loan Agreement prior to the time such Series 2006B Bonds are to be purchased, and delivered to the Tender Agent on the purchase date;

(b) moneys drawn under the Credit Facility; and

(c) moneys deposited by the Corporation with the Tender Agent pursuant to the Loan Agreement, which moneys will be segregated by the Tender Agent in a separate account in the Purchase Fund apart from, and not commingled with, other moneys held by the Tender Agent in the Purchase Fund.

The Tender Agent will designate beneficial interests in Series 2006B Bonds purchased with moneys described in subparagraph (a) above as being held for the account of such purchasers. Beneficial interests purchased with moneys described in subparagraph (b) above will be designated by the Tender Agent as being held for the

account of the Corporation indicating their status as Pledged Bonds. Beneficial interests in Series 2006B Bonds purchased with moneys described in subparagraph (c) above will be designated by the Tender Agent as being held for the account of the Corporation indicating their status as Corporation Bonds.

Except in the case of the sale of Pledged Bonds, the proceeds of the sale of any Series 2006B Bonds, to the extent not required to pay the purchase price thereof, will be paid to or upon the order of the Corporation. The proceeds of the sale of Pledged Bonds will be paid to or upon the order of the Credit Provider.

***Custody Account.*** The Bond Indenture establishes with the Tender Agent the Custody Account.

If the Series 2006B Bonds are held in a book-entry only system and a beneficial interest in a Series 2006B Bond is purchased by the Tender Agent with moneys drawn under the Credit Facility, that Series 2006B Bond will be designated on the books of the Tender Agent as a Pledged Bond until released, will be designated as being held in the Custody Account, and will be released only upon receipt by the Tender Agent of an amount equal to the principal amount thereof plus accrued interest, if any, thereon to the date of purchase necessary to cause the automatic reinstatement of the Credit Facility. Provided there is no Event of Default under the Bond Indenture, the Remarketing Agent will use its best efforts to remarket Pledged Bonds. If the Remarketing Agent remarkets any Pledged Bond, the Remarketing Agent will direct the purchaser of such Pledged Bond to transfer on the purchase date the purchase price of such remarketed Pledged Bond to the Tender Agent. The Tender Agent will transfer such purchase price to the Credit Provider upon receipt thereof. To the extent the purchase price therefore is received, such Series 2006B Bond will be released as a Pledged Bond and the Tender Agent will designate each remarketed Pledged Bond to the purchaser thereof.

To the extent of amounts due and owing the Credit Provider under the Reimbursement Agreement, the proceeds of the remarketing of Pledged Bonds will be deposited into the Custody Account and held by the Tender Agent for the account of, and in trust solely for, the Credit Provider, will not be commingled with any other moneys held by the Tender Agent, and will be paid over immediately to the Credit Provider.

On each Interest Payment Date prior to the release of Pledged Bonds from the Custody Account, the Bond Trustee will apply moneys on deposit in the Revenue Account of the Bond Fund to the payment of the principal of and interest on such Pledged Bonds through direct transfer thereof to the Credit Provider.

If, on any date prior to the release of Pledged Bonds from the Custody Account, all Series 2006B Bonds are called for redemption, or the Bond Trustee declares an acceleration of the Series 2006B Bonds, such Pledged Bonds will be deemed to have been paid.

***Investment of Moneys.*** Moneys held in the Bond Fund, the Project Fund and the Expense Fund will be invested and reinvested by the Bond Trustee upon written directions of the Corporation in Qualified Investments, maturing no later than the date on which it is estimated that such moneys will be required to be paid out. However, any moneys held in the Credit Facility Account, the Seasoned Funds Account, the Accrued Interest Account of the Bond Fund or the Rebate Fund will be invested and reinvested solely in Government Obligations, maturing the date on which it is estimated that such moneys will be required to be paid out. Moneys held in the Purchase Fund will not be invested by the Remarketing Agent or the Tender Agent. All investment income will be retained in the fund or account to which the investment is credited from which such income is derived. However, all investment income derived from the Project Fund or the Expense Fund will, unless otherwise requested in a Written Request of the Corporation, be transferred to the Funded Interest Subaccount of the Revenue Account of the Bond Fund.

***Moneys Held in Trust.*** All moneys required to be deposited with or paid to the Bond Trustee for the account of any fund or account under any provisions of the Bond Indenture will be held by the Bond Trustee in trust, and (except for moneys in the Rebate Fund, the Custody Account or the Purchase Fund, and moneys deposited with or paid to the Bond Trustee for redemption of Series 2006B Bonds, notice of the redemption for which has been duly given) will, while held by the Bond Trustee, constitute part of the Trust Estate and be subject to the security interest created by the Bond Indenture.

***Repayment to Corporation or Credit Provider from Indenture Funds.*** Any amounts remaining in any fund or account created under the Bond Indenture, after payment or provision for payment in full of the Series 2006B Bonds in accordance with the Bond Indenture, the fees, charges and expenses of the Issuer, the Bond Trustee, the Tender Agent, the Remarketing Agent and any co-trustee, and all other amounts required to be paid under the Bond Indenture or the Loan Agreement, will be paid, upon the expiration of, or upon the sooner termination of, the terms of the Bond Indenture, to the Credit Provider to the extent money is owed to the Credit Provider under the Reimbursement Agreement (as evidenced by written notice thereof given to the Bond Trustee and the Corporation by the Credit Provider) and, thereafter, to the Corporation.

***Custody of Funds and Accounts.*** All funds and accounts created pursuant to the Bond Indenture and held by the Bond Trustee will be held in trust, in the name of the Issuer, for the benefit of the Series 2006B Bondholders and, to the extent of amounts owed by the Corporation to the Credit Provider under the Reimbursement Agreement, the Credit Provider (other than amounts held in the Rebate Fund). However, the Custody Account will be held in trust for the benefit of the Credit Provider only.

***Rebate Fund.*** The Bond Indenture establishes the Rebate Fund. The Bond Trustee will make deposits and disbursements from the Rebate Fund in accordance with the instructions received from the Corporation pursuant to the Tax Compliance Agreement for the sole benefit of the United States of America and will not be subject to the claim of any other person, including without limitation the Series 2006B Bondholders. The Rebate Fund is established for the purpose of complying with section 148 of the Code and the Regulations promulgated pursuant thereto. The Rebate Fund is not a portion of the Trust Estate and is not subject to the lien of the Bond Indenture.

**Discharge of Indenture**

If the Issuer pays or causes to be paid, or there is be otherwise paid, or provision is made for the payment of, the principal, premium, if any, and interest due or to become due on the Series 2006B Bonds at the times and in the manner stipulated therein, and if the Issuer is not then in default under any of the other covenants and promises in such Series 2006B Bonds and the Bond Indenture to be kept, performed and observed by it or on its part, and if the Issuer pays or causes to be paid to the Bond Trustee all sums of money due or to become due according to the provisions of the Bond Indenture or of the Series 2006B Bonds and of the Loan Agreement (and the Bond Trustee and the Remarketing Agent have paid all amounts payable to the Credit Provider pursuant to the Bond Indenture from funds held under the Bond Indenture and the Credit Facility has been returned to the Credit Provider for cancellation), then the Bond Indenture and the interests in the Trust Estate and rights granted by the Bond Indenture will cease, determine and be void. While in the Adjustable Rate Mode or the Fixed Rate Mode, a Series 2006B Bond will be deemed to be paid for all purposes of the Bond Indenture when: (i) payment of the principal of and the applicable redemption premium, if any, on such Series 2006B Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Bond Indenture, or otherwise), has been provided to the Bond Trustee by irrevocably depositing with the Bond Trustee, in trust, and the Bond Trustee has irrevocably set aside exclusively for such payment, any combination of (1) Seasoned Funds sufficient to make such payment, and/or (2) Government Obligations (purchased with Seasoned Funds) not subject to redemption or prepayment and maturing as to principal and interest in such amounts and at such times as will, in the opinion of an independent certified public accountant delivered to the Bond Trustee, provide sufficient moneys, without reinvestment of any matured amounts, to make such payment (and there is no such reinvestment); (ii) the Bond Trustee has been given irrevocable written instructions to call all outstanding Series 2006B Bonds for redemption on a date certain, if such Series 2006B Bonds are to be called for redemption prior to maturity; (iii) the Bond Trustee has received a written opinion of Bond Counsel to the effect that such deposit (and the payment of the Series 2006B Bonds therefrom) will not adversely affect the exclusion from gross income of interest on the Series 2006B Bonds for federal income tax purposes; (iv) all necessary and proper fees, compensation and expenses of the Bond Trustee and the Tender Agent pertaining to the Series 2006B Bonds has been paid or the payment thereof provided for to the satisfaction of the Bond Trustee; and (v) the Bond Trustee has received any other items required by the Rating Agencies. If the Series 2006B Bonds are in the Floating Rate Mode or the Adjustable Rate Mode, the Bond Trustee must receive written evidence from each Rating Agency then rating the Series 2006B Bonds that such provision, in and of itself, will not result in a withdrawal or lowering of the then current rating on the Series 2006B Bonds.

**Events of Default and Remedies**

***Events of Default.*** Each of the following events is an Event of Default under the Bond Indenture:

(i) default in the due and punctual payment of the principal or purchase price of, or premium, if any, or interest on, any Outstanding Series 2006B Bond, whether at the stated maturity thereof, upon the purchase date thereof, upon any proceedings for redemption, or upon the maturity thereof by declaration of acceleration; or

(ii) default by the Issuer in its performance or observance of any of the other covenants, agreements or conditions contained in the Bond Indenture, and the continuation thereof for the period after notice specified in the Bond Indenture; or

(iii) receipt by the Bond Trustee of a written notice from the Credit Provider following a drawing under the Credit Facility with respect to the payment of interest on Series 2006B Bonds, which notice is received prior to the close of business on the tenth day following the drawing, to the effect that the amount available to be drawn under the Credit Facility to pay interest on such Series 2006B Bonds has not been reinstated to equal at least 35 days' accrued interest at the Maximum Rate; or

(iv) receipt by the Bond Trustee of a written notice (excluding any notice under subparagraph (iii) above) from the Credit Provider that an event of default has occurred under a Reimbursement Agreement, which notice directs the Bond Trustee to cause an acceleration of any Series 2006B Bonds; or

(v) an event of default has occurred and is continuing under the Loan Agreement or the Master Indenture.

***Acceleration.*** Upon the occurrence of an Event of Default described in subparagraph (i), (iii) or (iv) under "Events of Default", the Bond Trustee will immediately accelerate the maturity of the Series 2006B Bonds then Outstanding, whereupon the principal of and all accrued interest on the Series 2006B Bonds will become immediately due and payable, without premium. Upon the occurrence of any other Event of Default, the Bond Trustee may, and will, if requested to do so by the Owners of not less than 25% in aggregate principal amount of the Series 2006B Bonds then Outstanding, accelerate the maturity of the Series 2006B Bonds, whereupon the principal of and all accrued interest on the Series 2006B Bonds will become immediately due and payable, without premium; provided that, if the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Credit Provider has given its written consent to such acceleration.

Within one Business Day following an acceleration of the Series 2006B Bonds, the Bond Trustee will draw upon the Credit Facility in accordance with its terms in an amount which equals the total amount of principal of and interest on the Series 2006B Bonds coming due and payable that are so secured. However, no such draw will be made to pay any Pledged Bond, Corporation Bond or any Bond not secured by the Credit Facility. Interest on the Series 2006B Bonds will cease to accrue on the date on which the Bond Trustee receives the moneys drawn under the Credit Facility. All amounts paid to the Bond Trustee with respect to any Credit Facility will be deposited in the Credit Facility Account of the Bond Fund upon receipt thereof by the Bond Trustee and applied as described under "Application of Moneys." All moneys held by the Bond Trustee in the Revenue Account or the Seasoned Funds Account of the Bond Fund will be immediately applied by the Bond Trustee to reimburse the Credit Provider, or, to the extent that the Credit Provider fails to honor such draw, to pay the Series 2006B Bonds. All fees and expenses payable (or reasonably expected to be incurred) to the Bond Trustee or the Tender Agent under the Bond Indenture prior to the discharge of the Bond Indenture will be paid from available funds held by the Bond Trustee other than funds representing proceeds of draws under the Credit Facility, or moneys already held for the benefit of the Series 2006B Bondholders.

***Other Remedies; Rights of Bond Owners.*** Upon the occurrence of any Event of Default, the Bond Trustee may pursue any available remedy by suit at law or in equity to enforce the payment of the principal or purchase price of and premium, if any, and interest on the Series 2006B Bonds then Outstanding, and the performance by the Issuer of its obligations under the Bond Indenture, including the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Series 2006B Bond Owners, and require the Issuer to carry out its obligations under the Bond Indenture and the Act;

(ii) bring suit upon the Series 2006B Bonds;

(iii) by action, suit or proceeding at law or in equity require the Issuer to account for any moneys received by the Issuer as if it were the trustee of an express trust for the Series 2006B Bond Owners; and

(iv) by action, suit or proceeding at law or in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Series 2006B Bond Owners.

Any judgment against the Issuer shall be enforceable only against the Trust Estate. There is not authorized any deficiency judgment against any assets of, or the general credit of, the Issuer. Subject to the prior rights of the Series 2006B Bond Owners, the Issuer will be entitled to reimbursement for any of its expenses in connection with such proceeding from any available funds in the Trust Estate. If the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Bond Trustee will not be entitled to exercise any remedy under the Bond Indenture, with respect to an Event of Default described in subparagraph (ii) or (v) under "Events of Default," without the prior written consent of the Credit Provider.

Subject to the last sentence of the prior paragraph, if an Event of Default has occurred, and if requested to do so by the Owners of not less than 25% in aggregate principal amount of the Series 2006B Bonds then Outstanding, and if indemnified as provided in the Bond Indenture, the Bond Trustee will be obligated to exercise one or more of the rights and powers conferred by the Bond Indenture as the Bond Trustee, being advised by counsel, deems most expedient in the interests of the Series 2006B Bond Owners.

***Right of Bond Owners to Direct Proceedings.*** Upon the occurrence of an Event of Default, the Owners of a majority in aggregate principal amount of the Series 2006B Bonds then Outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee and the Credit Provider, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, or for the appointment of a receiver or for any other proceedings thereunder, other than for the payment of the principal or purchase price of and premium, if any, and interest on the Series 2006B Bonds, or any part thereof. However, that direction must not be otherwise than in accordance with the provisions of law and of the Bond Indenture. Further, if the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, no such direction will be followed by the Bond Trustee without the prior written consent of the Credit Provider.

***Application of Moneys.*** All moneys relating to the Series 2006B Bonds received by the Bond Trustee pursuant to any right given or action taken under the Bond Indenture will (after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees and expenses, liabilities and advances of the Issuer, the Bond Trustee and the Tender Agent including but not limited to counsel fees, such payment not to be made from the proceeds of any draw under the Credit Facility or any moneys due and owing Series 2006B Bondholders already held for the benefit of such Series 2006B Bondholders) be deposited in the Revenue Account of the Bond Fund (or if received from the Credit Provider, in the Credit Facility Account of the Bond Fund) and all moneys in the Bond Fund will be applied as follows:

(i) Unless the principal of all the Series 2006B Bonds Outstanding has become or has been declared due and payable, all such moneys will be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Bonds and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment will be made with respect to any Pledged Bond or Corporation Bond);

SECOND - To the payment to the persons entitled thereto of the unpaid principal of, and premium, if any, on, the Outstanding Series 2006B Bonds which have become due (other than Series 2006B Bonds matured or called for redemption for the payment of which moneys are already held pursuant to the provisions of the Bond Indenture) in the order of their due dates, and, if the amount available is not sufficient to pay in full the principal of each Series 2006B Bond due on any particular date, together with such premium, then to the payment ratably, according to the amount of principal and premium due on such date, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment will be made with respect to any Pledged Bond or Corporation Bond);

THIRD - To the payment to the Credit Provider to reimburse the Credit Provider for drawings on the Credit Facility used to pay principal of or premium or interest on the Series 2006B Bonds secured by the Credit Facility and any other amounts owed under the Reimbursement Agreement; and

FOURTH - To the payment to the Corporation of any remaining moneys.

(ii) If the principal of all the Outstanding Series 2006B Bonds has become due or has been declared due and payable by acceleration, all such moneys will be applied first to the payment of the principal, premium, if any, and interest then due on such Series 2006B Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Series 2006B Bond over any other Series 2006B Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the persons entitled thereto, without any discrimination or privilege (provided, however, that no payment will be made with respect to any Pledged Bond or Corporation Bond), and second to the payment of all obligations owed to the Credit Provider pursuant to the Reimbursement Agreement.

(iii) If the principal of all the Outstanding Bonds has been declared due and payable by acceleration, and if such declaration has thereafter been rescinded and annulled, then the moneys will be applied in accordance with the provisions of subparagraph (i) above; provided, however, that in the event that the principal of all the Bonds later becomes due or is declared due and payable by acceleration, the moneys will be applied in accordance with the provisions of subparagraph (ii) above.

Whenever moneys are to be so applied, such moneys will be applied at such times, and from time to time, as the Bond Trustee determines is appropriate upon due consideration of 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 applies such funds, it will fix the date of application, which will be the earliest date practicable for the Bond Trustee to carry out its duties. The Bond Trustee will 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.

***Rights and Remedies of Bond Owners.*** No Owner of any Series 2006B Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless:

(i) an Event of Default has occurred of which the Bond Trustee has been notified or of which the Bond Trustee is deemed to have notice;

(ii) the Owners of not less than 25% in aggregate principal amount of the Series 2006B Bonds then Outstanding have made written request to the Bond Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in the name or names of such Owners, and have offered to the Bond Trustee indemnity;

(iii) the Bond Trustee thereafter fails or refuses to exercise the powers granted, or to institute such action, suit or proceeding in its own name, within 60 days; and

(iv) if the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Credit Provider has given its prior written consent thereto.

Such notification, request, offer of indemnity and consent are, at the option of the Bond Trustee, conditions precedent to the execution of the powers and trusts of the Bond Indenture, and to any action or cause of action for the enforcement of the Bond Indenture, or for the appointment of a receiver or for any other remedy under the Bond Indenture. No one or more Owners of the Series 2006B Bonds has any right in any manner whatsoever to affect, disturb or prejudice the lien of the Bond Indenture by such Owners' action, and all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Bond Indenture and (except as therein otherwise provided) for the equal and ratable benefit of the Owners on all Series 2006B Bonds then Outstanding. No Series 2006B Bond Owner has any right or cause of action against the Bond Trustee or in respect of the Series 2006B Bonds where a default has been waived or cured or directed pursuant to the provisions of the Bond Indenture.

***Waivers of Events of Default.*** The Bond Trustee may in its discretion, and with the prior written consent of the Credit Provider (if the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility) will, waive any Event of Default under the Bond Indenture and its consequences, and will do so upon the written request of the Owners of a majority in aggregate principal amount of the Series 2006B Bonds then Outstanding. However, the Bond Trustee may not waive an Event of Default described in: (a) subparagraph (i) under "Events of Default" without the written consent of the registered owners of all Series 2006B Bonds then Outstanding; or (b) subparagraph (iii) or (iv) under "Events of Default" without written notice from the Credit Provider (x) of the full reinstatement of amounts available to be drawn under the Credit Facility following any draw thereunder in connection with such Event of Default and (y) that the notice sent pursuant to subparagraph (iii) or (iv) under "Events of Default" has been rescinded.

***Notice of Default; Opportunity to Cure Defaults.*** No default under subparagraph (ii) under "Events of Default" will constitute an Event of Default until the Credit Provider (if the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility) has concurred therein, and actual notice of such default by registered or first class mail is given to the Issuer and the Corporation by the Bond Trustee or by the Owners of not less than 25% in aggregate principal amount of all Series 2006B Bonds Outstanding, and the Issuer and the Corporation have had 30 days after receipt of such notice at their option to correct said default or to cause said default to be corrected, and have not corrected said default or caused said default to be corrected within the applicable period. However, if said default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Issuer and the Corporation, or either of them, within the applicable period and diligently pursued until the default is corrected.

***Limitation on Defaults and Remedies.*** Prior to the Expiration of the Term of the Credit Facility and as long as the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Credit Provider is entitled, but not obligated, to direct the Bond Trustee in the exercise of all rights and remedies under the Bond Indenture, including without limitation acceleration of the Series 2006B Bonds, institution of legal proceedings and the granting of any waivers with respect to the foregoing. Until such time as the Credit Provider has failed to honor a properly presented and conforming drawing under the Credit Facility, neither the Bond Trustee, the Issuer nor the Owners of the Series 2006B Bonds have the right or are permitted to exercise any of the rights or remedies granted or permitted to any one or more of them under the Bond Indenture without the express written consent of the Credit Provider. However, the Bond Trustee has the ability to accelerate the maturity of the Series 2006B Bonds upon the occurrence of an Event of Default described in subparagraph (iii) or (iv) under "Events of Default" without the express written consent of the Credit Provider.

**Bond Trustee**

The Bond Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Bond Indenture, and no implied covenants or obligations will be read into the Bond Indenture against the Bond Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Bond Trustee will exercise such of the rights and powers vested in it by the 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 or her own affairs.

**Supplemental Indentures**

***Supplemental Indentures Not Requiring Consent of Bond Owners.*** The Issuer and the Bond Trustee may, without the consent of, or notice to, any of the Series 2006B Bond Owners, enter into an indenture or indentures supplemental to the Bond Indenture, not inconsistent with the terms and provisions thereof, for any one or more of the following purposes:

(i) to cure any ambiguity, formal defect or omission in the Bond Indenture;

(ii) with the consent of the Credit Provider, to grant to or confer upon the Bond Trustee, for the benefit of the Series 2006B Bond Owners, any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Series 2006B Bond Owners or the Bond Trustee;

(iii) to subject to the Bond Indenture additional revenues, properties or collateral;

(iv) to modify, amend or supplement the Bond Indenture, or any indenture supplemental thereto, in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of the Series 2006B Bonds for sale under the securities laws of any of the states of the United States, and if the Issuer so determines, to add to the Bond Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or any similar federal statute;

(v) to add to the covenants and agreements of the Issuer contained in the Bond Indenture other covenants and agreements thereafter to be observed for the protection of the Series 2006B Bond Owners or to surrender or limit any right, power or authority therein reserved to or conferred upon the Issuer;

(vi) to elaborate on any provisions necessary to exercise any conversion options provided in the Bond Indenture, including better enabling different Series 2006B Bonds to be in different Modes;

(vii) to provide for the substitution of an Alternate Credit Facility;

(viii) to amend or modify the Bond Indenture or any part thereof with respect to procedures for disbursements from the Project Fund or Expense Fund so long as the Credit Provider consents to any such amendment or modification in writing; or

(ix) to make any other change which does not, in the opinion of the Bond Trustee, have a material adverse effect upon the interests of the Series 2006B Bondholders.

***Supplemental Indentures Requiring Consent of Bond Owners.*** The Owners of not less than a majority in aggregate principal amount of the Series 2006B Bonds then Outstanding have the right, from time to time, to approve the execution by the Issuer and the Bond Trustee of such indenture or indentures supplemental to the Bond Indenture as are deemed necessary and desirable by the Issuer for the purposes of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any supplemental indenture.

***Limitation Upon Amendments and Supplements.*** Nothing described under "Supplemental Indenture Not Requiring Consent of Bond Owners" or "Supplemental Indenture Requiring Consent of Bond Owners" permits, without the consent and approval of the Owners of all of the Series 2006B Bonds then Outstanding: (i) an extension of the maturity of the principal of, or the time for payment of any redemption premium or interest on, any Series 2006B Bond, or a reduction in the principal amount of any Series 2006B Bond, or the rate of interest or redemption premium thereon, or a reduction in the amount of, or extension of the time of any payment required by, any Series 2006B Bond, or a material modification of the Series 2006B Bondholders' optional tender rights; (ii) a privilege or priority of any Series 2006B Bond over any other Series 2006B Bond (except as provided in the Bond Indenture);

(iii) a reduction in the aggregate principal amount of the Series 2006B Bonds required for consent to such a supplemental indenture; (iv) the deprivation of the Owner of any Series 2006B Bond then Outstanding of the lien created by the Bond Indenture; (v) except as described under subparagraph (vii) "Supplemental Indentures Not Requiring Consent of Bond Owners", an alteration of the obligations of the Credit Provider under the Credit Facility; or (vi) the amendment of the provisions described under "Limitation Upon Amendments and Supplements." No amendment or supplement to the Bond Indenture may be entered into without the Bond Trustee and the Issuer first receiving: (a) an opinion of Bond Counsel to the effect that such amendment or supplement is authorized under the Bond Indenture and the Act, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2006B Bonds; and (b) written evidence from each Rating Agency then rating the Series 2006B Bonds (if the Series 2006B Bonds are then rated) to the effect that the appropriate Rating Agency has reviewed the amendment or supplement, and that the effectiveness thereof will not, by itself, result in a reduction or withdrawal of such Rating Agency's then current rating on the Series 2006B Bonds.

***Consent of Credit Provider.*** So long as the Credit Facility is in full force and effect or any obligations remain owing to the Credit Provider under the Reimbursement Agreement, and the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Credit Provider will be deemed to be the holder of the Series 2006B Bonds for purposes of obtaining consent of the holders of the Series 2006B Bonds under the Bond Indenture.

**Amendment of Certain Loan Documents and Credit Facility**

***Amendments of Loan Agreement, Mortgage and Security Agreement, Master Indenture or Series 2006B Note Not Requiring Consent of Bond Owners.*** The Issuer and the Corporation, as the case may be, may, with the prior written consent of the Bond Trustee and the Credit Provider, amend or modify the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note or any provisions thereof, or may consent to the amendment or modification thereof, in any manner not inconsistent with the terms and provisions of the Bond Indenture, for any one or more of the following purposes:

(i) to cure any ambiguity or formal defect in the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note;

(ii) to grant to or confer upon the Issuer or the Bond Trustee, for the benefit of the Series 2006B Bond Owners, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the Issuer or the Bond Trustee;

(iii) to identify more clearly the Project, or any part thereof, or to add to or subtract from the Project, or any part thereof, any property that, in the written opinion of Bond Counsel filed with the Issuer, the Credit Provider and the Bond Trustee, will not impair the compliance of the Series 2006B Bonds with the Act, or adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on the Series 2006B Bonds;

(iv) to amend or modify the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note, or any part thereof, in any manner specifically required or permitted by the terms thereof, including as may be necessary to maintain the exclusion from gross income for purposes of federal income taxation of the interest on the Series 2006B Bonds;

(v) to amend or modify the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note, or any part thereof, with respect to procedures for disbursements from the Project Fund or Expense Fund; and

(vi) to make any other change which does not, in the opinion of the Bond Trustee, have a material adverse effect upon the interests of the Series 2006B Bondholders.

***Amendments of Loan Agreement, Mortgage and Security Agreement, Master Indenture or Series 2006B Note Requiring Consent of Bond Owners.*** The Owners of not less than a majority in aggregate principal amount of

the Series 2006B Bonds then Outstanding, with the prior written consent of the Bond Trustee and the Credit Provider if the Credit Provider is not in default under the Credit Facility, will have the right, from time to time, to consent to and approve the amendment or modification of the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note, as is deemed necessary and desirable by the Bond Trustee for the purpose of amending and modifying, in any particular, any of the terms or provisions contained in the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note.

***Limitation Upon Amendments of Loan Agreement, Mortgage, Master Indenture or Series 2006B Note.*** Nothing described in "Amendments of Loan Agreement, Mortgage and Security Agreement, Master Indenture or Series 2006B Note Not Requiring Consent of Bond Owners" or "Amendments of Loan Agreement, Mortgage and Security Agreement, Master Indenture or Series 2006B Master Note" permits, without the approval and consent of the Owners of all of the Series 2006B Bonds then Outstanding: (i) the extension of the time for any payment under the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note, or a reduction in the amount of any such payment under the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note; or (ii) the payment to any person other than the Bond Trustee and the Tender Agent as provided therein of any amount due under the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note. No amendment of the Loan Agreement, the Mortgage and Security Agreement, the Master Indenture or the Series 2006B Note may be entered into without the Bond Trustee and the Issuer first receiving: (a) an opinion of Bond Counsel to the effect that such amendment is authorized under the Bond Indenture and the Act, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2006B Bonds; and (b) written evidence from each Rating Agency then rating the Series 2006B Bonds (if the Series 2006B Bonds are then rated) to the effect that the appropriate Rating Agency has reviewed the amendment, and that the effectiveness thereof will not, by itself, result in a reduction or withdrawal of such Rating Agency's then current rating on the Series 2006B Bonds.

***Modifications of Credit Facility.*** The Credit Facility may not be modified without the prior written consent of 100% of the Owners of Series 2006B Bonds secured by the Credit Facility (except to correct any formal defects in the Credit Facility, which modification may be made with the consent of the Corporation, the Credit Provider and the Bond Trustee, and without the consent of the Series 2006B Bond Owners), other than to (a) effect transfers thereof, (b) effect extensions thereof, (c) effect reductions and reinstatements thereof, provided that such modification does not adversely affect the interests of Series 2006B Bondholders, (d) increase interest coverage or (e) make any modification requested by any Rating Agency, all in accordance with the terms of the Credit Facility as then in effect. Pursuant to the Loan Agreement, however, the Corporation has the right to obtain an Alternate Credit Facility without the consent of the Series 2006B Bond Owners.

***Substitution of Series 2006B Master Note.*** Upon written direction from the Master Trustee to surrender the Series 2006B Master Note, the Bond Trustee will, within ten days after receipt of such written direction, notify the Issuer in writing of such direction by the Master Trustee. If within ten days of receipt of notice from the Bond Trustee, the Issuer has not objected to the surrender of the Series 2006B Master Note in writing to the Bond Trustee, the Bond Trustee will surrender the Series 2006B Master Note to the Master Trustee for cancellation, but not until the Bond Trustee has received the following:

(a) an original replacement note or notes or similar obligation or obligations issued by the Corporation (the "Substitute Notes") under and pursuant to and secured by a master trust indenture (the "Replacement Master Indenture") executed by the Corporation and certain other parties named therein (collectively, the "New Group") and an independent corporate trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in the Master Indenture, which Substitute Notes have been duly authenticated by the New Trustee under the terms of the Replacement Master Indenture and any amendment or supplement to the Mortgage and Security Agreement (the "Mortgage and Security Agreement Supplement") required to extend the mortgage lien and security interest granted by the Mortgage and Security Agreement to the New Trustee to secure the Substitute Notes;

(b) an opinion of independent counsel addressed to the Bond Trustee and the Issuer (in form and substance acceptable to the Bond Trustee and the Issuer) to the effect that: (1) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, the Substitute Notes have been duly authorized, executed and delivered by the Corporation, and the

Replacement Master Indenture, the Substitute Notes and the Mortgage Supplement (if any) are each a valid and binding obligation of each member of the New Group enforceable in accordance with their terms, except to the extent that the enforceability of such obligations may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactments generally affecting the enforcement of creditors' rights and application of general principles of equity and the exceptions set forth in the Master Trust Indenture; (2) all requirements and conditions to the issuance of the Substitute Notes set forth in the Replacement Master Indenture have been complied with and satisfied, including, but not limited to, the perfection of any security interest created thereunder; (3) the issuance of the obligations will not cause the Series 2006B Bonds or the Substitute Notes to become subject to the registration requirements under the Securities Act of 1933, as amended; and (4) the mortgage lien and security interest granted by the Mortgage to the Master Trustee to secure the Series 2006B Note extends to the New Trustee and secures the Substitute Notes in the same manner and with the same priority as the Series 2006B Note and the Replacement Master Indenture grants to the New Trustee to secure the Substitute Notes and other obligations under the Replacement Master Indenture a security interest in the Unrestricted Receivables of the Corporation and obligors under the Replacement Master Indenture and said security interest in the Unrestricted Receivables is of the same priority as the security interest therein granted by the Master Indenture (which opinion may rely on a title policy or title guaranty certificate and UCC searches);

(c) an opinion of Bond Counsel (which Bond Counsel and opinion, including the scope, form, substance and other aspects thereof, are acceptable to the Bond Trustee and the Issuer and which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the surrender of the Series 2006B Master Note and the acceptance by the Bond Trustee of the Substitute Notes will not adversely affect the validity of the Series 2006B Bonds or any exemption for the purposes of Federal income taxation to which interest on the Series 2006B Bonds would otherwise be entitled;

(d) an Officer's Certificate setting forth the showings required under the Master Indenture when it is assumed that each member of the New Group is proposing to merge with the Obligated Group;

(e) an original executed counterpart of the Replacement Master Indenture;

(f) an endorsement to a title insurance policy or a new title insurance policy in an amount not less than the principal amount of the Series 2006B Bonds then Outstanding assuring that the New Trustee has a valid first mortgage lien upon the Project, subject only to Permitted encumbrances;

(g) either: (i) evidence from Moody's Investors Service, Standard & Poor's Ratings Group or Fitch Ratings, Inc., that, immediately after the effectiveness of such substitution, either (A) the Series 2006B Bonds will be rated in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical qualifier or otherwise), or (B) any rating then maintained on the Series 2006B Bonds will not be lowered or withdrawn; or (ii) a written report of an Independent Consultant addressed to the Bond Trustee and the Issuer to the effect that the covenants and provisions contained in the Replacement Master Indenture are not materially less restrictive than then-current industry standards, based on the covenants and provisions contained in the credit documents of at least two other healthcare credit groups considered by the Independent Consultant to be comparable to the New Group based on operations and financial condition; and

(h) such other opinions and certificates as the Bond Trustee may reasonably require, together with such reasonable indemnities as the Bond Trustee may request.

***Consent of Credit Provider.*** So long as the Credit Facility is in full force and effect or any obligations remain owing to the Credit Provider under the Reimbursement Agreement, and the Credit Provider has not failed to honor a properly presented and conforming drawing under the Credit Facility, the Credit Provider will be deemed to be the holder of the Series 2006B Bonds for purposes of obtaining consent of the holders of the Series 2006B Bonds under the Bond Indenture.

## SUMMARY OF CERTAIN PROVISIONS OF LOAN AGREEMENT

*The following is a summary of certain provisions of the Loan Agreement. The summary does not purpose to be comprehensive, and reference should be made to the Loan Agreement for more complete information. Copies of the Loan Agreement are available from the Bond Trustee upon request.*

**Payment Obligations of Corporation**

The Corporation agrees to make prompt payment to the Bond Trustee, for deposit in the Revenue Account and/or Seasoned Funds Account of the Bond Fund, of amounts sufficient to pay the principal of and premium, if any, and interest on the Series 2006B Bonds, whether at maturity, upon redemption or otherwise.

The Corporation agrees to make payments to the Bond Trustee: (1) with respect to amounts due on the Series 2006B Bonds in the Floating or Adjustable Rate Mode on each Interest Payment Date (other than by reason of redemption), on the Business Day next preceding such Interest Payment Date, and with respect to amounts accrued as interest in any other month on Series 2006B Bonds in the Adjustable Rate Mode on the first Business Day of each month and five days prior to each Interest Payment Date with respect to Series 2006B Bonds in the Fixed Rate Mode; and (2) with respect to amounts due on the Series 2006B Bonds on an acceleration date, on the acceleration date. The Bond Trustee will apply such amounts, to the extent the Credit Provider is not in default under the Credit Facility, to reimburse the Credit Provider and to make such reimbursement through the Credit Provider for amounts drawn by the Bond Trustee under the Credit Facility to make such payments. Otherwise, after immediately seeking to obtain payment from the Credit Provider by all available means the Bond Trustee will apply such amounts to pay the principal of and premium, if any, and interest on the Series 2006B Bonds secured by the Credit Facility so as to assure timely payment to the Series 2006B Bondholders therefrom on the date due.

The Corporation agrees to pay to the Bond Trustee amounts sufficient to pay the purchase price of any Series 2006B Bonds to be purchased pursuant to the Bond Indenture on the date such Series 2006B Bonds are to be purchased. However, the obligation of the Corporation will be reduced by the amount of money available for such payment from the remarketing of Series 2006B Bonds. Further, to the extent that payment has been made under the Credit Facility, the Corporation will not be obligated to make such payment until the due date specified in the Reimbursement Agreement. The Bond Trustee will apply such amounts, to the extent the Credit Provider is not in default under the Credit Facility, to reimburse the Credit Provider for amounts drawn by the Bond Trustee under the Credit Facility. Otherwise, the Bond Trustee will apply such amounts to pay the purchase price of the Series 2006B Bonds (which have not been remarketed) so as to assure timely payment to the beneficial owners therefrom on the date due.

**Alternate Credit Facility**

The Corporation has the option from time to time to provide the Bond Trustee with an Alternate Credit Facility. Any Alternate Credit Facility must be effective on or prior to the first day on which the Bond Trustee may give notice of redemption, and must have a term ending at least 15 days after an Interest Payment Date, and at least five days after the delivery of any Alternate Credit Facility and not sooner than 364 days after its date of issuance. On or prior to the delivery of any Alternate Credit Facility to the Bond Trustee, the Corporation will furnish to the Bond Trustee: (i) an opinion of Bond Counsel stating that delivery of such Alternate Credit Facility to the Bond Trustee is authorized under, and complies with the terms of, the Bond Indenture, the Loan Agreement and the Act, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Series 2006B Bonds; and (ii) an opinion of counsel to the issuer of such Alternate Credit Facility to the effect that such Alternate Credit Facility is a valid and binding obligation of said issuer enforceable in accordance with its terms.

**Project**

The Corporation agrees to complete the Project with reasonable dispatch, and to provide (from its own funds if required) all moneys necessary to complete the Project. In the event the moneys on deposit in the Project

Fund are insufficient to pay for the completion of the Project, the Corporation agrees to pay the amount of such deficiency to the Bond Trustee for deposit in the Project Fund.

The Corporation will deliver to the Issuer and the Bond Trustee, within 90 days after the final completion of the Project, the following:

(1) A certificate of a Corporation Representative:

(i) stating that the Project has been fully completed and the date of completion;

(ii) stating that he is of the opinion that the Cost of the Project has been fully paid for and stating whether any claims exist against the Issuer or the Corporation or against the Project out of which a lien based on furnishing labor or material exists or might ripen; and

(iii) stating that all permits necessary for the occupancy and use of the Project have been obtained and are in full force and effect;

(2) In the event the statement filed with the Bond Trustee as described in clause (1)(ii) above states that there are claims in controversy that create or might ripen into a lien, there will be filed with the Bond Trustee a statement of a Corporation Representative when and as such claim or claims have been fully paid or otherwise settled, stating the same;

(3) Final occupancy permits respecting the Project issued by all appropriate governmental authorities; and

(4) Certificates evidencing insurance required by the Master Indenture.

**Tax Covenants**

In order to ensure that the interest on the Series 2006B Bonds will at all times be excludable from gross income for purposes of federal income taxation, the Corporation covenants that it will fulfill all conditions specified in Sections 103 and 141 through 150 of the Code and applicable Treasury Regulations as necessary to maintain the tax-exempt status of the interest borne by the Series 2006B Bonds.

**Prepayment**

***Option to Prepay in Whole or in Part During Floating Rate Period.*** During a Floating Rate Period, the Corporation has the option to prepay the amounts required to be paid by the Corporation under the Loan Agreement in whole or in part (without premium), and to direct the Bond Trustee to redeem Bonds in whole or in part as described in subparagraph (a) under "THE SERIES 2006B BONDS—Redemption—During Floating Rate Period," on any date selected by the Corporation.

***Obligation to Prepay Upon Occurrence of Certain Events.*** On the last Floating Rate Interest Payment Date prior to the Expiration of the Term of the Credit Facility during a Floating Rate Period, the Corporation is obligated to prepay the amounts required to be paid by the Corporation under the Loan Agreement (without premium) in order to effect redemption of the Bonds as described in subparagraph (b) under "THE SERIES 2006B BONDS—Redemption—During Floating Rate Period." The Corporation is obligated to prepay the amounts required to be paid by the Corporation under the Loan Agreement (without premium) in order to effect the redemption of the Series 2006B Bonds described in subparagraph (c) under "THE SERIES 2006B BONDS—Redemption—During Floating Rate Period" or subparagraph (d) under "THE SERIES 2006B BONDS—Redemption—During Adjustable Rate Period or Fixed Rate Period."

***Option to Prepay Upon Occurrence of Certain Events During Adjustable Rate Period or Fixed Rate Period.*** During an Adjustable Rate Period or the Fixed Rate Period, the Corporation has the option to prepay in whole or in part the payments required to be made under the Loan Agreement (without premium) in order to effect

redemption of all or a portion of the Series 2006B Bonds, as described in subparagraph (c) under "THE SERIES 2006B BONDS—Redemption—During Adjustable Rate Period or Fixed Rate Period," if any of the following has occurred:

(a) the Project has been damaged or destroyed to such an extent that, in the judgment of the Corporation, (i) it cannot be reasonably restored within a period of three consecutive months following such damage or destruction to the condition thereof immediately preceding such damage or destruction, (ii) the Corporation is thereby prevented from carrying on its normal operations at the Project for a period of three or more consecutive months following such damage or destruction, or (iii) it would not be economically feasible for the Corporation to replace, repair, rebuild or restore the same;

(b) title in and to, or the temporary use of, all or substantially all of the Project has been taken under the exercise of the power of eminent domain by any governmental authority, or person acting under governmental authority (including such a taking as, in the judgment of the Corporation, results in the Corporation being prevented thereby from carrying on its normal operations at the Project for a period of three or more consecutive months);

(c) as a result of any changes in the Constitution of the State or the Constitution of the United States of America or by legislative or administrative action (whether State or federal) or by final decree, judgment, decision or order of any court or administrative body (whether State or federal), the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed therein;

(d) unreasonable burdens or excessive liabilities shall have been imposed on the Corporation with respect to the operation of the Project, including, without limitation, federal, State or other *ad valorem* property, income or other taxes not being imposed on the date hereof which, in the judgment of the Corporation, render the continued operation of the Project uneconomical;

(e) legal curtailment of the Corporation's use and occupancy of all or substantially all of the Project for any reason other than that set forth in subparagraph (b) above, which curtailment, in the judgment of the Corporation, prevents the Corporation from carrying on its normal operations at the Project for a period of three or more consecutive months; or

(f) the Loan Agreement is terminated prior to its expiration for any reason other than the occurrence of an Event of Default.

***Option to Prepay in Whole or in Part During Adjustable Rate Period or Fixed Rate Period.*** During an Adjustable Rate Period or the Fixed Rate Period, the Corporation has the option to prepay the amounts required to be paid by the Corporation under the Loan Agreement in whole or in part, and to direct the Issuer to cause the Bond Trustee to redeem Series 2006B Bonds in whole or in part, as described in subparagraph (b) under "THE SERIES 2006B BONDS—Redemption—During Adjustable Rate Period or Fixed Rate Period," on any date selected by the Corporation on which the Series 2006B Bonds are subject to redemption. At such time as the Loan is subject to prepayment, the prepayment price will be equal to that amount which is required to pay the principal of and premium, if any, and accrued interest to the redemption date of the portion of the then Outstanding Series 2006B Bonds to be redeemed.

***Obligation to Prepay in Whole Upon Occurrence of Certain Events During Adjustable Rate Period.*** On the last Adjustable Rate Interest Payment Date prior to the Expiration of the Term of the Credit Facility during an Adjustable Rate Period, the Corporation is obligated to prepay the amounts required to be paid by the Corporation under the Loan Agreement (without premium) in order to effect redemption of the Bonds, as described in subparagraph (c) under "THE SERIES 2006B BONDS—Redemption—During Adjustable Rate Period or Fixed Rate Period."

**Events of Default and Remedies**

***Events of Default.*** The occurrence and continuance of any of the following events constitutes an "event of default" under the Loan Agreement:

(a) Failure by the Corporation to pay or cause to be paid pursuant to the Loan Agreement any payment required to be paid or prepaid under the Loan Agreement, when and as the same becomes due and payable;

(b) Failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement, other than as referred to in clause (a) above; provided, however, that such failure will not constitute an event of default until actual notice of such default by registered or certified mail is given to the Corporation by the Issuer, the Credit Provider, the Bond Trustee or the Owners of not less than 25% in aggregate principal amount of all Series 2006B Bonds Outstanding and the Corporation has had 60 days after receipt of such notice to correct said default or to cause said default to be corrected, and has not corrected said default or caused said default to be corrected within such 60-day period, or, if the nature of the default is such that it cannot be cured within such 60-day period but can be cured within a longer period, no event of default will occur if the Corporation institutes corrective action within such 60-day period and diligently pursues such action until the default is corrected;

(c) The occurrence of an Act of Bankruptcy; or

(d) The occurrence of an Event of Default under the Bond Indenture.

***Remedies on Default.*** Whenever any event of default under the Loan Agreement has happened, but only with the written consent of the Credit Provider if the Credit Provider is not in default under the Credit Facility, then:

(a) If the Series 2006B Bonds are accelerated pursuant to the Bond Indenture, the principal of the Loan, together with all interest accrued thereon, will become immediately due and payable upon delivery of the notice required by the Bond Indenture.

(b) The Issuer may take whatever action at law or in equity may appear necessary or desirable to collect the payments due under the Loan Agreement and thereafter to become due during the term of the Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement.

(c) The Bond Trustee on behalf of the Issuer may take any action permitted under the Bond Indenture.

Any amounts collected will be applied in accordance with the Bond Indenture.

***Waivers.*** The Bond Trustee may in its discretion, and with the prior written consent of the Credit Provider (if the Credit Provider is not in default under the Credit Facility) will, waive any event of default under the Loan Agreement and its consequences, and will do so upon the written request of the Owners of a majority in aggregate principal amount of the Series 2006B Bonds then Outstanding; provided that (i) no Event of Default then exists under the Bond Indenture, and (ii) the Bond Trustee may not waive any event of default under the Loan Agreement unless there has been full reinstatement of amounts available to be drawn under the Credit Facility.

## SUMMARY OF CERTAIN PROVISIONS OF MASTER INDENTURE

*The following is a summary of certain provisions of the Master Indenture. The summary does not purport to be comprehensive, and reference should be made to the Master Indenture for more complete information. Copies of the Master Indenture are available from the Bond Trustee upon request.*

**Covenants of Obligated Issuers**

***Payment of Principal of and Premium and Interest on Notes and Guaranty of Notes.*** Each Obligated Issuer agrees that it will duly and punctually pay the principal of and premium, if any, and interest on each Note issued by it on the dates, at the times and places and in the manner provided in such Note, the Supplemental Master Indenture relating thereto and the Master Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise. Each Obligated Issuer jointly and severally guarantees and promises to pay any and all amounts payable under any Note issued under the Master Indenture by any other Obligated Issuer if, for any reason, said amount is not punctually paid by such Obligated Issuer. These agreements on the part of each Obligated Issuer will remain in effect until such Obligated Issuer withdraws, in which event they will terminate only with respect to the withdrawing Obligated Issuer, or until the Master Indenture has been satisfied and discharged in the manner provided therein.

***Covenants as to Corporate Existence, Maintenance of Properties, Etc.*** Each Obligated Issuer covenants:

(a) to preserve its corporate existence as a corporation and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be and remain qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that this will not be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business;

(b) at all times to cause its business to be carried on and conducted in an effective manner and its Property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that this will not be construed (i) to prevent it from ceasing to operate any portion of its Property, if in the judgment of its Governing Body it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same, is permitted to do so pursuant to the Master Indenture, and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business;

(c) to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the several states thereof and to observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that this does not require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof is contested in good faith;

(d) to pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed and due upon or against it or its Property; provided, however, that it will have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums so long as such contest will not materially impair the ability of such Obligated Issuer to meet its obligations under the Master Indenture; and pending such contest it may delay or defer payment thereof and has the right to pay taxes in installments;

(e) to pay promptly or otherwise to satisfy and discharge all of its obligations and Indebtedness and Guaranties (including, in addition to Indebtedness, guaranties by any Obligated Issuer of Indebtedness of any other Obligated Issuer) and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding under the Master Indenture and the obligations to make payments on Notes) whose validity, amount or collectibility is being contested in good faith by appropriate proceedings, so long as such contest does not materially impair the ability of such Obligated Issuer to meet its obligations under the Master Indenture;

(f) at all times to comply with all terms, covenants and provisions contained in any Mortgages at such time existing upon its Property or any part thereof or securing any of its Indebtedness

and to pay or cause to be paid, or to be renewed, refunded or extended or to be taken up, by it, all of its Mortgages, as and when the same become due and payable;

(g) to procure and maintain all necessary licenses and permits and, if appropriate, maintain accreditation of its facilities and maintain, if appropriate, the status of its health care facilities as a provider of health care services eligible for reimbursement under the Medicare, Medicaid, commercial and equivalent insurance programs, including future Federal programs; provided, however, that an Obligated Issuer need not comply with this if and to the extent that an Independent Consultant has determined, in a written report addressed to the Trustee, that such compliance is no longer in the best interests of such Obligated Issuer and that lack of such compliance would not materially impair the ability of such Obligated Issuer to pay its Indebtedness, if any, when due; and

(h) to maintain, or cause to be maintained, at its sole cost and expense, except as hereinafter described, insurance with respect to its Property, the operation thereof and its business, or to self-insure, against such casualties, contingencies and risks (including but not limited to public liability, casualty and employee dishonesty) in such amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as, in the judgment of such Obligated Issuer, is adequate in amount based upon custom of similarly situated entities to protect its Property, operations and businesses, which insurance and/or self-insurance required to be maintained pursuant hereto shall, in the case of commercial insurance, be subject to review as to its customariness and adequacy and to approval by an Independent Insurance Consultant at least once every two (2) Fiscal Years and shall, in the case of self-insurance, be subject to annual review as to its customariness and adequacy and to approval by an Independent Insurance Consultant; to cause such review to be conducted and to cause such Consultant to prepare a written report regarding such review containing such Consultant's recommendations, if any, for changes in such insurance; to cause copies of such report in final form to be delivered promptly upon receipt thereof, but in any event not less than 30 days after receipt thereof, to the Trustee and to each Related Bond Trustee; to follow the recommendations of such Independent Insurance Consultant to the extent practicable as determined by such Obligated Issuer; and

(i) in the case of the Corporation and each Obligated Issuer which, at the time it becomes an Obligated Issuer, is a Tax-Exempt Organization, not to cease to be a Tax-Exempt Organization, unless, prior thereto, there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that such cessation will not adversely affect the validity of any Related Bonds, the exemption from federal or state income taxation of interest payable on any Related Bonds otherwise entitled to such exemption or the enforceability of the Master Indenture against any Obligated Issuer.

***Restrictions as to Creation of Mortgages.*** Each Obligated Issuer agrees that it will not create or suffer to be created or exist any Mortgage upon its Property (other than Excluded Property) now owned or hereafter acquired by it (i) other than Permitted Encumbrances, (ii) other than on property conveyed in the ordinary course of business or as described under "Sale, Lease or Other Disposition of Property," and (iii) other than on any unimproved property or interest therein, without effective provision being made, in each instance and by the instrument creating such Mortgage, whereby each series of Notes issued and Outstanding under the Master Indenture is directly secured thereby equally and ratably with the Indebtedness to be issued under and secured by such Mortgage.

"Permitted Encumbrances" consist of the following:

(i) any liens arising by reason of good faith deposits with any Obligated Issuer in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Issuer to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) any statutory rights of the United States of America to recover against any Obligated Issuer by reason of Federal funds made available under 42 U.S.C. §291 *et seq.*, and similar rights under Federal and state statutes;

(iii) any lien arising by reason of deposits to enable any Obligated Issuer to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iv) any judgment lien against any Obligated Issuer so long as such judgment is being contested and execution thereon is stayed, and so long as such lien or contest shall not materially impair the ability of such Obligated Issuer to meet its obligations under the Master Indenture;

(v) (A) any rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property (1) to terminate such right, power, franchise, grant, license, permit or provision, provided that the exercise of such rights would not materially impair the use of such Property or materially and adversely affect the value thereof, or (2) to purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with such property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (C) any easements, rights-of-way, servitudes, restrictions and other defects, encumbrances and irregularities in the title of any Property that do not materially impair the use of such Property or that do not materially and adversely affect the value thereof; (D) any rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof; (E) to the extent that it affects title to any Property, the Master Indenture and any Supplemental Master Indenture; and (F) any easements or other rights granted to any owner of any Property adjacent to any Property of any Obligated Issuer;

(vi) any Mortgage existing on the date of the Master Indenture, provided that no such Mortgage may be extended or replaced by another Mortgage nor may it be modified to apply to any Property of any Obligated Issuer not subject to such Mortgage on the date hereof, and provided further that no Additional Indebtedness may be incurred that is secured by such Mortgage;

(vii) any Mortgage to which any of the Property of any Obligated Issuer is subject at the time it becomes an Obligated Issuer, provided that, at the time of becoming an Obligated Issuer, there is delivered to the Master Trustee a Certificate of the Obligated Group Representative that, after giving effect thereto, the aggregate amount of the Indebtedness secured by such Mortgage, by all other Mortgages permitted by this subparagraph (vii) and by all Mortgages permitted by subparagraph (ix) below, does not exceed 10% of the Current Value of Unencumbered Property of the Obligated Group on a combined basis, and provided further that:

(a) the requirements of the Master Indenture described under "Obligated Issuers—Acceptance as Obligated Issuer" have been met;

(b) no Mortgage so described may be modified to apply to any Property of such Obligated Issuer not subject to such Mortgage on the date of joining as an Obligated Issuer;

(c) no Additional Indebtedness may be thereafter incurred that is secured by such Mortgage; and

(d) no Mortgage so described may be extended or replaced by another Mortgage;

(viii) the Mortgage and Security Agreement or any lease and leaseback or similar arrangements entered into by any Obligated Issuer with any Related Issuer to the extent required in connection with the issuance of any Related Bonds;

(ix) any other Mortgage with respect to any Property acquired after the date hereof, which Mortgage either secures the purchase price of such Property or is a Mortgage to which such Property is subject at the time of its acquisition, provided that there is delivered to the Master Trustee a Certificate of the Obligated Group Representative that, after giving effect thereto, the aggregate of the Indebtedness secured by such Mortgage, and by all other Mortgages permitted by this subparagraph (ix) and the restrictions thereof, does not exceed 10% of the Current Value of Unencumbered Property of the Obligated Group on a combined basis (any Certificate of the Obligated Group Representative and computation required by this clause being as of any date within 120 days prior to the date on which such Mortgage is created or assumed by any Obligated Issuer);

(x) any Mortgage or restriction on use, expressed or implied, on any Property of any Obligated Issuer received as a gift, pursuant to the terms of such gift;

(xi) any leases whereunder any Obligated Issuer is lessor which relate to any Property that is of a type that is customarily the subject of such leases, including without limitation office space for physicians and educational institutions, food service facilities, parking facilities, barber shops, beauty shops, flower shops, gift shops, radiology, pathology or other specialty services, and pharmacy and similar departments, and leases of or licenses to use buildings or portions thereof located on the Land which leases or licenses do not impair the operations being conducted in connection with the Facility (or, if no operations are being conducted therein, the operations for which the Facility was designed or last modified);

(xii) any statutory liens on any Property due to rights of any third party payors for recoupment of excess payments to any Obligated Issuer;

(xiii) any Mortgage on any Excluded Property, including without limitation any Mortgage securing any Non-Recourse Indebtedness;

(xiv) any security interests in not more than 15% of the accounts (as defined in Article 9 of the Uniform Commercial Code) of any Obligated Issuer securing any Short-Term Indebtedness of such Obligated Issuer, which security interests may be made superior to the lien and security interests of the Master Indenture, notwithstanding their creation on a date or dates subsequent to the date of original execution and delivery of the Master Indenture, *provided* that the aggregate principal amount of all such Short-Term Indebtedness of all Obligated Issuers so secured does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available;

(xv) any Mortgage on any Property of any Obligated Issuer granted to secure indebtedness of such Obligated Issuer to another Obligated Issuer;

(xvi) any liens on moneys deposited by patients or others with any Obligated Issuer or trustee as security for or as prepayment for the cost of patient care or other services or any rights of residents of life care or similar facilities to endowment, entrance fee refunds or similar funds deposited by or on behalf of such residents, including without limitation any amounts that are escrowed pursuant to the requirements of state law unless and until such amounts are released from such escrow to such Obligated Issuer;

(xvii) any zoning laws and similar restrictions and liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith and any other liens and charges at the time required by law as a condition precedent to the transaction of the life care or health care activities of any Obligated Issuer or the exercise of any privileges or licenses necessary to any Obligated Issuer;

(xviii) any Mortgage securing Non-Recourse Indebtedness to the extent the Property subject to such Mortgage is acquired, in whole or in part, with the proceeds of such Indebtedness; provided that such Mortgage does not extend to any other Property of any Member; and

(xix) any Mortgage securing any Additional Indebtedness incurred to finance any Expansion granting a mortgage lien on or security interest in such Expansion but no other Property of any Member, which may be superior to the lien and security interest of the Mortgage and Security Agreement; provided that the term of such Indebtedness does not extend more than one year after the date of substantial completion of such Expansion, as estimated by a Corporation Representative.

Notwithstanding the foregoing, each Obligated Issuer is permitted to create and suffer to be created or exist any Mortgage necessary or convenient to acquire, construct or install the Assisted Living Expansion Project.

***Restrictions as to Incurrence of Additional Indebtedness.*** Each Obligated Issuer agrees that it will not incur any Additional Indebtedness, other than the following Additional Indebtedness, and if incurred it is at any time when there does not exist any Event of Default under the Master Indenture or under any Related Bond Indenture (unless such Additional Indebtedness is to be incurred to cure such Event of Default):

(a) Long-Term Additional Indebtedness provided that:

(1) there is delivered to the Master Trustee a Certificate of the Obligated Group Representative setting forth the intended uses of the proceeds of such Long-Term Indebtedness and, if such intended uses include the acquisition, construction or installation of land, facilities, equipment or other capital improvements, the estimated cost thereof; and

(2) the Obligated Group Representative has delivered with respect to the Obligated Group to the Trustee either:

(i) An Officer's Certificate to the effect that, for the most recently ended Fiscal Year for which audited financial statements are then available, the Maximum Annual Debt Service Coverage Ratio was not less than 1.20 for all Outstanding Long-Term Indebtedness (exclusive of any Outstanding Long-Term Indebtedness that is to be refunded or redeemed with proceeds of the Indebtedness proposed to be incurred) and the Long-Term Indebtedness then proposed to be incurred; or

(ii) The following reports or opinions:

(x) an Officer's Certificate to the effect that, for the most recently ended Fiscal Year for which audited financial statements are then available, the Debt Service Coverage Ratio was not less than 1.20; and

(y) a report or opinion of an Independent Consultant (a "Consultant's Report") to the effect that the estimated Maximum Annual Debt Service Coverage Ratio for the full Fiscal Year following the later of (I) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Long-Term Indebtedness or (II) in the case of construction, renovation or replacement of any residential facilities for the elderly being financed with the proceeds of such additional Long-Term Indebtedness, the Fiscal Year in which Stable Occupancy of such facilities is projected to occur (provided that such Stable Occupancy is projected in such Consultant's Report to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness or following the incurrence of Long-Term Indebtedness for other purposes), will be not less than 1.25 after giving effect to the incurrence of such additional Long-Term Indebtedness and the application of the proceeds thereof, which Consultant's Report includes

forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for each such Fiscal Year and a statement of assumptions upon which such forecasted statements are based, which financial statements indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing facilities and the Debt Service on the Obligated Group's other existing Indebtedness during each such Fiscal Year;

*provided, however,* that in the event that an Independent Consultant delivers a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Issuers to produce the required ratios described in (i) or (ii) above, then such ratios will be reduced to the highest practicable ratios then permitted by such laws or regulations.

(b) Completion Indebtedness in an amount not exceeding 15% of the principal amount of the Indebtedness originally issued to finance the facility to be completed, if there is delivered to the Master Trustee: (i) an Officer's Certificate stating that, at the time the original Long-Term Indebtedness for such facilities was incurred, the Obligated Issuer had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such facilities; (ii) a statement of an Independent Architect or an expert acceptable to the Master Trustee setting forth the amount estimated to be needed to complete such facilities; and (iii) an Officer's Certificate stating that the proceeds of such Completion Indebtedness to be applied to the completion of such facilities, together with other moneys available therefor, will be in an amount not less than the amount set forth in the statement of an Independent Architect referred to in (ii).

(c) Refunding Indebtedness, provided that (1) the requirements of subparagraph (a)(2) above are satisfied or (2) the Obligated Group Representative has delivered a Certificate of the Obligated Group Representative to the Master Trustee certifying that the Maximum Annual Debt Service on all Outstanding Long-Term Indebtedness will not be increased by more than 10% by such refunding.

(d) Balloon Indebtedness if:

(1) (i) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment by a financial institution generally regarded as responsible, including, without limitation, a letter of credit or a line of credit, which commitment provides for repayment of amounts drawn under such commitment commencing with the last day of each Balloon Year and which commitment and institution are acceptable to the Master Trustee, to provide financing sufficient to pay such Balloon Indebtedness coming due during each Balloon Year or, if there is no such commitment, such Balloon Indebtedness incurred without such commitment does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are then available and (ii) the conditions set forth in subparagraph (a)(2) above are met when it is assumed that, with respect to the portion of such Balloon Indebtedness coming due during each Balloon Year, such Balloon Indebtedness bears interest on the unpaid principal balance at the Projected Rate and is payable on a level debt service basis over a 25-year amortization; or

(2) (i) the Obligated Issuer incurring such Balloon Indebtedness establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule provides for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness; (ii) the Obligated Issuer incurring such Balloon Indebtedness agrees in such Officer's Certificate to cause to be deposited during each Fiscal Year with a bank or trust company (pursuant to an agreement between such Obligated Issuer and such bank or trust company, which agreement is satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such

Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit is made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and (iii) the conditions described in subparagraph (a)(2) above are met when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(e) Put Indebtedness if the conditions set forth in subparagraph (a)(2) above are met when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is amortized on a level debt service basis over a 25-year period.

(f) Subordinated Indebtedness without limit.

(g) Commitment Indebtedness without limit (i) if incurred in connection with Balloon Indebtedness that satisfies the conditions set forth in subparagraph (d) above or Put Indebtedness that satisfies the conditions set forth in subparagraph (e) above; or (ii) otherwise, without duplication, if the conditions set forth in subparagraph (a)(2) above are met when it is assumed that funding occurs under the commitment giving rise to such Commitment Indebtedness on the same day that such Commitment Indebtedness is incurred.

(h) Short-Term Indebtedness without limit if supported by Commitment Indebtedness that satisfies the conditions set forth in subparagraph (g)(ii) above.

(i) Short-Term Indebtedness such that all such Indebtedness to be incurred and then Outstanding under this subparagraph (i) does not exceed an amount equal to the sum of (1) 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which combined audited financial statements reported on by an independent certified public accountant are available plus (2) any additional amount if the Obligated Group Representative certifies in an Officer's Certificate that (i) such additional amount is attributable to Short-Term Indebtedness incurred to offset a temporary delay in receipt of funds due from third-party payors, (ii) such additional amount is in the minimum amount reasonably practicable taking into account such delay and (iii) no Short-Term Indebtedness incurred during the current or prior two Fiscal Years to offset a temporary delay in the receipt of funds due from third-party payors has been Outstanding for a 20-day period during any such Fiscal Year; provided, however, that no Short-Term Indebtedness may be incurred under this subparagraph (i) on any date unless, during the 365-day period ended on such date, there were at least 20 consecutive days in which the Short-Term Indebtedness then Outstanding did not exceed 3% of the Revenue of the Obligated Group for the most recent Fiscal Year for which combined audited financial statements reported on by an independent certified public accountant are available.

(j) Any other Indebtedness provided that, at the time of incurrence of such Indebtedness, the aggregate of such Indebtedness plus all Indebtedness previously incurred pursuant to this subparagraph (j) and then Outstanding does not exceed the greater of: (i) $100,000 or (ii) 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which combined audited financial statements reported on by an independent certified public accountant are available.

(k) Short-Term Indebtedness, other than for borrowed money, incurred in the ordinary course of business of any Obligated Issuer.

(l) Indebtedness incurred in connection with a sale of accounts receivable with or without recourse by any Obligated Issuer consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions; provided that the principal amount of such Indebtedness permitted hereby does not exceed the aggregate sale price of such accounts receivable received by such Obligated Issuer by more than 10%; and provided, further, that the aggregate amount of Indebtedness incurred under this subparagraph (l) does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements reported on by an independent certified public accountant are available.

(m) Extendable Debt related to the Facility or its operations if the conditions set forth in subparagraph (a) above are met with respect to such Extendable Indebtedness when it is assumed that such Extendable Indebtedness bears interest at the Projected Rate and is amortized on a level debt service basis over a 25-year period.

(n) Non-Recourse Indebtedness without limit; provided, however, that no Member may take any action that would cause such Non-Recourse Indebtedness, after the incurrence thereof, to no longer be treated as Non-Recourse Indebtedness, unless the then outstanding amount of such Indebtedness may be incurred as Additional Indebtedness as of the date of such nonqualification.

(o) Short-Term Indebtedness, in an amount not to exceed $8,000,000, to fund the construction of not more than 24 independent living units in the Facility, so long as (i) such Short-Term Indebtedness is repaid in full not less than 48 months after such Short-Term Indebtedness is incurred, and (ii) such Short-Term Indebtedness is secured only by the independent living units constructed with the proceeds thereof.

Notwithstanding the foregoing, each Obligated Issuer is permitted to incur any Additional Indebtedness necessary or convenient to acquire, construct or install the Assisted Living Expansion Project, if such Additional Indebtedness is incurred not later than December 31, 2007.

***Calculation of Debt Service.*** The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the Debt Service payable with respect to such Indebtedness for future periods required under the provisions of the Master Indenture will be made in a manner consistent with that described under "Restrictions as to Incurrence of Additional Indebtedness" and "Calculation of Debt Service." The various calculations of Projected Rate, the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under the provisions of the Master Indenture will be made in a manner consistent with that described under "Restrictions as to Incurrence of Additional Indebtedness" and "Calculation of Debt Service." In the case of Balloon Indebtedness, Put Indebtedness or Extendable Debt issued pursuant to subparagraph (d), (e), (j), (l) or (m) under "Restrictions as to Incurrence of Additional Indebtedness", the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods will be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation unless such Indebtedness is reclassified as described below.

In determining the amount of Debt Service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, except as otherwise provided under "Restrictions as to Incurrence of Additional Indebtedness" with respect to interest rate assumptions, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then, for the purpose of making such determination of Debt Service, interest on such indebtedness for such period (the "Determination Period") will be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average annual rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) that was or would have been in effect for the 12-month period immediately preceding the date on which such calculation is made. However, if such average annual rate of interest cannot be calculated for such entire 12-month period but can be calculated for a shorter period, then the assumed interest rate for the Determination Period will be the average annual rate of interest that was or would have been in effect for such shorter period. Further, if such average annual rate of interest cannot be calculated for any preceding period of time, then the assumed interest rate for the Determination Period will be the initial annual rate of interest that is actually applicable to such Indebtedness upon the incurrence thereof.

Balloon Indebtedness incurred under subparagraph (d) under "Restrictions as to Incurrence of Additional Indebtedness" will be deemed payable in accordance with the assumptions set forth in said subparagraph (d).

Put Indebtedness incurred under subparagraph (e) under "Restrictions as to Incurrence of Additional Indebtedness" will be deemed payable in accordance with the assumptions set forth in said subparagraph (e). However, if the option of the holder to require that such Put Indebtedness be paid, purchased or redeemed prior to its

stated maturity date has expired as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

Extendable Indebtedness shall be deemed payable in accordance with the assumptions set forth in subparagraph (m) under "Restrictions as to Incurrence of Additional Indebtedness." However, if the option of the holder to require that such Extendable Debt be repaid, purchased or redeemed prior to its stated maturity date has expired as of the date of calculation, such Extendable Indebtedness will be deemed payable in accordance with its terms.

Notes issued to secure Indebtedness permitted to be incurred under "Restrictions as to Incurrence of Additional Indebtedness" will not be treated as Additional Indebtedness.

No Debt Service will be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment that gave rise to such Commitment Indebtedness, except to the extent that the terms of such Commitment Indebtedness are to be considered under "Restrictions as to Incurrence of Additional Indebtedness" in determining the amortization schedule and Debt Service payable with respect to the Indebtedness supported by the commitment that gave rise to such Commitment Indebtedness. From and after such funding, the amount of such Debt Service will be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto, utilizing the various assumptions described under "Calculation of Debt Services." No Additional Indebtedness will be deemed to arise when any funding occurs under any such commitment or when any such commitment is renewed upon terms that provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal.

No Additional Indebtedness will be deemed to arise when variable rate Indebtedness converts to fixed rate Indebtedness if such conversion is in accordance with the provisions applicable to such variable rate Indebtedness when it was initially incurred. In making any determination of or with regard to Debt Service under the Master Indenture, the Master Trustee may rely on such opinions or reports of Independent Consultants as it deems appropriate.

Any Obligated Issuer may elect to have Indebtedness issued pursuant to one provision described under "Restrictions as to Incurrence of Additional Indebtedness" classified as having been incurred under another by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness will be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

If any Obligated Issuer enters into a Qualified Swap Agreement with a Swap Provider requiring such Obligated Issuer to pay a fixed interest rate or a variable interest rate on a notional amount, and such Obligated Issuer has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments (or a portion thereof) for Indebtedness of a particular maturity or maturities in a principal amount equal to the notional amount of such Qualified Swap Agreement, then, during the term of such Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement, for purposes of any calculation of interest on Long-Term Indebtedness, the interest rate (or portion thereof) on the Indebtedness of such maturity or maturities will be determined as if such Indebtedness bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by such Obligated Issuer after giving effect to such Qualified Swap Agreement. Any obligations under such Qualified Swap Agreement, whether or not secured by a Note, will not be separately included in any calculation of interest on Long-Term Indebtedness. No additional Indebtedness will be deemed to arise when any Qualified Swap Agreement is entered into or terminated. A Note may be issued in a notional amount to secure any Qualified Swap Agreement and will not be deemed to be Outstanding under the Master Indenture for any purpose other than entitlement to the interest payments and any termination payments thereunder, secured equally and ratably with all other interest payments on Notes. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account a Qualified Swap Agreement, any payments made by an Obligated Issuer on such Qualified Swap Agreement will be excluded from Total Expenses and any payments received by an Obligated Issuer

on such Qualified Swap Agreement will be excluded from Revenues, in each case, for all purposes of the Master Indenture.

***Debt Service Coverage Ratio.*** Each Obligated Issuer agrees that it will set rates and charges for its facilities such that the Debt Service Coverage Ratio of the Obligated Group, for each Fiscal Year, will be not less than 1.20. If the Debt Service Coverage Ratio, as calculated at the end of any Fiscal Year, is below that required by the first sentence of this paragraph, the Obligated Group covenants to retain an Independent Consultant acceptable to the Trustee to make recommendations to increase the Debt Service Coverage Ratio for subsequent Fiscal Years to at least 1.20. However, in the event that an Independent Consultant delivers a report to the Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Group to produce the required Debt Service Coverage Ratio required by the first sentence of this paragraph, then the required Debt Service Coverage Ratio will be reduced to the highest practicable ratio permitted, in the opinion of such Independent Consultant, by such laws or regulations then in effect. Each Obligated Issuer agrees that it will, to the extent legally permitted, follow the recommendations of the Independent Consultant. However, the Corporation need not follow such recommendations to the extent such action would jeopardize the status of the Corporation as a tax-exempt organization under Section 501(c)(3) of the Code. So long as the Obligated Group retains an Independent Consultant and each Obligated Issuer follows such Independent Consultant's recommendations to the extent legally permitted, then the Debt Service Coverage Ratio requirement will be deemed to have been complied with for such Fiscal Year even if the Debt Service Coverage Ratio for such Fiscal Year is below that required by the first sentence of this paragraph and will not constitute an event of default under the Master Indenture.

In the event that the Corporation undertakes any Expansion or an Obligated Issuer incurs Long-Term Additional Indebtedness as described under "Restrictions as to Incurrence of Additional Indebtedness," the Obligated Group need not thereafter observe the foregoing Debt Service Coverage Ratio requirement until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Long-Term Indebtedness or (ii) in the case of construction, renovation or replacement of any residential facilities for the elderly being financed with the proceeds of such additional Long-Term Indebtedness, the Fiscal Year in which Stable Occupancy of such facilities is projected to occur (provided that such Stable Occupancy is projected in the Consultant's Report referred to in paragraph (A) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness or following the incurrence of Long-Term Indebtedness for other purposes), if the following conditions are met:

(A) there is delivered to the Master Trustee a report or opinion of an Independent Consultant (a "Consultant's Report") to the effect that the estimated Maximum Debt Service Coverage Ratio for the full Fiscal Year following the later of (I) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Long-Term Indebtedness or (II) in the case of construction, renovation or replacement of residential facilities for the elderly being financed with the proceeds of such additional Long-Term Indebtedness, the Fiscal Year in which Stable Occupancy of such facilities is projected to occur (provided that such Stable Occupancy is projected in such Consultant's Report to occur no later than during the fourth full Fiscal Year following the incurrence of such Indebtedness or following the incurrence of Long-Term Indebtedness for other purposes), will be not less than 1.25 after giving effect to the incurrence of such additional Long-Term Indebtedness and the application of the proceeds thereof, which Consultant's Report includes forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for each such Fiscal Year and a statement of assumptions upon which such forecasted statements are based, which financial statements indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing facilities and the Debt Service on the Obligated Group's other existing Indebtedness during each such Fiscal Year; provided, however, that in the event that an Independent Consultant delivers a report to the Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Issuers to produce the required ratio, then such ratio will be reduced to the highest practicable ratio then permitted by such laws or regulations; and

(B) until the first Fiscal Year in which the provisions in the first paragraph under the caption "Debt Service Coverage Ratio" again apply, each Obligated Issuer sets rates and charges for its facilities such that the Debt Service Coverage Ratio of the Obligated Group, calculated at the end of each Fiscal Year, will not be less than 1.00, such Debt Service Coverage Ratio to be computed without taking into account (I) the Long-Term Additional Indebtedness to be incurred if (x) the interest on such Long-Term Additional Indebtedness during such period is funded from proceeds thereof or other funds of the Corporation then on hand and available therefor and (y) no principal of such Long-Term Additional Indebtedness is payable during such period, and (II) the Revenues to be derived from such Expansion or any other facilities financed from the proceeds of such Long-Term Additional Indebtedness; provided, however, that, in the event that an Independent Consultant delivers a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for the Obligated Issuer to produce the required ratio, then such ratio will be reduced to the highest practicable ratio then permitted by such laws or regulations.

Notwithstanding the foregoing, until the first full Fiscal Year following Stable Occupancy of the assisted living units in the Assisted Living Expansion Project, the Debt Service Coverage Ratio of the Obligated Group will be computed without taking into account any Additional Indebtedness incurred to finance the acquisition, construction or installation of the Assisted Living Expansion Project.

***Sale, Lease or Other Disposition of Property.*** Each Obligated Issuer agrees that it will not, in any Fiscal Year, sell, lease or otherwise dispose of any Property (other than any Excluded Property or Permitted Encumbrances), except any Property:

(a) If:

(i) the value of such Property, together with all other Property sold, leased or otherwise disposed of in such Fiscal Year by members of the Obligated Group in transactions other than those described in subparagraphs (b) through (h) below, totals:

(A) Prior to Stable Occupancy of the assisted living units in the Assisted Living Expansion Project, not more than 5%, and

(B) On or after Stable Occupancy of the assisted living units in the Assisted Living Expansion Project, not more than 7.5%

of the total assets shown on the balance sheet in the combined financial statements of the Obligated Group for the Fiscal Year next preceding the date of such sale, lease or other disposition for which audited financial statements of the Obligated Group are available;

(ii) the Debt Service Coverage Ratio of the Obligated Group, for the 12-month period ended on the last day of the fiscal quarter immediately preceding such sale, lease or other disposition, for which fiscal quarter financial statements of the Obligated Group, certified by the Obligated Group Representative, are available, is not less than 1.30, computed on a *pro forma* basis by reducing Net Income Available for Debt Service by an amount representing interest earnings on any funds subject to such sale, lease or other disposition; and

(iii) after giving effect to such sale, lease or other disposition, the Obligated Group would have had, on the last day of the month immediately preceding such sale, lease or other disposition, for which month financial statements of the Obligated Group, certified by the Obligated Group Representative, are available, at least 200 Days' Cash on Hand, for the 12-month period then ended;

(b) The sale, lease or other dispositions of which is the ordinary course of business;

(c) In return for other Property of equal or greater value and usefulness;

(d) To any Person, if such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(e) To another Obligated Issuer;

(f) Upon fair and reasonable terms no less favorable to such Obligated Issuer than would obtain in a comparable arm's-length transaction;

(g) To any Person, if such Property consists solely of assets that are specifically restricted by the donor or grantor to a particular purpose that is inconsistent with their use, or the use of the Revenues therefrom, for payment on the Notes; or

(h) To Community Foundation of Northwest Indiana, Inc., the sale, lease or other disposition of which is made in May 2006.

Notwithstanding the foregoing, each Obligated Issuer is permitted to sell, lease or otherwise dispose of any Property, necessary or convenient to acquire, construct or install the Assisted Living Expansion Project.

***Consolidation, Merger, Sale or Conveyance.*** Each Obligated Issuer covenants that it will not merge or consolidate with any other corporation not an Obligated Issuer or sell or convey all or substantially all of its assets to any Person not an Obligated Issuer unless (i) either (A) such Obligated Issuer is the surviving corporation, or (B) the successor corporation (if other than such Obligated Issuer) is a corporation organized and existing under the laws of the United States of America or a state thereof and such corporation expressly assumes in writing all of the obligations of such Obligated Issuer to pay principal of and interest on the Notes issued under the Master Indenture, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture to be performed or observed by such Obligated Issuer by a Supplemental Master Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such corporation; (ii) such Obligated Issuer has furnished to the Master Trustee an Opinion of Bond Counsel that such merger, consolidation, sale or conveyance does not affect the validity or exemption of interest on outstanding Related Bonds from taxation under Section 103(a) of the Code; and (iii) (A) the Obligated Group, immediately after such merger or consolidation, or such sale or conveyance, would not be in default in the performance or observance of any such covenants or conditions of the Master Indenture, (B) the conditions described in subparagraph (a)(2)(ii) under "Restrictions as to Incurrence of Additional Indebtedness" would be met for the incurrence of one dollar of Long-Term Additional Indebtedness by such Obligated Issuer or successor corporation and (C) the conditions described in subparagraph (a) under "Obligated Issuers—Acceptance of Obligated Issuer would be met.

***Filing of Financial Statements, Certificate of No Default, Other Information.*** Each Obligated Issuer, respectively, covenants as follows:

(a) as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group will file, or cause to be filed, with the Master Trustee, with each Noteholder who may have so requested or in whose behalf the Master Trustee may have so requested, with each Related Issuer, with each holder of Related Bonds in an aggregate principal amount of at least $1,000,000 requesting the same, with each original purchaser of any issue of Related Bonds and with each nationally recognized rating agency maintaining a rating on any issue of Related Bonds (i) a combined revenue and expense statement of the Obligated Group for such Fiscal Year (all material inter-company transactions and balances being eliminated in the preparation of the combined statements), and (ii) a combining balance sheet presented on the basis described in (i) above as of the end of such Fiscal Year, accompanied by an Accountant's Certificate to the effect that such statements have been properly prepared in accordance with generally accepted accounting principles consistently applied;

(b) as soon as practicable but in no event later than 150 days after the end of each Fiscal Year, the Obligated Group will file or cause to be filed with the Master Trustee, with each Noteholder, with each Related Issuer, with each holder of Related Bonds in an aggregate principal amount of at least $1,000,000 requesting the same, with each original purchaser of any issue of Related Bonds and with each nationally recognized rating agency maintaining a rating on any issue of Related Bonds, a Certificate of the Obligated Group Representative and an Accountant's Certificate (i) setting forth the Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year, (ii) setting forth the Days' Cash on Hand of the Obligated Group as of the end of such Fiscal Year, for the Fiscal Year then ended, and (iii) stating whether or not, to the best knowledge of the signers, the Obligated Issuers are in default in the performance of any covenant contained in the Master Indenture, and, if so, specifying each such default of which the signers may have knowledge;

(c) the Obligated Group will furnish to the Master Trustee, each holder of Related Bonds in an aggregate principal amount of at least $1,000,000 requesting the same and each original purchaser of any issue of Related Bonds, within 45 days after the expiration of each quarterly fiscal period of each Fiscal Year, (i) a statement of general fund revenue, expenditures and transfers of the Obligated Group through the end of such period, (ii) a balance sheet of the Obligated Group as of the end of such period, (iii) statements of cash flow and changes in fund balance through the end of such period, (iv) a statement of the Days' Cash on Hand of the Obligated Group as of the end of such period, for the 12-month period then ended, and (v) a statement of the Debt Service Coverage Ratio of the Obligated Group for such period, all in reasonable detail and certified, subject to year-end adjustment, by the Obligated Group Representative;

(d) the Obligated Group will furnish to the Master Trustee, each holder of Related Bonds in an aggregate principal amount of at least $1,000,000 requesting the same and each original purchaser of any issue of Related Bonds, within 45 days after the expiration of each quarterly fiscal period of each Fiscal Year, a report setting forth marketing and occupancy statistics for the Facility, in reasonable detail and certified by the Obligated Group Representative; and

(e) within 20 days after receipt thereof by any Obligated Issuer, such Obligated Issuer will file with the Trustee and each original purchaser of any issue of Related Bonds and a copy of each report which any provision of the Master Indenture requires to be prepared by an Independent Consultant or an Independent Insurance Consultant.

In addition, each Obligated Issuer will furnish such additional information to any Related Issuer, the Master Trustee, each original purchaser of any issue of Related Bonds, or each holder of Related Bonds in an aggregate principal amount of at least $1,000,000 as such parties may reasonably request concerning such Obligated Issuer or the Obligated Group. Without limiting the foregoing, each Obligated Issuer will permit any Related Issuer, the Master Trustee, the original purchaser of any issue of Related Bonds and any holder of Related Bonds in an aggregate principal amount of at least $1,000,000 (or such persons as such holder may designate) to visit and inspect, at their expense, the Property and to discuss the affairs, finances and accounts of each Obligated Issuer and the Obligated Group, their officers and independent accountants, all at such reasonable times and as often as they may reasonably desire.

***Deposit of Revenues.*** If an event of default described in subparagraph (a) under "Remedies of Trustee and Noteholders in Event of Default" has occurred, each Obligated Issuer will, forthwith upon receipt, deposit with the Trustee all of its Revenues until such event of default has been cured. At the discretion of the Master Trustee, all or any portion of the Revenues of any Obligated Issuer so deposited with the Master Trustee may be released to such Obligated Issuer to pay its operating expenses.

***Days' Cash on Hand.*** The Obligated Group will provide to the Master Trustee, within 45 days thereafter, written evidence demonstrating whether, as of the end of each semiannual fiscal period, beginning June 30, 2006, the Obligated Group has at least 180 Days' Cash on Hand, for the 12-month period then ended, as shown on the financial statements of the Obligated Group for the 12-month period then ended. Without limiting the generality of the foregoing, the Obligated Group will not prepay any Indebtedness if after giving effect to such prepayment the Obligated Group would fail to satisfy the foregoing requirements.

If, on any date on which the Obligated Group is required to demonstrate its compliance with any of the requirements of the preceding paragraph, the amount of Days' Cash on Hand of the Obligated Group is less than the then required minimum balance, the Obligated Group covenants to retain an Independent Consultant acceptable to the Master Trustee to make recommendations to increase the Days' Cash on Hand of the Obligated Group for subsequent reporting periods to at least the required minimum balance. Each Obligated Issuer agrees that it will, to the extent legally permitted, follow the recommendations of the Independent Consultant. So long as the Obligated Group retains an Independent Consultant and each Obligated Issuer follows such Independent Consultant's recommendations to the extent legally permitted, the requirements described under "Days' Cash on Hand" will be deemed to be complied with for such reporting period and no event of default in respect thereof will be deemed to have occurred under the Master Indenture.

***Damage, Destruction and Condemnation.*** In the event of damage, destruction or condemnation of the Facility which results in the receipt by one or more Obligated Issuers of proceeds of insurance or condemnation awards, in any instance, in excess of the greater of (i) 3% of the combined Property, Plant and Equipment of the Obligated Issuers at the end of the most recent Fiscal Year for which audited financial statements are available or (ii) $500,000, such proceeds will be deposited with the Master Trustee and will be used, at the option of the Obligated Issuers, to (a) repair, reconstruct and restore the Facility or (b) prepay any Outstanding Notes issued to finance or refinance the Facility, or to achieve any combination of the foregoing.

***Assisted Living Expansion Project.*** Notwithstanding any other term or provision of the Master Indenture, each Obligated Issuer is permitted to incur any Additional Indebtedness, create and suffer to be created or exist any Mortgage, sell, lease or otherwise dispose of any Property, and take any and all other actions necessary or convenient to acquire, construct or install the Assisted Living Expansion Project, if such Additional Indebtedness is incurred not later than December 31, 2007.

**Remedies of Trustee and Noteholders in Event of Default**

***Events of Default.*** Any of the events described is an "event of default" under the Master Indenture:

(a) There is a failure to make any payment of the principal of or premium, if any, or interest on any Note issued and Outstanding under the Master Indenture when and as the same becomes due and payable, whether at maturity, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture and of any Supplemental Master Indenture; or

(b) Any Obligated Issuer fails duly to observe or perform any covenant or agreement on its part contained in the Master Indenture or any Supplemental Master Indenture (other than a failure of any Obligated Issuer to make a payment required under the Master Indenture that would result in a default described in subparagraph (a) above) for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, has been given to each Obligated Issuer and the Obligated Group Representative by the Master Trustee, or to each Obligated Issuer and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Notes then Outstanding, except that, if such failure can be remedied but not within such 30-day period, such failure will not become an Event of Default for so long as the Obligated Issuers diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Trustee; or

(c) Any Obligated Issuer defaults in the payment of any Indebtedness for borrowed money (other than Notes issued and Outstanding under the Master Indenture and other than with respect to Non-Recourse Indebtedness), whether such Indebtedness now exists or is hereafter created, and any period of grace with respect thereto has expired, or an event of default as defined in any Mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or is hereafter created, occurs, which default in payment or event of default results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, provided, however, that such default will not constitute an event of default if, within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws of the state having jurisdiction or other

laws governing such proceeding, (i) such Obligated Issuer in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness; or

(d) (i) without the consent of any Obligated Issuer, a decree or order by a court having jurisdiction in the premises has been entered adjudging any Obligated Issuer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Issuer under the federal Bankruptcy Code or any other similar applicable Federal or state law, and such decree or order has continued undischarged and unstayed for a period of 90 days; or, without the consent of any Obligated Issuer, a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of any Obligated Issuer or of its Property, or for the winding up or liquidation of its affairs, has been entered and such decree or order has remained in force undischarged and unstayed for a period of 90 days; (ii) the Obligated Issuers has failed to deposit with the Master Trustee within 15 calendar days of their receipt of written notice from the Master Trustee that an event described in this subparagraph has occurred, either (A) an amount sufficient to pay in full all Notes of such Obligated Issuer or (B) if acceptable to the Master Trustee in its sole discretion, and then only under such terms and conditions as the Master Trustee in its sole discretion prescribes, a Note or Notes executed by one or more other Obligated Issuers in substitution for the Note or Notes of such Obligated Issuer; and (iii) the Obligated Group has failed to satisfy the conditions set forth in subparagraphs (a), (b) and (d) under "Obligated Issuers—Withdrawal of Obligated Issuers" for the withdrawal of such Obligated Issuer; or

(e) (i) any Obligated Issuer institutes proceedings to be adjudicated a voluntary bankrupt, or consents to the institution of a bankruptcy proceeding against it, or files a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable federal or state law, or consents to the filing of any such petition, or consents to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Property, or makes assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, or corporate action is taken by any Obligated Issuer in furtherance of any of the aforesaid purposes; (ii) the Obligated Issuers have failed to deposit with the Master Trustee within 15 calendar days of their receipt of written notice from the Master Trustee that an event described in this subparagraph has occurred, either (A) an amount sufficient to pay in full all Notes of such Obligated Issuer or (B) if acceptable to the Master Trustee in its sole discretion, and then only under such terms and conditions as the Master Trustee in its sole discretion prescribes, a Note or Notes executed by one or more other Obligated Issuers in substitution for the Note or Notes of such Obligated Issuer; and (iii) the Obligated Group has failed to satisfy the conditions set forth in subparagraphs (a), (b) and (d) under "Obligated Issuers—Withdrawal of Obligated Issuers" for the withdrawal of such Obligated Issuer; or

(f) any judgment, writ or warrant of attachment or of any similar process is entered or filed against any Obligated Issuer or against any Property of any Obligated Issuer and remains unvacated, unpaid, unbonded, unstayed, uninsured or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing will constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed, uninsured or uncontested, exceeds 1% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited financial statements of the Obligated Group; or

(g) any event of default occurs under the Mortgage and Security Agreement or any other Mortgage, security document, instrument or agreement of any kind relating to the Notes to which an Obligated Issuer is a party, other than as the secured party thereunder.

The provisions of subparagraph (b) above are subject to the following limitations. If by reason of force majeure, any Obligated Issuer is unable in whole or in part to carry out any agreements on its part contained in the Master Indenture, such Obligated Issuer will not be deemed in default during the continuance of such disability. The term "force majeure" includes the following: acts of God; strikes; lockouts or other employee disturbances; acts of public enemies; orders of any kind of the Government of the United States of America, the state or states in which such Obligated Issuer is doing business, or any of their departments, agencies, political subdivisions or officials, or

any civil or military authority; insurrections; riots; epidemics; storms; floods; washouts; droughts; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or similar acts or events other than financial not within the control of the Obligated Issuer.

***Acceleration.*** Upon the occurrence of an Event of Default, then and in each and every such case, unless the principal of the Notes have already become due and payable, the Master Trustee may, and if requested by the Holders of not less than 25% in aggregate principal amount of all Notes then Outstanding, the Master Trustee will, by notice in writing to the Obligated Issuers declare the principal of all the Notes to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable. In such event, there will be due and payable on the Notes an amount equal to the aggregate principal amount of the Notes, plus all interest accrued thereon and, to the extent permitted by applicable law, interest at the highest rate borne by any Note, to the extent permitted by law, on such principal of and interest to the date of payment. However, if, at any time after the principal of the Notes has been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Obligated Issuers pays or deposits with the Master Trustee a sum sufficient to pay all matured installments of interest upon all the Notes and the principal of and premium, if any, on all the Notes that has become due otherwise than by acceleration (with interest, to the extent permitted by law, on overdue installments of interest and on such principal and premium, if any, at the highest rate borne by any Note to the date of such payment or deposit) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on any Notes that have become due by acceleration, have been remedied, then the Holders of a majority in aggregate principal amount of all Notes then Outstanding, by written notice to the Obligated Issuers and to the Master Trustee, may waive such Events of Default and rescind and annul such declaration and its consequences; but no such waiver or recession and annulment shall extent to or affect any subsequent Event of Default, or shall impair any right consequences thereon.

The Master Trustee, in its own name and as trustee of an express trust, is entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid and, in addition thereto, such further amount as is sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any reasonable expenses incurred by the Master Trustee other than as a result of its negligence or bad faith. The Master Trustee may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against each Obligated Issuer, and collect in the manner provided by law out of the Property of each Obligated Issuer, wherever situated, the moneys adjudged or decreed to be payable.

***Additional Remedies and Enforcement of Remedies.*** Upon the occurrence and continuance of any event of default under the Master Indenture, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Notes then Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, will proceed to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, deems expedient, including but not limited to:

(i) Enforcement of the rights of the Holders to collect and enforce the payment of amounts due or becoming due under the Notes and the Master Indenture, including the joint and several liability of the Obligated Issuers for the guaranty of principal and interest on Outstanding Notes;

(ii) Suit upon all or any part of the Notes;

(iii) Civil action to require any Person holding moneys, documents or other Property pledged to secure payment of amounts due or to become due on the Notes to account as if it were the trustee of an express trust for the Noteholders;

(iv) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Noteholders and to compel the performance of any action required by the Master Indenture;

(v) Enforcement of any rights or remedies conferred by the Mortgage and Security Agreement or any other Mortgage securing the Notes; and

(vi) Enforcement of any other rights or remedy of the Noteholders conferred by law or equity or by the Master Indenture.

Regardless of the occurrence of an event of default under the Master Indenture, the Master Trustee may, and if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Notes then Outstanding, will, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised are necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Noteholders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, not unduly prejudicial to the interest of the Noteholders not making such request.

***Proceedings in Bankruptcy.*** In case there are pending proceedings for the bankruptcy or for the reorganization or arrangement of any Obligated Issuer under the Federal Bankruptcy Code or any other applicable law relative to any Obligated Issuer, its creditors or its Property, or in case a receiver or trustee has been appointed for its Property, the Master Trustee, irrespective of whether the principal of the Notes of any series are then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee has made any demand pursuant to the Master Indenture, will be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Notes of all series, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Noteholders allowed in such judicial proceedings relative to such Obligated Issuer, its creditors or its Property, and to collect and receive any moneys or other Property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses. Payment of the Master Trustee's reasonable compensation, expenses and counsel fees will be secured by a lien on, and will be paid out of, any and all distributions, dividends, moneys, securities and other Property which the Noteholders may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

***Application of Moneys Collected.*** Any amounts collected by the Master Trustee will be applied, for the equal and ratable benefit of the Holders of Notes of all series then due and payable by acceleration or otherwise in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of reasonable costs and expenses of collection, and of all amounts payable to the Master Trustee;

(b) unless the principal of all of the Notes has become or has been declared due and payable, all such moneys shall be applied in the following order:

First: to the payment to the Persons entitled thereto of all installments of interest (including, to the extent permitted by law, interest on overdue payments of interest at the highest rate borne by any Note) then due and payable in the order in which such installments has become due and payable and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Notes; and

Second: to the payment to the Persons entitled thereto of the unpaid principal (including interest on overdue payments of principal at the highest rate borne by any Note) of any of the Notes that has become due and payable (other than Notes previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture) in the order of their due dates, and, if the amount available is not sufficient to pay in full principal of the Notes due and payable on any particular date, then to the payment of the principal, ratably, according to the amount of the principal due on that date, to the Persons entitled thereto without any discrimination or preference; and

(c) if the principal of all the Notes has become or has been declared due and payable, moneys will be applied to the payment of the principal and interest then due and unpaid upon the Notes (including interest on overdue payments of principal and interest, but other than for Notes previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture), 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 Note over any other Note, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Notes; and

(d) to the payment of the remainder, if any, to the Obligated Issuers, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

***Suit by Noteholders.*** Unless otherwise provided in the applicable Supplemental Master Indenture, no Noteholder has any right by virtue of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy hereunder, unless such Noteholder previously has given to the Master Trustee written notice of default and of the continuance thereof, and unless also the Holders of not less than 25% in aggregate principal amount of all series of Notes then Outstanding have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee and have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, has neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee as described under "Direction of Proceedings and Waiver of Defaults by Noteholders." No one or more Noteholders have any right in any manner whatever to affect, disturb or prejudice the rights of any other Noteholders or to obtain or seek to obtain priority over or preference to any other such Noteholder, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal, ratable and common benefit of all Noteholders.

***Direction of Proceedings and Waiver of Defaults by Noteholders.*** The Holders of a majority in aggregate principal amount of Notes then Outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee. However, the Master Trustee the right to decline to follow any such direction if the Master Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith determines that the proceedings so directed would be illegal or involve it in personal liability and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Noteholder.

Prior to the declaration of the maturity of any Notes, the Holders of a majority in aggregate principal amount of the Notes then Outstanding may on behalf of the Holders of all Notes waive any past event of default under the Master Indenture and its consequences, except a default in the payment of the principal of or interest on any Notes.

**Master Trustee**

The Master Trustee, prior to the occurrence of an event of default under the Master Indenture and after the curing or waiving of all such events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture. In case an event of default under the Master Indenture has occurred (which has not been cured or waived), the Master Trustee will exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

**Supplements and Amendments Not Creating New Series of Notes**

***Supplemental Master Indentures and Supplements to Mortgage and Security Agreement without Consent of Noteholders.*** The Obligated Issuers and the Trustee may from time to time and at any time enter into one or more Supplemental Master Indentures and supplements to the Mortgage and Security Agreement, without notice to or consent from any Noteholders, for one or more of the following purposes:

(i) to evidence the succession of another corporation to any Obligated Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of any Obligated Issuer pursuant to the Master Indenture;

(ii) to add to the covenants of any Obligated Issuer such further covenants, restrictions or conditions as its Governing Body and the Master Trustee consider to be for the protection of the Holders of Notes, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an event of default permitting the enforcement of all or any of the several remedies provided in the Master Indenture; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(iii) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture, the Mortgage and Security Agreement or any Supplemental Master Indenture or supplement to the Mortgage and Security Agreement which may be defective or inconsistent with any other provision contained in the Master Indenture or any Supplemental Master Indenture or supplement to the Mortgage and Security Agreement, or to make any other changes that, in the Master Trustee's judgment, does not impair the security of the Master Indenture in any material respect or adversely affect the interest of the Noteholders in any material respect;

(iv) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939 as then amended (the "1939 Act"), or under any similar federal statute hereafter enacted, or as may be necessary to comply with any applicable state securities laws which require the Master Indenture to comport with any requirements of the 1939 Act regardless of the applicability of the 1939 Act hereto, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions under the Master Indenture and each Obligated Issuer undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture or so to comply with such state securities laws;

(v) to provide for the issuance of additional Notes pursuant to the Master Indenture or to grant additional security under the Mortgage and Security Agreement; and

(vi) to add new Obligated Issuers and, if applicable, to add details with respect to existing Mortgages applicable to such new Obligated Issuers.

***Supplemental Master Indentures and Supplement to Mortgage and Security Agreement with Consent of Noteholders.*** With the consent of the Holders of not less than a majority in aggregate principal amount of Notes then Outstanding, each Obligated Issuer and the Master Trustee may from time to time and at any time enter into any Supplemental Master Indenture or supplement to the Mortgage and Security Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture, the Mortgage and Security Agreement or of any Supplemental Master Indenture or supplement to the Mortgage and Security Agreement or of modifying in any manner the rights of the Noteholders. However, no such Supplemental Master Indenture or supplement to the Mortgage and Security Agreement may (i) effect a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any Note or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon, without the consent of the Holder of such Note, (ii) reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such

Supplemental Master Indenture or supplement to the Mortgage and Security Agreement, without the consent of the Holders of all Notes then Outstanding which are affected thereby, or (iii) except for any Notes issued with respect to Subordinated Indebtedness, permit the preference or priority of any Note or Notes over any other Note or Notes, without the consent of the Holders of all Notes then Outstanding which are affected thereby.

**Supplemental Master Indentures Creating Series of Notes**

***Supplemental Master Indentures Creating Series of Notes.*** Any Obligated Issuer and the Master Trustee may, without any notice to or consent from the Noteholders, from time to time enter into a Supplemental Master Indenture in order to create a series of Notes.

***Conditions to Issuance of Notes.*** With respect to such series of Notes issued under any Supplemental Master Indenture, simultaneously with or prior to the execution, authentication and delivery of such Notes pursuant to the Master Indenture and such Supplemental Master Indenture:

(a) all requirements and conditions to the issuance of such Notes, if any, set forth the Master Indenture and such Supplemental Master Indenture have been complied with and satisfied;

(b) the Issuer of such Notes has delivered to the Master Trustee an Opinion of Counsel to the effect that registration of such Notes under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that the Obligated Issuers have complied with all applicable provisions of the Securities Act of 1933, as amended; and

(c) all Property financed with the proceeds of such series of Notes is subjected to the lien of the Mortgage and Security Agreement for the equal and ratable benefit of all Noteholders.

**Obligated Issuers**

***Becoming Obligated Issuer and Member of Obligated Group.*** Subject to meeting the criteria with respect to acceptance described under "Acceptance of Obligated Issuer," any Person may become an Obligated Issuer and a member of the Obligated Group only if:

(a) all members of the Obligated Group execute and deliver to the Master Trustee an instrument or instruments consenting to the admission of such Person to the Obligated Group; and

(b) nothing in the Corporate Charter or Bylaws of such Person or in any instrument or agreement to which such Person is a party or by which such Persons or any of its Property is bound restricts the ability of such Person to perform its obligations under the Master Indenture or to aid, assist and confer benefits upon the other members of the Obligated Group or acquire, own, hold, mortgage and dispose of and invest its funds for the use and benefit of the Obligated Group and in furtherance of the purposes of the Obligated Group.

***Acceptance as Obligated Issuer.*** A Person may not become an Obligated Issuer unless the Obligated Group Representative delivers to the Trustee a Certificate of the Obligated Group Representative to the effect that:

(a) giving effect to the inclusion of the proposed Obligated Issuer, at the beginning of the most recently completed Fiscal Year, the Debt Service Coverage Ratio of the Obligated Group for the most recently completed Fiscal Year would not have been less than 1.20 (or, if less than 1.20, higher than it would have been without the inclusion of the proposed Obligated Issuer); *provided, however,* that in the event that an Independent Consultant delivers a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence did not permit or by their application made it impracticable for the Obligated Issuers to produce the required ratio of 1.20 set forth above, then the required ratio will be reduced to the highest practicable ratio permitted by such laws or regulations then in effect but in no event less than 1.00;

(b) giving effect to the inclusion of the proposed Obligated Issuer, at the end of the most recently completed quarterly fiscal period, the Obligated Group would have had at least 180 Days' Cash on Hand, for the 12-month period then ended, as shown on the financial statements of the Obligated Group for the 12-month period then ended (or, if less than 180 Days' Cash on Hand, more Day's Cash on Hand than it would have had without inclusion of the proposed Obligated Issuer);

(c) giving effect to the inclusion of the proposed Obligated Issuer, no event of default would occur and be continuing under the Master Indenture or any Related Bond Indenture;

(d) the provisions described in subparagraph (vii) under "Covenants of Obligated Issuers—Restrictions as to Creation of Mortgages" have been met; and

(e) each Obligated Issuer has approved the acceptance of the proposed Obligated Issuer.

Each such acceptance must be accompanied by a Supplemental Master Indenture described in subparagraph (vi) under "Supplements and Amendments Not Creating New Series of Notes—Supplemental Master Indentures and Supplements to Mortgage and Security Agreement without Consent of Noteholders" and by an Opinion of Counsel, addressed to and reasonably satisfactory to the Master Trustee, to the effect that such Person has the corporate power and authority to execute and deliver such Supplemental Master Indenture and to perform its obligations under such instruments and such instrument has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligations of each of such Person, enforceable against such Person in accordance with their terms, except as limited by bankruptcy laws, insolvency laws and other similar laws affecting creditors rights generally, by general principles of equity and by certain other exceptions listed in the Master Indenture.

It shall be a condition precedent to the consummation any such transaction that the Master Trustee also has received (a) upon request by the Master Trustee, an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee to the effect that the consummation of such transaction would not adversely affect any exemption from federal income taxation of interest payable on any issue of Related Bonds then outstanding, and (b) written confirmation from any Rating Agency then rating any Related Bonds that such transaction will not cause its rating on such Related Bonds to be withdrawn or downgraded.

***Effects of Becoming Obligated Issuer.*** Upon any Person becoming an Obligated Issuer (i) such Person will be jointly and severally liable for the guaranty of any and all amounts payable under all of the Outstanding Notes, and (ii) such Person will be required to perform and observe all covenants applicable to Obligated Issuers contained in the Master Indenture.

***Obligated Issuer Remains Obligated Issuer.*** A Person becoming an Obligated Issuer will remain an Obligated Issuer until such time as the Master Indenture is discharged or until such time as such Person withdraws.

***Withdrawal of Obligated Issuers.*** No Obligated Issuer may withdraw from the terms of the Master Indenture and the obligation of such Obligated Issuer under the Master Indenture unless there is delivered to the Trustee a Certificate of the Obligated Group Representative to the effect that:

(a) giving effect to the proposed withdrawal of such Obligated Issuer, as if such withdrawal had occurred at the beginning of the most recently completed Fiscal Year, the Debt Service Coverage Ratio of the Obligated Group for the most recently completed Fiscal Year would not have been less than 1.20 (or, if less than 1.20, higher than it would have been without the withdrawal of such Obligated Issuer); *provided, however,* that in the event that an Independent Consultant delivers a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence did not permit or by their application made it impracticable for the Obligated Issuers to produce the required ratio of 1.20 set forth above, then the required ratio will be reduced to the highest practicable ratio permitted by such laws or regulations then in effect but in no event less than 1.00;

(b) giving effect to the proposed withdrawal of such Obligated Issuer, at the end of the most recently completed quarterly fiscal period, the Obligated Group would have had at least 180 Days' Cash on

Hand, for the 12-month period then ended, as shown on the financial statements of the Obligated Group for the 12-month period then ended (or, if less than 180 Days' Cash on Hand, more Day's Cash on Hand than it would have had without the proposed withdrawal of such Obligated Issuer);

(c) giving effect to the proposed withdrawal of such Obligated Issuer, no event of default would occur and be continuing under the Master Indenture or any Related Bond Indenture; and

(d) either (i) the Obligated Issuer proposing to withdraw has no series of Notes Outstanding or (ii) the Obligated Issuer proposing to withdraw is not a Significant Obligated Issuer, and there has been delivered to the Master Trustee a Note or Notes executed by one or more other members of the Obligated Group in substitution for the Note or Notes of such Obligated Issuer.

It shall be a condition precedent to the consummation any such transaction that the Master Trustee also has received written confirmation from any Rating Agency then rating any Related Bonds that such transaction will not cause its rating on such Related Bonds to be withdrawn or downgraded.

**Satisfaction and Discharge of Indenture; Unclaimed Moneys**

***Satisfaction and Discharge of Indenture.*** If (i) all Notes theretofore authenticated and not theretofore cancelled are delivered to the Master Trustee for cancellation, or (ii) all Notes not theretofore cancelled or delivered to the Master Trustee for cancellation have become due and payable and the whole amount due and payable upon all Notes has been paid, or (iii) any Obligated Issuer deposits with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between such Obligated Issuer and such bank or trust company in form acceptable to the Master Trustee) as trust funds the entire amount of moneys or Defeasance Obligations or both, sufficient to pay at maturity or upon redemption or combination of payment and redemption all Notes not theretofore cancelled or delivered to the Master Trustee for cancellation, including principal, premium, if any, and interest due or to become due to such date of maturity or redemption date or combination thereof, as the case may be, and if in any such case any Obligated Issuer also pays or causes to be paid all other sums payable under the Master Indenture by the Obligated Issuers, then the Master Indenture will cease to be of further effect; and the Master Trustee, on demand of the Obligated Group Representative and at the cost and expense of the Obligated Issuers shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. The moneys and the maturing principal of and any interest income on such Defeasance Obligations, if any, must be sufficient, as evidenced by a certificate of independent certified public accountants acceptable to the Master Trustee, to pay the principal of and premium, if any, and interest on such Notes. The moneys and Defeasance Obligations will be held by the Master Trustee or other bank or trust company irrevocable in trust for the Holders of such Notes solely for the purpose of paying the principal of and premium, if any, and interest on such Notes as the same mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocably, to the Master Trustee as to the dates upon which any such Notes are to be redeemed prior to their respective maturities.

***Providing for Payment of Notes.*** Payment of one or more series or a portion or portions of one or more series of, but less than all, Notes may be provided for by the deposit with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between any Obligated Issuer and such bank or trust company in form acceptable to the Master Trustee) as trust funds of moneys or Defeasance Obligations or both. The moneys and the maturing principal of and interest income on such Defeasance Obligations, if any, must be sufficient, as evidenced by a Certificate of independent certified public accountants acceptable to the Master Trustee, to pay the principal of and premium, if any, and interest on such Notes. The moneys and Defeasance Obligations will be held by the Master Trustee or other bank or trust company irrevocably in trust for the Holders of such Notes solely for the purpose of paying the principal of and premium, if any, and interest on such Notes as the same mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Master Trustee as to the dates upon which any such Notes are to be redeemed prior to their respective maturities.

"Defeasance Obligations" means:

(a) Direct general obligations of, or obligations the full and timely payment of principal of and interest on which is unconditionally guaranteed by, the United States of America;

(b) Evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(c) Evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (including participation certificates); Federal Land Banks; Federal Financing Banks; or any other agency or instrumentality of the United States of America created by an act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America;

(d) Debt obligations, whether or not interest thereon is exempt from federal income taxes, which, at the time of deposit, are rated by Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group ("S&P"), or Fitch Ratings, Inc. ("Fitch") in either of the two highest long-term debt rating categories of such rating agency, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise; provided, that if any Note or Related Bond being provided for is then rated by Moody's, S&P or Fitch, the obligations deposited must be rated by each rating agency having a rating in effect on such Notes or Related Bonds in a rating category no lower than that in effect on such Notes or Related Bonds; and

(e) Obligations described in Section 103(a)(1) or (2) of the Internal Revenue Code of 1986, as amended, provision for the payment of the principal of and premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clauses (a) or (b) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of and premium, if any, and interest on such obligations, and which securities described in clauses (a) or (b) are not available to satisfy any other claim, including any claim of the trustee or escrow agent or of any person claiming through the trustee or escrow agent or to whom the trustee or escrow agent may be obligated, including in the event of the insolvency of the trustee or escrow agent or proceedings arising out of such insolvency.

Notes the payment of which has been so provided for will no longer be deemed Outstanding under or secured by the Master Indenture, and the Holders thereof will thereafter be entitled to payment only from the moneys or obligations deposited in trust to provide for the payment of such Notes.

## SUMMARY OF CERTAIN PROVISIONS OF MORTGAGE AND SECURITY AGREEMENT

*The following is a summary of certain provisions of the Mortgage and Security Agreement. The summary does not purport to be comprehensive, and reference should be made to the Mortgage and Security Agreement for more complete information. Copies of the Mortgage and Security Agreement are available from the Bond Trustee upon request.*

### Mortgage and Security Interest

The Corporation, to secure, and as security for, the payment of the Notes and the performance and observance by the Corporation or the Obligated Group of all of the other covenants, agreements, representations, warranties and conditions in the Master Indenture and the Mortgage and Security Agreement contained, grants,

conveys, warrants and assigns to the Master Trustee, the following properties (all hereinafter referred to as the "Mortgaged Property"), and grants to the Master Trustee a security interest in all of such properties constituting goods, fixtures and other items of personal property, tangible and intangible, subject to the operation of the Indiana Uniform Commercial Code:

(a) The Land;

(b) All buildings, structures, additions, improvements and fixtures now or hereafter located on the Land;

(c) All rights, interest and privileges of the Corporation in and to the Facility;

(d) All goods, equipment, furniture, machinery and any and all other properties constituting the Equipment subject to the operation of the Indiana Uniform Commercial Code, of whatever sort, real, personal or mixed;

(e) Any and all claims made or insurance proceeds paid for the damage of or destruction to all or any part of the Facility under the policies of insurance required by the Master Indenture, and any and all awards or compensation made by any governmental or other lawful authority for the taking or damaging by eminent domain of the whole or any part of the Facility, including any awards for a temporary taking, change of grade of streets, or taking of access;

(f) All rights, title and interest of the Corporation in and to any and all personal property, whether tangible or intangible, including any cash, investments and investment property, and all accounts and assignable general intangibles now or hereafter acquired by any Obligated Issuer regardless of how generated, including, without limitation, all Entrance Fees and all proceeds therefrom, whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as from time to time supplemented or amended, of the state in which such Obligated Issuer has its primary place of business; *excluding, however,* gifts, grants, bequests, donations and contributions to any Obligated Issuer heretofore or hereafter made, and the income and gains derived therefrom, that are specifically restricted by the donor or grantor to a particular purpose that is inconsistent with its use for payments required under the Master Indenture or on the Notes, all subject to Permitted Encumbrances;

(g) All right, title and interest hereafter acquired in or to any of the property, real or personal, described above; and

(h) All proceeds from any property described in the foregoing paragraphs, and any and all other property conveyed, pledged, assigned or transferred, as and for additional security to the Master Trustee;

subject, however, to Permitted Encumbrances.

**Remedies Upon Event of Default**

If one or more events of default under the Master Indenture has occurred and is continuing, the Master Trustee will be entitled to exercise any or all of the remedies set forth or provided in the Master Indenture.

In addition, the Master Trustee will have the right to proceed to protect and enforce its rights by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Master Indenture or the Mortgage and Security Agreement or in aid of the execution of any power therein granted, or the foreclosure of the Mortgage and Security Agreement as a mortgage, or for the enforcement of any other appropriate legal or equitable remedy.

**Release of Land**

The Corporation has the right, at any time and from time to time, to obtain a release from the lien of the Mortgage of any part of the Land or any rights therein, not containing any permanent structure necessary for the total operating unity and efficiency of the Facility and not, in the aggregate, more than five acres, and the Master Trustee will, from time to time, release from the lien of the Mortgage and Security Agreement such real property or rights therein, but only upon receipt by the Master Trustee of the following:

A. A request by the Corporation for such release.

B. A certificate of the Corporation, signed also as to clause (1) below by a Registered Land Surveyor and signed also as to clause (2) below by an Independent Consultant, stating or setting forth in substance as follows:

(1) the legal description of the Land to be released or a legal description of the rights therein to be released;

(2) that the property or rights to be released either (i) are not and will not be needed for the operation of the Facility or (ii) are to be improved for use in the business of the Corporation and are not and will not be necessary for the total operating unity and efficiency of the Facility as they then exist;

(3) that the release will not impair the structural integrity of the Facility and will not inhibit adequate means of ingress to or egress from the Facility;

(4) that no default under the Master Indenture has occurred which has not been cured; and

(5) that all conditions precedent herein provided for related to such release have been complied with.

C. A survey prepared by a Registered Land Surveyor describing and showing the Land, after giving effect to such release.

D. If, in connection with such release of such real estate, the Corporation will convey it to another Person:

(1) evidence, reasonably satisfactory to the Master Trustee, of payment by the Corporation to the Related Bond Trustees, for deposit in the sinking funds established under the Related Bond Indentures, of (a) if such conveyance is to a member of the Corporation on the date of the Mortgage and Security Agreement or its successors and the real estate to be released in connection with such conveyance and all previous conveyances pursuant to this clause (a) does not exceed in the aggregate 1.5 acres, the amount of monetary consideration, if any, paid to the Corporation for such conveyance, as certified by the Corporation; or (b) if the conveyance is not subject to clause (a) of this paragraph (D), the Book Value of the property to be released, as certified by the Corporation; and

(2) a certificate of the Corporation that any development to be undertaken on the real estate to be released is not reasonably expected to be detrimental to the market value or the operating efficiency of the Facility, after giving effect to such release.

**Grant of Easements, Licenses, Etc.**

The Corporation may at any time or times grant to itself or others easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage and

Security Agreement or the Grantor may release existing easements, licenses, rights-of-way and other rights or privileges with or without consideration; provided, however, that prior to any such grant or release, there has been supplied to the Master Trustee a certificate of the Corporation to the effect:

(a) that such grant or release is not detrimental to the proper operation of the Facility;

(b) that such grant or release will not impair the operating unity or the efficiency of the Facility on such Land or materially and adversely affect the character thereof; and

(c) that such grant or release will not materially and adversely affect the value of the Land.

**Tie-In Walls**

The Corporation may, at its own expense:

(a) connect or "tie-in" walls (including use of existing walls for the support of future adjacent buildings) and utilities and other Facility located on the Land to other structures erected on the Land or on real property adjacent to or near the Land or partly on such adjacent real property and partly on the Land; or

(b) in connection with the expansion or improvement of any building on the Land, tear down any wall of such building and build an addition to such building (either on the Land or on real property adjacent thereto or partly on such adjacent real property and partly on the Land);

provided, however, that prior to any such expansion, addition, improvement, tearing down or connection with the "tie-in" walls, utilities and other Facility, the Master Trustee has approved the same in writing based on a certification or opinion of an Independent Architect that the same will not impair the operating unity or the efficiency of the Facility or materially and adversely affect the character thereof and will not materially and adversely affect the value of the Land, and based on an Opinion of Counsel stating that all partywall agreements, easements, cross-easements or other instruments relating to such expansion, addition, improvement, tearing down or connection with the "tie-in" walls, utilities and other Facility which are necessary or desirable to define the relative rights of the owners and encumbrances of the same therein, and to fully preserve the security of the Mortgage and Security Agreement, have been duly executed, delivered and recorded.

**Removal of Fixtures and Equipment**

The Corporation will not remove or permit the removal of any items of Fixtures or Equipment from the Land, except as follows:

(1) In any instance where the Corporation in its sound discretion determines that any item of Fixtures or Equipment has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of the Facility, the Corporation may, at its expense, remove and dispose of it and substitute and install other items of fixtures, furniture, machinery, equipment or other personal property, not necessarily having the same function, provided that such removal and substitution does not impair the operating utility of the Facility. All substituted items will be installed free of all liens and encumbrances, other than Permitted Encumbrances, and will become a part of the Facility as Fixtures or Equipment. In the event the market value of the substituted items is less than the market value of the Fixtures or Equipment disposed of as reasonably determined by the Corporation, except as described in subparagraph (3) below, the Corporation will pay to the Master Trustee an amount equal to the difference.

(2) Upon removal of items of Fixtures or Equipment of the type described in subparagraph (1) above, and provided the operating utility and unity of the Facility are not impaired, the Corporation may decide not to make any substitution and installation of other items of furniture, machinery, equipment or other personal property, provided, and subject to the provisions of subparagraph (3) below, (i) that in the case of the sale of any such Fixtures or Equipment, the Corporation pays to the Master Trustee an amount

equal to the entire sale proceeds, (ii) that in the case of trade-in of any such Equipment for items not to be utilized as a part of the Facility, the Corporation pays to the Master Trustee an amount equal to the credit received by them in the trade-in, and (iii) that in the case of any other disposition of such Equipment, the Corporation pays to the Master Trustee an amount equal to the market value of the property as reasonably determined by the Corporation.

(3) The Corporation will promptly report to the Master Trustee the removal of any Fixtures or Equipment pursuant to subparagraphs (1) and (2) above, and amounts required to be accounted for by the Corporation, if any, will promptly be paid to the Master Trustee, after any substitution, sale, trade-in or other disposition; provided that no report need be given or payment made more often than once in any Fiscal Year unless the aggregate book value of items of Equipment removed and not previously reported in such Fiscal Year (other than in the ordinary course of business of the Corporation) is at least $100,000.

Any funds so paid to the Master Trustee will be remitted by the Master Trustee to the Related Bond Trustees on a pro rata basis for deposit in the sinking fund established under the Related Bond Indentures.

# APPENDIX D

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## APPENDIX D

## PROPOSED FORM OF BOND COUNSEL OPINION

*Upon delivery of the Series 2006B Bonds, Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, proposes to deliver its opinion in substantially the following form:*

October 4, 2006

Indiana Health and Educational
Facility Financing Authority
Indianapolis, Indiana

Re: Indiana Health and Educational Facility Financing Authority
Variable Rate Demand Revenue Bonds
(Community Village, Inc. – Hartsfield Village Project)
Series 2006B

Ladies and Gentlemen:

We have acted as bond counsel to Community Village, Inc. (the "Borrower"), in connection with the issuance by the Indiana Health and Educational Facility Financing Authority (the "Issuer") of $10,385,000 aggregate principal amount of its Indiana Health and Educational Facility Financing Authority Variable Rate Demand Revenue Bonds (Community Village, Inc. – Hartsfield Village Project), Series 2006B, dated the date hereof (the "Bonds"), pursuant to Indiana Code 5-1-16, a Resolution adopted by the Issuer on August 23, 2006 (the "Resolution"), a Bond Trust Indenture between the Issuer and First Midwest Bank, as trustee, dated as of September 1, 2006 (the "Indenture"), and a Loan Agreement between the Issuer and the Borrower, dated as of September 1, 2006 (the "Loan Agreement"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer and the Borrower contained in the Resolution, the Indenture and the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Borrower and others, including without limitation certifications contained in the tax and arbitrage certificate of the Issuer and the Borrower dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of the Attorney General of the State of Indiana, counsel to the Issuer, dated the date hereof, and the legal opinion of Lucas, Holcomb & Medrea LLP, Merrillville, Indiana, counsel to the Borrower, dated the date hereof, as to the matters stated therein.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding special and limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

2. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

3. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted or represented that they will comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. 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, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

5. Interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes except the State financial institutions tax.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement dated September 29, 2006, or any other offering material relating to the Bonds.

Under the Indenture and the Loan Agreement, the interest rate on the Bonds may, under certain circumstances, be converted from one Mode (as defined in the Indenture) to another Mode, or the Credit Facility (as defined in the Indenture) may, under certain circumstances, be replaced by an Alternate Credit Facility (as defined in the Indenture). We express no opinion regarding the effect of any such conversion or replacement on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; and (iii) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that in our opinion the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

## APPENDIX E

## CERTAIN INFORMATION RELATING TO HARRIS N.A.

*The information contained herein regarding the Initial Credit Facility Provider has been obtained from Harris N.A. The Issuer, the Corporation, the Underwriter and the Remarketing Agent make no representations as to the accuracy or completeness of such information.*

Harris N.A. (the *"Bank"*), with executive offices in Chicago, Illinois, is a wholly-owned subsidiary and the principal asset of Harris Bankcorp, Inc., a Delaware corporation (*"HBI"*). HBI is a wholly-owned indirect subsidiary of Bank of Montreal. The Bank is a commercial bank offering a wide range of banking and trust services to its customers in the Chicago metropolitan area, throughout the United States and around the world. As of June 30, 2006, the Bank and its consolidated subsidiaries had total assets of approximately $37.627 billion, total deposits (including deposits in foreign offices) of approximately $26.486 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $24.725 billion and total equity capital of approximately $3.134 billion. The Bank and its consolidated subsidiaries had net income for the quarter ended June 30, 2006, of $93.154 million. The Initial Credit Facility is an obligation of the Bank and not of HBI.

The Bank's Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031, as of the close of business on June 30, 2006, as submitted to the Federal Reserve Bank of Chicago, are incorporated by reference in this Appendix D and shall be deemed to be a part hereof. In addition, all subsequent reports filed by the Bank pursuant to 12 U.S.C. § 324 prior to and after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Harris N.A., 111 West Monroe Street, P.O. Box 755, Chicago, Illinois 60690, Attention: Public Relations Department.

Neither the Bank nor its affiliates make any representations as to the contents of this Official Statement (except as to this Appendix E), the suitability of the Series 2006B Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

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# Hartsfield Village

INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY • VARIABLE RATE DEMAND REVENUE BONDS, (COMMUNITY VILLAGE, INC. - HARTSFIELD VILLAGE PROJECT) SERIES 2006B

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