

**CITY OF FRANKLIN
COMMON COUNCIL**

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AGENDA RESERVATION REQUEST

Date Submitted:	7/10/19	Meeting Date:	7/15/19
Contact Information:			
Requested by:	Krista Linke		
On Behalf of Organization or Individual:	Economic Development Commission		
Telephone:	317-736-3631		
Email address:	klinke@franklin.in.gov		
Mailing Address:	70 E. Monroe St., Franklin, IN 46131		
Describe Request:			
Approval of City Council Ordinance Number 2019-02 Authorizing the issuance of not to exceed \$27,500,000 aggregate principal amount of Economic Development Revenue Refunding Bonds for Otterbein Homes			
List Supporting Documentation Provided:			
Memo and recommendation from the EDC			
Appendix A – Background			
Report of the Franklin Economic Development Commission			
Findings of Fact			
EDC Resolution 2019-01			
City Council Ordinance 2019-02			
Who will present the request?			
Name:	Michael Dean, Dinsmore Legal Rob Schafstall, EDC Attorney		Telephone: 317-736-3631

The Franklin City Council meets on the 1st and 3rd Monday of each month at 6:00 p.m. in the Council Chambers of City Hall located at 70 E. Monroe Street. In order for an individual and/or agency to be considered for new business on the agenda, this reservation form and supporting documents must be received in the Mayor's office no later than 12:00 p.m. on the Wednesday before the meeting.



CITY OF FRANKLIN

COMMUNITY DEVELOPMENT DEPARTMENT

Memorandum

To: City Council
From: Krista Linke, Community Development Director
Date: July 10, 2019
Re: Economic Development Revenue Bonds – Otterbein Homes

The City of Franklin Economic Development Commission (EDC) reviewed and acted on a request for approval and authorization for the issuance of not to exceed \$27,500,000 of Economic Development Revenue Bonds at their regular meeting on July 9th, 2019. The board voted to approve EDC Resolution 2019-01 and forwarded a favorable recommendation to the City Council for approval of Ordinance Number 2019-02.

Overview

Franklin United Methodist Home n/k/a Otterbein Homes is asking for the City's assistance in refunding prior loans taken out for the acquisition, construction, and installation of improvements to its Franklin campus.

Indiana law (including Indiana Code Title 36, Article 7, Chapters 11.9 and 12) authorizes the City to, among other things, in order to create or retain opportunities for gainful employment and create business opportunities, (i) make loans for the cost of acquisition, construction or installation of "economic development facilities" (as defined in the Act), including land, machinery, or equipment therefore;

(ii) issue bonds for the purpose of providing funds to pay all or any part of such cost; and (iii) enter into a financing agreement and execute and deliver other transaction documents providing for payments in an amount sufficient to pay the principal and interest on said bonds. The City previously entered into just such an agreement with FUMH in 2015. The present request is essentially a refunding of that prior financial arrangement, and is coupled with a parallel refunding request being made in Warren County, Ohio with respect to Otterbein's Ohio facilities.

Legally, under this proposal, the City will act as the issuer, and will issue bonds up to \$27.5 million (Warren County, Ohio is doing essentially the same) (the bonds will be sold to Fifth Third Securities, which in turn will sell it in chunks to investors) and the proceeds of the bonds will then be loaned to FUMH and applied to refund its existing debt obligations. The bond payments will be made solely from FUMH's operating revenues in semi-annual payments beginning 2020 and ending in 2040. The bond is not a general obligation of the City, and does not count against the Indiana Constitution's 2% general obligation debt cap; the only sources of repayment for the bond are FUMH's revenues (as well as corporate guarantees issued by FUMH and the various Otterbein sister companies).

The bonds are special obligations of the City that are not general obligations, debt or bonded indebtedness, and no Bondholder has the right to have excises or taxes levied by the City for the payment of the principal, interest and premium, if any.

Various steps are required to make this proposal work. The EDC must first prepare a Report and make Findings, and approve a Resolution, and then the City Council would consider passing an Ordinance authorizing the bond and related matters. Drafts of those documents are attached. Also attached is an explanatory background document - see the attached Otterbein 2019 Appendix A.

This was heard at the EDC's meeting on Tuesday, July 9, 2019. The EDC approved the Findings, and the Report, and approved Resolution 2019-01. The City Council is now being asked to approve Ordinance 2019-02 at the July 15th meeting.

If you have any questions regarding this request, please contact Krista Linke directly at 346-1250.

REPORT OF THE FRANKLIN ECONOMIC DEVELOPMENT COMMISSION CONCERNING THE PROPOSED FINANCING OR REFINANCING OF ECONOMIC DEVELOPMENT FACILITIES FOR OTTERBEIN HOMES, THE FRANKLIN UNITED METHODIST HOME, INC., OR AN AFFILIATE THEREOF.

The Franklin Economic Development Commission (the "Commission") proposes to recommend to the Common Council of the City of Franklin, Indiana (the "City"), that it loan the proceeds of economic development revenue bonds to be issued by the City in an amount not to exceed [Twenty-Five Million] Dollars (\$[25,000,000]) to Otterbein Homes, an Ohio nonprofit corporation ("Otterbein"), The Franklin United Methodist Home, Inc., an Indiana nonprofit corporation ("FUMH"), or an affiliate thereof (as applicable, the "Borrower") for the purposes of (a) refunding a taxable loan incurred by Otterbein (the "Prior Loan"), the proceeds of which were used to finance certain improvements to the continuing care retirement community located in the City and commonly known as The Franklin United Methodist Community or Otterbein Franklin (the "Facility") and to refund the City's Economic Development Revenue Refunding and Improvement Bonds, Series 2015 (The Franklin United Methodist Home, Inc. Project), the proceeds of which, together with the proceeds of other revenue bonds previously issued by the City for the benefit of FUMH, were used to finance or refinance the costs of acquisition, construction, renovation, installation and/or equipping of certain improvements to the Facility; and (b) paying certain costs of issuance related to the Series 2019 Bonds (collectively, the "Project"). The total costs of the Project are estimated not to exceed [Twenty-Five Million] Dollars (\$[25,000,000])).

No additional public works or services will be necessary or desirable on account of the Project.

As set out in the attached "Findings of Fact Regarding Competitive Impact of the Project Regarding Otterbein Franklin," which findings of fact are incorporated herein, the Commission has tentatively concluded that the proposed Project will not have an adverse competitive effect on similar facilities already constructed or operating in or near the City because the Project consists solely of the refinancing of outstanding debt associated with the Facility.

It is further estimated that upon the completion of the Project, the Project will result in the preservation and retention of approximately three hundred (300) permanent jobs with an estimated total annual payroll of \$10,393,033 and provide continued future opportunities for employment.

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Adopted this _____, 2019.

**FRANKLIN ECONOMIC
DEVELOPMENT COMMISSION**

President

Vice-President

Secretary

FINDINGS OF FACT REGARDING THE COMPETITIVE IMPACT OF THE PROJECT REGARDING OTTERBEIN FRANKLIN.

Based on a careful consideration of evidence and testimony submitted to the Franklin Economic Development Commission (the "Commission"), the Commission hereby makes the following findings of fact with respect to the competitive impact on similar facilities already constructed or operating in the City of Franklin, Indiana (the "City"), as a result of a proposed refinancing of one or more economic development facilities projects with respect to the continuing care retirement community located in the City and commonly known as The Franklin United Methodist Community or Otterbein Franklin (the "Facility"):

1. The project consists of (a) the refunding of a taxable loan incurred by Otterbein Homes, an Ohio nonprofit corporation ("Otterbein") and certain of its affiliates, including The Franklin United Methodist Home, Inc. ("FUMH"), in connection with the acquisition of the Facility by Otterbein (the "Prior Loan"), the proceeds of which were used to finance certain improvements to the Facility and to refund the City's Economic Development Revenue Refunding and Improvement Bonds, Series 2015 (The Franklin United Methodist Home, Inc. Project), the proceeds of which, together with the proceeds of other revenue bonds previously issued by the City for the benefit of FUMH, were used to finance or refinance the costs of acquisition, construction, renovation, installation and/or equipping of certain improvements to the Facility; and (b) the payment of certain costs of issuance related to the Series 2019 Bonds (collectively, the "Project").

2. The total cost of the Project is presently estimated not to exceed [Twenty-Five Million] Dollars (\$[25,000,000]).

3. It is presently estimated that upon completion of the Project, the Project will result in the preservation and retention of approximately three hundred (300) permanent jobs with an estimated total annual payroll of \$10,393,033 and provide continued future opportunities for employment.

4. The Project will be of benefit to the health, prosperity, economic stability and general welfare of the City and its citizens and complies with the purposes and provisions of Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code.

5. The Project will not have an adverse competitive effect on similar facilities already constructed or operating in the City, because the Project consists solely of the refinancing of outstanding debt associated with the Facility.

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Adopted this _____, 2019.

**FRANKLIN ECONOMIC DEVELOPMENT
COMMISSION**

President

Vice-President

Secretary

**FRANKLIN ECONOMIC DEVELOPMENT COMMISSION
RESOLUTION NO. 2019-01**

**A RESOLUTION OF THE FRANKLIN ECONOMIC DEVELOPMENT
COMMISSION APPROVING AND AUTHORIZING CERTAIN ACTIONS
AND PROCEEDINGS WITH RESPECT TO CERTAIN PROPOSED
ECONOMIC DEVELOPMENT REVENUE BONDS.**

WHEREAS, the City of Franklin, Indiana (the "City"), by virtue of the laws of the State of Indiana (the "State"), including Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code, as supplemented and amended (the "Act"), in order to, among other things, create or retain opportunities for gainful employment and create business opportunities, is authorized to (i) make loans for the cost of acquisition, construction or installation of "economic development facilities" (as defined in the Act), including land, machinery, or equipment therefor; (ii) issue bonds for the purpose of providing funds to pay all or any part of such cost; and (iii) enter into a financing agreement and execute and deliver other transaction documents providing for payments in an amount sufficient to pay the principal and interest on said bonds; and

WHEREAS, Otterbein Homes ("Otterbein") is an Ohio nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and operates continuing care retirement communities in Ohio and Indiana; and

WHEREAS, Otterbein is the parent company of The Franklin United Methodist Home, Inc., an Indiana nonprofit corporation ("FUMH"), which operates Otterbein Franklin, a continuing care retirement community located in the City (the "Facility"); and

WHEREAS, Otterbein, FUMH, an affiliate thereof or any combination of the foregoing (as applicable, the "Borrower") has advised this Economic Development Commission (the "Commission") and the City that it proposes that the City issue one or more series of taxable and/or tax-exempt economic development revenue bonds in the aggregate principal amount of not to exceed \$27,500,000 (the "Series 2019 Bonds") for the purpose of (a) refunding a taxable loan incurred by Otterbein and certain of its affiliates, including FUMH (the "Prior Loan"), the proceeds of which were used to finance certain improvements to the Facility and to refund the City's Economic Development Revenue Refunding and Improvement Bonds, Series 2015 (The Franklin United Methodist Home, Inc. Project), the proceeds of which, together with the proceeds of other revenue bonds previously issued by the City for the benefit of FUMH, were used to finance or refinance the costs of acquisition, construction, renovation, installation and/or equipping of certain improvements to the Facility; and (b) paying certain costs of issuance related to the Series 2019 Bonds (collectively, the "Project"); and

WHEREAS, this Commission has prepared a report in accordance with Section 36-7-12-23 of the Indiana Code concerning the proposed financing of the Project and has considered whether the Project will have an adverse effect on any similar facilities already constructed and operating in or about the City in accordance with Section 36-7-12-21 of the Indiana Code; and

WHEREAS, pursuant to Section 36-7-12-24 of the Indiana Code, the Commission published notice of a public hearing (the "Public Hearing") on the proposed issuance of the Bonds to finance the Project, which Public Hearing was held on the date hereof;

NOW, THEREFORE, BE IT RESOLVED BY THE FRANKLIN ECONOMIC DEVELOPMENT COMMISSION AS FOLLOWS:

SECTION 1. This Commission hereby finds and determines, based solely on certain representations of the Borrower, that the proposed financing of the Project will be of benefit to the health and general welfare of the City and that such proposed financing complies with the provisions of the Act.

SECTION 2. This Commission hereby determines that the proposed financing of the Project will not have a material adverse competitive effect on any similar facilities already constructed or operating in or near the City.

SECTION 3. This Commission hereby approves the report with respect to the Project presented at this meeting. The Secretary of this Commission is hereby directed to cause such report to be submitted to the executive director or chairman of the Franklin Plan Commission.

SECTION 4. The financing of the Project through the issuance of the Bonds in an amount not to exceed Twenty-Seven Million Five Hundred Dollars (\$27,500,000), is hereby approved.

SECTION 5. This Commission hereby approves the terms of the following documents in substantially the form presented for this meeting or otherwise approved by the City, subject to changes as may be approved by this Commission and the City: (i) the Indenture of Trust (Bond Indenture) between the City and U.S. Bank National Association, as bond trustee; (ii) the Loan Agreement between the City and the Borrower; (iii) the form of the Bonds; (iv) the Tax Exemption Certificate and Agreement among the City, the Borrower and the Trustee; (v) the Bond Purchase Agreement among the City, the Borrower and the purchaser of the Bonds; and (vi) an Ordinance of the Common Council of the City authorizing the issuance of the Bonds.

SECTION 6. Any officer of this Commission is hereby authorized and directed, in the name and on behalf of this Commission, to execute any and all other agreements, documents and instruments, perform any and all acts, approve any and all matters, and do any and all other things deemed by him to be necessary or desirable in order to carry out and comply with the intent, conditions and purposes of this resolution (including the preambles hereto and the documents mentioned herein), the Project and the issuance and sale of the Bonds, and any such execution, performance, approval or doing of other things heretofore effected be, and hereby is, ratified and approved.

SECTION 7. The Secretary of this Commission is hereby directed to transmit this resolution, together with the forms of the documents approved by this resolution, to the Common Council of the City.

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SECTION 8. This resolution shall be in full force and effect upon adoption.

Adopted this _____, 2019.

**FRANKLIN ECONOMIC
DEVELOPMENT COMMISSION**

President

Vice-President

Secretary

APPENDIX A

BACKGROUND

Otterbein Homes dba Otterbein SeniorLife (“Otterbein”) is an Ohio tax-exempt corporation established in 1912 and is affiliated with the United Methodist Church (“UMC”). Otterbein continues to operate with a strong UMC relationship, although admission to its facilities is open to all residents regardless of race, creed, religious beliefs or national origin.

Today, Otterbein exists solely to serve the special needs of older persons by providing residential and supportive services in Otterbein’s continuing care retirement communities (“CCRCs”), Skilled Nursing and Rehabilitation Neighborhoods for nursing home care and providing home health and hospice services throughout Ohio.

A map of the Otterbein locations appears on one of the inside front pages of this Official Statement. [CONFIRM THAT MOST CURRENT MAP – FUMH]

Otterbein’s Mission, Vision and Strategic Goal

Mission—In keeping with its United Methodist tradition, Otterbein’s mission is to enhance the quality of life and holistic growth of older persons.

Vision—Otterbein’s vision is to help older persons live comfortable and secure lives, by pursuing Otterbein’s Christian ministry through excellence, innovation, and integrity by developing covenant relationships with:

- The older persons it serves
- The partners with whom it serves
- The constituent communities which enable it to serve

Strategic Goal—Otterbein’s strategic goal is to lead the United States in liberating elders and those who serve them from the mindset of institutional care.

CORPORATE ORGANIZATION

Otterbein Homes is the sole member (owner) of Otterbein Enhanced Services, LLC, Otterbein LSC, LLC, Otterbein Real Estate, LLC, Otterbein Administrative Holdings, LLC, Otterbein Neighborhoods LLC and Union Village Development Company, Inc. Otterbein Homes is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended. All LLCs mentioned above and below are single member non-profit limited liability companies and are disregarded entities for Federal income tax purposes. Their activities are deemed to be activities of the parent, Otterbein Homes. All LLCs are Ohio limited liability companies organized pursuant to Section 1705.01 of the Ohio Revised Code with the exception of Otterbein Middletown, LLC and Otterbein Clear Creek, LLC. Both of which are Delaware limited liability companies.

Otterbein Enhanced Services, LLC is the sole member of Otterbein Management, LLC, Otterbein Home Health, LLC, Otterbein Hospice, LLC and Independent Living Support Services, LLC. All are Ohio limited liability companies and were formed to operate Otterbein's Hospice, Home Health services and to provide supportive services to Otterbein's independent living residents.

Otterbein LSC, LLC is the sole member of Otterbein Cridersville, Otterbein Lebanon, Otterbein St. Marys, Otterbein North Shore dba Otterbein Marblehead and Otterbein Portage Valley, Inc. dba Otterbein Pemberville, all CCRCs in Ohio, and Franklin United Methodist Home, Inc., a CCRC in Indiana.

Otterbein Real Estate, LLC is the sole member of Otterbein Cridersville, LLC, Otterbein Gahanna Real Estate, LLC, Otterbein St. Marys, LLC, Otterbein Batavia Real Estate, LLC, Otterbein North Shore, LLC, Otterbein New Albany Real Estate, LLC, Otterbein Lebanon, LLC, Otterbein Loveland Real Estate, LLC, Otterbein Portage Valley, LLC, Otterbein Perrysburg Real Estate, LLC, Otterbein Middletown Real Estate, LLC, Otterbein Monclova Real Estate, LLC, Otterbein Clear Creek Real Estate, LLC, and Otterbein Maineville Real Estate, LLC.

Otterbein Neighborhoods, LLC is the sole member of Otterbein Gahanna, LLC, Otterbein Perrysburg, LLC, Otterbein Batavia, LLC, Otterbein Monclova, LLC, Otterbein New Albany, LLC, Otterbein Maineville, LLC, Otterbein Loveland, LLC, Otterbein Middletown, LLC and Otterbein Clear Creek, LLC. All of these limited liability companies were established to operate Skilled Nursing and Rehabilitation Neighborhoods.

Please note that the Otterbein Homes Obligated Group (as set forth in the front part of this Official Statement) contains all of the affiliates mentioned above except for Union Village Development Company, Inc.

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As of the date hereof, the Obligated Group consists of the following entities:

CORPORATION	SERVICES	LOCATION
Otterbein Homes	Overall management	Lebanon, Ohio
Otterbein Lebanon	CCRC	Lebanon, Ohio
Otterbein Lebanon, LLC		Lebanon, Ohio
Otterbein St. Marys	CCRC	St. Marys, Ohio
Otterbein St. Marys, LLC		St. Marys, Ohio
Otterbein Cridersville	CCRC	Cridersville, Ohio
Otterbein Cridersville, LLC		Cridersville, Ohio
Otterbein Portage Valley, Inc.	CCRC	Pemberville, Ohio
Otterbein Portage Valley, LLC		Pemberville, Ohio
Otterbein North Shore	CCRC	Lakeside, Ohio
Franklin United Methodist Home, Inc.	CCRC	Franklin, Indiana
Otterbein Perrysburg, LLC	Nursing home	Perrysburg, Ohio
Otterbein Monclova, LLC	Nursing home	Monclova Township, Ohio
Otterbein Maineville, LLC	Nursing home	Maineville, Ohio
Otterbein Middletown, LLC	Nursing home	Middletown, Ohio
Otterbein Clear Creek, LLC	Nursing home	Clear Creek Township, Ohio
Otterbein Gahanna, LLC	Nursing home	Gahanna, Ohio
Otterbein New Albany, LLC	Nursing home	New Albany, Ohio
Otterbein Batavia, LLC	Nursing home	Batavia, Ohio
Otterbein Loveland, LLC	Nursing home	Loveland, Ohio
Otterbein Properties, LLC		Lebanon, Ohio
Otterbein Holdings, LLC		Lebanon, Ohio
Otterbein Extended Services, LLC		Lebanon, Ohio
Otterbein Management, LLC		Lebanon, OH
Otterbein LSC, LLC		Lebanon, OH
Otterbein Real Estate, LLC		Lebanon, OH
Otterbein Administrative Holdings, LLC		Lebanon, OH
Otterbein Neighborhoods, LLC		Lebanon, OH
Otterbein Home Health, LLC	Home health services	Lebanon, Ohio
Otterbein Hospice, LLC	Hospice care	Lebanon, Ohio
Independent Living Support Services	Support Services	Lebanon, Ohio

The current organizational chart for the Otterbein entities follows:

[REVISED ORGANIZATION CHART TO BE INSERTED]

GOVERNANCE

Current Board. Otterbein is currently governed by a Board of Directors that consists of up to 15 members. There are currently thirteen voting members of the Board of Directors consisting of the following individuals:

NAME	OFFICE	OCCUPATION	TERM EXPIRES
Miller, Mel	Chair	President and board chair of Janotta and Herner Inc.	2023
App, Lynn	Secretary	Architect (retired)	2022
Bowdon, Mel Col.	Member	Retired Colonel and Educator	2019
Coleman, Rev. Robert	Member	Minister	2021
Brownson, William	Vice-Chair	CFO and Director of Administration for the West Ohio Conference of the United Methodist Church	2022
Uhl, Michael	Member	Hospital President	2022
Dunham, James	Member	Businessman (Executive)	2020
Garn, Rev. Cyndy	Member	United Methodist Clergy	2021
Hanover, Rev. Tom	Member	Lead Pastor at Sulphur Grove United Methodist Church	2020
Hazelbaker, Tom, CPA	Member	Former Public Accountant and Accounting Instructor at Wright State University	2022
McKay, Roy	Member	Executive Vice President and Trust Officer of LCNB National Bank	2020
Bayliff, Becky	Member	Funeral Home Owner/Director	2021
Wolf, Joe	Member	President of Precision Strip, Inc.	2023

Standing Committees of the Board. The Board of Directors has five standing committees as follows: the Executive Committee, the Quality Committee, the Finance Committee (which has an investment subcommittee), the Audit Committee, and the Governance Committee. The Executive Committee consists of the officers of the Board of Directors and the Chairpersons of all other standing committees. The Executive Committee is authorized to act for the Board of Directors between regular and/or called session of the Board.

Conflict of Interest Policy. Otterbein By-laws establish a Conflict of Interest Policy pursuant to which any conflict of interest on the part of any Board Member, Corporate Executive, Executive Director, or Administrative Staff member, or committee members who are not members of the Board of Directors of Otterbein must be disclosed to the Board and made a matter of record, either through an annual procedure or when the interest becomes relevant to a matter of board action. Any Board members or committee members who are not members of the Board that have a possible conflict of interest regarding a matter before the Board may not vote or use such persons influence on the matter. Such person may not be counted in determining the meeting quorum

regarding actions related to the point of conflict. The minutes of the meeting are required to reflect such disclosure, abstention from voting, and the resulting quorum for action on that matter.

MANAGEMENT OF OTTERBEIN

Otterbein provides management services for its own facilities through its centralized corporate staff and on-site Executive Directors/Administrators at each community. The Chief Executive Officer of Otterbein develops the annual business plan by integrating both operating and strategic objectives approved by the Board. The Executive Director of each community is given significant financial management accountability with respect to that community's daily financial performance. All of these parties work as an integrated team to assure that each facility and the organization as a whole have viable and appropriate operating plans that strengthen the financial position of the Obligated Group. Each CCRC has a local Board of Directors.

Otterbein's Corporate Finance Department provides financial oversight, reporting and management information services for all existing communities and for the Board. The Corporate Finance Department also provides in-house expertise in third party reimbursement and industry benchmarking. While each community's Executive Director/Administrator has responsibility for preparing its site's Annual Business Plan, the parameters are based on the goals and objectives set annually by the Board approved operating and strategic objectives. Corporate Finance Department is responsible for consolidating all sites into the Consolidated Business Plan. The Consolidated Business Plan must meet all bond and debt covenants. The Consolidated Business Plan is presented to the Board Finance Committee for such committee's due diligence review and recommendation. Ultimately, the plan is reviewed by the Otterbein Board and must receive their approval prior to implementation.

The following individuals are the key members of Otterbein's management staff:

Jill C. Wilson, President and Chief Executive Officer, (53). Mrs. Wilson has more than 28 years of experience in finance, long-term care and change management. She has held a variety of positions with Otterbein for over 22 years including Chief Financial Officer, Vice President of Strategic Planning and Executive Vice President. Mrs. Wilson holds a BBA in Accounting, a Master's degree in Organizational Development and previously credentialed as a CPA and a Licensed Nursing Home Administrator. Prior to joining Otterbein, she spent her career as a CPA in ever increasing roles of responsibility with certified public accounting firms.

Mrs. Wilson is actively engaged with the community, serving on a number of professional and trade organizations. She currently serves on the Premier Health System Board and its finance and compensation committees. She is on the Board of Caring Communities Insurance Company where she is Chair of the underwriting committee. Appointed by Governor John Kasich, she is a past Chair of the Ohio Board of Executives of Long-Term Services & Supports which develops and enforces standards for nursing home administrators. She is past Chair of LeadingAge Ohio, an association of 400 non-profit senior living providers and is past Treasurer of the United Methodist Association Board. Wilson previously served on the Warren County Port Authority Board and the Warren County Area Progress Council. Wilson was named to the 2016 list of Cincinnati Women of Influence by Venue Magazine, is a recipient of the 2017 Everest Leaders and Legends Award and a 2018 Environments for Aging Champion.

J. Christopher Green, Vice President and Chief Financial Officer, (51). Mr. Green is the Vice President of Finance and Chief Financial Officer of Otterbein. He joined Otterbein in 2001 and has served in his current role since 2005. Mr. Green also serves as the Treasurer of Otterbein's Board of Directors. Prior to joining Otterbein, Chris worked for 14 years at Communicare Health Services, a long-term care network in Blue Ash, Ohio. Mr. Green holds a B.S.B.A. from Xavier University and is a licensed Certified Public Accountant. He is an active member of Leading Age Ohio and the Ohio Society of Certified Public Accountants. In addition, he is a member of the America Institute of Certified Public Accountants. Mr. Green has been a featured presenter at several Leading Age Ohio and Ohio Health Care Association Conferences, the Ziegler Senior Living National Conference, and the Ziegler CFO Conference. Mr. Green also serves on the Audit Committee of Caring Communities Insurance Company.

Dan Arnold, Vice President, Skilled Nursing and Rehab Neighborhoods, (40). Mr. Arnold is the Vice President of Operations for Otterbein's Small House Neighborhoods. He holds a Bachelor of Science in Construction Management and a Minor in Business Management from Brigham Young University. Mr. Arnold has over 13 years of Healthcare experience. He worked as a Psychiatric Technician at Utah State Hospital. Mr. Arnold is previously credentialed as a National Registered Emergency Medical Technician – Paramedic (EMT-P) and Level 2 Firefighter for the State of Ohio and served several years as a Volunteer Firefighter at Bethel Clark Fire Department. Mr. Arnold is a Licensed Nursing Home Administrator. He has accomplished five deficiency-free surveys in his career from the Ohio Department of Health most recently at Otterbein Middletown.

Jason Miller, Senior Vice President (46). Mr. Miller is the Senior Vice President for Otterbein SeniorLife. His primary responsibilities are for the Lifestyle Communities, Home Health and Hospice. He joined Otterbein in 2009 after serving as the Executive Director at Gracework's Bethany Village in Centerville Ohio, a community of approximately 700 residents. Mr. Miller is a licensed nursing home administrator, a registered nurse and holds a Bachelor of Science and Nursing Degree from The Ohio State University and a Master's in Business Administration from Indiana Wesleyan University. Mr. Miller is a past examiner for the Ohio Awards of Excellence and is an ongoing facilitator at the Ohio Leadership Academy. He is a member of the United Methodist Association's Educational Assessment Guidelines Leading toward Excellence (EAGLE) Accreditation Commission. EAGLE Accreditation is designed for faith-based, health and wholeness organizations to enhance the quality of services provided. He also serves as a Board Member of The United Methodist Association as well as participates in the UMA Finance Committee.

Gary L. Horning, Vice President Marketing and Communications, (65). Mr. Horning has over 42 years of experience in sales, product management, marketing, strategic planning, partnership relations and communications. He has been in his current position for just under a decade, during which time Otterbein SeniorLife grew revenue by 223% to become the 22nd largest senior care provider in the country.

Following five years of college, yielding Bachelor's and Master's degrees in Management and Marketing from Wright State University, Mr. Horning started his professional career at NCR Corporation, a high-tech provider of computers, retail and financial systems, and data warehousing software. After 20 years, Horning relocated to the Silicon Valley, joining a \$200M software company as Senior Vice President of Strategic Marketing. He returned to Ohio after two years joining Avery Dennison where he served 10 years as the Vice President of Sales and Marketing for the Printer Solutions Division.

Lois Mills, Vice President and Chief People Officer (60). Mrs. Mills is the Vice President and Chief People Officer for Otterbein SeniorLife. She joined Otterbein in 2009 after a successful career with Procter and Gamble and Johnson and Johnson in progressive roles in engineering and human resources. She holds a BS in Industrial Engineering from Stanford University and a MA, summa cum laude, Human Resources Development from Webster University. She is a certified Executive Coach and also certified in various other human resources assessments. She is a graduate of the LeadingAge National Larry Minnix Leadership Academy, Leadership Educator program, and facilitates the LeadingAge OH Leadership Academy. She serves on the LeadingAge OH Human Resources Committee and was actively engaged in developing the Employer of Choice criteria. Lois also serves on the Housing Committee and is leading Otterbein's objective to enter the Affordable Housing with Services ministry.

Pamela Richmond, Vice President, Strategy and New Ministry Development, (54). Mrs. Richmond is the Vice President of Strategy and New Ministry Development and Chief Strategy Officer for Otterbein. She joined Otterbein in 2011 after a 16 year career as a consultant for both Parente Beard (now Baker Tilly,) and Plante Moran. Prior to that she served four years as financial manager for a community development corporation in inner city Toledo, Ohio, and before that two years as an internal auditor for a Fortune 500 Company and two years as an auditor for KPMG. Mrs. Richmond is a Certified Public Accountant, Chartered Global Management Accountant and graduated Magna Cum Laude with a B.S. in Accounting from Miami University, Oxford, Ohio. She is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, LeadingAge Ohio and LeadingAge National. She sits on the National LeadingAge Quality & Risk Management Advisory Group and the LeadingAge Ohio committee to expand PACE (Programs of All Inclusive Care for the Elderly) and LeadingAge Ohio Innovation Council. Mrs. Richmond regularly speaks at both the LeadingAge Ohio and LeadingAge annual conferences. She is a past board member of Sylvania Community Services and currently sits on their Finance Committee overseeing both the Sylvania Senior Center and Childcare Services that provide preschool, summer daycare and before/after school care for more than 600 children in Sylvania.

Emily Weikert, Vice President, Clinical Quality (46). Ms. Weikert has more than 20 years of nursing experience with an emphasis in long-term care. She has held her current role as Vice President of Clinical Quality at Otterbein SeniorLife since 2015. Ms. Weikert previously worked with Otterbein from 1999-2004 on the Otterbein Lebanon campus. Prior to returning, she worked 10 years with Premier Healthcare Management serving in various roles as Director of Clinical Reimbursement, Director of Nursing and MDS Coordinator. Ms. Weikert holds a Bachelor of Nursing Degree from Wright State University. She has certifications in risk management and resident assessment. She currently serves on the Remedi Pharmacy Advisory Board.

FACILITIES AND OPERATIONS

SeniorLife Communities (CCRCs)

Otterbein offers seniors the choice of location throughout Ohio and Indiana, from rural to suburban and/or near cities or lakes; the choice between a house or apartment; the choice for assisted living, when needed, and even the choice for skilled nursing care and/or rehabilitation from a medical procedure. Otterbein offers six Senior Lifestyle Communities (described in greater detail below).

Each of the Senior Lifestyle Communities is a CCRC that offers a continuum of care which enables residents to move in and out of different care units based upon their needs. The continuum includes independent living units in the form of houses, duplexes, patio homes and apartments. Currently all communities include assisted living apartments and have licensed nursing home beds. These nursing home beds are utilized to provide not only traditional skilled care, but also to provide specialized rehabilitative and dementia care. In addition, each community provides various wellness and chaplaincy services. The Senior Lifestyle Communities provide:

Independent Living Designed for residents who need little or no health care assistance. Services include emergency call system, main meal of the day, monthly health survey and activities. Certain utilities and other services are included and/or available depending on the unit and location.

Assisted Living (Licensed Residential Care Beds) Designed for residents who need a greater degree of assistance including 24-hour nurse monitoring, assistance with activities of daily living, 3 meals per day, housekeeping and linen service.

Skilled Nursing Designed for residents who require nursing home care. Services include all traditional nursing home services, such as nursing, social services, activities and pastoral care. Specialized dementia units are available as well as sub-acute care.

Ohio has no certification requirements for CCRCs or for the independent living component. The assisted living and skilled nursing beds are licensed with the Ohio Department of Health. All components of communities in operation comply with all applicable State regulations regarding the operation and management of such facilities in Ohio. In addition, all assisted living and nursing facilities have been licensed by the Ohio Department of Health as a nursing facility. The nursing facility is required to pass periodic inspections in order to maintain licensure. Each nursing facility is certified pursuant to the Social Security Act to provide skilled nursing care under the Medicare program as that program is defined under the Social Security Act. Each nursing facility is also approved by the State of Ohio to participate in the Medicaid program. Each community is fully-licensed with all licenses or approvals required to operate the same and each is EAGLE Accredited by the United Methodist Association.

See “**RESIDENTIAL AGREEMENTS**” herein for a description of the residency agreements for more information concerning the same.

An overview of each Senior Lifestyle Community is provided below:

Otterbein Cridersville. The Otterbein Cridersville campus sits on approximately 120 acres on the southwest edge of Cridersville, Ohio, approximately 12 miles south of Lima, Ohio. The Otterbein Cridersville campus currently has 93 independent living patio and ranch homes, 25 independent living apartments, 51 assisted living apartments, and 50 skilled nursing beds. Common space within the 120 acres, includes a picnic area, gazebo, shuffleboard courts, lake views and gardens. In addition, the campus center includes a life enrichment center and community room for special programs, lectures, parties, entertainment and worship services, along with a fitness center and an indoor pool. Other amenities of the campus center include a conference room, which may be used for prayer groups, coffee clubs and more, a dining room, campus cinema, craft room and woodshop, library and computer center, Chaplain’s office and a wellness office. The campus center also provides easy access to a post office and banking services. Furthermore, there is a club house which provides residents with various health and wellness and social activities as well as billiards, yoga and computer training.

Otterbein Lebanon. The Otterbein Lebanon campus expands over 300 acres of land, 115 of which are currently developed and is located just outside of Lebanon, Ohio. Otterbein also owns approximately 1,200 acres of undeveloped land adjacent to the Lebanon campus (which, pursuant to the Master Indenture, has been designated “Excluded Property” and is allowed to be sold if so determined by the Corporation). The Otterbein Lebanon campus currently contains 376 independent living patio and ranch homes, 159 independent living apartments, 38 assisted living apartments and 198 skilled nursing beds. The Otterbein Lebanon campus also includes a Life Enrichment Center that includes an indoor pool, fitness center and walking track with programming created by the local YMCA. The Life Enrichment Center also contains a bistro, library, greenhouse, therapy spa, woodshop and creative arts studio. A 300- seat chapel is located on the Otterbein Lebanon campus as well.

Otterbein Marblehead. Otterbein North Shore is located halfway between Sandusky and Port Clinton, on 46 acres of woods near Lake Erie in Marblehead, Ohio. The Otterbein North Shore campus currently consists of 34 independent living patio and ranch homes, 24 independent living apartments, 36 assisted living apartments and a 10-bed small-house nursing home. Otterbein North Shore’s main building includes a multi-purpose room for exercise, special programs, parties and entertaining, dining rooms, a library, woodshop, and opportunities for creative arts.

Otterbein Pemberville. Otterbein Portage Valley is located approximately 13 miles south of Toledo, in rural Pemberville, Ohio, located on approximately 168 acres of land, of which 25 acres are currently developed. The Otterbein Portage Valley campus consists of 74 independent living patio and ranch homes, 30 independent living apartments, 32 assisted living apartments and 50 skilled nursing home units. The Otterbein Portage Valley campus offers a wooded walking trail, a stocked pond for fishing, gardens and a gazebo. In addition, the campus’ main building and Bowlus Life Enrichment Center includes an atrium and conference room, gift shop, chapel, family entertainment spaces, assisted living lounge, gazebo lounge, an auditorium for special programs, fitness classes, lectures, parties, movies and worship services. Other amenities of the

campus include cafe style dining, a library for card games and Bible studies, Chaplain's office and a wellness clinic.

Otterbein St Marys. Otterbein St. Marys sits adjacent to the Grand Lake of St. Marys in St. Marys, Ohio. Many of the independent living residents enjoy lake front property, adding a resort-like atmosphere. Some units are accommodated with boat docks. The Otterbein St. Marys campus currently contains 89 independent living patio and ranch homes, 36 independent living apartments, 46 assisted living apartments and 53 skilled nursing units. The campus has ample common space, including shuffleboard courts, a gazebo, gardens and lake views and boating. The campus center includes a community room for special programs, lectures, parties, movies and worship services. Other amenities of the campus center include a dining room and a lounge. Chaplain's office and a wellness clinic. Furthermore, there is a life enrichment center which offers fitness and aquatic programs in conjunction with the two local YMCAs, an ADA-compliant pool, fitness equipment, exercise room, lounge and patio and a large library.

Otterbein Franklin (Franklin United Methodist Home, Inc.). Nestled in beautiful Franklin, Indiana, Otterbein Franklin's campus is situated on 120 park-like acres that boast mature trees, stocked ponds, sidewalks, and walking trails. Other amenities include a fishing pond, tennis court, playground, and clubhouse with an indoor pool on the grounds. Additionally, the campus is just minutes away from the rich history and charm of downtown Franklin, Indiana which includes Franklin College, vintage shops, and local eateries. The Otterbein Franklin's campus currently contains 488 independent living units, 91 assisted living apartments and 208 skilled nursing units.

Occupancy for the Senior Lifestyle Communities is provided below:

[UPDATED INFORMATION (YEAR AND FUMH) TO BE INCLUDED]

FACILITY	FISCAL YEAR		
	2013	2014	2015
<i>Otterbein Cridersville</i>			
Independent Living	69%	74%	82%
Assisted Living	98	97	98
Skilled Nursing	94	93	94
<i>Otterbein Lebanon</i>			
Independent Living	94%	97%	96%
Assisted Living	100	100	100
Skilled Nursing	93	95	94
<i>Otterbein North Shore</i>			
Independent Living	70%	76%	84%
Assisted Living	93	100	91
Skilled Nursing	81	85	80
<i>Otterbein Portage Valley</i>			
Independent Living	93%	96%	98%
Assisted Living	98	99	99
Skilled Nursing	95	94	90
<i>Otterbein St. Marys</i>			
Independent Living	92%	97%	96%
Assisted Living	92	99	98
Skilled Nursing	97	97	90

Skilled Nursing and Rehabilitation Neighborhoods

Otterbein's Skilled Nursing and Rehabilitation Neighborhoods (the "Neighborhoods") are unlike any other traditional nursing home environment in Ohio. The Neighborhoods are built from the ground up, with the sole focus of creating comfortable home environments that facilitate excellent nursing and rehabilitation. Unlike large, institutional settings, Otterbein's small house model is a new way of delivering care that is designed to de-institutionalize nursing home life and provide an environment where elders engage in meaningful life activities. They provide an option for those elders who would normally enter a "stand-alone" nursing home which are generally located away from residential areas in more commercial areas. The Neighborhoods create an environment of wellness where elders and staff may find meaning, worth, joy and vitality in their lives. It accomplishes this through a combination of re-designed architecture and operations. The architecture consists of five free standing homes nestled together in a cul-de-sac. Each home includes 10 private bedrooms with private bath, kitchen, dining room, living room and easy access to the outdoors.

Through its Skilled Nursing and Rehabilitation Neighborhoods, Otterbein provides superior care for elders and rehabilitation residents, but also helps seniors live life to the fullest and with dignity and comfort. Otterbein operates nine Skilled Nursing & Rehabilitation Neighborhoods (described in greater detail below).

Each neighborhood offers elder assistants - specially trained nursing assistants - who team up with a guide (administrator), a dietician, a chaplain, a quality of life coordinator, and a neighborhood housing coordinator to provide care to residents in the Neighborhoods. RNs and LPNs lead the treatment teams. They manage medications, coordinate treatments and deliver clinical needs. Teammates include licensed therapists for physical, speech and vocational rehab.

The Neighborhoods provide three main areas of care: life enrichment, skilled nursing and rehabilitation. Life enrichment care provides residents with opportunities to participate in educational, cultural, healthful and fun activities. Residents are paired with a quality of life coordinator, a coach and a guide who work with them to create a plan for optimal personal development. Life enriching experiences often include: events with friends and family, presentations, music and parties, communal meals, arts and crafts, cooking and baking, cards, games and puzzles, gardening, bus trips, worship and church visits, outdoor activities and wellness activities such as fitness.

Skilled nursing care includes access to a physician on call 24/7, licensed nurses on duty 24 hours a day, nursing assistants on duty 24 hours a day, an emergency call system 24 hours a day, medication administration, therapeutic programming and short-term rehabilitation and long-term care and certified for both Medicare and Medicaid.

Rehabilitation services include customized onsite therapy programs. Residents choose their activities, meal times, spa and therapy times. Both residents and rehab residents set personal goals. Speech and language therapists help residents improve communications. Occupational therapists build up residents' skills with day-to-day tasks. The physical therapists treat injury or dysfunction with movement and massage.

All components of the Neighborhood as existing and operating comply with all applicable State regulations regarding the operation and management of such facilities in Ohio. Each Neighborhood has 50 beds that have been licensed by the Ohio Department of Health as a nursing facility. The Neighborhoods are licensed and certified by the Ohio Department of Health, Medicare and Medicaid and are EAGLE Accredited.

See “**RESIDENTIAL AGREEMENTS**” herein for a description of the residency agreements for more information concerning the same.

A brief overview of each existing Skilled Nursing and Rehabilitation Neighborhood is provided below:

Otterbein Springboro. Otterbein Springboro, opened in 2009, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Clear Creek Township, Ohio. Otterbein Springboro operates 50 skilled nursing units.

Otterbein Middletown. Otterbein Middletown, opened in 2010, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Middletown, Ohio, Atrium Hospital Campus. Otterbein Middletown operates 50 skilled nursing units.

Otterbein Maineville. Otterbein Maineville, opened in 2010, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Maineville, Ohio. Otterbein Maineville operates 50 skilled nursing units.

Otterbein Perrysburg. Otterbein Perrysburg, opened in 2007, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Perrysburg, Ohio. Otterbein Perrysburg operates 50 skilled nursing units.

Otterbein Monclova. Otterbein Monclova, opened in 2008, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Monclova, Ohio. Otterbein Monclova operates 50 skilled nursing units.

Otterbein New Albany. Otterbein New Albany, opened in 2015, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in New Albany, Ohio. Otterbein New Albany operates 50 skilled nursing units.

Otterbein Gahanna. Otterbein Gahanna, opened in 2015, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Gahanna, Ohio. Otterbein Gahanna operates 50 skilled nursing units.

Otterbein Union Township. Otterbein Union Township, opened in 2016, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Batavia, Ohio. Otterbein Union Township operates 50 skilled nursing units.

Otterbein Loveland. Otterbein Loveland, opened in 2017, is a Skilled Nursing and Rehabilitation Neighborhood providing skilled nursing and rehabilitation services in Loveland, Ohio. Otterbein Loveland operates 50 skilled nursing units.

Occupancy for the Skilled Nursing and Rehabilitation Neighborhoods is provided below:

[UPDATED INFORMATION TO BE INCLUDED]

Skilled Nursing Neighborhoods	Fiscal Year		
	2013	2014	2015
<i>Monclova</i>	90%	91%	87%
<i>Perrysburg</i>	94	94	92
<i>Middletown</i>	93	92	93
<i>Springboro</i>	95	93	91
<i>Maineville</i>	92	94	94
<i>New Albany</i>	N/A	N/A	68
<i>Gahanna</i>	N/A	N/A	36
<i>Union Township</i>	N/A	N/A	N/A

Home Health

Otterbein Home Health, LLC (“Home Health”) provides patients the benefits of superior in-home skilled care while maintaining their residence and independence. Skilled nurses, home health aides, and physical, occupational and speech therapists work with patients, listen to their concerns and provide encouragement. Home Health specializes in helping patients recover from surgery, illness, injury, a wound or a fall. Otterbein caregivers assist in both physical and spiritual healing.

Home Health services are available to Ohio residents living in Butler, Clermont, Clinton, Fayette, Greene, Highland, Hamilton, Montgomery and Warren counties.

Hospice

Otterbein Hospice (“Hospice”) provides professional, personalized and holistic care to ensure physical and spiritual comfort to those Hospice serves. This is achieved by relieving symptoms or stressors from the illness, decreasing or eliminating pain, and have the team work closely with the physician. The family’s journey is also part of our ministry. Hospices helps families cope with the natural grief and distress of the coming loss. Hospice services are available to Ohio residents living in Butler, Clermont, Clinton, Fayette, Greene, Highland, Hamilton, Montgomery and Warren counties.

RESIDENTIAL AGREEMENTS

Residential Agreements. Residency Agreements are signed by residents for admission to independent living homes and apartments, assisted living apartments and nursing beds. Independent living rates are quoted as a monthly rate and are based on the type and size of the unit. Independent living rates may also include a monthly meal plan rate. Assisted living rates are quoted as a monthly rate and are based on the type and size of the apartment and may include a level of service fee. Assisted living rates also include a meal plan, laundry and housekeeping services and other activities and health care related services. Nursing rates are quoted on a per diem basis and are determined on the basis of single or double occupancy as well as the level of

services provided. All contracts are based upon fee-for-service, and are subject to change within 30-days' advance written notice from Otterbein.

The following types of agreements are currently utilized by Otterbein:

- **Standard Community Residency Agreements.** Standard Community Residency Agreements are signed by residents for admission to independent living units. Standard residency agreement rates are quoted on a monthly rate, which are subject to change upon 30 days' advance written notice from Otterbein. Standard residency agreements may include "for fee" services such as wellness services, homemaker services, guest rooms, travel services, off campus transportation and non-emergency health care services and a meal plan. Residents who sign Standard Community Residency Agreements are eligible to receive resident benevolent services.
- **Limited Community Residency Agreements.** Limited Community Residency Agreements are signed by residents for admission to independent living units. Limited rental agreement rates are quoted on a monthly rate, which are subject to change upon 30 days' advance written notice from Otterbein. Limited rental agreements may be renewed annually for additional one year terms. Limited rental agreements may include "for fee" services such as wellness services, homemaker services, guest rooms, travel services, off campus transportation and non-emergency health care services. Limited residency agreements do not include meal plans.
- **Refundable Advance Deposits and Life Use Fee.** Some residents have entered into contractual arrangements under which residents pay a refundable advance deposit fee and receive a fixed credit applied to their monthly charge for service. Under this program, residents receive a monthly credit equal to .75% of their deposit for as long as they and/or their spouse live in the community. These advance deposit fees are amortized over the life expectancy of each resident until no refund is due to the resident. These advance deposits and life use fees are subject to refund in the event a resident vacates the resident's unit while a refund remains payable to the resident. The Refundable Life Use Fee (RLUF) agreements with residents provide that Otterbein may delay cash refunds up to the later of one year after the units have been vacated or until new residents occupy the vacated units. If a move to Assisted Living or Nursing Care is necessary, residents will have priority access to those areas. The monthly credit applies in all levels of living for as long as the resident or the resident's spouse resides in the community.

In the event that the resident's resources are not sufficient to cover the monthly cost of care, Otterbein may, at its option, make a pro rata refund. The refund will appear as a credit of the resident's monthly account. Any credit created by this refund will remain on the resident's statement as prepayment for services and accommodations. Upon death of the resident (or the survivor, if the contract is for two persons), any refund entitlement to the estate will be made at the end of the next billing cycle.

- **100% Refundable Entrance Fee Agreements.** Under the 100% Refundable Entrance Fee Option, each Otterbein ranch home, patio home or apartment is assigned a specific entrance fee and monthly service fee. Residents are entitled to a full refund of the entrance fee paid for residency when they leave the community. If a move to assisted living or nursing is necessary, residents of Otterbein have priority access at published rates.
- **Health Care Center Residency Agreements.** Health Care Center Residency Agreements are signed by residents for admission into Skilled Nursing. Basic services include room, board, laundry, housekeeping, social and other activities and general nursing services. Private accommodations are quoted as a daily rate and are subject to change upon 30 days' advance written notice from Otterbein. Included in the daily fee is 24 hour nursing staff, assistance with activities and three meals per day plus snacks. Private pay residents must pay monthly a sum equal to one month of basic rent charges.

Resident Advance Deposits. Resident advance deposits range from approximately \$1,000 to \$5,000 and are required for each resident entering an independent or assisted living facility within the various campus locations. The deposits are treated as security deposits and are refunded at the time the premises are vacated.

Monthly Rental Plans. Monthly rental options offers the services, amenities and activities of the community by paying an all-inclusive, once a month fee. Monthly Residency Agreements renew yearly. The services and amenities provided are comparable to those offered with Standard Residency Agreements. If a move to Assisted Living or Nursing is necessary, monthly rental residents will have priority access at the published rates.

Additional Services to Independent Living Accommodations. Additional fee-based services offered to residents include: housekeeping, laundry service, dry cleaning pickup and delivery, beauty and barber shops, massage therapy, personal transportation services, guest accommodations, assistance with bathing, dressing and grooming and medication management and supervision.

Additional Services to Licensed Residential Care Apartments. Additional fee based services offered to apartment residents include: personal maintenance, personal transportation, basic toiletry items and paper products, certain furniture and bedroom supplies and skilled nursing services.

BENEVOLENT CARE

Through years of charitable giving, generous donors have provided for a benevolent care fund to assist Otterbein community members who no longer have the financial resources to provide for their home and health care costs. Otterbein provides care to residents who meet certain criteria under its benevolent assistance policy without charge or at reduced rates. Key elements used to determine eligibility include a resident's demonstrated inability to pay. Otterbein maintains records to identify and monitor the level of charity care it provides. These records include the

amount of charges forgone for services and supplies furnished under its benevolent assistance policy, the estimated cost of those services and supplies, and equivalent service statistics.

Otterbein has estimated its direct and indirect costs of providing charity care under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio based upon historical operating margins. This ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, Otterbein has estimated the costs foregone for services and supplies furnished under the Otterbein's benevolent assistance policy aggregated approximately \$287,000 and \$361,000 for the years ended December 31, 2018 and 2017, respectively. Otterbein utilizes earnings from the general endowment to subsidize the costs of providing charity care under its benevolent assistance policy. Total earnings and contributions received for benevolent assistance were approximately \$929,000 and \$1,159,000 for the years ended December 31, 2018 and 2017, respectively.

Furthermore, Otterbein provides nursing care to residents under the Medicaid program for which the costs to provide such care exceeds reimbursement. Otterbein funds this difference through its operations. The shortfall associated for care provided under this program for the years ended December 31, 2018 and 2017 was approximately \$20,891,000 and \$21,245,000, respectively.

COMPETITION

Otterbein considers its primary competitors to be CCRCs, which offer the entire continuum of care at a single campus. Because continuing care facilities offer a wide variety of housing arrangements and care stemming from independent living to specialized care, there are many variables that keep these communities in competition with one another. Otterbein is proud to have maintained its fine reputation in an increasingly competitive market. Additionally, independent senior living communities, independent assisted living facilities and independent skilled nursing facilities, home health services or other combinations of such accommodations all compete with Otterbein. Below are summaries of the five Otterbein Lifestyle Communities' key competitors, locale and primary market areas. Primary market areas are the areas where a substantial portion of each community's residents can be expected to originate.

Otterbein Cridersville. Otterbein Cridersville maintains a positive reputation for personal care, an active campus life and spiritual support services. Otterbein Cridersville competes with other CCRCs in its county. For example, The Wyngate and Primrose Retirement Communities in Lima, Dorothy Love in Sidney, and the Hilty Home/Mennonite in Bluffton, Ohio serve as Otterbein Cridersville's key competitors. Otterbein Cridersville's primary market area is the senior population located between Lima, Shawnee Township, Wapakoneta, Union Township and Buckland. Otterbein Cridersville is characterized as a typical Midwestern suburban market with mixed senior incomes and home values.

Otterbein Lebanon. Otterbein Lebanon is held in high regard in the southern Ohio area due to its serene atmosphere in the midst of two busy cities, Cincinnati and Dayton. In its busy locale, Otterbein Lebanon's key competitors are Bethany Village located in Dayton, Ohio and Mt. Pleasant Retirement Village, located in Monroe, Ohio. Otterbein Lebanon's primary market area

is the senior population located in Cincinnati, Dayton, and the smaller communities in between, including Middletown, Monroe and Lebanon. The Lebanon Community is characterized as a typical Midwestern urban/suburban market with mixed senior incomes and home values.

Otterbein North Shore. Otterbein North Shore is unrivaled for its lake views and resort-style living experience. Located halfway between Sandusky and Port Clinton, Otterbein North Shore's key competition comes from The Vineyards on Catawba, located in Port Clinton, Ohio. Otterbein North Shore's primary market area is northern Ohio on the Marblehead Peninsula covering the area between Sandusky and Port Clinton. Otterbein North Shore is characterized as a typical Midwestern suburban market with mixed senior incomes and home values.

Otterbein Portage Valley. Otterbein Portage Valley is located in northwest Ohio and its key competitors are Lutheran Home at Wolf Creek and Swan Creek Retirement Village, both located in Holland, Ohio. Otterbein Portage Valley's primary market area is northwest Ohio including Toledo, Maumee and other areas further north and west. Otterbein Portage Valley is characterized as typical Midwestern urban/suburban market with mixed senior incomes and home values.

Otterbein St Marys. Otterbein St. Marys enjoys a respectable reputation for its home on the lakeshore, private docks, outdoor and other life enriching activities and personal care. Otterbein St. Marys is located in northwest Ohio and serves Celina, New Bremen and Coldwater, among other cities and towns. Otterbein St. Marys' key competitors are Primrose, located in Lima, Ohio, Dorothy Love, located in Sidney, Ohio and Briarwood Village, located in Coldwater, Ohio. Otterbein St. Marys' primary market area is northwest and middle Ohio. Otterbein St. Marys is characterized as typical Midwestern suburban market with mixed senior incomes and home values.

Otterbein Franklin. Otterbein Franklin is located about 20 minutes south of Indianapolis in Franklin, Indiana. Its key competitors are Compass Park (Indiana Masonic Home) located in Franklin and Aspen Trace located in Greenwood, Indiana. Otterbein Franklin's primary market area is central Indiana including Indianapolis. Otterbein Franklin is characterized as typical Midwestern urban/suburban market with mixed senior incomes and home values.

EMPLOYEES

Otterbein and its affiliated entities employ approximately 1270 full time and 944 part time employees. Ohio state law requires candidates who receive final consideration for certain positions in nursing homes, residential care facilities, homes for the aging, skilled nursing facilities and similar agencies to undergo a criminal record check. Individuals who have been convicted or plead guilty to prohibited offenses specified in the law, may be disqualified for employment in covered agencies. Accordingly all candidates for final consideration for employment with Otterbein must consent to and voluntarily submit to providing fingerprint impressions, a valid "certificate of no record" and other information which may be required to determine the employee's eligibility for employment under the law. In addition, candidates for employment with Otterbein must submit to post-employment and future physical and medical examinations including drug and alcohol screening tests and that the failure to pass such tests in whole or in part

will be grounds for denial of employment or termination of employment if employed at the time. Currently, there are no unions at Otterbein.

Upon employment, all employees attend a mandatory orientation, in which resident rights, abuse and aggression, infection control, material safety data sheets, fire and safety, drug-free work environment, HIPAA, work-place violence and workers compensation are discussed. Additionally, every employee must review a comprehensive Employee Handbook, which outlines the items discussed during the orientation as well as employee benefits. On an annual basis, each employee is required to do online mandatory training regarding resident rights, abuse and aging sensitivity, fire and safety and infection control, in order to remain current and to be made aware of changing environments and policies.

Each employee is also required to annually update their tuberculosis test for the safety of the residents of the facilities.

Otterbein management believes that its overall relationship with its employees is good.

Employee Retirement Benefits.

Otterbein has a defined benefit pension plan (the "Plan") that covers various employees. The Plan benefits are based on years of service and the employee's average compensation during the highest five years of the last ten years of covered employment. Otterbein's funding of the Plan is based upon actuarially determined normal costs and past service costs. Otterbein also has an unfunded supplemental executive retirement plan ("SERP"). The SERP provides for benefits to supplement those of the Plan. Employers are required to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets.

The following table summarizes the benefit obligations, the fair value of assets and the funded status as at December 31, 2018 and 2017:

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
CHANGE IN BENEFIT OBLIGATION				
Benefit Obligation at Beginning of Year	\$ 39,542,544	\$ 36,480,337	\$ 8,143,102	\$ 7,216,530
Service Cost	451,354	453,259	185,588	156,499
Interest Cost	1,377,662	1,487,132	291,516	297,931
Actuarial (Gain) Loss	(3,286,150)	3,114,136	(773,168)	788,401
Benefits Paid	(1,948,871)	(1,992,320)	(316,259)	(316,259)
Benefit Obligation at End of Year	<u>\$ 36,136,539</u>	<u>\$ 39,542,544</u>	<u>\$ 7,530,779</u>	<u>\$ 8,143,102</u>
CHANGE IN PLAN ASSETS				
Fair Value of Plan Assets at Beginning of Year	\$ 27,178,267	\$ 24,109,930	\$ -	\$ -
Actual Return on Plan Assets	(1,599,059)	3,947,217	-	-
Employer Contributions	1,680,000	1,480,000	316,259	316,259
Benefits Paid	(2,396,599)	(2,358,880)	(316,259)	(316,259)
Fair Value of Plan Assets at End of Year	<u>\$ 24,862,609</u>	<u>\$ 27,178,267</u>	<u>\$ -</u>	<u>\$ -</u>
Under Funded Status	<u>\$ (11,273,930)</u>	<u>\$ (12,364,277)</u>	<u>\$ (7,530,779)</u>	<u>\$ (8,143,102)</u>

The accumulated benefit obligation for the Plan was \$39,542,544 and \$36,136,539 as of December 31, 2017 and 2018, respectively.

In addition to the Plan and the SERP, Otterbein maintains a 401(k) plan for its employees. The 401(k) plan provides for Otterbein to match a portion of employees' elective deferrals. Otterbein contributed \$549,955 and \$560,584 in the 401(k) plan in 2017 and 2018, respectively.

QUALITY/ACCREDITATIONS

The Centers for Medicare and Medicaid Services (CMS) has a "Nursing Home Compare" program intended to inform the general public on the level of quality for every nursing home that participates in the Medicare and/or Medicaid Program. Currently, the Otterbein affiliated skilled nursing facility have Overall Ratings as follows:

Cridersville.....	4	of 5 stars
Franklin.....	5	of 5 stars
Lebanon.....	2	of 5 stars
Marblehead.....	5	of 5 stars
Pemberville.....	5	of 5 stars
St. Marys	4	of 5 stars
Gahanna.....	2	of 5 stars
Loveland.....	2	of 5 stars
Maineville.....	5	of 5 stars
Middletown	4	of 5 stars
Monclova.....	4	of 5 stars
New Albany.....	2	of 5 stars
Perrysburg	5	of 5 stars
Springboro	3	of 5 stars
Union Township.....	3	of 5 stars

The Overall Ratings change quarterly and are influenced by multiple factors including state surveys, clinical indicators, staffing and other various factors. Otterbein is currently taking steps with the goal that all of its skilled nursing facilities ("SNF") will be rated as 5 star facilities. Currently, only 10% of all SNFs are 5 star facilities and only the top 30% are rated 4 stars or higher.

All Otterbein communities hold the EAGLE Accreditation sponsored by The United Methodist Association.

INVESTMENTS AND INVESTMENT POLICY

As of December 31, 2018, Otterbein held \$153,258,295 in investments which consist primarily of equity and debt securities that are managed by an unrelated third party with specific guidance from Otterbein's Investment Committee. Otterbein and its Investment Committee "*Investment Committee*") intend that Otterbein's investment portfolio's assets be invested with the care, skill and diligence that a prudent person acting in their capacity would employ, and according to all rules, regulations and laws currently in force governing the investment of such assets. The Investment Committee is responsible to fulfill the Board's consensus views regarding the Funds' investment objectives, tolerance for risk and liquidity needs while seeking to achieve

long-term returns on the assets consistent with prudent investment standards and fiduciary responsibility.

Investments, at estimated fair value as of December 31, 2018, are classified as follows:

	<u>2018</u>
Investments - Current	\$ 126,413,054
Investments - Long-Term	2,637,087
Investments - Long-Term - Restricted	<u>24,208,154</u>
Total	<u>\$ 153,258,295</u>

Investments are comprised of the following as of December 31, 2018:

	<u>2018</u>
Cash Equivalents	\$ 5,761,828
Equity Securities and Mutual Funds	134,629,264
Debt Securities	<u>12,867,203</u>
Total	<u>\$ 153,258,295</u>

Return Objectives and Risk Parameters

Otterbein provides for investments in a variety of investment funds. In general, the investment objective of most of the investment funds is to provide for real, long-term growth of capital, without undue exposure to risk; provided, however, the certain funds' investment objective are more balanced or conservative as appropriate for the reason each fund was established. Investments are inevitably exposed to various risks such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in Otterbein's balance sheets.

Strategies Employed to Achieve Objectives

In order to achieve the funds' investment objectives, the investment management of the funds is in accordance with the asset allocation guidelines approved by the Board. The allocations of the funds' assets are monitored on a quarterly basis after receipt of the portfolio valuations from the custodian(s). The portfolio will be rebalanced at the broad market allocation when an asset class exceeds the upper limit of the range, or falls below the lower limit of the target range by more than 5%, unless Otterbein's investment advisor deems any rebalancing not to be in the best interest of the funds.

Spending Policy

Otterbein's spending policy requires that the spending limit is not to exceed 5% of the average quarterly market value of Otterbein's endowment portfolio from the previous three years. Any spending is subject to Board approval.

SELECTED FINANCIAL INFORMATION

Historical Results of Operations

The following summary of financial information for Otterbein for the three years ended December 31, 2016, 2017 and 2018 is derived from the Otterbein consolidated financial statements. All summary financial information should be read in conjunction with Otterbein's audited consolidated financial statements for the years ended December 31, 2018 and 2017 attached the Official Statement as Appendix B. [UPDATED INFORMATION TO BE INCLUDED]

OTTERBEIN HOMES
CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES
YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
AUDITED

	2013	2014	2015
Operating Revenue			
Net Resident Service Revenue	\$90,492,142	\$92,988,956	\$100,372,780
Departmental Revenue	3,578,745	3,868,644	5,198,584
Total Operating Revenue	<u>\$94,070,887</u>	<u>\$96,857,600</u>	<u>\$105,571,364</u>
Operating Expenses			
Salaries and Benefits	\$46,501,035	\$48,675,066	\$53,195,825
Contract Services	6,384,022	5,926,680	6,728,571
Supplies and Food	9,147,397	9,619,945	10,200,182
Equipment Purchases, Leasing and Maintenance	2,871,967	2,957,952	3,412,998
Utilities, Insurance and Taxes	8,505,648	9,010,415	9,895,762
Administration and Other	3,474,572	3,417,591	3,587,432
Depreciation and Amortization	8,196,637	8,240,835	9,131,854
Refundable Life Use Fee Credits	534,415	438,886	332,784
Interest Expenses and Other Finance Costs	3,182,516	3,150,553	3,485,090
Total Operating Expenses	<u>\$88,798,209</u>	<u>\$91,437,923</u>	<u>\$99,970,498</u>
Operating Income	<u>\$5,272,678</u>	<u>\$5,419,677</u>	<u>\$5,600,866</u>
Other Income (Expense)			
Contributions and Bequests	\$872,307	\$2,139,246	\$717,110
Change in Unrealized Gains/(Losses) on Trading Investments	3,486,662	(5,584,484)	(5,490,633)
Net Assets Released from Restrictions	24,822	378,979	103,965
Development and Fundraising Expenses	(682,044)	(659,177)	(692,275)
Investment Income	9,528,289	8,630,586	3,224,516
Other Expenses	(3,748,149)	(3,133,117)	(4,147,233)
Contributions to Others	(25,333)	(21,833)	(22,166)
Change in Fair Value of Interest Rate Swap	1,127,493	282,526	265,547
Total Other Income (Expenses)	<u>\$10,584,047</u>	<u>\$2,032,726</u>	<u>\$(6,041,169)</u>
Excess (Deficit) of Net Revenue Over Expense	<u>\$15,856,725</u>	<u>\$7,452,403</u>	<u>\$(440,303)</u>
Change in Fair Value of Interest Rate Swap	-	-	-
Change in Minimum Pension Liability	7,155,755	(11,764,534)	3,667,217
Capital Contributions	909,802	305,710	156,573
Net Assets Released from Restrictions – Capital	-	-	-
Change in Unrestricted Net Assets	<u>\$23,922,282</u>	<u>\$(4,006,421)</u>	<u>\$3,383,487</u>

Financial Ratios

The following table sets forth Debt Service Coverage Ratio and the Days Cash on Hand for Otterbein Homes Obligated Group based on the historical financial information for the fiscal periods indicated and using the definitions of the Master Indenture. The information for the fiscal years 2016, 2017 and 2018 is based on the audited financial statements. Note, the following table does not show any ratios that may have been required under previous bond documentation related to the Otterbein Homes Obligated Group and/or ratios that may be required under any obligations

placed directly with the holder or lender thereof. [UPDATED INFORMATION TO BE INCLUDED]

	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Debt Service Coverage Ratio⁽¹⁾			
Funds Available for Debt Service			
Increase in Unrestricted Net Assets	\$23,922,282	\$(4,006,421)	\$3,383,487
Plus: Depreciation and Amortization	8,196,637	8,240,835	9,131,854
Plus: Bond Administration Costs	-	-	-
Plus: Extinguishment of Indebtedness	1,484,443	55,324	-
Plus: Disposition of Capital Assets	236,719	244,715	868,810
Plus: Interest Expense	3,182,516	3,150,553	3,485,090
Plus: Change in Fair Value of Interest Rate Swap	(1,127,493)	(282,526)	(265,547)
Less: Entrance Fee Amortization	(1,710,281)	(1,283,854)	(1,195,027)
Less: Change in Net Unrealized Investment Gain/Loss	(3,486,662)	5,584,484	5,490,633
Plus: Unfunded Pension Obligations	(7,155,755)	11,764,534	(3,667,217)
Plus (Less): Net Entrance Fees	5,641,651	5,473,424	7,345,102
Plus: Change in Net Realized Investment Gain/Loss	(8,518,110)	(7,512,102)	(1,003,736)
Total Funds Available for Debt Service	\$20,665,947	\$21,428,966	\$23,416,576
Actual debt service:			
Interest and Bond Administration Costs	\$3,182,516	\$3,150,553	\$3,485,090
Principal	4,673,006	5,073,185	5,733,635
Total actual debt service⁽²⁾	\$7,855,522	\$8,223,738	\$9,218,725
Debt service coverage on total actual debt service	2.63	2.61	2.54
Maximum Annual Debt Service⁽³⁾:	\$11,388,430	\$11,388,430	\$11,388,430
Proforma Debt Service Coverage Ratio	1.81	1.88	2.05
Bond Covenant	1.20	1.20	1.20
Days Cash on Hand Ratio⁽¹⁾			
Total Operating Expenses:	\$88,838,414	\$91,437,923	\$99,970,498
Less: Depreciation and amortization	(8,196,637)	(8,240,835)	(9,131,854)
Total Adjusted Operating Expenses	\$80,601,572	\$83,197,088	\$90,838,644
Average Daily Expenses	\$220,826	\$227,937	\$248,873
Cash:			
Current	\$3,239,879	\$4,478,529	\$4,274,481
Unrestricted Investments	88,671,254	91,849,631	97,794,608
Unrestricted Gift Annuities	516,656	458,330	308,093
Unrestricted Gift Annuities – Benevolent Assistance	552,113	525,662	400,277
Total Unrestricted Cash and Investments	\$92,979,902	\$97,312,152	\$102,777,459
Actual days cash on hand	421	427	412
Proforma Days Cash on Hand⁽³⁾	409	412	403
Bond Covenant	120	120	120

⁽¹⁾ Calculated in accordance with the Master Indenture. See Appendix C to this Official Statement.

⁽²⁾ The Debt Service Coverage Ratio requirement set forth in the Master Indenture only relates to Maximum Annual Debt Service. For purposes of this Appendix A, Maximum Annual Debt Service is based on (i) for the Series 2013A Bonds and the Series 2014 Bonds, actual fixed interest rates, (ii) for the 2016A Bonds, on the 5 year forward average of 70% of LIBOR plus bank credit spread (total "all-in" rate of 1.95%) and, (iii) for the Series 2016A Bonds, current market fixed interest rates.

⁽³⁾ Operating expenses include maximum proforma interest of \$3,388,430 occurring in 2017 based on based on (i) for the Series 2013A Bonds and the Series 2014 Bonds, actual fixed interest rates, (ii) for the 2016A Bonds, on the 5 year forward average of 70% of LIBOR plus bank credit spread (total "all-in" rate of 1.95%) and, (iii) for the Series 2016A Bonds, current market fixed interest rates.

Payor Mix

The following table sets forth the payor mix for the Obligated Group. [UPDATED INFORMATION TO BE INCLUDED]

	FISCAL YEAR		
	2013	2014	2015
Private	25%	24%	24%
Medicare	11	11	11
Medicaid	55	55	54
Hospice	4	5	5
Managed Care	5	5	6
TOTAL	100%	100%	100%

MANAGEMENT DISCUSSION OF FINANCIAL PERFORMANCE

Fiscal Year Ended December 31, 2016

In the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the Otterbein Homes Obligated Group's unrestricted net assets increased by \$7,898,569. In Fiscal Year 2016, average occupancy was as follows: residential units 93%, assisted living facilities 90% and skilled nursing facilities 84% (lower due to the fill-up of the new Otterbein Loveland and Union Township small house neighborhoods). The Otterbein Homes Obligated Group increased its net revenue during Fiscal Year 2016 over the prior fiscal year by \$11,491,682 or 16%. Unrestricted net contributions and bequests during Fiscal Year 2016 were \$606,648, a decrease over the prior year of \$110,462.

Operating income totaled \$5,117,858, a decrease over the prior year by \$483,003 or (9%) and also exceeded Fiscal Year 2016 budget. The CCRCs posted an operating margin of 10% and the Skilled Nursing and Rehabilitation Neighborhoods posted a margin of (3%) - lower than usual due to the start-up of several new communities. The investment portfolio also posted returns in excess of 15%.

Fiscal Year Ended December 31, 2017

In the fiscal year ended December 31, 2017 ("Fiscal Year 2017"), the Otterbein Homes Obligated Group's unrestricted net assets increased by \$43,722,699 due to strong operating results and investment gains, and also to the write-up in value of The Franklin United Methodist Home which Otterbein became the sole member of on October 1, 2017. In Fiscal Year 2017, average occupancy was as follows: residential units 92%, assisted living facilities 93% and skilled nursing facilities 85%. The Otterbein Homes Obligated Group increased its net revenue during Fiscal Year 2017 over the prior fiscal year by \$13,236,634 or 11%. Unrestricted net contributions and bequests during Fiscal Year 2017 were \$506,010 a decrease over the prior year of \$100,638.

Operating income totaled \$7,005,760, an increase over the prior year by \$1,887,902 or 37% and also exceeded Fiscal Year 2017 budget. The CCRCs posted an operating margin of 9% and the Skilled Nursing and Rehabilitation Neighborhoods posted a margin of 1.8%.

Fiscal Year Ended December 31, 2018

In the fiscal year ended December 31, 2018 ("Fiscal Year 2018"), the Otterbein Homes Obligated Group's unrestricted net assets decreased by (\$7,308,580) due exclusively to unrealized losses in the investment portfolio. In Fiscal Year 2018, average occupancy was as follows: residential units 91%, assisted living facilities 93% and skilled nursing facilities 84%. The

Otterbein Homes Obligated Group increased its net revenue during Fiscal Year 2018 over the prior fiscal year by \$16,583,041 or 13%. Unrestricted net contributions and bequests during Fiscal Year 2018 were \$654,743, an increase over the prior year of \$148,733.

Operating income totaled \$6,208,156, a decrease over the prior year of (\$797,604) or (13%) and also exceeded Fiscal Year 2018 budget. The CCRCs posted an operating margin of 7% and the Skilled Nursing and Rehabilitation Neighborhoods posted a margin of (3)%.

General Discussion

The Obligated Group had a positive change in net assets for the fiscal years 2016 through 2018 – increasing by over \$40 million dollars or 26%. Unrestricted revenues increased 25% from 2016 to 2018 reflecting:

- The start-up of two new small house neighborhoods – Loveland and Union Township.
- Becoming the sole member of The Franklin United Methodist Home.
- The completion of several major capital projects (see below).

Expenses have been controlled year to year, and have met annual budgets. From 2016 to 2018, unrestricted expenses have averaged increases of 12%, which has been commensurate with the growth associated with the new communities and inventory.

Other items of note:

- Major capital improvements and expansions of the Otterbein Homes Obligated Group for the past five years have been:
 - Construction of the Life Enrichment Center on the campus of Otterbein Cridersville.
 - Construction of four new Small House Nursing Neighborhoods (New Albany, Gahanna, Loveland and Union Township) commenced in 2013 and completed in 2016
 - Construction of 26 new ILU houses and a 45 unit apartment complex at Otterbein Lebanon
 - Construction of a new Post-Acute Rehab Unit on the campus of Otterbein St. Marys.
 - Construction of a 24 unit new Assisted Living building and 17 bed Post-Acute Unit on the campus of Otterbein Cridersville.

- Construction of another 45 unit apartment complex and amenities at Otterbein Lebanon.
- Becoming the sole member of The Franklin United Methodist Home.
- Construction of 16 new waterfront independent living homes at Otterbein St. Marys
- \$7 million invested in current residential units between 2016-18.

LITIGATION

Otterbein from time to time is subject to claims which may lead to litigation. There is no current litigation pending or to the knowledge of Otterbein's management threatened which would be expected to have a material adverse effect on Otterbein's financial condition or results of operation.

INSURANCE

Otterbein maintains insurance in the type and amounts that management believes to be adequate for the businesses conducted by Otterbein.

Otterbein is a member of Caring Communities, a Reciprocal Risk Retention group domiciled in the District of Columbia ("Caring Communities"). Caring Communities is a captive insurance company that was formed in 2001 by twenty of the nation's leading not-for-profit senior housing and care organizations. Caring Communities has earned an A.M. Best & Co. rating of "A-Excellent." Otterbein has a claims-made policy with Caring Communities for Senior Services Organization Professional Liability, Commercial General Liability and Employee Benefits Programs Liability, and has obtained excess coverage for automobile liability and employers' liability from Caring Communities.

Otterbein's property insurance is provided by Zurich American Insurance Co. which has earned an A.M. Best & Co. rating of "A+ Superior."

Otterbein has a self-insured plan for workers' compensation. The plan has an individual stop loss of \$350,000 per occurrence and \$1,250,000 in the aggregate. Significant claims experience could impact the result of operations. Estimated future claims for incurred incidents of approximately \$399,000 and \$354,000 were recorded as liabilities at December 31, 2018 and December 31, 2017, and are included in accrued payroll and benefits on the Otterbein balance sheet.

ORDINANCE NO. 2019-02

AN ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$27,500,000 AGGREGATE PRINCIPAL AMOUNT OF ECONOMIC DEVELOPMENT REVENUE REFUNDING BONDS, SERIES 2019 (OTTERBEIN HOMES OBLIGATED GROUP), OF THE CITY OF FRANKLIN, INDIANA, THE PROCEEDS OF WHICH SHALL BE LOANED TO OTTERBEIN HOMES OR AN AFFILIATE THEREOF TO REFUND A TAXABLE LOAN; PROVIDING FOR THE PLEDGE OF REVENUES FOR THE PAYMENT OF SUCH BONDS; AUTHORIZING A LOAN AGREEMENT AND TRUST INDENTURE APPROPRIATE FOR THE PROTECTION AND DISPOSITION OF SUCH REVENUES AND TO FURTHER SECURE SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A TAX EXEMPTION CERTIFICATE AND AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT WITH RESPECT TO SUCH BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT IN RESPECT OF SUCH BONDS; AND AUTHORIZING OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS.

WHEREAS, the City of Franklin, Indiana (the "City"), by virtue of the laws of the State of Indiana (the "State"), including Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code, as supplemented and amended (the "Act"), in order to, among other things, create or retain opportunities for gainful employment and create business opportunities, is authorized to (i) make loans for the cost of acquisition, construction or installation of "economic development facilities" (as defined in the Act), including land, machinery, or equipment therefor; (ii) issue bonds for the purpose of providing funds to pay all or any part of such cost; and (iii) enter into a financing agreement and execute and deliver other transaction documents providing for payments in an amount sufficient to pay the principal and interest on said bonds; and

WHEREAS, Otterbein Homes ("Otterbein") is an Ohio nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and operates continuing care retirement communities in Ohio and Indiana; and

WHEREAS, Otterbein is the parent company of The Franklin United Methodist Home, Inc., an Indiana nonprofit corporation ("FUMH"), which operates Otterbein Franklin, a continuing care retirement community located in the City (the "Facility"); and

WHEREAS, Otterbein, FUMH, an affiliate thereof or any combination of the foregoing (as applicable, the "Borrower") has requested that the City issue one or more series of taxable and/or tax-exempt economic development revenue bonds in the aggregate principal amount of not to exceed \$27,500,000 (the "Series 2019 Bonds") for the purpose of (a) refunding a taxable loan incurred by Otterbein and certain of its affiliates, including FUMH (the "Prior Loan"), the proceeds of which were used to finance certain improvements to the Facility and to refund the City's Economic Development Revenue Refunding and Improvement Bonds, Series 2015 (The Franklin United Methodist Home, Inc. Project), the proceeds of which, together with the proceeds of other revenue

bonds previously issued by the City for the benefit of FUMH, were used to finance or refinance the costs of acquisition, construction, renovation, installation and/or equipping of certain improvements to the Facility; and (b) paying certain costs of issuance related to the Series 2019 Bonds (collectively, the "Project"); and

WHEREAS, this Common Council (the "Council") of the City has determined and does hereby confirm that the financing of the Project with the proceeds of the Series 2019 Bonds (as hereinafter defined) will promote a substantial likelihood of increasing business opportunities and be of benefit to the health and general welfare of the City and its citizens and complies with the purposes and provisions of the Act, and that the City, by assisting with the financing of the Project with the proceeds of the Series 2019 Bonds, will be acting in the manner consistent with and in furtherance of the provisions of the laws of the State of Indiana, particularly the Act; and

WHEREAS, no member of the Council has any pecuniary interest in any employment, financing agreement or other contract made under the provisions of the Act and related to the Series 2019 Bonds authorized herein, which pecuniary interest has not been fully disclosed to the Council and no such member has voted on any such matter, all in accordance with the provisions of the Act;

NOW THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF FRANKLIN, STATE OF INDIANA, AS FOLLOWS:

SECTION 1. Definitions. All defined terms used herein and those not otherwise defined herein shall have the respective meanings given to them in the Loan Agreement, between the City and the Borrower (the "Loan Agreement"), or the Indenture (as defined below), each relating to the Series 2019 Bonds.

Any reference herein to the City or the Council, or to any officers or members thereof, shall include those which succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

Unless the context shall otherwise indicate, words importing the singular number shall include the plural number, and vice versa, and the terms "hereof," "hereby," "hereto," "hereunder," and similar terms, mean this Ordinance.

SECTION 2. Determinations of City. Based solely on the representations made, information presented and testimony given by the Borrower and without independent verification by this Council, it is hereby found that the financing of the Project, the issuance and sale of the Series 2019 Bonds, the loan of the net proceeds thereof to the Borrower for the purposes stated above (the "Loan"), and the repayment of the Loan by the Borrower, will promote a substantial likelihood of increasing business opportunities and be of benefit to the health and general welfare of the City and its citizens and complies with the purposes and provisions of the Act. Based solely on the representations made, information presented and testimony given by the Borrower and without independent verification by this Council, it is hereby further found that the Facility is owned by the Borrower, is used in furtherance of the exempt purpose of the Borrower, and is not used by any other Person.

The Council, as the “applicable elected representative” of the City for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), reasonable public notice having been provided to the public in accordance therewith, hereby approves the issuance of the Series 2019 Bonds in a maximum aggregate face amount of not to exceed \$27,500,000, the proceeds of which will be used to finance the Project.

The City has not designated any portion of the Series 2019 Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

SECTION 3. Authorization of Bonds. It is hereby determined to be necessary to, and the City shall, issue, sell and deliver, as provided herein and pursuant to the authority of the Act, the Series 2019 Bonds for the purposes of making a loan to the Borrower to (a) refund the outstanding Prior Loan; and (b) pay certain costs of issuance relating to the Series 2019 Bonds, all in accordance with the provisions of an Indenture of Trust (Bond Indenture) (the “Indenture”), between the City and U.S. Bank National Association, a national banking association and its successors in trust, as trustee (the “Bond Trustee”). The Series 2019 Bonds shall be designated “Economic Development Revenue Refunding Bonds, Series 2019 (Otterbein Homes Obligated Group),” may be issued in one or more series and may bear a series designation that may be appropriate to further distinguish the Series 2019 Bonds. The maximum amount of Series 2019 Bonds to be outstanding at any one time is not to exceed \$27,500,000.

In order to provide for the further authorization, and to secure the Series 2019 Bonds to be issued pursuant to this Ordinance and to prescribe the terms and conditions upon which the Series 2019 Bonds are to be secured, executed, authenticated, accepted and held, there is hereby authorized, empowered and directed to execute and deliver, on behalf of the City, the Indenture, which Indenture shall be in substantially the form on file with the City Clerk, as provided by Dinsmore & Shohl LLP, as bond counsel to the City (“Bond Counsel”), final approval of which on behalf of the City to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. Terms and Execution of the Series 2019 Bonds. The Series 2019 Bonds shall be issued in the forms and denominations, shall be numbered, dated and payable as provided in the Indenture. The Series 2019 Bonds shall mature as provided in the Indenture, and have such terms, bear such interest, and be subject to mandatory and optional redemption as provided in the Indenture. This Council hereby fixes and establishes the interest rate in effect from time to time on the Series 2019 Bonds in the manner and pursuant to the provisions of the Indenture. The Series 2019 Bonds shall not bear interest in excess of 7% per annum and the maximum term for the Series 2019 Bonds shall be 40 years. The Series 2019 Bonds shall be executed on behalf of the City by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of the City Clerk. In case any officer whose signature or a facsimile thereof shall appear on the Series 2019 Bonds shall cease to be such officer before the issuance or delivery of the Series 2019 Bonds, such signature or facsimile thereof shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until after that time.

The form of the Series 2019 Bonds as set forth in the Indenture, subject to appropriate insertions and revisions in order to comply with the provisions of the Indenture, is hereby approved, and when the same shall be executed on behalf of the City by the appropriate officers thereof in the

manner contemplated hereby and by the Indenture, in the aggregate principal amount of not to exceed \$27,500,000, shall represent the approved form of Bonds of the City.

SECTION 5. Sale of the Series 2019 Bonds. The Series 2019 Bonds shall be awarded to Fifth Third Securities, Inc. (the "Underwriter") at the purchase price set forth, and on the terms and conditions described, in the Bond Purchase Agreement with respect to the Series 2019 Bonds (the "Bond Purchase Agreement") among the City, the Borrower and the Underwriter, which shall be in such form as is acceptable to the City Attorney. The Mayor and City Clerk are authorized and directed to make on behalf of the City the necessary arrangements to establish the date, location, procedure and conditions for the delivery of the Series 2019 Bonds to the Underwriter, and to take all steps necessary to effect due execution and delivery to the Underwriter (or temporary bonds delivered in lieu of definitive Bonds until their preparation and delivery can be effectuated) under the terms of this Ordinance, the Indenture, the Bond Purchase Agreement and the Loan Agreement. It is hereby determined that the price for and the terms of the Series 2019 Bonds, and the sale thereof, all as provided in the aforesaid documents, are in the best interests of the City and consistent with all legal requirements.

SECTION 6. Arbitrage Provisions. The City will, at the direction of the Borrower and to the extent the Series 2019 Bonds are issued as tax-exempt bonds, restrict the use of the proceeds of the Series 2019 Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Series 2019 Bonds are delivered to the Underwriter, so that they will not constitute arbitrage bonds under Section 148 of the Code. The Mayor or any other officer having responsibility with respect to the issuance of the Series 2019 Bonds, is authorized and directed, alone or in conjunction with any of the foregoing or with any other officer, employee, consultant or agent of the City, to deliver a certificate for inclusion in the transcript of proceedings for the Series 2019 Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to said Section 148 of the Code and regulations thereunder.

SECTION 7. Authorization of Indenture, Loan Agreement, Bond Purchase Agreement, Tax Exemption Certificate and Agreement and All Other Documents to be Executed by the City. In order to better secure the payment of the principal of, premium, if any, and interest on the Series 2019 Bonds as the same shall become due and payable, the Mayor and City Clerk are authorized and directed to, as applicable, finalize, execute, acknowledge and deliver in the name and on behalf of the City, the Indenture, Loan Agreement, Tax Exemption Certificate and Agreement related to the Series 2019 Bonds (the "Tax Exemption Certificate and Agreement") and Bond Purchase Agreement, each of which is hereby approved in substantially the form on file with the City Clerk or in such form as is acceptable to the City Attorney or other counsel to the City, as applicable, with such changes therein not inconsistent with this Ordinance and not substantially adverse to the City as may be permitted by the Act and approved by the officers executing the same on behalf of the City. The approval of such changes by said officers, and that such are not substantially adverse to the City, shall be conclusively evidenced by the execution of such Indenture, Loan Agreement, Tax Exemption Certificate and Agreement and Bond Purchase Agreement by such officers.

The Mayor and City Clerk are each hereby separately authorized to take any and all actions and to execute such financing statements, assignments, certificates, deeds and other instruments that may be necessary or appropriate in the opinion of Bond Counsel in order to effect the issuance of the Series 2019 Bonds, the repayment of the Prior Loan and the intent of this Ordinance. The City Clerk,

or other appropriate officer of the City, shall certify a true transcript of all proceedings had with respect to the issuance of the Series 2019 Bonds, along with such information from the records of the City as is necessary to determine the regularity and validity of the issuance of the Series 2019 Bonds.

SECTION 8. Official Statement. A Preliminary Official Statement with respect to the Series 2019 Bonds is hereby authorized and approved. The use of the name of the City in such Preliminary Official Statement is hereby approved. The Mayor and City Clerk are each hereby separately authorized to certify that the Preliminary Official Statement is “final” for purposes of Rule 15c2-12 (the “Rule”) promulgated under the Securities Exchange Act of 1934, as amended.

The final Official Statement in respect of the Series 2019 Bonds, substantially in the form of the Preliminary Official Statement approved and authorized in the preceding paragraph, is hereby authorized and approved, including the use of the name of the City in the final Official Statement. The Mayor and City Clerk are each hereby separately authorized to certify that the Official Statement is “final” for purposes of the Rule.

The distribution of an Official Statement relating to the Series 2019 Bonds is hereby approved. The City has not confirmed, and assumes no responsibility for, the accuracy, sufficiency or fairness of any statements in the Official Statement or any amendments thereof or supplements thereto, or in any reports, financial information, offering or disclosure documents or other information relating to the Underwriter, the Project or the Borrower, or the history, businesses, properties, organization, management, financial condition, market area or any other matter relating to the Borrower or otherwise contained in the Official Statement.

SECTION 9. Covenants of City. In addition to other covenants of the City in this Ordinance, the City further covenants and agrees as follows:

(a) Payment of Principal, Premium and Interest. The City will, solely from and only to the extent of the sources herein or in the Indenture provided, pay or cause to be paid the principal of, premium, if any, and interest on each and all Series 2019 Bonds on the dates, at the places and in the manner provided herein, in the Indenture and in the Series 2019 Bonds.

(b) Performance of Covenants, Authority and Actions. The City will at all times faithfully observe and perform all agreements, covenants, undertakings, stipulations and provisions contained in the Series 2019 Bonds, Loan Agreement, Indenture, Bond Purchase Agreement, Tax Exemption Certificate and Agreement, and in all proceedings of the City pertaining to the Series 2019 Bonds. The City warrants and covenants that it is, and upon delivery of the Series 2019 Bonds will be, duly authorized by the laws of the State of Indiana, including particularly and without limitation the Act, to issue the Series 2019 Bonds and to execute the Loan Agreement, the Indenture, the Tax Exemption Certificate and Agreement and the Bond Purchase Agreement, and all other documents to be executed by it, to provide for the security for payment of the principal of, premium, if any, and interest on the Series 2019 Bonds in the manner and to the extent herein and in the Bond Purchase Agreement set forth; that all actions on its part for the issuance of the Series 2019 Bonds and execution and delivery of the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and Agreement and all other documents to be executed by it in connection with the issuance of the Series 2019 Bonds, have been or will be duly and effectively taken; and that the Series 2019 Bonds will be valid and enforceable special obligations of the City according to the terms thereof. Each

provision of the Ordinance, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and Agreement and each Series 2019 Bond, and all other documents to be executed by the City in connection with the issuance of the Series 2019 Bonds, is binding upon each officer of the City as may from time to time have the authority under law to take such actions as may be necessary to perform all or any part of the duty required by such provision; and each duty of the City and of its officers and employees undertaken pursuant to such proceedings for the Series 2019 Bonds is established as a duty of the City and of each such officer and employee having authority to perform such duty.

The Mayor and the City Clerk of the City are hereby authorized to execute and deliver on behalf of the City such other certificates, documents and instruments in connection with the issuance and sale of the Series 2019 Bonds as may be required, necessary or appropriate, including, without limitation, any documents which are necessary or appropriate in order to provide that the Series 2019 Bonds constitute "qualified 501(c)(3) bonds" under the Code to the extent the Series 2019 Bonds are issued as tax-exempt bonds. Such documents, including the ones specifically authorized hereby, shall be subject to such changes, insertions and omissions as may be approved by the appropriate officers of the City, which approval shall be conclusively evidenced by the execution thereof as aforesaid.

SECTION 10. No Personal Liability. No recourse under or upon any obligation, covenant, acceptance or agreement contained in this Ordinance, or in any Series 2019 Bond, or in the Loan Agreement, the Indenture, the Tax Exemption Certificate and Agreement or the Bond Purchase Agreement, or under any judgment obtained against the City or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any officer as such, past, present, or future, of the City, either directly or through the City, or otherwise, for the payment for or to the City or any receiver thereof, or for or to any holder of any Bond, or otherwise, of any sum that may be due and unpaid by the City upon any of the Series 2019 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer, as such, to respond by reason of any act or omission on his or her part, or otherwise, for, directly or indirectly, the payment for or to the City or any receiver thereof, or for or to the owner or any holder of any Bond, or otherwise, of any sum that may remain due and unpaid upon any Bond, shall be deemed to be expressly waived and released as a condition of and consideration for the execution and delivery of the Loan Agreement, the Indenture, the Tax Exemption Certificate and Agreement and the Bond Purchase Agreement and the issuance of the Series 2019 Bonds.

SECTION 11. No Debt or Tax Pledge. THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF INDIANA. THE SERIES 2019 BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND SECURITY INTERESTS PLEDGED FOR THEIR PAYMENT AS PROVIDED IN THE INDENTURE, AND NEITHER MONEYS RAISED BY TAXATION NOR ANY OTHER GENERAL OR SPECIAL REVENUES OF THE CITY SHALL BE OBLIGATED OR PLEDGED FOR THE PAYMENT OF PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE SERIES 2019 BONDS.

SECTION 12. Incorporation of Preambles. The preambles of this Ordinance are hereby incorporated as an integral part of this Ordinance, to the same extent as if repeated herein verbatim,

it being declared that the statements of fact set forth in such preambles are true and accurate in all respects.

SECTION 13. Severability. If any section, paragraph or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 14. Open Meetings Law. This Council hereby finds and determines that all formal actions relative to the adoption of this Ordinance were taken in an open meeting of this Council, and that all deliberations of this Council and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements, particularly Title 5, Article 14, Chapter 1.5 of the Indiana Code.

SECTION 15. Effective Date. This Ordinance shall be in full force and effect from and after passage by this Council and its approval by the Mayor of the City of Franklin, Indiana.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF
FRANKLIN, INDIANA THIS DAY, _____, 2019.

COMMON COUNCIL,
CITY OF FRANKLIN, INDIANA

President, Common Council

ATTEST:

By: _____
City Clerk

Presented by me, the undersigned City Clerk of the City of Franklin, Indiana to the Mayor
of said City for his approval on _____, 2019 at _____ o'clock __m.

City Clerk

Having examined the foregoing Ordinance, I do now, as the Mayor of the City of Franklin,
Indiana approve said Ordinance and return the same to the City Clerk of the City of Franklin,
Indiana this day, _____, 2019.

Mayor

CERTIFICATE

STATE OF INDIANA)
 SS:)
COUNTY OF JOHNSON)

I hereby certify that the attached and foregoing document is a true, accurate and complete copy of Ordinance No. _____ adopted by the Common Council of the City of Franklin, Johnson County, Indiana, on _____, 2019 and approved by the Mayor of said City on _____, 2019 as the same appears on file and record in my office.

Witness my hand and the seal of said City, affixed at Franklin, Indiana on _____, 2019.

By: _____
City Clerk
City of Franklin, Indiana

Approved:

By: _____
Mayor

ATTEST:

By: _____
City Clerk