

SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT DATED JULY 22, 2021

\$83,715,000*
VIRGINIA SMALL BUSINESS
FINANCING AUTHORITY
Residential Care Facilities Revenue and Refunding Bonds
(LifeSpire of Virginia), Series 2021

This supplement supplements the Preliminary Official Statement dated July 22, 2021 (the “POS”) relating to the above-referenced bonds (the “2021 Bonds”).

Potential investors of the 2021 Bonds shall be aware that the 2021 Bonds are **NOT** expected to be secured by any debt service reserve fund, including Reserve Fund No. 1 referenced in the POS. Until further notice, all references in the POS (including any appendices) relating to any debt service reserve fund securing the 2021 Bonds shall be disregarded.

Dated: July 30, 2021



DAVENPORT & COMPANY LLC

* Preliminary; subject to change

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In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the Issuer and the Obligated Group as described in the section "TAX MATTERS" herein interest on the 2021 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the 2021 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section "TAX MATTERS" herein regarding other tax considerations.



\$83,715,000*
VIRGINIA SMALL BUSINESS
FINANCING AUTHORITY
Residential Care Facilities Revenue and Refunding Bonds
(LifeSpire of Virginia), Series 2021

Dated: Date of Delivery

Due: As shown on the inside cover

The 2021 Bonds are being issued by the Virginia Small Business Financing Authority (the "Issuer") under a Bond Trust Indenture, dated as of August 1, 2021 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee"). The 2021 Bonds will be limited obligations of the Issuer and (except to the extent that payment thereof may be made from the proceeds of the sale of the 2021 Bonds or any investment income therefrom) will be payable solely from the revenues received pursuant to Obligation No. 11 issued under an Amended and Restated Master Trust Indenture, dated as of October 1, 2016, between U.S. Bank National Association, as Master Trustee (the "Master Trustee"), and an Obligated Group, whose members are certain entities affiliated with

LIFESPIRE OF VIRGINIA

whose official name is Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia ("LifeSpire"). The 2021 Bonds are secured by, among others, a pledge of revenues derived from the Loan Agreement, dated as of August 1, 2021 (the "Loan Agreement") among the Issuer and the Obligated Group (as more fully described herein). Pursuant to the Loan Agreement, the Issuer will lend the proceeds of the 2021 Bonds to the Obligated Group to be used to (a) fund the costs of the Projects (herein defined), (b) refund certain bank-held bonds, (c) fund a contribution to a debt service reserve fund and (d) finance costs of issuance incurred in connection with the issuance of the 2021 Bonds.

The 2021 Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2021 Bonds. Individual purchases of beneficial ownership interest in the 2021 Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of bond certificates. The 2021 Bonds will be issued in authorized denominations of \$5,000 and multiples thereof. Interest on the 2021 Bonds will be payable on December 1, 2021 and thereafter semi-annually on each June 1 and December 1. Payments of principal of and interest on the 2021 Bonds will be made by the Bond Trustee to Cede & Co., as nominee for DTC, for disbursement to DTC participants, to be disbursed subsequently to the beneficial owners of the 2021 Bonds. The 2021 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described in "THE 2021 BONDS" herein.

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

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

The 2021 Bonds are offered when, as, and if issued by the Issuer and received by Herbert J. Sims & Company, Inc. and Davenport & Company LLC (the "Underwriters"), subject to the approval of their validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the Issuer by the Office of the Attorney General; for the Obligated Group by McGuireWoods LLP, Richmond, Virginia; and for the Underwriters by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina. Delivery of the 2021 Bonds is expected on or about August __, 2021 through the facilities of DTC against payment therefor.



DAVENPORT & COMPANY LLC

Dated: August __, 2021

* Preliminary; subject to change

**VIRGINIA SMALL BUSINESS
FINANCING AUTHORITY
Residential Care Facilities Revenue and Refunding Bonds
(LifeSpire of Virginia), Series 2021**

Dated: Date of Delivery

Due: December 1, as shown below

MATURITIES, PRINCIPAL AMOUNTS, COUPONS, YIELDS AND CUSIPS^{*†}

\$8,375,000	- ____%	Term Bonds	Due December 1, 2026	Yield: ____%	CUSIP[†]: _____
\$9,795,000	- ____%	Term Bonds	Due December 1, 2031	Yield: ____%	CUSIP[†]: _____
\$11,920,000	- ____%	Term Bonds	Due December 1, 2036	Yield: ____%	CUSIP[†]: _____
\$14,505,000	- ____%	Term Bonds	Due December 1, 2041	Yield: ____%	CUSIP[†]: _____
\$15,945,000	- ____%	Term Bonds	Due December 1, 2046	Yield: ____%	CUSIP[†]: _____
\$23,175,000	- ____%	Term Bonds	Due December 1, 2051	Yield: ____%	CUSIP[†]: _____

^{*} Preliminary; subject to change.

[†] A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services (“CGS”) managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference and none of the Issuer, the Obligated Group or the Underwriters take responsibility for the accuracy of such data.

PRELIMINARY NOTICES

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Virginia Small Business Financing Authority (the “Issuer”), Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake, The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC d/b/a The Summit or Herbert J. Sims & Company, Inc. and Davenport & Company LLC (the “Underwriters”). The information set forth herein concerning the Obligated Group and the Communities (each as defined herein), has been furnished by the Obligated Group and is believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Obligated Group since the date hereof.

In making an investment decision, investors must rely on their own examination of the 2021 Bonds, the Obligated Group, the Communities, and the terms of the offering, including the merits and risks involved. The 2021 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no such commission or regulatory authority has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Neither the Bond Trustee nor the Master Trustee has reviewed or participated in the preparation of this Official Statement.

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

THE 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THE BOND INDENTURE NOR THE MASTER INDENTURE HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2021 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH 2021 HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2021 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE 2021 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Cautionary Statements Regarding Forward-Looking Statements

This Official Statement contains statements which should be considered “forward-looking statements,” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, meaning they refer

to possible future events or conditions. Such statements are generally identifiable by the words such as “anticipate,” “believe,” “budget,” “estimate,” “expect,” “intend,” “plan,” “forecast,” or similar words.

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

This Official Statement is being provided to prospective purchasers in either bound or printed format (“Original Bound Format”), or an electronic format on the following website: www.finpressllc.com. This Official Statement may be relied on only if it is in Original Bound Format, or if it is printed or saved in full directly from the aforementioned website or www.emma.msrb.org.

Main Entrance of The Culpeper



THE  CULPEPER

A Continuing Care Retirement Community for All Levels of Care

Future View of the Hillside Cottage Neighborhood at The Culpeper



Exterior view of Lakewood's Clubhouse building



Future view of the Woodside Cottage Neighborhood



Aerial ExteriorView



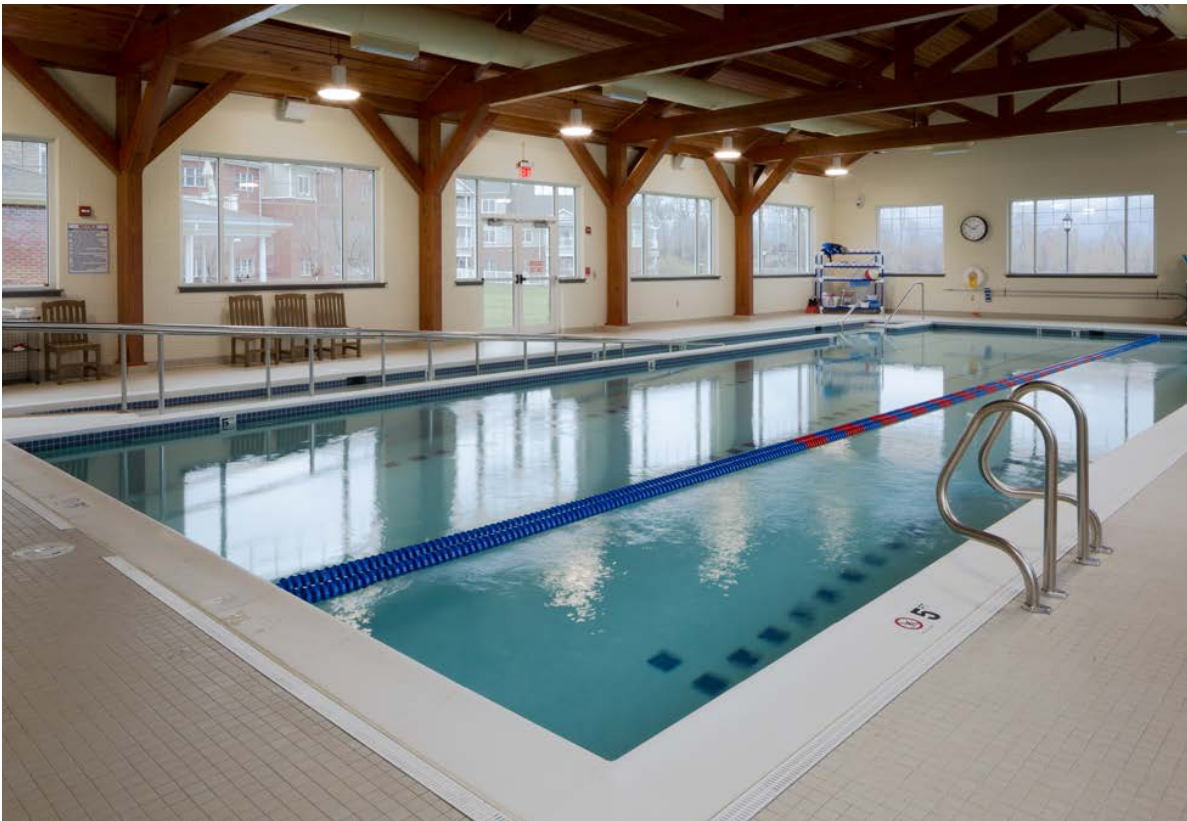
The Chesapeake
Freedom lives here.
Dining Room



Aerial Exterior View



The Glebe
Blue Ridge Living
Johnson Aquatic Center Pool



Exterior



The
SUMMIT

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SHORT STATEMENT

The information set forth in this Short Statement is subject in all respects to more complete information set forth elsewhere in this Official Statement, which should be read in its entirety. The offering of the 2021 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Short Statement from this Official Statement or otherwise to use it without this entire Official Statement. For the definitions of certain words and terms used in this Short Statement, see “FORMS OF THE FINANCING DOCUMENTS” in Appendix E hereto.

The Issuer

The Issuer is a political subdivision of the Commonwealth of Virginia (the “Commonwealth”). The Issuer is authorized to issue the 2021 Bonds pursuant to the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2 of the Code of Virginia of 1950, as amended (the “Act”). See “THE ISSUER” herein.

The Obligated Group

LifeSpire is a Member of the Obligated Group and also the corporate parent of the other Members of the Obligated Group. The other current “Members of the Obligated Group” are Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc. d/b/a The Chesapeake, and The Glebe, Inc. Lynchburg Baptist Retirement Community, LLC will become a Member of the Obligated Group upon closing. See “THE SUMMIT ACQUISITION” in Appendix A herein. Culpeper Baptist Retirement Community, Inc. owns and operates “The Culpeper” continuing care retirement community (“CCRC”) in Culpeper, Virginia. The Culpeper currently has 33 independent living units, 54 assisted living units, 32 assisted living memory care units, and 47 skilled nursing beds. Lakewood Manor Baptist Retirement Community, Inc. owns and operates “Lakewood” CCRC in Richmond, Virginia. Lakewood currently has 325 independent living units, 60 assisted living units, 14 assisted living memory care units and 96 nursing beds. Newport News Baptist Retirement Community, Inc. owns and operates “The Chesapeake” CCRC in Newport News, Virginia. The Chesapeake currently has 251 independent living units, 57 assisted living units, 16 assisted living memory care units and 52 skilled nursing beds. The Glebe, Inc. owns and operates “The Glebe” CCRC in Daleville, Virginia. The Glebe currently has 154 independent living units, 32 assisted living units, 20 assisted living memory care units, and 32 skilled nursing units. Lynchburg Baptist Retirement Community, LLC is expected to acquire and operate “The Summit” retirement facility in Lynchburg, Virginia. See “THE SUMMIT ACQUISITION” in Appendix A herein. The Summit currently has 101 independent living units and 43 assisted living units. A portion of the proceeds of the 2021 Bonds will be used to finance the construction of approximately 33 additional independent living units at The Culpeper and 19 additional independent living units at Lakewood. See “THE PLAN OF FINANCE AND REFINANCING” herein. In total, upon the acquisition of The Summit and construction of the additional independent living units at The Culpeper and Lakewood, the Members of the Obligated Group will own and operate 1,468 units. The Culpeper, Lakewood, The Chesapeake, The Glebe and The Summit are collectively referred to herein as the “Communities.”

See in Appendix A hereto for more information concerning the Obligated Group and the Communities.

Plan of Finance

The Obligated Group will use the proceeds of the 2021 Bonds, together with other available funds, to (a) currently refund the 2017A Bonds and the 2017B Bonds (as defined herein) (and related swap termination payments), (b) (i) fund capital projects at The Culpeper and Lakewood and (ii) fund a portion of the acquisition of a retirement facility, all as more fully described in Appendix A hereto (collectively, the “New Money Projects”), (c) fund a contribution to a debt service reserve fund, and (d) finance costs of issuance incurred in connection with the issuance of the 2021 Bonds. See “THE PLAN OF FINANCE AND REFINANCING” A more detailed description of the use of proceeds of the 2021 Bonds is set forth in “ESTIMATED SOURCES AND USES OF FUNDS.” Certain terms used herein are defined in the forms of the financing documents in Appendix E hereto.

The 2021 Bonds

The 2021 Bonds are being issued pursuant to the Act and a Bond Trust Indenture, dated as of August 1, 2021 (the “Bond Indenture”), between the Issuer and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). The Issuer will lend the proceeds of the 2021 Bonds to the Obligated Group pursuant to a Loan Agreement, dated as of August 1, 2021 (the “Loan Agreement”), between the Issuer and the Obligated Group.

Description of the 2021 Bonds

Redemption. The 2021 Bonds are subject to redemption prior to their stated maturity. See “THE 2021 Bonds” herein.

Denominations. The 2021 Bonds are issuable in the denominations of \$5,000 and any integral in excess thereof.

See “THE 2021 BONDS” herein.

Registration, Transfers and Exchanges. The 2021 Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) and will be available to ultimate purchasers (“Beneficial Owners”) under the book-entity only system maintained by DTC, only through brokers and dealers who are, or act through, its participating members, which include securities brokers and dealers, banks, trust companies, and clearing corporations (“DTC Participants”). Beneficial Owners will not be entitled to receive physical delivery of the 2021 Bonds. Transfers of ownership interests in the 2021 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. See “BOOK-ENTRY ONLY SYSTEM” herein and in Appendix H hereto.

Payments. Interest on each series of the 2021 Bonds is payable on June 1 and December 1 of each year (each such date, an “Interest Payment Date”), commencing December 1, 2021. Payment of the principal of and interest on each series of the 2021 Bonds will be made by the Bond Trustee directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter by the DTC Participants to Beneficial Owners of the 2021 Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein and in Appendix H hereto.

Tax Matters. In the opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, assuming continuing compliance with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the 2021 Bonds is excluded from gross income for federal income tax purposes of the holders thereof and is not an item of tax preference for purposes of the federal alternative minimum tax. See “TAX MATTERS” herein for a description of certain other tax consequences to holders of the 2021 Bonds. See “TAX MATTERS” herein.

Security and Sources of Payment for the 2021 Bonds

Limited Obligations. THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

Bond Indenture. The 2021 Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee: (a) Obligation No. 11 described below and all right, title and interest of the Issuer, under, in and to the Loan Agreement, Obligation No. 11, the Master Indenture and the Deeds of Trust (hereinafter defined) and all revenues and receipts receivable by the Issuer therefrom and the security therefor, including the Deeds of Trust (except for certain reserved rights to (1) payment of fees and expenses, (2) receipt of notices, (3) indemnification rights and (4) consent rights); (b) the funds, including moneys, investment income and investments therein, held by the Bond Trustee pursuant to the Bond Indenture; (c) any other property of any kind mortgaged, pledged, or hypothecated at any time as and for additional security under the Bond Indenture by the Issuer or by anyone properly authorized on its behalf or with its written consent in favor the Bond Trustee, which is authorized to receive all such property at any time and to apply and hold the same subject to the terms of the Bond Indenture. See “SECURITY FOR THE 2021 BONDS” herein and the form of the Bond Indenture in Appendix E hereto.

Loan Agreement. The Issuer will lend the proceeds of the 2021 Bonds to the Obligated Group pursuant to the Loan Agreement. Pursuant to the Loan Agreement, the Obligated Group have agreed to make loan payments at times and in amounts sufficient to pay the principal of, premium (if any) and interest on the 2021 Bonds. See “SECURITY FOR THE 2021 BONDS” and the form of the Loan Agreement in Appendix E hereto. In addition, the Obligated Group are subject to certain covenants under the Loan Agreement.

The Master Indenture. Obligation No. 11, the Current Obligations (as hereinafter defined) and any other Obligations issued by the Members of the Obligated Group in the future will be the joint and several obligations of each and every Member of the Obligated Group. Obligations will rank on a parity basis with each other and will be equally and ratably secured by the Master Indenture except for Obligations securing Subordinated Indebtedness, certain Derivative Obligations and certain Contract Obligations. The Master Indenture requires all Members to make payments sufficient to pay all Obligations when due. See “INTRODUCTION – Master Trust Indenture” herein for a description of the Outstanding Obligations upon the issuance of the 2021 Bonds

The Master Indenture provides that affiliates of any Member of the Obligated Group and other entities approved by such Members may be admitted to the Obligated Group upon the satisfaction of certain conditions. Each Member, as a co-obligor and not as guarantor, will jointly and severally covenant to pay the principal of, premium, if any, and interest on all Obligations issued under the Master Indenture and to perform any and all other covenants, agreements and obligations under the Master Indenture, subject to the right of such Member to withdraw from the Obligated Group under certain circumstances. See the copy of the Master Indenture in Appendix E. The enforceability of the obligations of Members of the Obligated Group may be limited in certain circumstances. See “RISK FACTORS – Bankruptcy, - Limitations on Enforceability of Remedies” herein.

The Members agree in the Master Indenture that they will not create or suffer the creation or existence of any Lien on any Property other than certain Permitted Liens. Any Lien so created, although not a Permitted Lien, may nonetheless be enforceable against such Members. In addition, the Members of the Obligated Group are subject to restrictions and limitations with respect to the incurrence of indebtedness, consolidation and merger, transfer of assets and addition and withdrawal of Members of the Obligated Group. In the Master Indenture, the Members make certain covenants with respect to the maintenance of their property. The Members also covenant that, upon the occurrence of an Event of Default, they will pay over to the Master Trustee, if so directed, all Pledged Assets. See the copy of the Master Indenture in Appendix E.

Deeds of Trust. Each Member of the Obligated Group has executed and delivered each’s respective Deed of Trust. The Deeds of Trust will ratably secure all Outstanding Obligations. The Deeds of Trust create mortgage liens, on a parity basis, on the Communities, which includes the Mortgaged Property, subject to Permitted Liens and disposition of assets provisions. See “SECURITY FOR THE 2021 BONDS” and the form of the Master Indenture in Appendix E hereto.

Parity Obligations. Upon the issuance of the 2021 Bonds, Obligation No. 11 will be secured equally and ratably on parity with the Current Obligations as more particularly described in “INTRODUCTION – Master Trust Indenture” herein.

Pledged Assets. Under the Master Indenture and under the Deeds of Trust, each Member of the Obligated Group will grant to the Master Trustee a security interest in its Pledged Assets. During the continuance of an Event of Default under the Master Indenture, all Pledged Assets shall be transferred to the Master Trustee and applied as required in the Master Indenture. The security interest in the Pledged Assets is subject to Permitted Liens that exist prior to, or that may be created subsequent to, the time security interests in Pledged Assets attached.

“Pledged Assets” means all Accounts, Equipment, Gross Receipts, general intangibles, inventory, documents, instruments and chattel paper of each Member of the Obligated Group, now owned or hereafter acquired, and all supporting obligations related thereto and all proceeds thereof, including, without limitation all of the Obligated Group’s rights under Residency Agreements with respect to, or lease of, residential units in the residence and care facilities owned by any Member of the Obligated Group; provided, however, that Pledged Assets shall not include contract rights consisting of charitable pledges nor any assets derived from Excluded Property.

“Gross Receipts” means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Master Indenture to be used for a particular purpose inconsistent with their use for the payment of Obligations, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible Property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, (d) rentals received from the leasing of real or tangible personal property, and (e) Entrance Fees; provided, however, that Entrance Fees shall be considered Gross Receipts only when and to the extent they are not held in escrow for the benefit of the payor thereof pursuant to any requirement of law.

Debt Service Reserve Fund. The supplemental indenture for Obligation No. 1 established Reserve Fund No. 1, in an amount equal to Debt Service Reserve Requirement (as defined in Appendix E). Upon issuance of the 2021 Bonds, the Debt

Service Reserve Requirement will be \$17,312,844.* Funds on deposit in the Debt Service Reserve Fund will be used to make up any deficiencies in the bond funds for the 2014A Bonds, the 2016 Bonds, the 2017C Bonds and the 2021 Bonds. The Master Indenture requires the Master Trustee to use amounts in the Reserve Fund No. 1 to make transfers to the Bond Trustee for deposit in the Interest Account and the Principal Account of the Bond Fund to the extent necessary to pay interest on and principal of (whether at maturity, by acceleration or in satisfaction of the sinking fund requirement therefor) the 2021 Bonds, whenever and to the extent that the money on deposit in the Interest Account and the Principal Account is insufficient for such purposes.

Certain Covenants of the Obligated Group

Rate Covenant. (a) In the Master Indenture, each Member of the Obligated Group covenants to set rates and collect charges for its Facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated as of the end of each Fiscal Year, will not be less than 1.20; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, the Long-Term Debt Service Requirement with respect to such Long-Term Indebtedness shall not be taken into account until the earlier to occur of (1) Stable Occupancy or (2) the first full Fiscal Year following the Fiscal Years that contains the 18th month after the date such capital improvements were completed).

(b) In the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 but greater than 1.00 (calculated as set forth in subsection (a) above) the Obligated Group Representative is required to take the following actions:

(i) If the Obligated Group has at least 300 Days' Cash on Hand as of the last day of such Fiscal Year, then no action is required and the Obligated Group will be deemed to be in compliance with the Long-Term Debt Service Coverage Ratio.

(ii) If the Obligated Group has less than 300 Days' Cash on Hand as of the last day of such Fiscal Year, then the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(c) Subject to subsection (f) below, in the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.00 (calculated as set forth in subsection (a)) the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(d) Upon selecting a Management Consultant as set forth by subsections (b) and (c) above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

(e) Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

* Preliminary; subject to change.

(f) Other than as described in subsection (g) below, if the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default, with the giving of notice pursuant to the Master Indenture.

(g) Notwithstanding the foregoing, if the Long-Term Debt Service Coverage Ratio of the Obligated Group for any two consecutive Fiscal Years is less than 1.00, such failure shall constitute an Event of Default under the Master Indenture.

(h) The Obligated Group agrees that it will, to the extent permitted by law and consistent with the status of any Member of the Obligated Group as a Tax-Exempt Organization, follow any recommendations of the Management Consultant pursuant to subsection (d) or subsection (e) set forth above.

Liquidity Covenant. In the Master Indenture, the Obligated Group covenants that it will calculate the Days' Cash on Hand of the Obligated Group as of each Liquidity Testing Date. The Obligated Group shall, not less than 45 days after each Liquidity Testing Date occurring on June 30 and not less than 120 days after each Liquidity Testing Date occurring on December 31st, deliver an Officer's Certificate setting forth such calculation for such Liquidity Testing Date to the Master Trustee.

Each Member of the Obligated Group shall conduct its business so that on each Liquidity Testing Date the Obligated Group shall have no less than 120 Days' Cash on Hand (the "Liquidity Requirement").

If the Days' Cash on Hand on any Liquidity Testing Date shall be less than the Liquidity Requirement, the Obligated Group Representative shall, within 45 days after delivering the Officer's Certificate pursuant to the Master Indenture disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of each Member of the Obligated Group to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to achieve the Liquidity Requirement on future Liquidity Testing Dates.

If the Obligated Group has not achieved the Liquidity Requirement by the next Liquidity Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Members of the Obligated Group shall, within 30 days after delivery of the Officer's Certificate disclosing such second consecutive deficiency (or such later date permitted under the Master Indenture), retain a Management Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group, the Obligated Group's methods of operation and other factors affecting its financial condition in order to achieve the Liquidity Requirement on future Liquidity Testing Dates. Each Member of the Obligated Group shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member of the Obligated Group) and permitted by law and, if applicable, its status as a Tax-Exempt Organization.

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

Upon selecting a Management Consultant as required above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each

Member shall follow each recommendations of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

If the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default.

Financial Statements

The audited consolidated financial statements of Virginia Baptist Homes, Inc. and Subsidiaries as of December 31, 2020 and 2019 included in Appendix B of this Official Statement have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein.

Continuing Disclosure

In connection with the issuance of the 2021 Bonds, the Obligated Group will covenant for the benefit of the owners of the 2021 Bonds in a Disclosure Dissemination Agent Agreement (the “Disclosure Dissemination Agent Agreement”) to provide (a) certain financial information and operating data (the “Operating and Financial Data”) and (b) notices of the occurrence of certain events (the “Events Notices”). The Operating and Financial Data and the Events Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB (which, as of the date hereof, is the Electronic Municipal Market Access (“EMMA”) system of the MSRB). Pursuant to the Disclosure Dissemination Agent Agreement, Digital Assurance Certification, L.L.C. (“DAC”) has been appointed disclosure agent.

The Obligated Group’s undertaking to provide Operating and Financial Data and Events Notices pursuant to the Disclosure Dissemination Agent Agreement is described in Appendix G hereto. The covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”). See “CONTINUING DISCLOSURE” herein and “PROPOSED FORM OF THE DISCLOSURE DISSEMINATION AGENT AGREEMENT” in Appendix G hereto. **Only the Obligated Group is required to provide Operating and Financial Data and Events Notices. Neither the Issuer nor the Underwriters have any obligations with respect to such continuing disclosure.**

Pursuant to a review by DAC, during the past five years the Obligated Group has complied in all material respects with its existing continuing disclosure obligations.

Risk Factors

An investment in the 2021 Bonds involves a certain degree of risk including those risks set forth under the heading “RISK FACTORS” herein. A prospective bondholder is advised to read “SECURITY FOR THE 2021 BONDS” and “RISK FACTORS” for a discussion of certain risk factors which should be considered in connection with an investment in the 2021 Bonds. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, careful evaluation should be made of certain factors (including, but not limited to, the ability of the Obligated Group to attract residents and enter into residency agreements and manage the Communities in a manner that maintains high occupancy levels) that may adversely affect the ability of the Obligated Group or any future obligor to generate sufficient revenues to pay expenses of operation, including the principal of, premium, if any, and interest on the 2021 Bonds.

Offering and Delivery of the 2021 Bonds

The 2021 Bonds are offered when, as and if issued by the Issuer and accepted by Herbert J. Sims & Co., Inc. and Davenport & Company LLC (the “Underwriters”), subject to prior sale and to withdrawal or modification of the offer without notice. The 2021 Bonds in definitive form are expected to be delivered to the Bond Trustee on behalf of The Depository Trust Company (“DTC”) under the DTC FAST system of registration on or about August __, 2021.

Professionals Involved in Offering

McGuireWoods LLP, Richmond, Virginia, serves as bond counsel. Certain legal matters will be passed upon for the Issuer by the Office of the Attorney General; for the Obligated Group by its counsel, McGuireWoods LLP, Richmond, Virginia; and for the Underwriters by their counsel, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina.

The Principal Documents

THE DESCRIPTIONS AND VARIOUS DOCUMENTS SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING APPENDIX E, DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE; AND REFERENCE IS MADE TO EACH DOCUMENT FOR COMPLETE DETAILS OF ALL TERMS AND CONDITIONS. ALL STATEMENTS HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY THE TERMS OF EACH SUCH DOCUMENT. DURING THE PERIOD OF THE OFFERING, COPIES OF DRAFTS OF THE 2021 BONDS, THE BOND INDENTURE, THE LOAN AGREEMENT, OBLIGATION NO. 11, THE MASTER INDENTURE, THE MORTGAGE AND THE DISCLOSURE DISSEMINATION AGENT AGREEMENT ARE AVAILABLE FROM THE UNDERWRITERS; AND FOLLOWING DELIVERY OF THE 2021 BONDS, COPIES OF THE EXECUTED ORIGINALS THEREOF MAY BE EXAMINED AT THE DESIGNATED CORPORATE TRUST OFFICE OF THE BOND TRUSTEE.

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OFFICIAL STATEMENT

\$83,715,000*

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021

INTRODUCTION

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices, and the documents summarized or described herein. Investors should read the entire Official Statement. The offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or otherwise to use it without the entire Official Statement.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and appendices, must be considered in its entirety. This Official Statement speaks only as of its date, and the information contained herein is subject to change. All capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings ascribed to them in the forms of the primary financing documents contained in Appendix E hereto unless the context or use clearly indicates otherwise.

An investment in the 2021 Bonds involves risk. Prospective investors are advised to read this entire Official Statement, including the appendices hereto. Special reference is made to “SECURITY FOR THE 2021 BONDS” and “RISK FACTORS” for a discussion of certain risk factors that should be considered in connection with an investment in the 2021 Bonds.

IN ADDITION, THE OBLIGATED GROUP AND THE UNDERWRITERS MAY, IN THEIR SOLE DISCRETION, POST CERTAIN INFORMATION CONCERNING THE OBLIGATED GROUP AND/OR RESPONSES TO INVESTOR QUESTIONS AT THE ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM OF THE MUNICIPAL SECURITIES RULEMAKING BOARD. ALL PROSPECTIVE PURCHASERS ARE ENCOURAGED TO CHECK THE REFERENCED WEBSITE FOR SUCH INFORMATION.

Purpose of this Official Statement

This Official Statement, including the cover page and appendices, is provided to furnish information regarding the \$83,715,000* Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 (the “2021 Bonds”) being issued by the Virginia Small Business Financing Authority (the “Issuer”). This Official Statement includes information concerning the Issuer, Virginia Baptist Homes, Inc., doing business as “LifeSpire of Virginia” (“LifeSpire”), and its related affiliates, and the retirement facilities owned and operated by them, including a retirement facility to be purchased with the proceeds of the 2021 Bonds.

* Preliminary; subject to change.

The Issuer

The Issuer is a political subdivision of the Commonwealth of Virginia (the “Commonwealth”). The Issuer is authorized to issue the 2021 Bonds pursuant to the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2 of the Code of Virginia of 1950, as amended (the “Act”). See “THE ISSUER” herein.

The Obligated Group

LifeSpire is a Member of the Obligated Group and also the corporate parent of the other Members of the Obligated Group. The other current “Members of the Obligated Group” are Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc. d/b/a The Chesapeake, and The Glebe, Inc. Lynchburg Baptist Retirement Community, LLC will become a Member of the Obligated Group upon closing (collectively with the other current Members of the Obligated Group, the “Obligated Group.”) See “THE SUMMIT ACQUISITION” in Appendix A herein. Culpeper Baptist Retirement Community, Inc. owns and operates “The Culpeper” CCRC in Culpeper, Virginia. The Culpeper has 33 independent living units, 54 assisted living units, 32 assisted living memory care units, and 47 skilled nursing beds. Lakewood Manor Baptist Retirement Community, Inc. owns and operates “Lakewood” CCRC in Richmond, Virginia. Lakewood has 325 independent living units, 60 assisted living units, 14 assisted living memory care units and 96 nursing beds. Newport News Baptist Retirement Community, Inc. owns and operates “The Chesapeake” CCRC in Newport News, Virginia. The Chesapeake has 251 independent living units, 57 assisted living units, 16 assisted living memory care units and 52 skilled nursing beds. The Glebe, Inc. owns and operates “The Glebe” CCRC in Daleville, Virginia. The Glebe has 154 independent living units, 32 assisted living units, 20 assisted living memory care units, and 32 skilled nursing units. Lynchburg Baptist Retirement Community, LLC is expected to acquire and operate “The Summit” retirement facility in Lynchburg, Virginia. See “THE SUMMIT ACQUISITION” in Appendix A herein. The Summit has 101 independent living units and 43 assisted living units. A portion of the proceeds of the 2021 Bonds will be used to finance the construction of approximately 33 additional independent living units at The Culpeper and 19 additional independent living units at Lakewood. See “THE PLAN OF FINANCE AND REFINANCING” herein. In total, upon the acquisition of The Summit and construction of the additional independent living units at The Culpeper and Lakewood, the Members of the Obligated Group will own and operate 1,468 units. The Culpeper, Lakewood, The Chesapeake, The Glebe and The Summit are collectively referred to herein as the “Communities.”

See in Appendix A hereto for more information concerning the Obligated Group and the Communities.

Plan of Finance

The Obligated Group will use the proceeds of the 2021 Bonds, together with other available funds, to (a) currently refund the 2017A Bonds and the 2017B Bonds (as defined herein), (b) (i) fund capital projects at The Culpeper and Lakewood and (ii) fund the acquisition of a retirement facility, all as more fully described in Appendix A hereto (collectively, the “New Money Projects”), (c) fund a contribution to a debt service reserve fund, and (d) finance costs of issuance incurred in connection with the issuance of the 2021 Bonds. See “THE PLAN OF FINANCE AND REFINANCING.” A more detailed description of the use of proceeds of the 2021 Bonds is set forth in “ESTIMATED SOURCES AND USES OF FUNDS.” Certain terms used herein are defined in the forms of the financing documents in Appendix E hereto.

The 2021 Bonds

The 2021 Bonds are being issued pursuant to the Act and a Bond Trust Indenture, dated as of August 1, 2021 (the “Bond Indenture”), between the Issuer and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). The Issuer will lend the proceeds of the 2021 Bonds to the Obligated Group pursuant to a Loan Agreement, dated as of August 1, 2021 (the “Loan Agreement”), between the Issuer and the Obligated Group. See “THE 2021 BONDS.”

The 2021 Taxable Loan

On or about the date of delivery of the 2021 Bonds, the Obligated Group will enter into a taxable loan with Truist Bank in an aggregate principal amount of \$15,361,000* (the “2021 Taxable Loan”). The 2021 Taxable Loan will be used to fund the items set forth above under “**Plan of Finance**”. The 2021 Taxable Loan constitutes Qualifying Intermediate-Term Indebtedness and thus is not included in the Long-Term Debt Service Coverage Ratio. It is expected that the 2021 Taxable Loan will be repaid by first generation entrance fees and cash flow of the Obligated Group. However, the 2021 Taxable Loan is not required to be paid from the entrance fees. The maturity date of the 2021 Taxable Loan, however, is 60 months from the date of delivery of the 2021 Bonds and at least 40% of the 2021 Taxable Loan is to be paid by 36 months from the date of delivery of the 2021 Bonds.

Limited Obligations

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

Security for the 2021 Bonds

Bond Indenture. The 2021 Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee: (a) Obligation No. 11 described below and all right, title and interest of the Issuer, under, in and to the Loan Agreement, Obligation No. 11, the Master Indenture and the Deeds of Trust (hereinafter defined) and all revenues and receipts receivable by the Issuer therefrom and the security therefor, including the Deeds of Trust (except for certain reserved rights to (1) payment of fees and expenses, (2) receipt of notices, (3) indemnification rights and (4) consent rights); (b) the funds, including moneys, investment income and investments therein, held by the Bond Trustee pursuant to the Bond Indenture; (c) any other property of any kind mortgaged, pledged, or hypothecated at any time as and for additional security under the Bond Indenture by the Issuer or by anyone properly authorized on its behalf or with its written consent in favor the Bond Trustee, which is authorized to receive all such property at any time and to apply and hold the same subject to the terms of the Bond Indenture. See “SECURITY FOR THE 2021 BONDS” herein and the form of the Bond Indenture in Appendix E hereto.

* Preliminary; subject to change.

Loan Agreement. The Issuer will lend the proceeds of the 2021 Bonds to the Obligated Group pursuant to the Loan Agreement. Pursuant to the Loan Agreement, the Obligated Group have agreed to make loan payments at times and in amounts sufficient to pay the principal of, premium (if any) and interest on the 2021 Bonds. See “SECURITY FOR THE 2021 BONDS” and the form of the Loan Agreement in Appendix E hereto. In addition, the Obligated Group are subject to certain covenants under the Loan Agreement.

Master Trust Indenture. The 2021 Bonds will be limited obligations of the Issuer payable solely from payments made by the Obligated Group under the Loan Agreement and a promissory note constituting Obligation No. 11 (the “Obligation No. 11”), executed and delivered by the Obligated Group. Obligation No. 11 is being issued pursuant to an Amended and Restated Master Trust Indenture, dated as of October 1, 2016 (the “Master Indenture”), among U.S. Bank National Association, as master trustee (the “Master Trustee”), and the Obligated Group, as supplemented by a Supplemental Indenture for Obligation No. 11, dated as of August 1, 2021 (the “Supplemental Indenture”), between the Obligated Group and the Master Trustee.

Stated aggregate payments on Obligation No. 11 will be sufficient to pay the principal of, premium, if any, and interest on the 2021 Bonds as they become due and payable. Obligation No. 11 will be the joint and several general obligation of each Member of the Obligated Group. As of the date of issuance of the 2021 Bonds, LifeSpire, Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake, The Glebe, Inc. and Lynchburg Baptist Retirement Community, LLC will be the only Members of the Obligated Group.

Obligation No. 11 will be issued under the Master Indenture on a parity basis with the Current Obligations (hereinafter defined), the 2021 Taxable Loan Obligation (hereinafter defined) and any Obligations issued in the future under the Master Indenture. Obligation No. 11 and all Obligations issued under the Master Indenture will be secured by a security interest in certain real and personal property of the Obligated Group pursuant to five Deeds of Trust and Security Agreements (the “Deeds of Trust”), made by the applicable Members of the Obligated Group to the trustees named therein. Pursuant to the Deeds of Trust, the Members of the Obligated Group have (A) conveyed a first mortgage lien on each of the Communities, together with all land, buildings, improvements and fixtures thereon, subject to Permitted Liens (as defined in the Master Indenture), and (B) granted a first priority security interest in the Equipment (as defined in the Deeds of Trust), subject to the right of the Obligated Group to transfer certain Equipment free of the security interest created by the Deeds of Trust under certain circumstances. The Communities and all facilities subsequently subjected to such lien are referred to herein as the “Mortgaged Property.” In addition, under the Master Indenture, each Member of the Obligated Group has pledged and assigned all Pledged Assets (as defined in the Master Indenture) to the Master Trustee as security for all Obligations issued thereunder, including Obligation No. 11, and has granted a security interest in all of the foregoing, subject to Permitted Liens and subject to the right of the Members to transfer certain Pledged Assets free of the security interest created in the Pledged Assets under certain circumstances. See the copy of the Master Indenture in Appendix E hereto. The Loan Agreement, the Bond Indenture, the Deeds of Trust, the Master Indenture, the Supplemental Indenture and Obligation No. 11 are collectively defined herein as the “Financing Documents.” Upon its acquisition, Lynchburg Baptist Retirement Community, LLC will grant a Deed of Trust in favor of the Master Trustee consistent with the requirements above related to the other Deeds of Trust.

The following table sets forth the indebtedness incurred by the Obligated Group secured by the Master Indenture and the Obligation No. related to such indebtedness upon the issuance of the 2021 Bonds.

Indebtedness	Original Principal Amount	Estimated Outstanding Principal Amount*	Related Obligation No.
Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (The Glebe, Inc.), Series 2014A (the “2014A Bonds”)	\$38,455,000	\$34,745,000	Replacement Series 2014A Obligation
Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016 (the “2016 Bonds”)	\$85,505,000	\$74,975,000	1
Industrial Development Authority of Henrico County, Virginia Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2017C (the “2017C Bonds”)	\$49,750,000	\$49,750,000	8
2021 Bonds	\$83,715,000 ¹	\$83,715,000 ¹	11
2021 Taxable Loan	\$15,361,000 ¹	\$15,361,000 ¹	12 & 13
Total		\$258,546,000¹	

Obligation Nos. 1, 8, and 11 and the Replacement Series 2014A Obligation have been or will be issued to the applicable issuing authorities to secure the Obligated Group’s obligations with respect to the correlating series of bonds set forth in such table. Obligation No. 12 will be issued to Truist Bank to secure Obligated Group’s obligation to pay principal and interest on the 2021 Taxable Loan. Obligation No. 13 will be issued to Truist Bank to secure Obligated Group’s obligation to pay fees and expenses related to the 2021 Taxable Loan.

All the Obligations set forth above are referred to herein as the “Current Obligations.”

The Master Indenture permits each Member to incur Additional Indebtedness evidenced by Obligations issued under the Master Indenture that will be secured *pari passu* by the lien on the Mortgaged Property created by the Deeds of Trust and the security interests in the Pledged Assets and Equipment created by the Master Indenture. The Members will also be subject to certain covenants under the Master Indenture restricting, among other things, incurrence of Indebtedness, existence of Permitted Liens, consolidation or merger and disposition of assets. The Master Indenture permits any Persons that are not Members of the Obligated Group and other corporations that are successor corporations to any Member through merger or consolidation as permitted by the Master Indenture to become Members of the Obligated Group (“Members”) upon compliance with certain financial and other requirements. Upon compliance with certain requirements, Members may withdraw from the Obligated Group. Included in Appendix A hereto are descriptions of the Members of the Obligated Group and their operations. See the copy of the Master Indenture in Appendix E hereto.

* Amount estimated to be Outstanding upon delivery of the 2021 Bonds.

¹ Preliminary; subject to change.

Payment of the 2021 Bonds is primarily dependent on revenues to be generated by the Communities. A description of certain risks affecting the generation of such revenues is set forth in “RISK FACTORS.”

Deeds of Trust and Debt Service Reserve Fund. See “SECURITY FOR THE 2021 BONDS” and the form of the Master Indenture in Appendix E hereto for more information concerning the Deeds of Trust and the Debt Service Reserve Fund.

Certain Bondholders’ Risks

AN INVESTMENT IN THE 2021 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, BEFORE MAKING AN INVESTMENT DECISION TO PURCHASE 2021 BONDS. SPECIAL REFERENCE IS MADE TO THE SECTIONS “SECURITY FOR THE 2021 BONDS” AND “RISK FACTORS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 2021 BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, because the 2021 Bonds are payable solely from the revenues and assets of the Obligated Group and other money pledged to such payment, careful evaluation should be made to certain factors (including, but not limited to, the ability of the Obligated Group to attract residents and enter into Residency Agreements and manage the Communities in a manner that maintains high occupancy levels), that may adversely affect the ability of the Obligated Group to generate sufficient revenues to pay its expenses of operation, including the principal or redemption price of and interest on Obligation No. 11 and the 2021 Bonds.

EXAMINATION OF FINANCIAL FORECAST

An examination of financial forecast of the plans of the Obligated Group, including a report from CliftonLarsonAllen LLP (the “*Feasibility Consultant*”) on the financial forecast of the Obligated Group prepared by management of the Obligated Group contained in such study (the “*Examination of Financial Forecast*”) is attached as Appendix C to this Official Statement. The Examination of Financial Forecast was undertaken by the Feasibility Consultant at the request of the Obligated Group, and the Issuer assumes no responsibility therefor.

The financial forecast contained in the Examination of Financial Forecast is based on assumptions made by management of the Obligated Group. As more fully described in Appendix C to this Official Statement, management’s financial forecast included in the Examination of Financial Forecast assumes that the 2021 Bonds and the 2021 Taxable Loan are issued in the amounts and under the terms provided herein. Purchasers of the 2021 Bonds should carefully review Appendix C to this Official Statement in light of the actual interest rates of the 2021 Bonds, which are likely to be different from those assumed in the Examination of Financial Forecast. As stated in the Examination of Financial Forecast, there will be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured. Moreover, the further into the future the forecast extends, the more difficult it is for management to predict future events. In addition, the financial forecast is only for the three fiscal years ending December 31, 2021 through December 31, 2023, and consequently, does not cover the whole period during which the 2021 Bonds may be outstanding. The Examination of Financial Forecast included herein as Appendix C should be read in its entirety.

Because there is no assurance that actual events will correspond with the assumptions made by management, no guarantee can be made that management’s financial forecast in the

Examination of Financial Forecast will correspond with the results actually achieved in the future. Actual operating results may be affected by many uncontrollable factors, including but not limited to, failure by management to execute its plans, increased costs, lower than anticipated revenues, employee relations, taxes, governmental controls, changes in applicable governmental regulations, changes in demographic trends, changes in the retirement living and health care industries and general economic conditions.

Management's financial forecast contained in the Examination of Financial Forecast is a forward looking statement based on the best information currently available to the Obligated Group, but a number of factors, including those discussed in the Examination of Financial Forecast, could cause actual financial performance of the Obligated Group to be materially different from management's financial forecast.

Set forth below are the forecasted Long-Term Debt Service Coverage Requirement and Days' Cash on Hand for the fiscal years ending December 31, 2021 to 2023, which have been extracted from the Examination of Financial Forecast. The Examination of Financial Forecast should be read in its entirety, including the Summary of Significant Forecast Assumptions and Accounting Policies set forth therein.

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	(Dollars in the Thousands)		
	2021	2022	2023
Long-Term Debt Service Coverage Ratio			
Change in Unrestricted Net Assets (Deficits)	\$ 2,175	\$ (1,419)	\$ 795
Remove:			
Deferred Revenue from Advanced Fees - Residential Services	(14,775)	(16,256)	(16,840)
Gain on Valuation of Swap	(1,037)	-	-
Add:			
Entrance Fees Received from Attrition, Net of Refunds ⁽¹⁾	18,196	21,235	22,968
Depreciation	17,375	17,266	17,138
Loss on Extinguishment of Debt	671	-	-
Interest- Amortization of Issuance Costs	286	291	278
Interest- Amortization of Bond Premium	(562)	(896)	(831)
Interest- Amortization of Bond Discount	40	40	40
Interest Expense	9,830	10,809	10,699
Income Available for Debt Service	\$ 32,199	\$ 31,070	\$ 34,247
Maximum Annual Debt Service⁽²⁾⁽³⁾	\$ 16,394	\$ 16,394	\$ 17,497
Long-Term Debt Service Coverage Ratio	1.96	1.90	1.96
	2021	2022	2023
Days' Cash on Hand			
Cash and Cash Equivalents	\$ 10,807	\$ 11,142	\$ 11,471
Investments	78,295	99,645	110,200
Board Designated- Capital Fund	30,000	21,261	12,109
Less Restricted Assets Included in Investments	(4,398)	(4,398)	(4,398)
Total Cash on Hand	\$ 114,704	\$ 127,650	\$ 129,382
Total Operating Expenses	\$ 100,538	\$ 105,095	\$ 107,844
Less:			
Depreciation	(17,375)	(17,266)	(17,138)
Interest- Amortization of Issuance Costs	(286)	(291)	(278)
Interest- Amortization of Bond Premium	562	896	831
Interest- Amortization of Bond Discount	(40)	(40)	(40)
Total Adjusted Operating Expenses	\$ 83,399	\$ 88,394	\$ 91,219
Divided by Days	365	365	365
Daily Operating Expenses	\$ 228.49	\$ 242.18	\$ 249.92
Days' Cash on Hand Ratio	502	527	518
Days' Cash on Hand Ratio, Excluding Board Designated - Capital Fund	371	439	469

Notes:

1. Excludes initial entrance fees associated with the Lakewood Project and Culpeper Project.
2. Includes debt service related to the 2014 Bonds, 2016 Bonds, 2017C Bonds, and 2021 Bonds. In 2021 and 2022, debt service on the 2021 Bonds associated with the Lakewood Project and Culpeper Project is excluded from the maximum annual debt service.
3. Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the 2021 Taxable Loan as it is classified as Qualifying Intermediate-Term Indebtedness.

THE ISSUER

The Issuer is a political subdivision of the Commonwealth. Pursuant to the Act, the Issuer is authorized to issue the 2021 Bonds and loan the proceeds thereof to the Obligated Group for the intended purposes, and is authorized to enter into the Loan Agreement and Bond Indenture.

Pursuant to the Loan Agreement and the Bond Indenture, the Issuer will have no ongoing responsibility with respect to the Communities or the security for the 2021 Bonds. All of the rights, privileges, duties and obligations of the Issuer (except as expressly reserved in the Bond Indenture) are assigned to the Bond Trustee pursuant to the Bond Indenture.

The Issuer has issued revenue obligations for conduit borrowers for various other projects. Each is payable from receipts and revenues derived by the Issuer from the facility on behalf of which such bonds or notes were issued or the related conduit borrower and is secured separately and distinctly from the issues for each other facility or the related conduit borrower.

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

THE 2021 BONDS

General Description

The 2021 Bonds will be dated the date of their delivery, and will bear interest from their date at rates set forth on the inside cover of this Official Statement payable on December 1, 2021, and on each June 1 and December 1 thereafter (each, an “Interest Payment Date”). The 2021 Bonds will mature in installments on December 1 in the years and amounts as set forth on the inside cover of this Official Statement. See “ANNUAL DEBT SERVICE REQUIREMENTS” herein.

The 2021 Bonds will be registered as to principal and interest in the name of Cede & Co., as nominee for DTC (as hereinafter defined), or otherwise as hereinafter described. Purchases of beneficial ownership interests in the 2021 Bonds will be made only in book-entry form and purchasers will not receive certificates representing their interests in the 2021 Bonds so purchased. If the book-entry system is discontinued, bond certificates will be delivered as described in the Bond Indenture, and Beneficial Owners (as hereinafter defined) will become the registered owners.

The 2021 Bonds will be issued as registered bonds in denominations of \$5,000 and multiples thereof. As long as the 2021 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in next day funds on each Interest Payment Date. If the book-entry system is discontinued, interest on 2021 Bonds will be payable by wire transfer, check or draft mailed to the registered owner as of the 15th day of the month preceding the Interest Payment Date. Principal will be payable at the designated corporate trust office of the Bond Trustee.

Exchange of Bonds

As long as the 2021 Bonds are held by DTC or its nominee, Beneficial Owners may transfer their interest in the 2021 Bonds through the facilities of DTC as described in “BOOK-ENTRY ONLY SYSTEM.” If the book-entry system is discontinued, exchanges of 2021 Bonds may be made at the designated corporate trust office of the Bond Trustee for an equal aggregate principal amount of other 2021 Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

Upon receipt by the Issuer and the Bond Trustee of evidence satisfactory to them that any 2021 Bond has been mutilated, lost or destroyed, the Issuer may execute and the Bond Trustee may authenticate and deliver a new 2021 Bond upon receipt of payment of the reasonable expenses and charges of the Issuer and the Bond Trustee and indemnity satisfactory to them.

Mandatory Sinking Fund Redemption

The 2021 Bonds maturing on December 1, 20__, are required to be redeemed on December 1, in amounts and at a price of par plus accrued interest to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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* Final maturity.

The 2021 Bonds maturing on December 1, 20__, are required to be redeemed on December 1, in amounts and at a price of par plus accrued interest to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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* Final maturity.

The 2021 Bonds maturing on December 1, 20__, are required to be redeemed on December 1, in amounts and at a price of par plus accrued interest to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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* Final maturity.

The Bond Indenture provides that the Issuer shall receive a credit against payments required to be made on any mandatory sinking fund redemption date specified by an Authorized Representative of the

Obligated Group for the 2021 Bonds maturing as described in this subsection in an amount equal to the principal amount of such 2021 Bonds that have been redeemed (otherwise than by mandatory sinking fund redemption) before the mandatory sinking fund redemption date or purchased by the Issuer or the Obligated Group and delivered to the Bond Trustee for cancellation at least sixty (60) days before the mandatory sinking fund redemption date, provided the principal amount of such 2021 Bonds have not previously been applied as a credit against any other mandatory sinking fund redemption payment.

Optional Redemption

The 2021 Bonds maturing on or after December 1, 20__, will be subject to redemption by the Issuer, at the direction of the Obligated Group, prior to maturity in whole, or in part by lot, at any time, on and after December 1, 20__ at the following Redemption Prices (expressed as percentages of the principal amount of the 2021 Bonds to be redeemed), plus interest accrued to the redemption date:

REDEMPTION DATE	REDEMPTION PRICE
December 1, 20__ through November 31, 20__	%
December 1, 20__ through November 31, 20__	
December 1, 20__ through November 31, 20__	
December 1, 20__ through November 31, 20__	
December 1, 20__ and thereafter	

Extraordinary Redemption

The 2021 Bonds are required to be redeemed in whole at any time upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date in the event the Obligated Group exercise their option to prepay Obligation No. 11 upon occurrence of any of the following:

(1) Damage or destruction of the Mortgaged Property by fire or other casualty to such extent that, or loss of title to or use of substantially all of the Mortgaged Property as a result of the exercise of the power of eminent domain or failure of title to the extent that, in the opinion of LifeSpire's governing body (expressed in a resolution) and an independent architect or engineer, both filed with the Bond Trustee, (a) the Mortgaged Property cannot be reasonably repaired, rebuilt or restored within a period of 12 months to its condition immediately preceding such damage or destruction, or (b) the Members of the Obligated Group are prevented from carrying on their normal operations at the Mortgaged Property for a period of 12 months, or (c) the cost of repairs, rebuilding or restoration would exceed, by more than one percent of Book Value, the Net Proceeds of insurance (including self-insurance) carried thereon pursuant to the Loan Agreement plus the amounts for which the Obligated Group is self-insured with respect to deductible amounts permitted by the Loan Agreement.

(2) A change in the Constitution of Virginia or of the United States of America or a legislative or administrative action (whether local, state or federal) or a final decree, judgment or order of any court or administrative body (whether local, state or federal) contested by the Obligated Group in good faith which causes the Loan Agreement or Obligation No. 11 to become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

The 2021 Bonds are subject to redemption in part by the Issuer at the direction of the Obligated Group at any time upon payment of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date in the event of loss of title or use of a portion of the Mortgaged Property as a result

of the exercise of the power of eminent domain or failure of title or damage or destruction of the Mortgaged Property. See the copy of the Loan Agreement in Appendix E hereto.

Notice of Redemption

The Bond Trustee, upon being satisfactorily indemnified by the Obligated Group with respect to expenses, shall cause notice of the call for any such redemption identifying the 2021 Bonds to be redeemed to be sent by first class mail not less than 30 nor more than 60 days prior to the redemption date to the owner of each 2021 Bond to be redeemed at his address as it appears on the registration books. Failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any 2021 Bond with respect to which no such failure or defect has occurred.

Any notice of redemption mailed as specified in this section shall be deemed to have been duly given when mailed by the Bond Trustee. During the period that DTC or its nominee is the registered holder of the 2021 Bonds, the Bond Trustee will not be responsible for mailing notices of redemption to the Beneficial Owners of the 2021 Bonds. See Appendix H hereto for more about DTC and the book-entry only system.

In the case of an optional redemption the notice may state that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Bond Trustee no later than the redemption date.

If less than all the 2021 Bonds of any maturity are called for redemption, the 2021 Bonds to be redeemed shall be selected by lot in such manner as the Bond Trustee in its discretion shall determine, or if the 2021 Bonds are held in a book-entry system by DTC in accordance with its procedures, each portion of \$5,000 principal amount being counted as one 2021 Bond for this purpose.

On or before the date fixed for redemption, funds shall be deposited with the Bond Trustee to pay the principal of and interest accrued thereon to the redemption date on the 2021 Bonds called for redemption. Upon the happening of the above conditions, the 2021 Bonds or portions thereof thus called for redemption shall cease to bear interest from and after the redemption date, shall no longer be entitled to the benefits provided by the Bond Indenture and shall not be deemed to be Outstanding under the provisions of the Bond Indenture.

Additional Obligations; Parity Indebtedness

The Master Indenture permits any Member of the Obligated Group, if any, to issue, incur, guarantee and assume additional indebtedness, which may be secured on a parity basis with the Outstanding Obligations. See “SECURITY FOR THE 2021 BONDS – The Master Indenture and the Obligated Group” herein and the form of the Master Indenture in Appendix E.

Acceleration Upon Default; Other Remedies

All principal and accrued interest on the 2021 Bonds may become immediately due and payable, without premium, upon an Event of Default under the Bond Indenture if the Bond Trustee is directed to so declare by the holders of at least 25% in aggregate principal amount of 2021 Bonds then outstanding. The Bond Trustee’s receipt of proceeds upon acceleration may be dependent upon the Bond Trustee and the Master Trustee taking certain action. See the copy of the Bond Indenture in Appendix E hereto. Required payments under Obligation No. 11 may only be accelerated by the Master Trustee. Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee may accelerate payment of Obligation No. 11 and shall do so if directed by the holders of not less than 25% in aggregate

principal amount of Obligations outstanding under the Master Indenture. For purposes of any request, direction or consent, Holders requested or permitted, under the Master Indenture, the amount of any Obligation that evidences and secures Contract Obligations shall be deemed to be zero and such Obligation shall be disregarded. See the copy of the Master Indenture in Appendix E.

Defeasance

When the interest on, and the principal and redemption premium (as the case may be) of all 2021 Bonds have been paid, or there have been deposited with the Bond Trustee an amount of money or other qualifying obligations (which includes securities other than government obligations) the maturing principal of which, when due and payable, shall provide sufficient amounts to pay the principal of, premium, if any, any interest due and to become due on the 2021 Bonds on or prior to the redemption date or maturity date thereof, such 2021 Bonds shall be no longer deemed outstanding under the Bond Indenture and the Bond Trustee shall cancel the obligations of the Issuer to the holders of the 2021 Bonds. See the copy of the Bond Indenture in Appendix E.

BOOK-ENTRY ONLY SYSTEM

The 2021 Bonds are being issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and beneficial interests in the book-entry bonds will be available in authorized denominations to purchasers under the book-entry-only system maintained by DTC. See “**DTC BOOK-ENTRY SYSTEM**” in Appendix H hereto.

SECURITY FOR THE 2021 BONDS

General

The principal of, premium, if any, and interest on the 2021 Bonds will be payable solely from moneys paid by the Obligated Group pursuant to the Loan Agreement and Obligation No. 11 or derived from the security for such payment. Obligation No. 11 is a joint and several obligation of each current Member of the Obligated Group and any future Member. LifeSpire, Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake and The Glebe, Inc. will be the only Members of the Obligated Group upon issuance of the 2021 Bonds. A portion of the proceeds of the 2021 Bonds are expected to be used to acquire The Summit, which will owned and operated by Lynchburg Baptist Retirement Community, LLC. At closing, Lynchburg Baptist Retirement Community, LLC will become a Member of the Obligated Group.

The 2021 Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee: (a) Obligation No. 11 described below and all right, title and interest of the Issuer, under in and to the Loan Agreement, Obligation No. 11, the Master Indenture and the Deeds of Trust and all revenues and receipts receivable by the Issuer therefrom and the security therefor, including the Deeds of Trust (except for certain reserved rights to (1) payment of fees and expenses, (2) receipt of notices, (3) indemnification rights and (4) consent rights); (b) the funds, including moneys, investment income and investments therein, held by the Bond Trustee pursuant to the Bond Indenture; (c) any other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security under the Bond Indenture by the Issuer or by anyone properly authorized on its behalf or with its written consent in favor the Bond Trustee, which is authorized to receive all such property at any time and to apply and hold the same subject to the terms of the Bond Indenture. The 2021 Bonds will further be secured by the moneys and securities held by the Master Trustee in Reserve Fund No. 1 described below.

Limited Obligations

The 2021 Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Trust Estate, and not from any other fund or source of the Issuer, and are secured under the Bond Indenture and the Master Indenture as described herein.

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

The Master Indenture and the Obligated Group

Obligation No. 11, the Current Obligations and any other Obligations issued by the Members of the Obligated Group in the future will be the joint and several obligations of each and every Member of the Obligated Group. Obligations will rank on a parity basis with each other and will be equally and ratably secured by the Master Indenture except for Obligations securing Subordinated Indebtedness, certain Derivative Obligations and certain Contract Obligations. The Master Indenture requires all Members to make payments sufficient to pay all Obligations when due. See “INTRODUCTION – Master Trust Indenture” herein for a description of the Outstanding Obligations upon the issuance of the 2021 Bonds

The Master Indenture provides that affiliates of any Member of the Obligated Group and other entities approved by such Members may be admitted to the Obligated Group upon the satisfaction of certain conditions. Each Member, as a co-obligor and not as guarantor, will jointly and severally covenant to pay the principal of, premium, if any and interest on all Obligations issued under the Master Indenture and to perform any and all other covenants, agreements and obligations under the Master Indenture, subject to the right of such Member to withdraw from the Obligated Group under certain circumstances. See the copy of the Master Indenture in Appendix E. The enforceability of the obligations of Members of the Obligated Group may be limited in certain circumstances. See “RISK FACTORS – Bankruptcy, - Limitations on Enforceability of Remedies” herein.

The Members agree in the Master Indenture that they will not create or suffer the creation or existence of any Lien on any Property other than certain Permitted Liens. Any Lien so created, although not a Permitted Lien, may nonetheless be enforceable against such Members. In addition, the Members of the Obligated Group are subject to restrictions and limitations with respect to the incurrence of indebtedness, consolidation and merger, transfer of assets and addition and withdrawal of Members of the Obligated Group. In the Master Indenture, the Members make certain covenants with respect to the maintenance of their property. The Members also covenant that, upon the occurrence of an Event of Default, they will pay over to the Master Trustee, if so directed, all Pledged Assets. See the copy of the Master Indenture in Appendix E.

Debt Service Payments

Each month, if there is no Event of Default under the Bond Indenture, the Obligated Group will be required to deposit with the Bond Trustee (subject to credit for certain amounts on deposit in the Interest Account) a designated amount sufficient to provide for payment of principal of and interest on the 2021 Bonds due in the next succeeding 12 months. In addition, the Master Trustee maintains Reserve Fund No. 1 at the Debt Service Reserve Fund Requirement for the benefit of holders of the 2014A Bonds, the 2016 Bonds, the 2017C Bonds and the 2021 Bonds.

Covenants; Additional Indebtedness

The Members of the Obligated Group will be subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio, the maintenance of Days' Cash on Hand, and restricting, among other things, incurrence of Indebtedness, existence of liens on Property other than Permitted Liens, consolidation and merger, disposition of assets, addition of Members to the Obligated Group and withdrawal of Members from the Obligated Group. See "FINANCING DOCUMENTS AND SELECTED COVENANTS" and the forms of the Financing Documents in Appendix E hereto.

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE THAT WILL SHARE THE SECURITY FOR OBLIGATION NO. 11 AND THE CURRENT OBLIGATIONS ON A PARITY BASIS WITH THE SUCH OUTSTANDING OBLIGATIONS. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE BOND TRUSTEE UNDER THE BOND INDENTURE AS SECURITY FOR THE 2021 BONDS.

Debt Service Reserve Fund

Upon delivery of the Series 2021 Bonds, the amount in Reserve Fund No. 1 created by the Master Indenture an amount equal to the Debt Service Reserve Fund Requirement (\$17,312,844*). The Master Indenture requires the Master Trustee to use amounts in Reserve Fund No. 1 to make transfers to the Bond Trustee for deposit in the Interest Account and the Principal Account to the extent necessary to pay interest on and principal of (whether at maturity, by acceleration or in satisfaction of the Sinking Fund Requirement therefor) the 2014A Bonds, the 2016 Bonds, the 2017C Bonds and the 2021 Bonds, whenever and to the extent that the money on deposit in the Interest Account and the Principal Account is insufficient for such purposes.

The Master Trustee may establish one or more Debt Service Reserve Funds as security for one or more Obligations issued under the Master Indenture. Each Debt Service Reserve Fund, including Reserve Fund No. 1, may serve as security for more than one Obligation under the Master Indenture, in which case all Obligations secured under such Debt Service Reserve Fund will be secured equally and ratably by amounts on deposit in such Debt Service Reserve Fund. Each Debt Service Reserve Fund will be required to be funded in an amount equal to the Debt Service Reserve Fund Requirement. See the copy of the Master Indenture in Appendix E hereto.

Reserve Fund No. 1 secures the 2014A Bonds, the 2016 Bonds, the 2017C Bonds and the 2021 Bonds and related Obligations (the Replacement 2014A Obligation and Obligations No. 1, No. 8 and No. 11). Reserve Fund No. 1 does not serve any other Current Obligations, but may secure other Obligations in the future.

* Preliminary; subject to change.

Pledged Assets

Under the Master Indenture and under the Deeds of Trust, each Member of the Obligated Group will grant to the Master Trustee a security interest in its Pledged Assets. During the continuance of an Event of Default under the Master Indenture, all Pledged Assets shall be transferred to the Master Trustee and applied as required in the Master Indenture. The security interest in the Pledged Assets is subject to Permitted Liens that exist prior to, or that may be created subsequent to, the time security interests in Pledged Assets attached.

“Pledged Assets” means all Accounts, Equipment, Gross Receipts, general intangibles, inventory, documents, instruments and chattel paper of each Member of the Obligated Group, now owned or hereafter acquired, and all supporting obligations related thereto and all proceeds thereof, including, without limitation all of the Obligated Group’s rights under Residency Agreements with respect to, or lease of, residential units in the residence and care facilities owned by any Member of the Obligated Group; provided, however, that Pledged Assets shall not include contract rights consisting of charitable pledges nor any assets derived from Excluded Property.

“Gross Receipts” means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Master Indenture to be used for a particular purpose inconsistent with their use for the payment of Obligations, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible Property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, (d) rentals received from the leasing of real or tangible personal property, and (e) Entrance Fees; provided, however, that Entrance Fees shall be considered Gross Receipts only when and to the extent they are not held in escrow for the benefit of the payor thereof pursuant to any requirement of law.

The security interest created by the Master Indenture and the Deeds of Trust will extend to those Pledged Assets derived from such facilities that are (1) inventory or proceeds therefrom, (2) accounts (including all rights to payments for services rendered) arising in the ordinary course of the Member’s business or proceeds therefrom, (3) general intangibles and chattel paper or proceeds therefrom, all as defined by the Uniform Commercial Code of the Commonwealth (the “UCC”).

The security interest in Pledged Assets will be perfected to the extent permitted by the UCC as in effect in the Commonwealth. Continuation statements with respect to such filings must be filed periodically to continue the perfection of the security interest in Pledged Assets that can be perfected by filing such financing statements initially.

Cash held by the Obligated Group may not be subject to any perfectible security interest under the UCC. In addition, steps necessary to perfect the security interest in deposit accounts have not been taken and are not required. The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with such item. The lien on certain other Pledged Assets may not be enforceable against third parties unless such other Pledged Assets are transferred and delivered to the Master Trustee (which transfer the Obligated Group is not required by the Master Indenture to make prior to a default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition of bankruptcy), is subject to exception under the UCC and may be lost if

the proceeds are commingled or expended by the Obligated Group. In addition, the federal government restricts the assignment of rights arising out of Medicare, Medicaid and other federal programs.

In the event of the bankruptcy of a Member of the Obligated Group pursuant to the Federal Bankruptcy Code, any receivables in favor of such bankrupt Member coming into existence and any Pledged Assets of such bankrupt Member received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of proceedings in the Bankruptcy Court with respect to such bankrupt Member may no longer be subject to the lien granted to secure the Obligations issued under the Master Indenture and, with respect to the Pledged Assets, the interest of the Master Trustee holding Obligations for the benefit of the Holders would be shared with general creditors of such bankrupt Member. Under certain circumstances, a Bankruptcy Court or a court of equity may have the power to direct the use of Pledged Assets to meet expenses of the bankrupt entity before paying debt service on the Master Indenture Obligations. With respect to Pledged Assets not subject to the lien, the Holders of Obligations under the Master Indenture would occupy the position of an unsecured creditor.

Deeds of Trust; Equipment

Pursuant to the Deeds of Trust, as security for the payment of amounts due on any Obligations issued under the Master Indenture, including Obligation No. 11, the Members of the Obligated Group will convey for the benefit of the Master Trustee a first mortgage lien on the Mortgaged Property, together with all buildings, improvements and fixtures thereon constituting the Mortgaged Property, subject to Permitted Liens. Simultaneously with the delivery of the 2021 Bonds, the Members of the Obligated Group will deliver to the Master Trustee a mortgagee title insurance policy on the Mortgaged Property, in an aggregate amount equal to the aggregate amount of the Outstanding Current Obligations. The title policy will not insure for defects to title to any Community that would be found by a survey.

In addition, pursuant to the Deeds of Trust, the Members of the Obligated Group will pledge, assign and grant to the Master Trustee a security interest in the Equipment as security for the payment of amounts due on Obligation No. 11 and any other Obligations issued under the Master Indenture. The security interest in the Equipment will be perfected to the extent and only to the extent that such security interest may be perfected by filing the Deeds of Trust or financing statements under the UCC. Continuation statements with respect to such filings must be filed periodically to continue the perfection of such security interest. The security interest in the Equipment will be subject to Permitted Liens that exist prior to or that may be created subsequent to the time the security interest in the Equipment attaches and is subject to the right of the Members of the Obligated Group to transfer Property and Equipment free of the security interest created in the Equipment under certain circumstances.

The lien and security interest on real and personal property covers the Mortgaged Property, except for certain Excluded Property. Under certain circumstances, if Obligations are issued by the Members of the Obligated Group to finance an expansion at the Mortgaged Property or new facilities, the Members of the Obligated Group will be required to extend the lien and security interest of the Deeds of Trust to cover such facilities. See drafts of the Financing Documents in Appendix E hereto. The real property related to The Summit will not become Mortgaged Property until the closing of the acquisition thereof. See “THE SUMMIT ACQUISITION” in Appendix A hereto.

Amendments to Covenants and Security Provisions

Subject to certain exceptions, the covenants and other security provisions of the Master Indenture and the Deeds of Trust may be amended with the consent of the holders of not less than a majority in aggregate principal amount of all Obligations then Outstanding (which may include Obligations issued in the future). Such amendments may alter or eliminate the covenants and security provisions described in this Official Statement. See the copies of the Financing Documents in Appendix E hereto.

Subordinated Indebtedness

The Master Indenture provides for the issuance of certain subordinated indebtedness. See the copy of the Master Indenture in Appendix E hereto.

Amendments to Covenants and Security Provisions

Subject to certain exceptions, the covenants and other security provisions of the Master Indenture may be amended with the consent of the holders of not less than a majority in aggregate principal amount of all Obligations then Outstanding (which may include Obligations issued in the future). Such amendments may alter or eliminate the covenants and security provisions described in this Official Statement. One such amendment is set forth in the Supplemental Indenture for Obligation No. 11. The amendment provides that the definition of “Income Available for Debt Service” such that marketing expenses that are otherwise funded with the proceeds of Long-Term Indebtedness will not be counted in such definition. This amendment will become effective when a majority of the holders of Outstanding Obligations have consented to the amendment. Such amendment is set forth in the form of Supplemental Indenture for Obligation No. 11 set forth in Appendix E.

By purchasing the 2021 Bonds, the original purchasers of the 2021 Bonds will (i) waive any notice of such amendments as required by the Master Indenture and (ii) consent to the amendments to the Master Indenture set forth in the Supplemental Indenture for Obligation No. 11.

THE OBLIGATED GROUP

LifeSpire, Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake and The Glebe, Inc. are currently the only Members of the Obligated Group. At closing, Lynchburg Baptist Retirement Community, LLC will become a Member of the Obligated Group. See “**THE SUMMIT ACQUISITION**” in Appendix A herein.

Each such Member is a not-for-profit nonstock corporation or limited liability company organized under the laws of the Commonwealth of Virginia. Culpeper Baptist Retirement Community, Inc. owns and operates “The Culpeper” CCRC in Culpeper, Virginia. The Culpeper has 33 independent living units, 54 assisted living units, 32 assisted living memory care units, and 47 skilled nursing beds. Lakewood Manor Baptist Retirement Community, Inc. owns and operates “Lakewood” CCRC in Richmond, Virginia. Lakewood has 325 independent living units, 60 assisted living units, 14 assisted living memory care units and 96 nursing beds. Newport News Baptist Retirement Community, Inc. owns and operates “The Chesapeake” CCRC in Newport News, Virginia. The Chesapeake has 251 independent living units, 57 assisted living units, 16 assisted living memory care units and 52 skilled nursing beds. The Glebe, Inc. owns and operates “The Glebe” CCRC in Daleville, Virginia. The Glebe has 154 independent living units, 32 assisted living units, 20 assisted living memory care units, and 32 skilled nursing units. Upon its acquisition, Lynchburg Baptist Retirement Community, LLC will own and operate “The Summit” retirement facility in Lynchburg, Virginia. The Summit has 101 independent living units and 43 assisted living units. A portion of the proceeds of the 2021 Bonds will be used to finance the construction of approximately 33 additional independent living units at The Culpeper and 19 additional independent living units at Lakewood. See “**THE PLAN OF FINANCE AND REFINANCING**” herein. In total, upon the acquisition of The Summit and construction of the additional independent living units at The Culpeper and Lakewood, the Members of the Obligated Group will own and operate 1,468 units. The Culpeper, Lakewood, The Chesapeake, The Glebe and The Summit are collectively referred to herein as the “Communities.”

Appendix A to this Official Statement includes a description of Members of the Obligated Group, its operations and the Communities. Appendix B to this Official Statement includes the audited consolidated financial statements of Virginia Baptist Homes, Inc. and Subsidiaries for the Fiscal Years ended December 31, 2020 and 2019, which statements have been audited by CliftonLarsonAllen, LLP, independent certified public accountants.

FINANCING DOCUMENTS AND SELECTED COVENANTS

Attached as Appendix E to this Official Statement are the current forms of the following financing documents: (a) the Master Indenture, (b) the Supplemental Indenture, (c) the Bond Indenture, and (d) the Loan Agreement. Final forms of such agreements will be available from the Bond Trustee.

The Bond Indenture, the Master Indenture and the Loan Agreement contain certain covenants of the Obligated Group with respect to maintenance of the Community, incurrence of additional debt, disposition of assets, use of bond proceeds, maintenance of the Obligated Group's existence as tax-exempt, nonprofit corporations and information reporting as set forth of the financing agreements set forth in Appendix E. Below is a summary of selected covenants contained in the Financing Documents and reference is made to the respective documents, copies of which are on file with the Master Trustee, for a complete statement of the rights, duties and obligations of the parties thereto.

Rate Covenant

(a) In the Master Indenture, each Member of the Obligated Group covenants to set rates and collect charges for its Facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated as of the end of each Fiscal Year, will not be less than 1.20; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, the Long-Term Debt Service Requirement with respect to such Long-Term Indebtedness shall not be taken into account until the earlier to occur of (1) Stable Occupancy or (2) the first full Fiscal Year following the Fiscal Years that contains the 18th month after the date such capital improvements were completed).

(b) In the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 but greater than 1.00 (calculated as set forth in subsection (a) above) the Obligated Group Representative is required to take the following actions:

(i) If the Obligated Group has at least 300 Days' Cash on Hand as of the last day of such Fiscal Year, then no action is required and the Obligated Group will be deemed to be in compliance with the Long-Term Debt Service Coverage Ratio.

(ii) If the Obligated Group has less than 300 Days' Cash on Hand as of the last day of such Fiscal Year, then the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(c) Subject to subsection (f) below, in the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.00 (calculated as set forth in subsection (a)) the Obligated Group shall retain a Management Consultant within 30 days following the calculation

to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(d) Upon selecting a Management Consultant as set forth by subsections (b) and (c) above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

(e) Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

(f) Other than as described in subsection (g) below, if the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default, with the giving of notice pursuant to the Master Indenture.

(g) Notwithstanding the foregoing, if the Long-Term Debt Service Coverage Ratio of the Obligated Group for any two consecutive Fiscal Years is less than 1.00, such failure shall constitute an Event of Default under the Master Indenture.

(h) The Obligated Group agrees that it will, to the extent permitted by law and consistent with the status of any Member of the Obligated Group as a Tax-Exempt Organization, follow any recommendations of the Management Consultant pursuant to subsection (d) or subsection (e) set forth above.

Liquidity Covenant

In the Master Indenture, the Obligated Group covenants that it will calculate the Days' Cash on Hand of the Obligated Group as of each Liquidity Testing Date. The Obligated Group shall, not less than 45 days after each Liquidity Testing Date occurring on June 30 and not less than 120 days after each Liquidity Testing Date occurring on December 31st, deliver an Officer's Certificate setting forth such calculation for such Liquidity Testing Date to the Master Trustee.

Each Member of the Obligated Group shall conduct its business so that on each Liquidity Testing Date the Obligated Group shall have no less than 120 Days' Cash on Hand (the "Liquidity Requirement").

If the Days' Cash on Hand on any Liquidity Testing Date shall be less than the Liquidity Requirement, the Obligated Group Representative shall, within 45 days after delivering the Officer's Certificate pursuant to the Master Indenture disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of each Member of the Obligated Group to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to achieve the Liquidity Requirement on future Liquidity Testing Dates.

If the Obligated Group has not achieved the Liquidity Requirement by the next Liquidity Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Members of the Obligated Group shall, within 30 days after delivery of the Officer's Certificate disclosing such second consecutive deficiency (or such later date permitted under the Master Indenture), retain a Management Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group, the Obligated Group's methods of operation and other factors affecting its financial condition in order to achieve the Liquidity Requirement on future Liquidity Testing Dates. Each Member of the Obligated Group shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member of the Obligated Group) and permitted by law and, if applicable, its status as a Tax-Exempt Organization.

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

Upon selecting a Management Consultant as required above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendations of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

If the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default.

THE PLAN OF FINANCE AND REFINANCING

The 2021 Bonds are being issued and loaned to the Obligated Group to:

- currently refinance the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bonds, Series 2017A (the "2017A Bonds") and Series 2017B (the "2017B Bonds" and together with the 2017A Bonds, the "Bonds to be Refunded"), which financed and refinanced a replacement facility and related improvements at The Culpeper;
- finance and refinance the construction of approximately 36 independent living dwellings, site work, infrastructure and connectively improvements and other related facilities at The Culpeper, and to finance various capital projects at The Culpeper in and around the existing structures (the "Culpeper Project");
- finance and refinance the construction of approximately 19 independent living dwellings, site work, infrastructure and connectively improvements and other related facilities at Lakewood and to finance various capital projects at Lakewood in and around the existing structures (the "Lakewood Project");
- finance and refinance the acquisition of certain existing independent living and assisted living facilities and vacant land in and around 1400 Enterprise Drive, Lynchburg, Virginia 24502 at a life plan community currently known as The Summit and to finance various capital projects at these facilities in and around the existing structures (such acquisition and capital projects, together with the Culpeper Project and the Lakewood Project, the "New Money Projects"); and
- finance, if and as needed, amounts required for reserves, working capital, costs of issuance, settlement amounts on certain derivative agreements, and other financing expenses related to the issuance of the 2021 Bonds.

See "ESTIMATED SOURCES AND USES OF FUNDS" below and "THE SUMMIT ACQUISITION" in Appendix A regarding the new capital projects and the acquisition set forth above.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2021 Bonds, and other available funds, including, without limitation, funds from the 2021 Bonds and the 2021 Taxable Loan, are set forth in the following table:

SOURCES

Par Amount of the 2021 Bonds

[Net Original Issue Premium/Discount]

2021 Taxable Loan

Equity contribution

Total

USES

Retirement of Bonds to be Refunded and related costs

Funding of a portion of the New Money Projects

Deposit to Reserve Fund No. 1⁽¹⁾

Costs of Issuance⁽²⁾

Total

⁽¹⁾ After this amount is deposited in Reserve Fund No. 1, the aggregate amount on deposit therein will be equal to the Debt Service Reserve Requirement as defined in the Master Indenture, which will be \$17,312,844* upon the issuance of the 2021 Bonds.

⁽²⁾ Includes Underwriters' discount, legal fees, accounting and examination of financial forecast fees, printing costs, fees and expenses of the Bond Trustee, the Master Trustee and the financial advisor and other miscellaneous fees and expenses.

* Preliminary; subject to change.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year ending on December 31, the amounts payable to holders of the 2021 Bonds. The Bond Trustee will make payments of principal (including mandatory sinking fund payments) annually on December 1 and payments of interest semiannually on June 1 and December 1. Payments of such amounts by the Obligated Group will be made monthly to the Bond Trustee in the manner and at the times set forth in the Bond Indenture. Totals may not foot due to rounding.

Fiscal Year Ending December 31,	2021 Bonds		Other Debt Service*	Total Debt Service
	Principal	Interest		
2021			\$12,493,831	
2022			12,492,006	
2023			12,482,981	
2024			12,481,606	
2025			12,477,088	
2026			12,481,163	
2027			12,476,600	
2028			12,467,950	
2029			12,467,450	
2030			12,465,450	
2031			12,457,525	
2032			12,458,075	
2033			12,450,750	
2034			12,439,050	
2035			12,446,825	
2036			12,437,150	
2037			12,434,600	
2038			12,427,575	
2039			6,130,025	
2040			6,115,150	
2041			6,112,975	
2042			6,107,325	
2043			6,102,600	
2044			6,093,000	
2045			3,327,750	
2046			3,324,000	
2047			3,323,250	
2048			-	
2049			-	
2050			-	
2051			-	
TOTAL			\$270,973,750	

*Excludes the Bonds to be Refunded and the 2021 Taxable Loan.

RISKS FACTORS

General

The 2021 Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Obligated Group under the Loan Agreement and Obligation No. 11. Certain risks are inherent in the successful operation of facilities such as the Communities. Such risks should be considered in evaluating the Communities' ability to generate sufficient revenues to pay the principal or redemption price of, and interest on the 2021 Bonds when due. This section discusses some of these risks but is not intended to be a comprehensive listing of all risks associated with the construction and operation of the Communities or the payment of the 2021 Bonds. The order in which such risks are presented does not necessarily reflect the relative importance of such risks or the likelihood that any of the events or circumstances described below will occur or exist.

An investment in the 2021 Bonds involves various risks as described in this Official Statement. Each prospective investor should carefully examine this Official Statement and his or her own financial condition in order to make a judgment as to whether the 2021 Bonds are an appropriate investment. **A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND REFERENCE IS MADE TO THE SECTION "SECURITY FOR THE 2021 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 2021 BONDS.**

As described herein under the caption "SECURITY FOR THE 2021 BONDS," except to the extent that the principal of, premium, if any, and interest on the 2021 Bonds may be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Mortgaged Property, such principal, premium and interest will be payable solely from amounts paid by the Obligated Group under the Loan Agreement or by the Obligated Group under the Master Indenture, including Obligation No. 11.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the current Obligated Group and future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal of and interest on the 2021 Bonds and the parity Obligations in the amounts and at the times required to pay debt service on the 2021 Bonds and the parity Obligations when due. Neither the Underwriters nor the Issuer have made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all, of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the 2021 Bonds.

Limited Obligations

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2021 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, SHALL BE OBLIGATED TO PAY PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF

THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2021 BONDS OR INTEREST THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

The 2021 Bonds have three principal sources of payment, as follows:

(1) ***Loan payments received by the Bond Trustee pursuant to the terms of the Loan Agreement and Obligation No. 11.*** The Issuer has no obligation to pay the 2021 Bonds except from loan payments derived from the Loan Agreement and from the Obligated Group pursuant to Obligation No. 11. The 2021 Bonds, together with interest and premium, if any, thereon, will be limited obligations of the Issuer as described in this Official Statement. Under the Loan Agreement, which the Issuer has assigned to the Bond Trustee, the Obligated Group will be required to make loan payments to the Bond Trustee in amounts sufficient to enable the Bond Trustee to pay the principal of, premium, if any, and interest on the 2021 Bonds. Such loan payments are, however, anticipated to be derived solely from operation of the facilities of the Obligated Group and investment earnings. Profitable operation of the facilities of the Obligated Group depend in large part on achieving and maintaining certain occupancy levels at the Communities throughout the term of the 2021 Bonds. However, no assurance can be made that the revenues derived from the operation of the Communities will be realized by the Obligated Group in the amounts necessary, after payment of operating expenses of the facilities of the Obligated Group, to pay maturing principal of, premium, if any, and interest on the 2021 Bonds and the parity Obligations.

(2) ***Revenues received from operation of the facilities of the Obligated Group by a receiver upon a default under the Master Indenture or the Bond Indenture.*** Attempts to have a receiver appointed to take charge of properties pledged to secure loans are frequently met with defensive measures such as the initiation of protracted litigation and/or the initiation of bankruptcy proceedings, and such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. It is therefore likely that prospects for uninterrupted payment of principal and interest on the 2021 Bonds and the parity Obligations in accordance with their terms are largely dependent upon the source described in (1) above, which is wholly dependent upon the success of the Obligated Group in operating the Communities in a profitable manner.

(3) ***Proceeds realized from the sale or lease of the facilities of the Obligated Group to a third party by the Bond Trustee or Master Trustee.*** Attempts to sell or foreclose on commercial property or otherwise realize upon security for obligations may be met with defensive measures such as protracted litigation and/or bankruptcy proceedings, and that such defensive measures can greatly increase the expense and time involved in achieving such foreclosure or other realization. In addition, the Bond Trustee or Master Trustee could experience difficulty in selling or leasing the Communities any other facilities of the Obligated Group upon foreclosure due to the special- purpose nature of a continuing care retirement facility and the proceeds of such sale may not be sufficient to fully pay the owners of the 2021 Bonds and the parity Obligations.

The best prospects for uninterrupted payment of principal and interest on the 2021 Bonds in accordance with their terms is the source described in (1) above, which is wholly dependent upon the success of the Obligated Group in operating its facilities in a profitable manner. Even if its facilities are operating profitably, other factors could affect the Obligated Group's ability to make loan payments under the Loan Agreement, Obligation No. 11 and the parity Obligations.

Caution Regarding Forward-Looking Statements

When used in this Official Statement and in any continuing disclosure by the Obligated Group, in the Obligated Group's press releases and in oral statements made with the approval of an authorized

representative of the Obligated Group, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project” or similar expressions are intended to identify “forward looking statements.” Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. The Obligated Group cautions readers not to place undue reliance on any such forward-looking statements. The Obligated Group advises readers that certain factors could affect the financial performance of the Obligated Group and could cause the actual results of the Obligated Group for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Limited Resources of the Obligated Group

Except as disclosed in Appendix A, the Obligated Group has no assets other than its interests in the Communities and its sole business consists of the ownership and operation of the Communities. Although it may seek donations from groups and individuals, the Obligated Group has no guaranteed sources of funds if revenues from operation of the Communities are not sufficient to cover expenses, including debt service on the 2021 Bonds.

Management’s Forecast

Management’s financial forecast contained in the Examination of Financial Forecast included in Appendix C hereto is based upon assumptions made by the management of the Obligated Group. As stated in such financial forecast, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the financial forecast is only for the three years ending December 31, 2021 through 2023 and consequently does not cover the whole period during which the 2021 Bonds may be outstanding. See the Examination of Financial Forecast included herein as Appendix C, which should be read in its entirety.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO GUARANTEE CAN BE MADE THAT MANAGEMENT’S FINANCIAL FORECAST IN THE EXAMINATION OF FINANCIAL FORECAST WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES, AND GENERAL ECONOMIC CONDITIONS.

Failure to Acquire The Summit

As discussed herein and in Appendix A, a portion of the proceeds of the 2021 Bonds is expected to be used to acquire The Summit after the issuance of the 2021 Bonds. The acquisition of The Summit is subject to the satisfaction of a number of conditions precedent and may not occur on the expected timeline of management or at all. In the event that such acquisition does not occur, depending on the circumstances, the Obligated Group may forfeit its \$800,000 deposit and not recoup other costs expended in connection with such acquisition. The failure of the acquisition will also result in the real property related to The Summit not becoming part of the Mortgaged Property under the Deeds of Trust.

Additionally, failure to close the acquisition may cause the Obligated Group to have proceeds in excess of its immediate capital needs. However, management of LifeSpire has identified immediate projects that would qualify for tax-exempt financing from the proceeds of the 2021 Bonds instead of the

acquisition of The Summit. Furthermore, if acquisition of The Summit fails, the Obligated Group would not need to draw down on the 2021 Taxable Loan.

Conditions precedent to the acquisition of The Summit include the transfer of The Summit's assisted living license and acceptance by the State Corporation Commission, Bureau of Insurance, of LifeSpire's disclosure statement regarding operation of The Summit as its retirement community.

Matters Related to the Integration of The Summit

The Obligated Group, other than The Summit property, has been operating for many years. The acquisition is the first transaction of this type for LifeSpire. While the Obligated Group has been operating for many years, the integration of The Summit into the Obligated Group is expected to involve consistent monitoring by management. Management anticipates that the integration efforts will produce long-term benefits and savings. However, there can be no assurance that the integration efforts will go as planned or that the estimated benefits will be realized, which could have an adverse impact on the finances of the Obligated Group.

COVID-19 and Future Pandemics or any Future Similar Related or Unrelated Disease Outbreaks

The COVID-19 pandemic, together with public and private sector responses to the virus, has affected, and is expected to continue to affect for the foreseeable future, normal economic operations worldwide, including in Virginia. Although the full impact of COVID-19 on the Obligated Group's operations or its future operating revenues and expenses cannot be fully predicted at this time, the COVID-19 situation had, and may continue to have, an impact on the Obligated Group's finances and operations. Further, the Obligated Group's business and financial results may be affected by a similar related or unrelated international, national, or localized outbreak of a highly contagious disease, epidemic, or pandemic. While most residents and staff at the Communities have been vaccinated against COVID-19, an outbreak of COVID-19 or another international, national, or localized outbreak of highly contagious disease, epidemic, or pandemic could result in decreased occupancy, temporary shutdown or diversion of residents, direct or indirect liability, increased costs, staffing shortages, marketing and branding concerns and other adverse impacts on the Obligated Group. For specific information on the Obligated Group's response to the COVID-19 pandemic, including its efforts to comply with guidelines of the Centers for Disease Control and Prevention, Centers for Medicaid and Medicare Services and the Commonwealth of Virginia, and the impact of the COVID-19 pandemic on the Obligated Group's finances, see "COVID-19 PANDEMIC" in Appendix A hereto.

Further, the COVID-19 pandemic has altered the behavior of businesses and people in a manner that is having substantial negative effects on local, regional and global economies. Stock markets in the U.S. and globally have recently seen significant volatility attributed to COVID-19 concerns. The continued spread of COVID-19 or any other similar international, national, or localized outbreaks of contagious diseases in the future may materially adversely impact global, national, state and local economies and, accordingly, may materially adversely impact the financial condition of the Obligated Group.

Additions to the Obligated Group

Upon satisfaction of certain conditions in the Master Indenture, other entities can become members of the Obligated Group. See the copy of the Master Indenture in Appendix E hereto. Management of the Obligated Group currently has no plans to add additional members to the Obligated

Group. However, if and when new members are added, the Obligated Group's financial situation and operations will likely be altered from that of current Members of the Obligated Group.

Transfers Out of the Obligated Group; Limitation on Liens

Under the terms of the Master Indenture, the Obligated Group, subject to certain restrictions, may transfer assets to organizations outside the Obligated Group, and in certain circumstances existing Members of the Obligated Group can withdraw from the Obligated Group. See the copy of the Master Indenture in Appendix E hereto for a description of the provisions under which the Obligated Group may transfer cash and other liquid assets, and dispose of the Mortgaged Property and Members of the Obligated Group may withdraw from the Obligated Group.

Uncertainty of Revenues

Except to the extent that the holders receive, under certain circumstances, proceeds of insurance, sale or condemnation awards, the 2021 Bonds will be payable solely from payments or prepayments to be made by the Obligated Group under the Loan Agreement and by the Obligated Group and any other future Obligated Group Members on Obligation No. 11. The ability of the Obligated Group to make payments under the Loan Agreement and the ability of the members of the Obligated Group and any other future Obligated Group Members to make payments on Obligation No. 11 is dependent upon the generation by the Members of the Obligated Group of revenues in the amounts necessary for the Members of the Obligated Group to pay the principal or redemption price of and interest on the 2021 Bonds as well as other operating and capital expenses. In particular, payment of the 2021 Bonds is dependent on the continuing ability of the Members of the Obligated Group to fill the Communities with residents who purchase the right to live at the Communities by paying an entrance fee, to collect new entrance fees from residents occupying apartments vacated by deceased residents and permanent transfers to the health center, and to keep the Communities substantially occupied by residents who can pay the full amount of such entrance fees and the monthly service fees.

Based on past practice, management of the Obligated Group anticipates increases in both entrance fees and monthly service fees when necessary to offset increasing costs due to inflation and other factors. See Appendix A hereto. There can be no assurance that such increases can or will be made in the future. Also, since many residents may be living on fixed incomes or incomes that generally do not increase in response to changes in economic conditions, there can be no assurance that any such fee increases can be paid by residents or that such increases will not adversely affect the utilization of the Communities. While the Obligated Group intends to accept new residents unable to pay in full the entrance fee and monthly service fees only to the extent of available funds to pay their expenses, it is likely that residents who unexpectedly become unable to make such payments would be allowed to remain residents, even though the costs of caring for them could have an adverse effect on the financial condition of the Obligated Group. As a charitable tax-exempt organization, the Obligated Group may be unwilling or unable to require residents unable to pay fees to leave the Communities. See Appendix A hereto.

The realization of future revenues and expenses are subject to, among other things, the capabilities of the management of the Obligated Group, government regulation and future economic (including but not limited to availability of credit) and other conditions that are unpredictable and that may affect revenues and payment of principal of and interest on the 2021 Bonds. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to make the required payments with respect to debt service on the 2021 Bonds.

Title Insurance

The Obligated Group has only a limited amount of mortgagee title insurance with respect to the Mortgaged Property as described under the caption “SECURITY FOR THE 2021 BONDS.” Recovery under a title insurance policy issued to a mortgagee (here, the Master Trustee) is dependent upon a number of factors including, but not limited to, the amount of title insurance purchased relative to the value of the Mortgaged Property, the nature of the title defect, the presence of a payment default under the Obligations and the other terms and conditions of the insurance policy. No assurance can be given that any particular set of circumstances will give rise to any recovery under a title insurance policy. Any proceeds received under such title insurance policy may not be sufficient to cure any title defect or to compensate for any loss of title.

General Risks of Long-Term Care Facilities

There are many diverse factors not within the Obligated Group’s control that have a substantial bearing on the risks generally incident to the operation of the Communities. These factors include statutory and/or regulatory imposed fiscal or operating requirements or policies, adverse use of adjacent or neighboring real estate, the ability to maintain the Communities, continued community acceptance of the Communities, changes in demand for the Communities, changes in the number of competing facilities, changes in the costs of operation of the Communities, changes in either State or federal laws affecting long-term care programs, the limited income of the elderly, changes in the long-term care and health care industries, difficulties in or restrictions on the Obligated Group’s ability to raise rates charged, general economic conditions and the availability of working capital. In recent years, a number of long-term care facilities throughout the United States have defaulted on various financing obligations or otherwise have failed to perform as originally expected. There can be no assurance that the Obligated Group will not experience one or more of the adverse factors that caused other facilities to struggle or fail. Certain other factors that cannot be determined at this time also may adversely affect the operation of facilities like the Communities.

New and changing methods of care delivery and coverage for payment thereof, such as web-based home monitoring, telemedicine, mobile health, home and community based care and smartphone technology will likely change the way in which providers of health services to the elderly deliver home health, hospice and other community-based services. These developments will further the ability of the home health and hospice industry to care for patients in their homes. The proliferation and availability of technological changes are expected to increase the ability of the elderly to remain in their homes longer into their lives than has historically been feasible, which could result in significantly reduced demand for communities such as the Communities. Efforts to reduce hospital readmissions and costs in the overall care continuum will further the use of these new and changing technologies and reimbursement models. These changes may allow other companies, including hospitals and other healthcare organizations that are not currently providing home health and hospice care, to expand their services to include home health services, hospice care or similar services. The Obligated Group may encounter increased competition in the future that could negatively impact patient referrals to it, limit its ability to maintain or increase its market position and adversely affect the Obligated Group’s financial performance.

Uncertainty of Occupancy and Entrance and Service Fee Collection

As noted elsewhere, except to the extent that the 2021 Bonds will be payable from the proceeds of insurance, sale or condemnation awards, the 2021 Bonds will be payable solely from payments or prepayments to be made under the Loan Agreement and under Obligation No. 11. The ability of the Obligated Group, including any future Members of the Obligated Group, to make payments on the Loan Agreement and Obligation No. 11 and other outstanding parity Obligations is dependent upon the

generation by the Obligated Group of revenues in the amounts necessary for the Obligated Group to pay such Obligations, as well as other operating and capital expenses.

The financial feasibility of the Communities and payment, when due, of the 2021 Bonds and the parity Obligations, is dependent on the continuing ability of the Obligated Group to maintain high levels of occupancy of the Communities and to (i) fill those facilities that accept residents who purchase the right to live there by paying Entrance Fees, (ii) collect new Entrance Fees from residents occupying apartment units vacated by deceased residents, residents permanently transferred to assisted living or nursing care facilities operated by the Obligated Group or residents leaving such facilities for other reasons, and (iii) keep the Facilities substantially occupied by residents who can pay the full amount of the Entrance Fees and/or Monthly Service Fees (as defined in Appendix A hereto). This depends to some extent on factors outside the Obligated Group's control, such as the residents' right to terminate their continuing care contracts with the Obligated Group (each a "Residency Agreement") in accordance with the terms of the Residency Agreements and by general economic conditions. In particular, a depressed housing market may prevent prospective residents from selling their homes and generating cash to pay Entrance Fees. If the Communities fail to maintain a high level of occupancy, there may be insufficient funds to pay debt service on the 2021 Bonds and the parity Obligations. In addition, the economic feasibility of the Communities also depends on the Obligated Group's ability to remarket units becoming available when residents decease, withdraw, or are permanently transferred to a health care facility or any other facility.

Moreover, if a substantial number of independent living unit residents live beyond their anticipated life expectancies or if admissions or transfers to the health care components of the Communities are substantially less than anticipated by the Obligated Group, or if market conditions or market changes prevent an increase in the amount of the resident Entrance Fees payable by new residents of the Communities or the Monthly Service Fees payable by all residents, the receipt of additional resident Entrance Fees and/or Monthly Service Fees would be curtailed or limited, with a consequent impairment of the Obligated Group's revenues. Such impairment would also result if the Obligated Group is unable to remarket independent living units becoming available when residents die, withdraw, or are permanently transferred to the health care components of the Communities.

As described in Appendix A hereto, the Obligated Group has historically made regular adjustments to both Entrance Fees and Monthly Service Fees to offset increasing operating costs due primarily to inflation. There can be no assurance that such increases will continue or that increases in expenses will not be greater than any such future rate increase. Also, since many of the residents may be living on fixed incomes or incomes that do not readily change in response to changes in economic conditions, there can be no assurance that any such Entrance Fee or Monthly Service Fee increases can be paid by residents or that such increases will not adversely affect the occupancy of the Communities. It is possible that residents who unexpectedly become unable to make such payments would be allowed to remain residents, even though the costs of caring for them could have an adverse effect on the financial condition of the Obligated Group. As a charitable tax-exempt organization, the Obligated Group may be unable or unwilling to require residents who lack adequate financial resources to leave the Community. In the future, the Obligated Group could possibly be required to accept residents unable to pay all Entrance Fees or Monthly Service Fees or be required to provide services to a certain number of indigent persons unable to pay any fees, in order to maintain its tax-exempt status.

The Entrance Fees and Monthly Service Fees for the Communities are described in Appendix A hereto. As set forth therein, the Obligated Group has set such fees based on, among other things, anticipated revenue needs and analysis of the market areas. If actual operating experience is substantially different from that anticipated, the revenues of the Obligated Group could be less than expenses. Should methods of payment other than Entrance Fees, including straight rental, become prevalent as the form of payment for elderly housing, the ability to charge resident Entrance Fees to potential future residents may

decrease. If this should happen, the Obligated Group may be forced to alter its method of charging for elderly housing services and could encounter operational difficulties.

Accounting Changes

From time to time, accounting policies and procedures change based upon mandatory authoritative guidance updates to generally accepted accounting principles in the United States of America (“GAAP”). The Master Indenture provides that the character or amount of any asset, liability or item of income or expense required to be determined or any consolidation, combination or other accounting computation required to be made for the purposes of the Master Indenture, shall be determined or made in accordance with GAAP in effect on the date of the Master Indenture, or at the option of the Obligated Group, at the time in effect (provided that such GAAP are applied consistently with the requirements existing either on the date of the Master Indenture or at the time in effect) except where such principles are inconsistent with the requirements of the Master Indenture.

Limited Value at Foreclosure

There may be a difference between the actual value of the Communities and the amount of the 2021 Bonds and the Outstanding Obligations, and that difference may be material and adverse to Bondholders. In particular, it cannot presently be determined with certainty what the value of the Communities would be in the event of foreclosure under the Deed of Trust. Further, the value of the Communities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in this transaction. Real property values can fluctuate substantially depending on a variety of factors.

There is nothing associated with the Communities to suggest that its value would remain stable or would not decrease if the general values of property in its local area were to decline.

The Bond Trustee and the Issuer must look solely to the Pledged Assets, the Mortgaged Property and any funds held under the Bond Indenture and the Master Indenture to pay and satisfy the 2021 Bonds in accordance with their terms. The owners of the 2021 Bonds are dependent upon the success of the Communities and the value of the assets of the Obligated Group for the payment of the principal of, redemption price, if any and interest on, the 2021 Bonds.

No appraisal of the value of the Mortgaged Property has been obtained in connection with the issuance of the 2021 Bonds, and no representation is made as to the value of the Mortgaged Property.

Limited Use Facilities

The Communities have been specially designed as senior living facilities and may not be practically suited to alternative uses. As a result, in the event of default and eviction of the Obligated from the Communities, the Master Trustee’s remedies and the number of entities that would be interested in purchasing or leasing the Communities might be limited, and the sales price or fees generated by the Communities might thus be adversely affected. Such value may also be limited by actual or alleged rights of residents. See “State Regulatory Issues” herein. In addition, the practical realization of value from the real property subject to the Deeds of Trust upon any default will depend on the exercise of remedies specified under the Deeds of Trust, principally, foreclosure. Under Virginia law, however, the remedies may not be readily available or may otherwise be limited. Other statutory provisions (such as the federal bankruptcy laws) also may have the effect of delaying enforcement of the lien and security interest under the Deeds of Trust in the event of a default by any Member of the Obligated Group.

Utilization Demand

Several factors could, if implemented, affect demand for services provided at the Communities including: (i) efforts by insurers and governmental agencies to reduce utilization of skilled nursing home and long-term care facilities by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology; (iii) a decline in the population, a change in the age composition of the population or a decline in the economic conditions of the service areas for the Community; and (iv) increased or more effective competition from retirement communities and long-term care facilities now or hereafter located in the service areas of the Community.

Entrance Fee Refunds

Following departure of a resident from the Communities and the termination of a Residency Agreement, the Obligated Group may be obligated to refund a portion of the departing resident's Entrance Fee. See Appendix A hereto.

Discounting of Entrance Fees

The Obligated Group may feel compelled to offer discounts to Entrance Fees in the future to achieve desired levels of occupancy of the Communities. Discounting of Entrance Fees could significantly affect the cash flow of the Obligated Group and have a material adverse effect on the ability of the Obligated Group to make payments required by the Loan Agreement, the 2021 Bonds, Obligation No. 11 and the Parity Obligations.

Financial Assistance

The Obligated Group may assist residents who become unable to pay fees and other charges of the Obligated Group by reason of circumstances beyond their control. The increased cost of care resulting from cost increased generally and financial assistance to a significant number of residents could adversely affect the financial condition of the Obligated Group.

Nature of Income and Assets of the Elderly

A large percentage of the monthly income of the residents of the Communities is expected to be fixed in amount, consisting of income derived from savings, pensions, investments and Social Security payments. If, due to inflation or otherwise, substantial increases in Monthly Service Fees are required to cover increases in operating costs and other expenses, residents may have difficulty paying or may be unable to pay increased fees. In addition, some residents may need to liquidate assets, such as by selling a home, to pay the required fees. The Obligated Group's inability to collect from residents the full amount of their payment obligations, either when due or at all, may jeopardize the ability of the Obligated Group to pay amounts due under the Loan Agreement, Obligation No. 11 and the parity Obligations.

Sale of Homes

It is anticipated that many prospective residents of the Communities will be required to sell their current homes to pay the entrance fee prior to occupancy or to meet other financial obligations under their Residency Agreements. Housing prices have declined nationally and in many areas longer time periods have been needed for homeowners to sell their homes. If prospective residents encounter difficulties in selling their current homes due to local or national economic conditions affecting the sale and finance of residential real estate, such prospective residents may not have sufficient funds to pay the entrance fee or to meet other obligations under their Residency Agreements, thereby causing a delay in scheduled

occupancy of the Communities or remarketing of vacated Independent Living Units, which would have an adverse impact on the revenues of the Obligated Group.

Risks of Real Estate Investment

Ownership and operation of real estate, such as the Communities, involves certain risks, including the risk of adverse changes in general economic and local conditions (such as the possible future oversupply and lagging demand for rental housing for the aged), adverse use of adjacent or neighboring real estate, continued community acceptance of the Communities, increased competition from other senior living facilities, changes in the cost of operation of the Communities, difficulties or restrictions in the Obligated Group's ability to raise rents charged, damage caused by adverse weather, climate change and delays in repairing such damage, population decreases, uninsured losses, failure of residents to pay rent, operating deficits and mortgage foreclosure, lack of attractiveness of the Communities to residents, deterioration of the physical aspects of the Communities, adverse changes in neighborhood values, and adverse changes in zoning laws, federal and local rent controls, other laws and regulations and real property tax rates. The Obligated Group has not secured a physical needs report for the Communities in connection with the issuance of the 2021 Bonds. Such losses also include the possibility of fire or other casualty or condemnation. If the Communities, or any parts of the Communities, become uninhabitable, such as during restoration after damage or destruction, the residence units or common areas affected may not be available for a period of time, which could adversely affect the ability of the Obligated Group to generate sufficient revenues to make the payments required by the Loan Agreement, the 2021 Bonds, Obligation No. 11 and parity Obligations. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Communities difficult or unattractive. These conditions may have an adverse effect on the demand for the services provided by the Communities as well as the market price received for the Communities in the event of a sale or foreclosure of the Communities. Many other factors may adversely affect the operation of the Communities and cannot be determined at this time.

Factors Affecting Real Estate Taxes

In recent years various state and local legislative, regulatory and judicial bodies have reviewed the exemption of non-profit corporations from real estate taxes. Various state and local government bodies have challenged with increasing frequency and success the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various non-profit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. The sellers, two non-profit organizations, currently pay real estate taxes to the City of Lynchburg. The Obligated Group has an exemption by designation granted by the Virginia General Assembly from the payment of real estate taxes in the Commonwealth of Virginia which will be communicated to the City of Lynchburg to assert its exemption with respect to the Summit real property.

Competition

The Communities are located in areas where other continuing care retirement facilities and other competitive facilities exist or may be developed. See Appendix A hereto. The Facility may also face additional competition in the future as a result of changing demographic conditions and the construction of new, or the renovation or expansion of existing continuing care facilities in the geographic areas served by the Communities. The Obligated Group will also face competition from other forms of retirement living including condominiums, apartment buildings and facilities not specifically designed for the elderly, some of which may be designed to offer similar facilities, but not necessarily similar services, at lower prices. In addition, there are few entry barriers to future competitors because competing facilities

generally do not require a certificate of need approval for residential living facilities. All of these factors combine to make the elderly housing industry volatile and subject to material change that cannot be currently predicted.

Rights of Residents

Although under the current Residency Agreements, residents have no lien or claim against any property of the Obligated Group, there can be no certainty that residents could not successfully claim or otherwise restrict the use of the Obligated Group's property in bankruptcy proceedings or other disputes. In the event that the Master Trustee seeks to enforce any of the remedies provided by the Master Indenture and the Deeds of Trust upon the occurrence of a default thereunder, it is impossible to predict any judicial resolution of competing claims between the Master Trustee and the residents of the Communities who have fully complied with all the terms and conditions of their Residency Agreements. The ability of the Master Trustee to foreclose its lien on the Mortgaged Property, or enforce other rights and remedies under the Master Indenture may be adversely affected by litigation on behalf of residents.

Organized Resident Activity

The Obligated Group may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of monthly service fees or other charges without increase. Moreover, the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly service fees and other charges. No assurance can be given that the Obligated Group will be able satisfactorily to meet the needs of such resident groups.

Staffing

In recent years, the residential and health care industry has suffered from a shortage of skilled nursing personnel that has forced up nursing wage scales. The Obligated Group management believes that it will be able to retain current personnel and hire any additional required staff, but the presence of other residential health care providers may make it difficult over time to attract and retain skilled personnel.

Increases of Costs

The cost of providing health care services may increase due to many reasons, including increases in salaries paid to nurses and other health care personnel and due to shortages in such personnel that may require the use of employment agencies. Additionally, recent changes to federal wage and labor laws will likely impact the Obligated Group. The current COVID-19 pandemic has recently increased certain medical and operating costs.

Labor Union Activity and Staffing

Residential care facilities in Virginia are being subjected to increasing union organizational efforts. The future unionization of the Obligated Group's employees could have an adverse effect on the financial condition of the Obligated Group. Furthermore, although the Obligated Group has been able to attract desirable employees in the past, low unemployment in the Communities' service areas may adversely affect the availability of and the wages of future staff, which in turn may adversely affect the Obligated Group's financial condition. In recent years, the residential and health care industry has also suffered from a shortage of skilled nursing personnel that has forced up nursing wage scales. Management of the Obligated Group believes that it will be able to retain current personnel and hire any

additional required staff, but the presence of other residential health care providers may make it difficult over time to attract and retain skilled personnel.

Cybersecurity

Like many organizations, the Obligated Group is highly dependent on digital technologies. These systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the black market for such information. As a result, the electronic systems and networks of organizations like the Obligated Group are considered likely targets for cyber-attacks and other potential breaches of their systems. In addition to regulatory fines and penalties, the healthcare entities subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The Obligated Group has taken, and continues to take, measures to protect its information technology system against such cyber-attacks, but there can be no assurance that the Obligated Group will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a materially adverse impact on the Obligated Group.

Insurance; Professional Liability Claims and Losses

The Master Indenture requires the Obligated Group to carry certain insurance. See forms of the Financing Documents in Appendix E hereto. The Obligated Group maintains insurance policies with insurance companies for workers compensation, property and casualty coverage, flood insurance for applicable properties, general and professional liability, directors and officers coverage including employment practices, business interruption coverage and boiler and machinery coverage, among others. The Obligated Group maintain certain self-insurance reserves which they consider appropriate and which are in accordance with the requirements under the Master Indenture.

While the Obligated Group believes that it maintains adequate insurance coverage and reserves, there can be no assurance that future claims will not exceed insurance limits and available reserves. If such situation arose, it could adversely affect the financial condition of the Obligated Group.

The operations of the Obligated Group, and thereby of the Communities, may also be affected by increases in the incidence of professional liability lawsuits against healthcare facilities in general and increases in the dollar amount of patient damage recoveries, resulting in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. Litigation may also arise from the corporate and business activities of the Obligated Group, including from its status as an employer. Many of these risks would be covered by insurance, but some might not be. For example, antitrust claims, claims arising from wrongful termination, business disputes and workers' compensation may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Obligated Group if determined or settled adversely. The Obligated Group covenants to maintain professional liability insurance in the amount required under the Master Indenture. It is not possible at this time to determine either the extent to which such insurance coverage will continue to be available to the Obligated Group or the premiums at which such coverage can be obtained.

Bankruptcy

The filing by, or against, any Member of the Obligated Group or the Issuer for relief under the United States Bankruptcy Code (the "Bankruptcy Code") would have an adverse effect on the ability of the Master Trustee and holders of the 2021 Bonds to enforce their claim or claims to the security granted by the Master Indenture, and their claim or claims to money owed them as unsecured claimants, if any. The filing would operate as an automatic stay of the commencement or continuation of any judicial or

other proceeding against any Member of the Obligated Group or the Issuer, as applicable, and their respective property and as an automatic stay of any act or proceeding to enforce a lien against such property. Moreover, following such a filing the revenues and accounts receivable and other property of any Member of the Obligated Group or the Issuer, as applicable, acquired after the filing (and under some conditions prior to the filing) would not be subject to the liens and security interests created under the Master Indenture. In addition, the bankruptcy court has the power to issue any order, process or judgment that is necessary or appropriate to carry out the provisions of the Bankruptcy Code; such a court order could require that the property of any Member of the Obligated Group or the Issuer, as applicable, including the Gross Receipts of the Obligated Group and proceeds thereof, to be used for the benefit of any Member of the Obligated Group, despite the lien and security interest of the Master Trustee and the Deeds of Trust therein.

The amount of the secured claim which could be filed by the Master Trustee on behalf of the holders of the 2021 Bonds would be limited to the value of the Communities at the time the bankruptcy proceeding was commenced. This amount would likely be less than the principal amount of the 2021 Bonds, the corresponding Obligation No. 11 and the other Outstanding Obligations, since the failure of the Communities to produce sufficient revenues to pay operating expenses and debt service requirements prior to the bankruptcy would reduce the value of the Communities. To the extent the principal amount of Obligation No. 11 and the other Outstanding Obligations exceeds the value of the Communities, the excess would be an unsecured claim which would rank on parity with unpaid management, project and construction management fees and the claims of unsecured general creditors of the Obligated Group. As a result, if the Communities were sold following commencement of a bankruptcy proceeding, it is unclear how much the holders of the 2021 Bonds would receive.

In a bankruptcy proceeding, the debtor could file a plan of reorganization which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The holders of the 2021 Bonds may only receive post-petition interest on the 2021 Bonds to the extent the value of their security exceeds their claim. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan.

No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly in favor of junior creditors. More particularly, the Bankruptcy Code would permit the liquidation of the Obligated Group or the adoption of a reorganization plan for the Obligated Group or the Issuer, as applicable, even though such plan had not been accepted by (i) the holders of a majority in aggregate principal amount of the 2021 Bonds, if the plan is “fair and equitable” and does not discriminate unfairly against the holders of the 2021 Bonds as a class and is in the “best interest of the creditors,” which may mean that the holders of the 2021 Bonds are provided with the benefit of their original lien or the “indubitable equivalent;” or (ii) any holder of the 2021 Bonds if the holders of the 2021 Bonds, as a class, are deemed unimpaired under the plan.

In addition, if the bankruptcy court were to conclude that the holders of the 2021 Bonds have “adequate protection,” it may (1) substitute other security for the security subject to the lien of the Master Indenture or (2) subordinate the lien of the holders of the 2021 Bonds to persons who supply credit to the Obligated Group or the Issuer, as applicable, after commencement of the case. In the event of the bankruptcy of the Obligated Group or the Issuer, any amount realized by the Master Trustee or holders of the 2021 Bonds may depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the existing circumstances. Any transfers made to the holders of the 2021

Bonds or the Master Trustee at or prior to the commencement of the case may be avoided and recaptured if such transfers are (a) avoidable by a judicial lien creditor who obtained its lien on the date the case commenced (regardless of whether such a creditor actually exists), (b) preferential or fraudulent or (c) voidable under applicable law by any actual unsecured creditor. The holders of the 2021 Bonds may also be subject to avoidance and recapture of post-petition transfers, turnover of property of the debtor which they, the Master Trustee or a custodian hold and assumption, assignment or rejection of executory contracts.

Certain judicial decisions have cast doubt upon the right of a trustee, in the event of a health care facility's bankruptcy, to collect and retain for the benefit of holders of the 2021 Bonds portions of revenues consisting of Medicare and other governmental receivables.

Actual Results May Differ from Historical Results

Certain audited and unaudited historical financial information regarding the Obligated Group is set forth in Appendices A and B. There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results and the variations may be material. Therefore, the historical financial results cannot be taken as a representation that the Obligated Group will be able to fulfill its obligations under the Loan Agreement and Obligation No. 11, respectively.

Failure to Achieve or Maintain Occupancy or Turnover

The economic feasibility of the Communities depends in large part upon the ability of the Obligated Group to attract and retain sufficient numbers of residents to the Communities and to achieve and maintain substantial occupancy throughout the term of the 2021 Bonds. This depends to some extent on factors outside management's control such as the residents' right to terminate their Residency Agreements, subject to the conditions provided in the Residency Agreements.

Demand for services of the Communities could also be affected by many factors, including (1) advances in scientific and medical technology; (2) increased or more effective competition from nursing home and long-term care facilities, assisted living facilities, other home and community based care and services and apartment complexes which target elderly residents now or hereafter located in the service area of the Communities; and (3) the effects of managed care.

Moreover, if a substantial number of independent living unit residents live beyond the anticipated life expectancies assumed by management or if permanent transfers to the healthcare center are substantially less than assumed by management, or if market changes require a reduction (or limit the rate of increase) in the amount of the entrance fees payable by new residents of the Communities, the amount of additional entrance fees would be reduced, with a consequent impairment of the Obligated Group's revenues. Such impairment would also result if the Obligated Group is unable to remarket independent living units becoming available when residents die, withdraw, or are permanently transferred to the health care centers.

Economic Stability

In recent years there have been many challenges to global and national economic stability which have, at times, resulted in substantial disruption to the financial markets and losses to investment portfolios resulting in reduced availability for credit, aggressive fluctuations in interest rates, reduced economic activities and general financial strain. Any future market turmoil could affect the market and demand for the 2021 Bonds in addition to adversely affecting the value of any investments of the Obligated Group, the market value of homes in the market area of the Obligated

Group and the ability of residents and prospective residents to pay entrance fees or otherwise meet their financial obligations under the Residence Agreements.

Health Care Reform

Recently passed health care reform law at the federal level would impose certain expanded contracting requirements on long-term care facilities regarding coordination of care with hospitals and hospital systems going forward. In addition, legislation is periodically introduced in Congress and in the Virginia legislature that could result in limitations on revenues, reimbursements, or charges for health care facilities. At this time, no determination can be made as to whether such federal or state legislation will be enacted or, if enacted, its impact on the Communities. At this time, all the skilled nursing beds, except for those at Lakewood (certified for Medicare only), are certified for Medicare and Medicaid and approximately 29% of the Obligated Group's fiscal year 2020 annual operating revenues are derived from Medicare and Medicaid. See "SKILLED NURSING PAYOR MIX – Consolidated Payor Mix" in Appendix A hereto for more information.

State Regulatory Issues

Certificate of Public Need. Under the Virginia Medical Care Facilities Certificate of Public Need Law, the Obligated Group must obtain a Certificate of Public Need ("CON") for any significant changes in its capacity to provide health care services, for the addition of certain health care services, or for certain capital expenditures. The CON law generally may affect the Obligated Group's ability to undertake other improvements to the Communities necessary to attract new residents. Further, legislation is periodically introduced in the Virginia legislature that could amend the CON law and could result in unforeseen impacts on the Obligated Group's services and operations. At this time, no determination can be made as to whether such state legislation will be enacted or, if enacted, its impact on the Communities.

State Regulation, Rights of Residents. Under Virginia laws, the Obligated Group's assisted living units are regulated by the Virginia Department of Social Services as "assisted living facilities" and the nursing care beds are subject to extensive legislative, regulatory and inspection requirements of various federal and state agencies. The Virginia Continuing Care Provider Registration and Disclosure Act, Section 38.2-4900 et seq. of the Code of Virginia (the "Virginia Continuing Care Law") requires the Obligated Group to provide to the Commonwealth and each resident a detailed disclosure statement and in certain circumstances requiring the escrowing of deposits of entrance fees. The Virginia Continuing Care Law also regulates the form of resident contracts and establishes certain rights of residents, including the right to organize, to obtain refunds under certain circumstances and not to have resident contracts cancelled except for good cause. The Virginia Continuing Care Law gives the State Corporation Commission of Virginia the power to promulgate regulations and issue injunctions and cease-and-desist orders.

The Obligated Group's management believes that it is in material compliance with the Virginia Continuing Care Law and that continued compliance will not materially affect its operation, but there is no certainty that the Virginia Continuing Care Law or actions by the State Corporation Commission of Virginia will not adversely affect operation of the Communities or the financial condition of the Obligated Group.

The enactment of further legislation restricting operation of life care facilities, creating additional residents' rights or requiring certain financial reserves could adversely affect the financial condition of the Obligated Group. In addition, the ability of the Master Trustee to foreclose its lien on the Community or enforce other rights under the Financing Documents may be adversely affected by litigation on behalf of residents. Although under the current Residence and Care Agreements, residents will have no special lien or claim against any property of the Obligated Group, there can be no certainty that residents could not

successfully claim or otherwise restrict the use of the Obligated Group's property in bankruptcy proceedings or other disputes. Although the Obligated Group expects to continue to use the continuing care concept of contracting with residents, it is under no obligation to do so.

National Legislation

The Obligated Group is subject to federal and state regulatory actions, legislative and policy changes by those governmental and private agencies that administer the Medicare and Medicaid programs and other third-party payors, and actions by, among others, the National Labor Relations Board and other federal, state and local governments and private agencies. A wide variety of bills and regulations intended to regulate, control or alter the method of financing health care costs and health care operations are often proposed and introduced in Congress, state legislatures and regulatory agencies. Because of the many possible financial effects that could result from enactment of any bills or regulatory actions proposing to regulate the health care industry, it is not possible at this time to predict with assurance the effect on the business of the Obligated Group, if any, of such laws, bills or regulatory actions.

Additional Indebtedness

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with Obligation No. 11. Any such additional parity indebtedness would be entitled to share ratably with the holders of Obligation No. 11 in any money realized from the exercise of remedies in the event of a default under the Master Indenture. The issuance of additional parity indebtedness could impair the ability of the Obligated Group to maintain its compliance with certain covenants described in the form of the Master Indenture in Appendix E hereto. There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay Obligation No. 11 may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Third-Party Payments

Skilled nursing facilities that accept payment from Medicare and Medicaid are required to comply with federal and state laws that affect the rights of residents, including the Federal Nursing Home Reform Act and related regulations. In addition, state laws establish the rights and responsibilities of residents of nursing homes and assisted living facilities. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, prohibitions on admitting new residents and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect operation of the Communities or the financial condition of the Obligated Group.

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

The skilled nursing beds at Lakewood and The Glebe are certified for Medicare only and the skilled nursing beds at The Chesapeake and The Culpeper are certified for Medicare and

Medicaid. Approximately 29% of the Obligated Group's fiscal year 2020 annual operating revenues are derived from Medicare and Medicaid.

Certain Amendments to Bond Indenture and Master Indenture

In general, the Bond Indenture permits amendments to be made thereto (except for certain amendments that do not require consent of the holders of the 2021 Bonds) only with the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds affected by such amendment. The Bond Indenture further provides that without the consent of the owners of all the 2021 Bonds at the time Outstanding nothing therein contained shall permit, or be construed as permitting any of the following:

- (a) An extension of the maturity of the principal of or the interest on any 2021 Bond.
- (b) A reduction in the principal amount of any 2021 Bond or the rate of interest thereon.
- (c) An extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any 2021 Bond.
- (d) A privilege or priority of any 2021 Bond over any other 2021 Bond.
- (e) A reduction in the aggregate principal amount of 2021 Bonds required for consent to such amendment to the Bond Indenture.

In general, the Master Indenture permits amendments to be made thereto (except for certain amendments that do not require consent of the holders of Obligation No. 11) only with the consent of the holders of a majority in aggregate principal amount of Obligations then outstanding. The Master Indenture further provides that without the consent of the owners of all the Obligations at the time Outstanding nothing therein contained shall permit, or be construed as permitting any of the following:

- (a) Change the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the holder of such Obligation.
- (b) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the holders of all Obligations then Outstanding.
- (c) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the holders of which is required to authorize such amendment, without the consent of the holders of all Obligations then Outstanding.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligated Group and any future member of the Obligated Group under Obligation No. 11 and the Other Outstanding Obligations will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligated Group and any future Member of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional

Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including Obligation No. 11 pledged under the Bond Indenture as security for the 2021 Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the member of the Obligated Group from which such payment is requested or issued for the benefit of a member of the Obligated Group which is not a Tax-Exempt Organization; (ii) are requested to be made from any money or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such money or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to Obligation No. 11 cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such member of the Obligated Group to the extent that such payment would render such member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a member of the Obligated Group in order to pay debt service on Obligation No. 11 and the Other Outstanding Obligations may be voided by a trustee in bankruptcy in the event of bankruptcy of a member of the Obligated Group, or by third-party creditors in an action brought pursuant to Virginia fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Virginia fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Virginia fraudulent conveyance statutes, or the guarantor is undercapitalized.

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

Limitation on Security Interest in Gross Receipts

The effectiveness, priority and perfection of the security interest in the Obligated Group's Gross Receipts granted in the Master Indenture and the ability to receive and realize on the same may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any member of the Obligated Group, to collect and

retain accounts receivable from Medicare and other governmental programs; (iii) commingling of the proceeds of Gross Receipts with other money of a member of the Obligated Group not subject to the security interest in Gross Receipts; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the enforceability of the Deeds of Trust or the security interest in the Gross Receipts of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a member of the Obligated Group; (viii) rights of third parties in Gross Receipts converted to cash and not in the possession of the Master Trustee; (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Virginia Uniform Commercial Code as from time to time in effect; and (x) rights of residents of the Community pursuant to the Residency Agreements.

Pursuant to the Master Indenture, each member of the Obligated Group that pledges its Gross Receipts under the Master Indenture covenants and agrees that, if an Event of Default involving a failure to pay any installment of interest or principal on an Obligation should occur and be continuing, it will deposit the proceeds of its Gross Receipts. Such deposits will continue daily until such default is cured. It is unclear whether the covenant to deposit the proceeds of Gross Receipts with the Master Trustee is enforceable. In light of the foregoing and of questions as to limitations on the effectiveness of the security interest granted in such Gross Receipts, as described above, no opinion will be expressed by counsel to the Obligated Group as to enforceability of such covenant with respect to the required deposits.

In addition, accounts receivable of the members of the Obligated Group which constitute Gross Receipts and are pledged as security under the Master Indenture may be sold if such sale is in accordance with the provisions of the Master Indenture. Any lien created under the Master Indenture would terminate and be immediately released upon any such sale with respect to any such accounts receivable so sold.

Limitations on Enforceability of Remedies

The financial results of all the Members of the Obligated Group will be combined for purposes of various covenants and tests, including debt incurrence tests, under the Master Indenture. Although the assets of the Obligated Group are expected to produce revenues necessary to provide for payment of the 2021 Bonds, under the terms of the Master Indenture, substantial portions of all such assets could be conveyed to other Members of the Obligated Group. In an action against a Member of the Obligated Group involving the enforceability of an Obligation or the security interest in Pledged Assets granted as security therefor, payment of such Obligation may not be enforced if sufficient consideration was not received by such Member of the Obligated Group for such Obligation and its incurrence will render such Member of the Obligated Group insolvent.

Additionally, there exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such a corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses. A court could restrict the ability of the Master Trustee and the Bond Trustee, respectively, to compel the liquidation of the Obligated Group and their property to pay a judgment against it for payment of the 2021 Bonds because it is a nonprofit corporation carrying out its charitable purposes.

In addition to the foregoing, the realization of any rights under the Master Indenture, the Bond Indenture, the Loan Agreement and the Deeds of Trust upon a default by the Obligated Group depends upon the exercise of various remedies specified in the Master Indenture, the Bond Indenture, the Loan Agreement and the Deeds of Trust. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Master Indenture, the Bond Indenture, the Loan Agreement and the Deeds of Trust may not be readily available or may be limited. For example, a court may decide not to order the specific performance of certain covenants contained in the Master Indenture, the Bond Indenture, the Loan Agreement or the Deeds of Trust. Accordingly, the ability of the Master Trustee or the Bond Trustee to exercise remedies under the Master Indenture, the Bond Indenture, the Loan Agreement or the Deeds of Trust upon an Event of Default may be limited.

Upon the issuance of the 2021 Bonds, the principal amount of Obligation No. 11 will be approximately 32.4%* in aggregate principal amount of all Obligations outstanding under the Master Indenture. The proportion of the principal amount of Obligation No. 11 to the principal amount of all Obligations at any time outstanding under the Master Indenture is subject to change. The bank or trust company serving as Bond Trustee or Master Trustee may acquire other Obligations, either as holder for its own account or in a fiduciary capacity similar to that of Master Trustee. In exercising its respective duties and discretion, the Master Trustee might exercise its rights under different Obligations differently, reducing such proportion that otherwise might have been sufficient for the Master Trustee to control enforcement proceedings under the Master Indenture. The Master Trustee and Bond Trustee may in certain circumstances have other conflicts of interest. Upon an acceleration of Obligation No. 11 with the Other Obligations issued under the Master Indenture, after paying the expenses and other amounts due the Master Trustee, amounts available to pay the Obligations will be prorated among all holders of Obligations without preference or priority of principal or premium over interest or of interest over principal or premium, or of any Obligation over any other Obligation.

Environmental Risks

The Obligated Group is subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, health care operations, facilities and properties owned or operated by health care providers. Among the type of regulatory requirements faced by health care providers are (1) air and water quality control requirements, (2) waste management requirements, including medical waste disposal, (3) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (4) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the clinics, (5) requirements for training employees in the proper handling and management of hazardous materials and wastes and (6) other requirements.

The Obligated Group may be subject to liability for investigating and remedying any hazardous substances that may exist on, or have migrated off, of its property. Typical health care operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (1) result in damage to individuals, property or the environment, (2) interrupt operations and increase their cost, (3) result in legal liability, damages, injunctions or fines and (4) result in investigations, administrative proceedings, penalties or other governmental agency actions. The Obligated Group may encounter such issues in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group. The Obligated Group had environmental site

* Preliminary; subject to change.

assessments conducted at three of the Communities in early 2015. None of the environmental site assessments revealed environmental situations requiring further review. The Obligated Group is not aware of any current releases of pollutants or contaminants at the Mortgaged Property that would give rise to enforcement actions under applicable state or federal environmental statutes. However, there could be other such releases not known to the Obligated Group on its facilities as of the date of this Official Statement.

None of the Members of the Obligated Group is aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the Communities. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the Obligated Group could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the campus.

Federal and State Health Care Laws and Regulations; Medicare and Medicaid

The Obligated Group's independent living units are not currently subject to significant federal governmental regulation, other than laws and regulations applicable generally to developers and operators of residential real estate. For example, the Obligated Group must comply with the Federal Fair Housing Act and Fair Housing Amendments Act of 1988, 42 U.S.C.A. §3601 et seq., as amended, (which among other things, prohibits discrimination in housing) and the Americans with Disabilities Act of 1990, 42 U.S.C.A. §12101 et seq., as amended (which mandates the elimination of discrimination against individuals with disabilities and imposes certain standards relating to the construction and/or renovation of certain buildings and structures). Compliance with such regulatory requirements may adversely affect the Obligated Group's financial results. Failure to comply with such requirements could also result in the imposition of various fines and other remedies.

Skilled nursing facilities ("SNFs") that accept payment from Medicare and Medicaid are required to comply with federal and state laws that affect the rights of residents, including the Federal Nursing Home Reform Act and related regulations. In addition, state laws establish the rights and responsibilities of residents of nursing homes and assisted living facilities. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, prohibitions on admitting new residents and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect operation of the Community or the financial condition of the Obligated Group.

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

There is an expanding and increasingly complex body of law, regulation and policy (both federal and state) relating to the Medicaid and Medicare programs, which is not directly related to payments under such programs. This includes operating requirements, reporting and other technical rules as well as broadly stated prohibitions regarding improper inducements for referrals, referrals by physicians for designated health services to entities with which the physicians have a prohibited financial relationship, and payment of kickbacks in connection with the purchase of goods and services. Violations of prohibitions against false claims, improper inducements and payments, prohibited physician referrals, and illegal kickbacks may result in civil and/or criminal sanctions, refunding of payments and penalties. Civil

penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the Medicaid and Medicare programs. The determination that any of the facilities of the Obligated Group were in violation of these laws could have a material adverse effect on finances of the Obligated Group.

At this time, all the SNF beds except for those at Lakewood and The Glebe (certified for Medicare only) are certified for Medicare and Medicaid. See also “Sources of Resident Service Revenue” in Appendix A hereto. Medicare

Medicare is a federal insurance program that, among other things, provides reimbursement for nursing facility care in Medicare-certified facilities. Generally, a resident will qualify for Medicare reimbursement only if the resident’s admission to the nursing home facility is immediately subsequent to the resident’s three or more day stay at an acute care facility. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified resident. Medicare currently reimburses providers of nursing care utilizing a case-mix classification model, the Patient Driven Payment Model (PDPM). PDPM is carried out under the Skilled Nursing Facility (SNF) Prospective Payment System (PPS) by classifying skilled nursing facility residents in a covered Part A stay. The Patient Driven Payment Model was effective 10/1/2019 and includes five case-mix adjusted components (based on data driven patient characteristics) and a variable per diem (VPD) adjustment that adjusts the per diem rate over the course of the stay. The skilled nursing facility (SNF) prospective payment system’s federal rates account for differences in area wage levels, using a wage index issued by CMS. The SNF PPS wage index does not take into account geographic reclassification, but is calculated using hospital wage data and applied to SNFs.

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

Medicare Reimbursement. Medicare reimbursement to SNFs depends on several factors, including the character of the facility, the beneficiary’s circumstances, and the type of items and services provided. Extended care services furnished by SNFs are generally only covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within 30 days of discharge from a qualifying hospital stay. Medicare Part A generally covers institutional health services, including hospital, home health, nursing home care, and certain other services, and Medicare Part B generally covers certain physician services, medical supplies, and durable medical equipment. The Medicare Advantage Program, also known as Medicare Part C, enables Medicare beneficiaries to choose to obtain their Part A and Part B benefits through a variety of risk-based plans. Medicare Part D assists beneficiaries with paying for prescription drugs. Medicare is administered by the Centers for Medicare & Medicaid Services (“CMS”), an agency of the U.S. Department of Health and Human Services (“HHS”). HHS’s rule-making authority is substantial, and its rules are extensive and complex. Substantial deference is given by courts to rules promulgated by HHS.

Participation in any federal healthcare program is heavily regulated. Providers and suppliers that participate in the Medicare program must agree to be bound by the terms and conditions of the program, such as meeting quality standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices and must disclose certain ownership interests and/or managing control information. If a healthcare entity fails to substantially comply with any applicable conditions of participation in the Medicare and Medicaid programs or performs certain prohibited acts, the entity’s participation in these programs may be terminated, and civil and/or criminal penalties may be imposed as well as repayment of amounts paid to the healthcare entity.

The government uses Medicare reimbursement as a key tool to implement healthcare policies, to allocate healthcare resources and to control utilization, facility and provider development and expansion, and technology use and development. Changes in Medicare funding levels and the transition of Medicare enrollees into Medicare managed care plans, could have an adverse effect on the Obligated Group's revenues. There is frequent debate over the federal budget commitment to the Medicare program. Congress has consistently attempted to curb the growth of federal spending on healthcare programs. The pressure to curb the rate of increase in federal spending in healthcare programs overall and on a per-beneficiary basis is expected to increase as the United States population ages. Among other effects, this pressure may result in reduced payment rates for healthcare services and in increased utilization of managed care in the Medicare and Medicaid programs. In addition, Congress and other governmental agencies, and uninsured patients through certain federal and state class action litigation, have focused on the availability of healthcare to indigent and uninsured or underinsured patients, and the obligations of tax-exempt, not-for-profit healthcare organizations to these populations. Additional legislation or regulation in these areas could have an adverse effect on the results of operations of the Obligated Group.

The Affordable Care Act, discussed in more detail below, affects how healthcare services are covered, delivered, and reimbursed while expanding coverage to previously uninsured individuals and reducing government healthcare spending. In addition to the reimbursement reductions and adjustments under the Affordable Care Act and as discussed herein, the Budget Control Act of 2011 requires automatic spending reductions to reduce the federal deficit, including Medicare spending reductions of up to 2% per fiscal year, with a uniform percentage reduction across all Medicare programs. These automatic spending reductions began in 2013, with CMS imposing a 2% reduction on Medicare claims, and have been extended through 2025. CMS contracts with non-government organizations or agencies to serve as the fiscal agents between providers and CMS to process enrollment in and claims for payment by the Medicare program. These agents apply the Medicare coverage rules to determine the appropriateness of claims. To service Part A and Part B providers, CMS has contracted the Medicare fiscal intermediary and Medicare carrier functions to Medicare Administrative Contractors ("MACs"), which are geographically assigned.

The Balanced Budget Act of 1997 mandates the implementation of a per diem prospective payment system ("PPS") for SNFs covering all costs (routine, ancillary and capital) related to the services furnished to beneficiaries under Part A of the Medicare program. Major elements of the current system include the following:

Rates. Federal rates are set using allowable costs from FY 1995 cost reports. The rates also include an estimate of the cost of services which, prior to July 1, 1998, had been paid under Part B but furnished to SNF residents during a Part A covered stay. FY 1995 costs are updated to FY 1998 by a SNF market basket minus 1 percentage point for each of fiscal years 1996, 1997 and 1998. Providers which received new provider exemptions in FY 1995 are excluded from the data base. Routine cost limit exceptions payments are also excluded. The data is aggregated nationally by urban and rural area to determine standardized federal per diem rates to which case mix and wage adjustments apply.

Case Mix Adjustment. Payments under the SNF PPS are case-mix adjusted in order to reflect the relative resource intensity that would typically be associated with a given patient's clinical condition, as identified through the resident assessment process. The SNF PPS also includes an administrative presumption whereby a beneficiary who is correctly assigned one of the designated, more intensive case-mix classifiers on the initial 5-day, Medicare- required assessment is automatically classified as meeting the SNF level of care definition up to and including the assessment reference date (ARD) for that assessment. (A beneficiary who is not assigned one of the designated case- mix classifiers is not automatically classified as either meeting or not meeting the definition, but instead receives an individual level of care determination using the existing administrative criteria.)

- o For services furnished prior to October 1, 2019, CMS has designated for this purpose all groups encompassed by the following categories under the Resource Utilization Groups, version IV (RUG-IV) model: Rehabilitation plus Extensive Services; Ultra High Rehabilitation; Very High Rehabilitation; High Rehabilitation; Medium Rehabilitation; Low Rehabilitation; Extensive Services; Special Care High; Special Care Low; and Clinically Complex.
- o For services furnished on or after October 1, 2019, CMS designates for this purpose the following classifiers under the Patient Driven Payment Model (PDPM): Those nursing groups encompassed by the Extensive Services, Special Care High, Special Care Low, and Clinically Complex nursing categories; PT and OT groups TA, TB, TC, TD, TE, TF, TG, TJ, TK, TN, and TO; SLP groups SC, SE, SF, SH, SI, SJ, SK, and SL; and the NTA component's uppermost (12+) comorbidity group.

Geographic Adjustment. The labor portion of the federal rates is adjusted for geographic variation in wages using the hospital wage index.

Annual Updates. Payment rates are adjusted each Federal fiscal year using a SNF market basket index (PDF).

Transition. A three-year transition that blends a facility-specific payment rate with the federal case mix adjusted rate is used. The facility-specific rate includes allowable costs (from FY 1995 cost reports) including exceptions payments. Payments associated with 'new provider' exemptions are included but limited to 150 percent of the routine cost limit. It also includes an add-on for related Part B costs similar to the federal rate.

Payments of Medicare patients in SNFs are now based on a Patient-Driven Payment Model ("PDPM"). Under the current PDPM, SNFs are paid a single per diem rate per based upon the resident's clinical characteristics. PDPM rates are based on the expected resource needs of patients and cover routine services, therapy services and nursing costs. SNF PDPM payment rates are adjusted annually. There is no guarantee that the SNF rates, as they may change from time to time, will cover the actual costs of providing care to Medicare SNF patients.

The Health Care Reform Statutes also required the Secretary of the United States Department of Health and Human Services ("DHHS") to develop a "value based" purchasing program (based on performance and quality measures and other factors) for SNFs. DHHS is required to publish the measures selected with respect to fiscal year 2014, including procedures for the public to review such data. This will eventually result in a mandatory requirement for nursing homes reporting on key performance and other quality performance measures and the development of a pay for performance program for SNFs which will impact reimbursement to SNFs. Compliance with the performance and other quality performance measures will be essential for full reimbursement under the Medicare Program. In 2014, the Health Care Reform Statutes require that the annual update to the standard federal rate for discharges during the rate year will be reduced by two percentage points for each facility that does not report quality data. The Secretary is also required to study the impact of expanding Medicare's health care acquired conditions reduced payment policy to SNFs. Because the Health Care Reform Statutes are relatively new, the full impact of these provisions is unknown and subsequent laws, regulation and guidance impacting Medicare policy and reimbursement may provide additional changes which may adversely impact skilled nursing homes.

Medicare has also increased its efforts to recover overpayments. CMS is expanding its use of Recovery Audit Contractors ("RACs") to further assure accurate payments to providers. RACs search for potentially improper Medicare payments from prior years that may have been detected through CMS

existing program integrity efforts. RACs use their own software and review processes to determine areas for review. Once a RAC identifies a potentially improper claim as a result of an audit, it applies an assessment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. In 2014, the RAC project returned approximately \$2.4 billion to the Medicare program, with Florida accounting for \$139 million of this amount. Such audits may result in reduced reimbursement for past alleged overpayments and may slow future Medicare payments to providers pending resolution of appeals process with RACs, as well as increase purported Medicare overpayments and associated costs for the Obligated Group.

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

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

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

There is an increasingly expanding and complex body of state and federal law, regulation and policy relating to relationships between providers of health care services to patients and potential referral sources such as, but not limited to, physicians. The federal and state illegal remuneration statutes and anti-kickback statutes applicable to Medicare, Medicaid, and all federal and state health care programs ("Government Programs") prohibits the offer, payment, solicitation, or receipt of any remuneration, directly or indirectly, covertly or overtly, in cash or in kind, for (1) the referral of patients, or arranging for the referral of patients, for the provision of items or services for which payment may be made under the Government Programs; or (2) the purchase, lease or order, or arranging for the purchase, lease or order, of any good, facility, service or item for which payment may be made under the Government Programs. A violation of the illegal remuneration statute constitutes a felony criminal offense, and applicable sanctions include imprisonment of up to five years, fines up to \$25,000 per violation and exclusion from the Medicare program. In addition, the government may pursue civil penalties of up to \$50,000 per violation plus three times the amount of any government overpayment.

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

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

In addition to the anti-kickback and illegal remuneration statutes, the Stark Law imposes certain restrictions upon referring physicians and providers of certain designated health services, including long term care services, under the Medicare and Medicaid programs. Subject to certain exceptions, the Stark Law provides that if a physician (or a family member of a physician) has a financial relationship with an entity (i) the physician may not make a referral to the entity for the furnishing of designated health services reimbursable under the Medicare and Medicaid programs, and (ii) the entity may not bill for designated health services furnished pursuant to a prohibited referral. Entities and physicians committing an act in violation of the Stark Law are subject to civil money penalties and exclusion from the Medicare and Medicaid programs. Mandated by ACA, the recently published Medicare self-referral disclosure protocol (“SRDP”) is intended to allow providers to self-disclose actual or potential violations of the Stark Law. ACA provides for discretion to reduce penalties for providers submitting an SRDP. As a result of the scarcity of case law interpreting the Stark Law, there can be no assurance that the Obligated Group will not be found in violation of the Stark Law or that self-disclosure of a potential violation would result in reduced penalties for the Obligated Group.

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

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

Audits. Most health care providers are audited for compliance with the requirements for participation in the Medicare program. If audits discover alleged overpayments, the Obligated Group could be required to pay a substantial repayment of prior payments. The federal government contracts with third-party RACs, on a contingent fee basis, to audit the propriety of payments to Medicare providers. The centers for Medicare and Medicaid Services recently passed rules resulting in several more types of Medicare and or Medicaid audits. Medicare zone program integrity contractors (“ZPICs”) transitioned from the program safeguard contractor (“PSC”) program, target potential fraud and abuse and are tasked with ensuring the integrity of all Medicare-related claims per assigned jurisdiction. PSCs, ZPICs, affiliated contractors (“ACs”), and Medicare administrative contractors (“MACs”) must ensure that they pay the right amount for covered and correctly coded services rendered to eligible beneficiaries by legitimate providers. Four parallel strategies are employed in meeting this goal: (i) preventing fraud through effective enrollment and through education of providers and beneficiaries, (ii) early detection through, for example, medical review and data analysis, (iii) close coordination with partners, including PSCs, ZPICs, ACs, MACs, and law enforcement agencies, and (iv) fair and firm enforcement policies. The Obligated Group has not received claims or been a party to settlement negotiations outside of the routine audit processes. Nevertheless, ultimate liability could exceed reserves, and any excess could be substantial. Medicare regulations also provide for withholding payment in certain circumstances, which could adversely affect the Obligated Group’s cash flow.

Virginia Medicaid. Approximately 5% of the Obligated Group’s fiscal year 2020 annual operating revenues are derived from Medicaid. Virginia has accepted federal Medicaid expansion effective January 1, 2019. Certain state health care reimbursement policies and programs may affect Virginia Medicaid reimbursement. Examples of such policies are described below:

Virginia Medicaid Managed Care Programs. Certain states, including Virginia, have transitioned all or a portion of their state Medicaid programs to Medicaid managed care programs. Medicaid managed care provides for the delivery of Medicaid health benefits and additional services through contracted arrangements between state Medicaid agencies and managed care organizations that accept a set per member per month (capitation payment) payment for these services. Providers serving Medicaid managed care beneficiaries may be reimbursed at a rate which does not adequately reflect the cost of care provided and may experience increased administrative burdens.

Virginia Medicaid Waivers. Virginia has previously entered into, and may in the future enter into, one or more “State Medicaid Waivers” with the federal government. A State Medicaid Waiver is a request that the federal government waive certain Medicaid program requirements so that the state can test new ways to deliver or pay for care in its Medicaid program. Management cannot predict whether Virginia will apply for any new State Medicaid Waivers in the future, whether its existing State Medicaid Waivers will be allowed to expire, or whether either event will materially adversely affect the business or financial condition of the Obligated Group.

Virginia Provider Fee Programs. Certain states, including Virginia, have created programs that impose a fee or tax on health care providers, the proceeds of which are intended to be used as a mechanism to generate new in-state funds that can be matched with federal funds so that the state receives additional federal Medicaid funding. In many cases, the cost of the tax is paid back to providers through an increase in the Medicaid reimbursement rate for their patient services. The Obligated Group has benefitted overall from the provider fee program. The elimination or reduction in Virginia's current provider fee program could materially adversely affect the business or financial condition of the Obligated Group. Congress has considered proposals to limit the use of provider taxes. This would restrict

states' ability to generate increased federal matching funds for Medicaid, shifting additional costs to states. If Virginia were not able to find additional funds to replace provider tax funding with other state sources, limits on provider taxes could result in Virginia Medicaid program cuts.

Health Care Reform

The enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 and the Health Care and Education Reconciliation Act of 2021 (collectively, "ACA") represents a significant reform of federal health care legislation. Additionally, Congress continues to consider the adoption of additional laws to modify several aspects of such legislation. The ACA has significantly altered and continues to alter the delivery of healthcare in the United States, including healthcare coverage, financing and payment, and legal obligations of health insurers, providers, and employers. ACAACAACA The ACA and its continued implementation have been and remain politically controversial and subject to potential legislative or judicial changes and challenges. Therefore, it is not possible to predict the impact any modifications or full or partial repeal of the ACA, or any replacement health care legislation may have on the Obligated Group. Any legal, legislative, or executive actions that alter the health care marketplace, reduce federal spending, increase the number of individuals without insurance coverage, reduces the number of individuals seeking health care services, or otherwise alters or affects the health care marketplace could have a material effect on the Obligated Group.

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

The ACA reduces payments for services to federally-insured patients because Congress expected that providers will realize savings in bad debt and charity care expenses, since they are expected to provide care to fewer uninsured patients as a result of mandated increases in insurance coverage. The constitutionality of certain ACA provisions designed to expand health insurance coverage has faced numerous challenges. While the private insurance mandate has been upheld by the Supreme Court, certain provisions were found to be unconstitutional. Members of Congress continue to propose a repeal or amendment of the ACA and there is no assurance that it will be continued in its current form. It is difficult to predict the full impact of the ACA's continued implementation due to the law's complexity, lack of implementing regulations or interpretive guidance and gradual implementation, as well as an inability to foresee how states, businesses and individuals will respond to the choices afforded them by the law. The Obligated Group is therefore unable to predict the full impact of the ACA on it at this time.

Health care providers are likely to be subjected to decreased reimbursement as a result of implementation of recommendations of the ACA-created Independent Payment Advisory Board, whose directive is to reduce Medicare cost growth. The Board's recommended reductions would be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. ACA provisions relating to SNFs include requirements that facilities (i) make certain disclosures regarding ownership; (ii) implement compliance and ethics programs; and (iii) make certain disclosures regarding expenditures for wages and benefits for direct care staff. In addition, the ACA may affect SNF

reimbursement through the creation of value-based purchasing payment and post- acute care payment bundling programs and may place limitations on SNF payments for health care acquired conditions. Investors are encouraged to review legislative, legal, and regulatory developments as they occur and to assess the elements and potential effects of the health care reform initiative as it evolves.

Healthcare Industry Investigations

Both federal and state regulatory agencies maintain investigation programs of hospitals and other healthcare providers relative to compliance with applicable laws. Significant media and public attention has focused in recent years on the healthcare industry. It is possible that governmental entities could initiate investigations or litigation in the future at facilities operated by Members of the Obligated Group, potentially resulting in significant penalties as well as adverse publicity. It is also possible that the executives and managers of Members of the Obligated Group could be included in governmental investigations or litigation or named as defendants in private litigation. Because the law in this area is complex and constantly evolving, governmental investigations or litigation may result in interpretations that are inconsistent with industry practices, including the Members' practices. In public statements surrounding current investigations, governmental authorities have taken positions on a number of issues, including some for which little official interpretation previously has been available, that appear to be inconsistent with practices that have been common within the industry and that previously have not been challenged in this manner. In some instances, government investigations that have in the past been conducted under the civil provisions of federal law may now be conducted as criminal investigations. Both federal and state government agencies have increased their focus on and coordination of civil and criminal enforcement efforts in the healthcare area. The OIG and the U.S. Department of Justice have, from time to time, established national enforcement initiatives targeting all hospital providers that focus on specific billing practices or other suspected areas of abuse.

The Affordable Care Act allocates \$350 million of additional federal funding over 10 years to fight healthcare fraud, waste and abuse. In addition, governmental agencies and their agents, such as MACs, may conduct audits of the Obligated Group's healthcare operations. Private payors may conduct similar audits, and the Obligated Group will also perform internal audits and monitoring.

Possible Future Adverse Legislative Proposals

Legislative proposals which could have an adverse effect on the Obligated Group include: (a) any changes in the taxation of non-profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations recognized under Section 501(c)(3) of the Code; (c) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services; and (d) a requirement that non-profit health care institutions pay real estate property tax and sales tax on the same basis as for-profit entities.

The discussion above (or as otherwise discussed herein) is not an exhaustive study of the laws and regulations which may apply to the Obligated Group and its operations. Other laws and regulations not set forth herein (or elsewhere herein) may also apply to the Obligated Group and its operations and may have an adverse impact thereon.

Future Health Care and Regulatory Risks

The Obligated Group is and will continue to be subject to certain governmental regulations. Participants in the health care industry are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third

party reimbursement programs. In addition, the operations of the health care industry have been subject to increasing scrutiny by federal, state and local governmental agencies. In response to perceived abuses and actual violations of the terms of existing federal, state and local health care payment programs, such agencies have increased their audit and enforcement activities, and federal and state legislation has been considered or enacted, providing for civil and criminal penalties against certain activities.

Bills proposing to regulate or control, in some manner, health care costs and revenues and a number of proposals for a national health insurance program are regularly submitted to Congress. There are wide variations among these proposals and the effect on the health care industry and the Obligated Group cannot be determined. There can be no assurance that the implementation of any such bill or proposal or any future bill or proposal, or the implementation by the federal or state administrative bodies of cost containment or revenue control programs, would not adversely affect the revenues of Sinai Residences, and thus the revenues of the Obligated Group.

In the environment of increasing managed care, the Obligated Group can expect additional challenges in maintaining its resident population and attendant revenues. Third-party payors, such as health maintenance organizations, direct their subscribers to providers who have agreed to accept discounted rates or reduced per diem charges. CCRCs are less sensitive to this directed utilization than stand-alone SNFs; however, the risk may increase and the Obligated Group may be required to accept residents under such conditions should managed care cost reduction measures now pervasive in the health care industry continue to grow.

Uncertainty of Investment Income

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

Tax-Exempt Status

Members of the Obligated Group, other than Lynchburg Baptist Retirement Community, LLC, which is a disregarded entity, have received letters from the Internal Revenue Service (“IRS”) confirming their status as tax-exempt organizations described in Section 501(c)(3) of the Code. In order to maintain such status, the Obligated Group will be required to conduct its operations in a manner consistent with representations it previously made to the IRS and with current and future IRS regulations and rulings governing tax-exempt facilities for the residence and care of the elderly. In recent years the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and, in particular, the acceptance of low income residents by facilities comparable to the Communities and such facilities’ ability to utilize tax-exempt financing. Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Obligated Group to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the 2021 Bonds. LifeSpire’s loss of tax-exempt status would likely have a significant adverse effect on the Obligated Group and its operations and the tax-exempt status of interest on the 2021 Bonds. In the Loan Agreement, the Members of the Obligated Group have covenanted to maintain their status as tax-exempt organizations.

Federal Tax Matters

Possible Changes in Obligated Group's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Obligated Group of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Obligated Group and thereby the revenues of the Obligated Group. The Obligated Group has obtained a determination letter from the Internal Revenue Service to the effect that each member is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code. As exempt organizations, the Obligated Group is subject to a number of requirements affecting their operations. The failure of the Obligated Group to remain qualified as an exempt organization would affect the funds available to the Obligated Group for payments to be made under the Loan Agreement. Failure of the Obligated Group or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with 2021 Bond proceeds, could cause interest on the 2021 Bonds to be included in the gross income of holders of 2021 Bonds or former holders of 2021 Bonds for federal income tax purposes.

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

Intermediate Sanctions. Section 4958 of the Code, provides the Internal Revenue Service (the "IRS") with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status. Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (i.e., a director, officer or other related party) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving excessive compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription. A disqualified person who benefits from an excess benefit transaction will be subject to a "first tier" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A "second tier" penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Bond Audit. IRS officials have stated that more resources will be allocated to audits of tax-exempt bonds in the charitable organization sector. The 2021 Bonds may be subject to audit, from time to time, by the IRS, the Obligated Group believe that the 2021 Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the 2021 Bonds, as described under the heading "TAX MATTERS." No ruling with respect to the tax-exempt status of the 2021 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the 2021 Bonds will not adversely affect the 2021 Bonds.

Other Tax Status Issues. The IRS has also issued Revenue Rulings dealing specifically with the manner in which a facility providing residential services to the elderly must operate in order to maintain its exemption under Section 501(c)(3). Revenue Rulings 61-72 and 72-124 hold that, if otherwise qualified, a facility providing residential services to the elderly is exempt under Section 501(c)(3) if the organization (1) is dedicated to providing, and in fact provides or otherwise makes available services for,

care and housing to aged individuals who otherwise would be unable to provide for themselves without hardship, (2) to the extent of its financial ability, renders services to all or a reasonable proportion of its residents at substantially below actual cost, and (3) renders services that minister to the needs of the elderly and relieve hardship or distress. Revenue Ruling 79-18 holds that a facility providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the Communities' elderly persons, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly charges after being admitted to the facility.

Other Legislation. Section 7872 of the Code (Treatment of Loans with Below Market Interest Rates), provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or, even if the below market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below market rate loan is the avoidance of federal income taxation.

A refundable entrance fee payment made by a resident to certain continuing care facilities has been determined under Section 7872 to constitute a below market interest rate loan by the resident to the facility to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(h) provides a "safe harbor" exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether the Residency Agreements come within the scope of the continuing care facility safe harbor or within the statute itself.

Provided the Residency Agreement falls within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loan was made pursuant to a continuing care contract, (ii) if the resident (or the resident's spouse) has attained age 62 before the close of the year and (iii) irrespective of the amount of the "loan" by the resident (or the resident's spouse) to the continuing care facility. Section 7872(h) has been amended to make the exemption for loans to qualifying care facilities permanent.

Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Communities.

In recent years the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Obligated Group has covenanted to take all appropriate measures to maintain its tax-exempt status, compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Obligated Group to charge and collect revenues at the level required by the Loan Agreement, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the 2021 Bonds.

Market for Bonds

It is the present practice of the Underwriters to make a secondary market in the bond issues that it offers. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, these secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially lower

than the original purchase price. While there can be no guarantee or assurance that its present secondary marketing practices will always be continued, the Underwriters presently intend to make a secondary market in the 2021 Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the 2021 Bonds or, if a secondary market exists, that the 2021 Bonds can be sold for any particular price.

Credit Ratings

There is no assurance that the credit ratings assigned to any series of the 2021 Bonds at the time of issuance or at a subsequent time will not be lowered or withdrawn, the effect of which could adversely affect the market price and the market for the 2021 Bonds of such series. The Rating Agency may revise the criteria under which it rates the 2021 Bonds at any time, which revisions could result in significant changes to or withdrawal of the credit rating assigned to any series of the 2021 Bonds. In addition, in determining the initial credit rating for the 2021 Bonds, and in conducting its annual rating surveillance, the Rating Agency may use assumptions regarding occupancy, revenues, expenses and values related to the Community that differ materially from those used by the Obligated Group. Such differences could result in a lowering or withdrawal of the ratings on the 2021 Bonds. In addition, there is no requirement or covenant that the Obligated Group maintain the current rating or any rating for the 2021 Bonds.

Risk of Early Redemption

Purchasers of the 2021 Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such Bonds trading at a price in excess of par, should consider the fact that the 2021 Bonds are subject to optional and mandatory redemption at a redemption price equal to their principal amount plus accrued interest upon the occurrence of certain events. This could occur, for example, in the event that the 2021 Bonds are prepaid as a result of a casualty or condemnation award affecting the Community or there is a default under the Mortgage. Under such circumstances, a purchaser of the 2021 Bonds whose bonds are called for early redemption may not have the opportunity to hold such Bonds for a time period consistent with such purchaser's original investment intentions and may lose any premium paid for the 2021 Bonds.

Risk of Loss Upon Redemption

The rights of Beneficial Owners to receive interest on the 2021 Bonds will terminate on the date, if any, on which such Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Bond Indenture, and interest on such Bonds will no longer accrue on and after such date of redemption. There can be no assurance that the Obligated Group will be able or will be obligated to pay for any amounts not available under the Bond Indenture. In addition, there can be no guarantee that present provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the 2021 Bonds taxable for federal income tax purposes. Interest earned on the principal amount of the 2021 Bonds may or may not be subject to state or local income taxes under applicable state or local tax laws. Each prospective purchaser of Beneficial ownership Interests in the 2021 Bonds should consult his or her own tax advisor regarding the taxable status of the 2021 Bonds in a particular state or local jurisdiction.

2021 Taxable Loan

After the issuance of the 2021 Bonds, the Obligated Group will have approximately \$ _____ in outstanding privately held debt, which represents approximately ___% of its total outstanding debt. The loan agreement relating to the 2021 Taxable Loan contains a "most favored nation" provision. Such provision provides that if the Obligated Group grants more stringent covenants related to future debt

while the 2021 Taxable Loan is outstanding, Truist Bank, as the lender of the 2021 Taxable Loan, would receive the same more stringent covenants.

Risks Specific to Bank Debt. In addition to the 2021 Taxable Loan, the Obligated Group may incur additional debt in the future, through private placements with one or more financial institutions (each, “Bank Debt”). The terms of each Bank Debt will likely be negotiated separately and could create certain risks that could negatively affect the Obligated Group’s ability to make the payments on the 2021 Bonds. The risks associated with Bank Debt include, but are not limited to, the following:

- (a) being variable rate (which would subject the Obligated Group to interest rate risk, if interest rates were to increase);
- (b) having a balloon payment at maturity or call date (which would subject the Obligated Group to either a large payment of cash at maturity or require the Obligated Group to obtain alternate financing, and there could be no guarantee that the Obligated Group could accomplish either); and
- (c) having financial covenants that are more restrictive than those in the Master Indenture, the Bond Indenture, the Loan Agreement or Obligation No. 11 (which could result in a situation where the Obligated Group is in default of its obligations under Bank Debt but not the 2021 Bonds), including but not limited to the right to accelerate if a cross default occurs with respect to other indebtedness of the Obligated Group.

Risks Associated with Swaps. The Obligated Group may from time to time enter into interest rate swap transactions as a hedging device. Under certain circumstances, a swap may be terminated prior to its termination date. If a swap is terminated under certain market conditions, the Obligated Group may owe a termination payment to the swap provider. Such a termination payment generally would be based upon the market value of the swap on the date of termination and could be substantial. In addition, a partial termination of a swap could occur to the extent that any outstanding principal amount of the indebtedness hedged with the swap is prepaid. If such a prepayment occurs, a termination payment related to the portion of the swap to be terminated will be owed by either the Obligated Group or the swap provider, depending on market conditions. In the event of an early termination of a swap, there can be no assurance that (a) the Obligated Group will receive any termination payment payable to it by the swap provider, (b) the Obligated Group will have sufficient amounts to pay a termination payment payable by it to the swap provider, and (c) the Obligated Group will be able to obtain a replacement swap agreement with comparable terms. The University has credit risk to the extent the swap provider’s credit or ability to perform is reduced.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Borrower:

- (1) Litigation;
- (2) Reinstatement or establishment of mandatory governmental wage, rent or price controls;
- (3) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;

- (4) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;
- (5) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Borrower;
- (6) The cost and availability of energy;
- (7) Increased unemployment or other adverse economic conditions in the service areas of the Obligated Group which would increase the proportion of patients who are unable to pay fully for the cost of their care;
- (8) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the Community in order to maintain the charitable status of the Borrower;
- (9) Inflation or other adverse economic conditions;
- (10) Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;
- (11) Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments;
- (12) The actuarial assumptions regarding life expectancy and inflation used by the Obligated Group to calculate Entrance Fees and Monthly Service Fees prove inaccurate.
- (13) The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, which may damage the facilities of the Obligated Group, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; or
- (14) Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability, that organizations such as the Obligated Group generally carry.

UNDERWRITING

The Issuer, the Obligated Group and Herbert J. Sims & Company, Inc. and Davenport & Company LLC, as underwriters for the 2021 Bonds (collectively, the "Underwriters") will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") which provides that the Underwriters will purchase the 2021 Bonds at a purchase price reflecting an underwriters' discount of _____.

The obligation of the Underwriters to pay for the 2021 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including delivery of specified opinions of counsel and of a certificate of the Obligated Group that there has been no material adverse change in its condition (financial or otherwise) from that set forth in this Official Statement. The Obligated Group has agreed in the Bond Purchase Agreement to indemnify the Underwriters against certain liabilities relating to this Official Statement.

The Underwriters may offer and sell 2021 Bonds to certain dealers (including dealer banks and dealers depositing 2021 Bonds into investment trusts) and others at prices lower than the public offering

prices stated on the inside cover of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

BONDS ELIGIBLE FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS

The Act provides that bonds issued pursuant thereto shall be securities in which all public officers and public bodies of the Commonwealth and all its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, trustees and other fiduciaries may properly and legally invest funds. No representation is made as to the eligibility of the 2021 Bonds for investment or any other purpose under any law of any other state. The Act also provides that bonds issued pursuant thereto may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

TAX MATTERS

Opinion of Bond Counsel - Federal Income Tax Status of Interest. The opinion of McGuireWoods LLP, Richmond, Virginia (“Bond Counsel”), will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by the Issuer, the Obligated Group and certain other persons and entities, interest on the 2021 Bonds (i) is excludable from the gross income of the owners of the 2021 Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax. See Appendix F hereto for the form of the opinion of Bond Counsel for the 2021 Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2021 Bonds.

Bond Counsel’s opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel’s judgment as to the proper treatment of interest on the 2021 Bonds for federal income tax purposes. Bond Counsel’s opinion does not contain or provide any opinion or assurance regarding the future activities of the Issuer or the Obligated Group or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer and the Obligated Group have covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes. As to questions of fact materials to its opinion, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the Issuer, the Obligated Group, public officials and certain other third parties, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) so that interest on the 2021 Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2021 Bonds for interest on the 2021 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, the requirement that each Member of the Obligated Group maintain its status as an organization described in Section 501(c)(3) of the Code, restrictions on the use, expenditure and investment of the proceeds of the 2021 Bonds and the use of the property financed or refinanced by the 2021 Bonds, limitations on the source of the payment of and the security for the 2021 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2021 Bonds to the Treasury of the United States (the “Treasury”). The Bond Indenture, the Loan Agreement and the tax certificate delivered at closing contain covenants (the “Covenants”) under which the Issuer and the Obligated Group have agreed to comply with such requirements. A failure to comply with the Covenants

could cause interest on the 2021 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2021 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2021 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Bond Indenture, the Loan Agreement and the tax certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth therein. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2021 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the 2021 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the 2021 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2021 Bonds.

Prospective purchasers of the 2021 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2021 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any owner of a 2021 Bond who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a 2021 Bond who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of interest on the 2021 Bonds from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount. The “original issue discount” (“OID”) on any bond is the excess of such bond’s stated redemption price at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The “issue price” of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the 2021 Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the 2021 Bonds with OID (the “OID Bonds”) is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2021 Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds

should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium. In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effects of Future Enforcement, Regulatory and Legislative Actions. The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the 2021 Bonds, the IRS will, under its current procedures, treat the Issuer as the taxpayer. As such, the beneficial owners of the 2021 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2021 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2021 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of

tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2021 Bonds, regulatory interpretation of the Code or actions by a court involving either the 2021 Bonds or other tax-exempt obligations will not have an adverse effect on the 2021 Bonds' federal or state tax status, marketability or market price of the 2021 Bonds or on the economic value of the tax-exempt status of the interest on the 2021 Bonds.

Prospective purchasers of the 2021 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel-Virginia Income Tax Consequences. Bond Counsel's opinion also will state that, under current law, interest on the 2021 Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2021 Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the 2021 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2021 Bonds should consult their own tax advisors regarding the tax status of interest on the 2021 Bonds in a particular state or local jurisdiction other than the Commonwealth.

LEGAL MATTERS

Certain legal matters relating to the authorization, issuance and sale of the 2021 Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel. Such opinion will be available at the time of delivery of the 2021 Bonds. Bond Counsel's opinion, in substantially the form set forth in Appendix F, will be limited to matters relating to the authorization and validity of the 2021 Bonds and to the exemption of interest on the 2021 Bonds under current federal and Virginia income tax laws and will make no statement as to the ability of the Obligated Group to provide for payment of the 2021 Bonds. Certain legal matters will be passed upon for the Issuer by its counsel, the office of the Attorney General of the Commonwealth of Virginia; for the Obligated Group by its counsel, McGuireWoods LLP, Richmond, Virginia, and for the Underwriters by their counsel, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina.

FINANCIAL STATEMENTS

The audited consolidated financial statements of Virginia Baptist Homes, Inc. and Subsidiaries as of December 31, 2020 and 2019 included in Appendix B of this Official Statement have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein. The consolidated financial statements include Virginia Baptist Homes Foundation, Inc. (the "*Foundation*"), which is not a Member of the Obligated Group. The Foundation's total revenues, gains, and other support comprise less than 3% of the total revenues, gains, and other support of Virginia Baptist Homes, Inc. and Subsidiaries for the Fiscal Years ended December 31, 2018 through 2020 and the five-month period ended May 31, 2021. See "FINANCIAL INFORMATION" in Appendix A herein for more information.

RATING

Fitch Ratings, Inc. ("Fitch") has assigned the 2021 Bonds a rating of "BBB." Explanation of the significance of such rating may be obtained from Fitch. The Obligated Group has provided to Fitch

certain information that has not been included in this Official Statement. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Such action may have an adverse effect on the market price of the 2021 Bonds. None of the Obligated Group, the Issuer nor the Underwriters have undertaken any responsibility after the issuance of the 2021 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

LITIGATION

The Issuer

There is now no litigation of any nature to which the Issuer is a party pending or, to the knowledge of the Issuer, threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the 2021 Bonds or in any way contesting or affecting the validity of the 2021 Bonds or any proceedings taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity of or application of any moneys or the security provided for the 2021 Bonds or the existence or powers of the Issuer in connection with the issuance and delivery of the 2021 Bonds.

The Obligated Group

Management of the Obligated Group is of the opinion that there is no litigation or any proceedings of any nature pending or, to their knowledge, threatened against the Obligated Group that, if decided adverse to the Obligated Group, would have a material adverse effect on the financial position of the Obligated Group.

RELATIONSHIP OF PARTIES

McGuireWoods LLP (“McGuireWoods”), Bond Counsel for the 2021 Bonds, is also serving as general counsel to the Obligated Group in connection with the issuance of the 2021 Bonds. McGuireWoods also provides legal services on other matters to Herbert J. Sims & Company, Inc. and Davenport & Company LLC, the Underwriters of the 2021 Bonds. McGuireWoods and Parker Poe Adams & Bernstein LLP, counsel to the Underwriters, represent from time to time U.S. Bank National Association, which is the Bond Trustee and Master Trustee.

CONTINUING DISCLOSURE

Annual Disclosure

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the 2021 Bonds are outstanding, the Obligated Group (the “Obligated Person”) will agree pursuant to a Disclosure Dissemination Agent Agreement, dated as of August 1, 2021, to be delivered on the date of delivery of the 2021 Bonds, to cause the certain financial and operating information and certain event notices to be provided to the Municipal Securities Rulemaking Board (“MSRB”). See Appendix G for the proposed form of the Disclosure Dissemination Agent Agreement. Pursuant to the Disclosure Dissemination Agent Agreement, Digital Assurance Certification, L.L.C. (“DAC”) has been appointed disclosure agent.

As required by the Rule, the Disclosure Dissemination Agent Agreement provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB.

The Disclosure Dissemination Agent Agreement provides holders of the 2021 Bonds with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof;

however, a default under the Disclosure Dissemination Agent Agreement does not constitute a default under the Financing Documents. The Disclosure Dissemination Agent Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the 2021 Bonds are advised that the Disclosure Dissemination Agent Agreement should be read in its entirety for more complete information regarding its contents.

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the 2021 Bonds and the Issuer will not provide any such information. The Obligated Person has undertaken all responsibilities for any continuing disclosure to holders of the 2021 Bonds as described above and in Appendix G, and the Issuer shall have no liability to the holders of the 2021 Bonds or any other person with respect to such disclosures. **Only the Obligated Group is required to provide Operating and Financial Data and Events Notices. Neither the Issuer, nor the Underwriters have any obligations with respect to such continuing disclosure.**

Pursuant to a review by DAC, during the past five years the Obligated Group has complied in all material respects with its existing continuing disclosure obligations.

Quarterly Disclosure

Pursuant to the Loan Agreement and the Disclosure Dissemination Agent Agreement, the Obligated Group will covenant that it will file, or cause to be filed, with EMMA, for informational purposes only, the following additional information within forty-five (45) days following the end of each quarter of each Fiscal Year of the Obligated Group:

- (i) the cumulative unaudited financial statements, including income statement, balance sheet and statement of cash flows, of the Obligated Group for the fiscal year to date, including a comparison of budgeted to actual operations;
- (ii) occupancy statistics for the Obligated Group for such fiscal quarter;
- (iii) a schedule of rates and charges in effect for the Obligated Group for such fiscal quarter, including a recap of the entrance fee refund and plan types, in percentages, all as of the last day of such quarter;
- (iv) computations of the Long-Term Debt Service Coverage Ratio (calculated on an annualized basis for the period beginning on the first day of such fiscal year and ending on the last day of such fiscal quarter then ended) and the number of Days' Cash on Hand as of the end of such fiscal quarter (such calculations are for informational purposes only);
- (v) the skilled nursing facility payor mix for each of the Obligated Group's communities and cumulatively, including a break out of the direct admittances and resident transfers within the private pay category, all as of the last day of such quarter;
- (vi) an abbreviated narrative of the operating and financial environment of the Obligated Group for such fiscal quarter;
- (vii) any updates to major construction projects; provided, however, if any future continuing disclosure obligation is undertaken that discloses project updates, such continuing disclosure obligation with respect to project updates shall be deemed to fulfill this subsection (vii); and
- (viii) if any future parity indebtedness is incurred by the Obligated Group, any change to the cumulative parity debt service schedule for the Obligated Group.

MISCELLANEOUS

The Obligated Group has furnished all information in this Official Statement except the information in “THE ISSUER,” “UNDERWRITING,” “BONDS ELIGIBLE FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS” and “TAX MATTERS” and the information in “LITIGATION” as it relates to the Issuer. The Issuer assumes no responsibility for the accuracy or completeness of information other than the information in “THE ISSUER” and the information in “LITIGATION – The Issuer.”

The use of this Official Statement has been duly authorized by the Issuer and approved by the Obligated Group and deemed final except for the omission of certain information permitted to be omitted under the Rule.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

By: _____
Chair

Approved:

VIRGINIA BAPTIST HOMES, INC., d/b/a
LifeSpire of Virginia, on its own behalf and on
behalf of **CULPEPER BAPTIST**
RETIREMENT COMMUNITY, INC. d/b/a
The Culpeper, **LAKEWOOD MANOR**
BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST
RETIREMENT COMMUNITY, INC., d/b/a
The Chesapeake, **THE GLEBE, INC., and**
LYNCHBURG BAPTIST RETIREMENT
COMMUNITY, LLC

By: _____
President/CEO

APPENDIX A

THE OBLIGATED GROUP

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THE OBLIGATED GROUP

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GENERAL CORPORATE STRUCTURE AND HISTORY

Background and Organization

Virginia Baptist Homes, Inc. is a Virginia nonstock nonprofit corporation and does business as “LifeSpire of Virginia.” Accordingly, the corporate entity of Virginia Baptist Homes, Inc. is referred to herein as “VBH” while the overall system of communities it operates is referred to herein as “LifeSpire.”

While each LifeSpire community has a unique setting and features, all of them share a single mission of empowering individuals with choices in purposeful living and a value system that reflects the ideals of faith, servant-leadership, stewardship, peace of mind, innovation and joy.

VBH was originally formed to develop and operate a retirement community in Culpeper, Virginia, now known as The Culpeper (“The Culpeper”). Construction of The Culpeper began in 1949 and residents moved into the community in 1951. In 1965, the Baptist General Association voted for VBH to build a second community located in Newport News, Virginia (“The Chesapeake”). A third community, Lakewood Manor (“Lakewood”), was opened in western Henrico County in metropolitan Richmond, Virginia in 1978. A fourth community, The Glebe (“The Glebe”), was opened in Daleville, Virginia (near Roanoke, Virginia) in 2006 and became a Member of the Obligated Group in 2017. VBH intends to acquire “The Summit,” a retirement community located in Lynchburg, Virginia. Information related to The Summit, including the limited historical information available to VBH, can be found in the sections titled “THE SUMMIT” and “THE SUMMIT ACQUISITION” below.

In 1984, VBH reorganized to create affiliated corporations for each area of its operations. Today, VBH is the sole corporate member of its affiliates:

Culpeper Baptist Retirement Community, Inc. (the “Culpeper Affiliate”) is a nonstock nonprofit Virginia corporation, incorporated January 17, 1984, and operates The Culpeper. The Culpeper Affiliate is a Member of the Obligated Group.

Lakewood Manor Baptist Retirement Community, Inc. (the “Lakewood Affiliate”) is a nonstock nonprofit Virginia corporation, incorporated January 17, 1984, and operates Lakewood. The Lakewood Affiliate owns most of the real property constituting Lakewood, and VBH owns certain unimproved property at Lakewood. Lakewood is located on the property owned by the Lakewood Affiliate, except for a small portion which is located on the VBH property. The Lakewood Affiliate is a Member of the Obligated Group.

Newport News Baptist Retirement Community, Inc. (the “Newport News Affiliate”) is a nonstock nonprofit Virginia corporation, incorporated January 17, 1984, and operates The Chesapeake. The Newport News Affiliate is a Member of the Obligated Group.

The Glebe, Inc. (the “Glebe Affiliate”) is a nonstock nonprofit Virginia corporation, incorporated October 14, 1998, and operates a retirement community in Botetourt County, near Roanoke, Virginia. The Glebe Affiliate is a Member of the Obligated Group.

Virginia Baptist Homes Foundation, Inc. (“Foundation”) is a nonstock nonprofit Virginia corporation, incorporated January 17, 1984, and supports LifeSpire. The Foundation is primarily devoted to fundraising for all of LifeSpire’s communities and through its four funds—benevolence, crisis, education and spiritual life—it supports residents and team members of LifeSpire communities as well as social accountability programs and initiatives in the markets LifeSpire serves. As of December 31, 2020, the

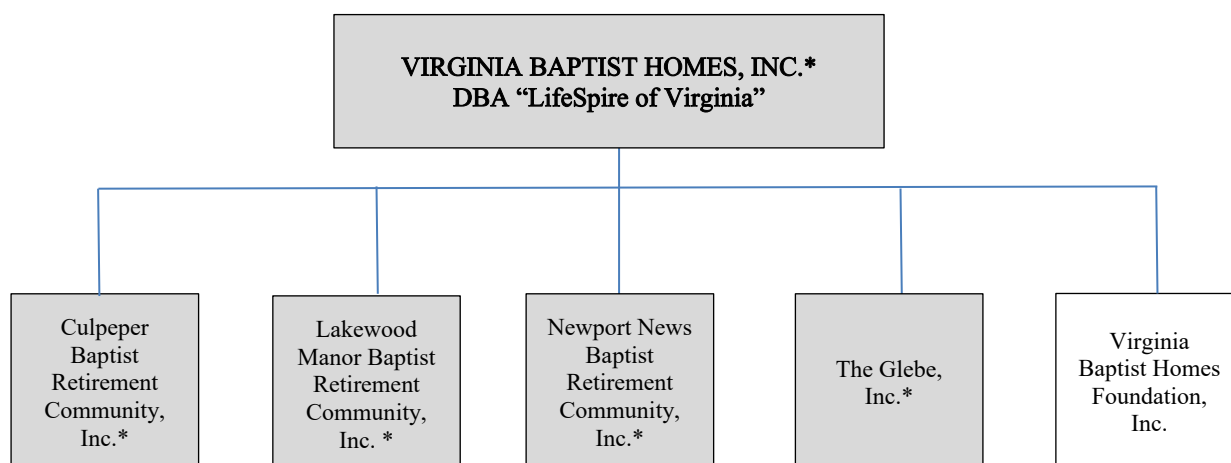
Foundation had approximately \$10.223 million in cash and investments. **The Foundation is NOT a Member of the Obligated Group.**

The chart below sets forth the unit mix of the LifeSpire retirement communities as of May 31, 2021:

Community	Location	Capacity				Total	% of 2020 Operating Revenue
		ILU	ALU	MS	Nursing		
Lakewood	Richmond	325	60	14	96	495	40.7%
The Chesapeake	Newport News	251	57	16	52	376	25.7%
The Culpeper	Culpeper	33	54	32	47	160	14.9%
The Glebe	Daleville	154	32	20	32	238	18.7%
Total		763	203	82	227	1,275	100.0%

Organizational Chart

The chart below displays the corporate structure of VBH and the current Obligated Group:



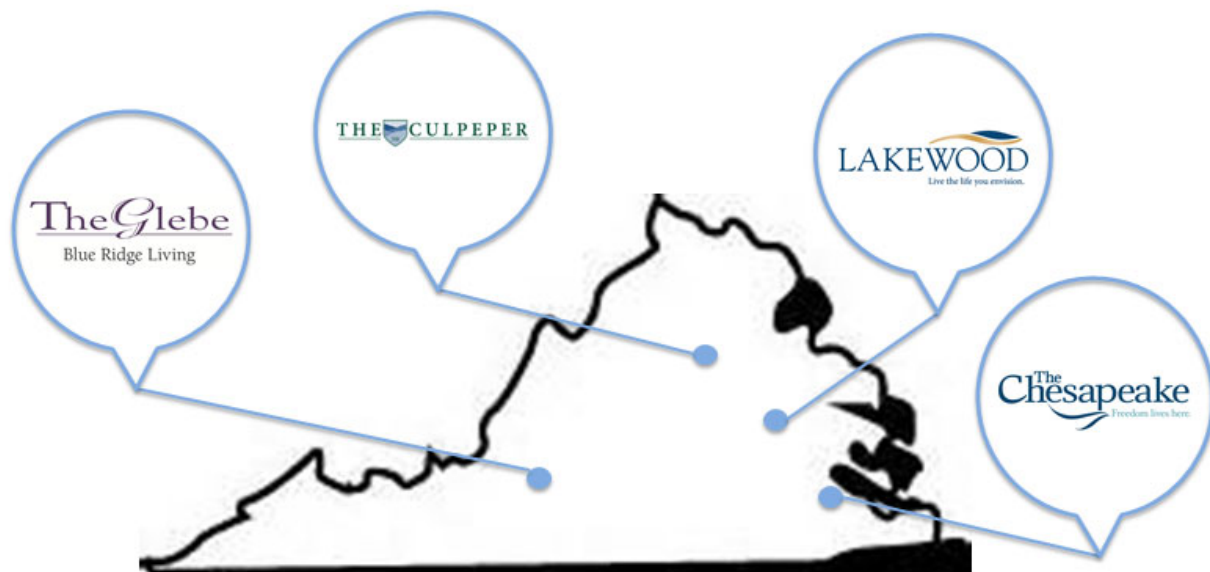
* Member of the Obligated Group.

Joint Venture Investment

LifeSpire of Virginia entered a joint venture agreement to provide home health and other organizational support services with Pinnacle Living. The terms of the agreement created Senior Living Partners of Virginia, LLC ("SLP"). SLP's home health division, Affirmation Home Health, will initially provide home health services in the greater Richmond, Newport News and Williamsburg areas. In 2021, LifeSpire transferred a capital contribution of \$633,500 to SLP. There are no plans for additional capital contributions; this is maintained as an investment on the LifeSpire balance sheet.

Locations

The following map shows the location of the current LifeSpire communities:



MANAGEMENT

Board of Trustees

The Board of Trustees of VBH also serves as the Board of Trustees of the Culpeper Affiliate, the Lakewood Affiliate, the Newport News Affiliate, and the Glebe Affiliate. The trustees represent a cross-section of the communities VBH serves. Trustees are selected to the Board based primarily on their contribution potential to LifeSpire as a whole. This may be for their ability to elicit support from denominational leadership or for their technical expertise in some facet of the business community.

The Officers and Trustees as of June 1, 2021 are included below.

BOARD MEMBER	Profession	Current Tenure (Years)	Term Date
Mr. R. Scott Cave – Chair	Retired, Compensation Director-Anthem BCBS	7	2021
Rev. Daniel Carlton – Vice Chair	Minister, Culpeper Baptist Church	6	2023
Mr. James A. Bales	Principal, James Bales Financial, LLC	3	2022
Ms. Sharon Brooks	Chief Marketing Officer, 2Life Communities	1	2024
Rev. Herbert O. Browning, Jr.	Retired, Minister	7	2022
Dr. Valerie Carter-Smith	Executive Director, WMU of Virginia	5	2024
Dr. Tiffany M. Franks	President, Averett University	2	2023
Rev. Nelson Harris	Minister, Heights Community Church	4	2021
Mr. John Jung	Retired, Sr. Managing Director BB&T	1	2024
Mr. Michael E. Keck	EVP, Richmond Region Retired, President, Xenith Bank	7	2022

BOARD MEMBER	Profession	Current Tenure (Years)	Term Date
Ms. Sara L. Marchello	Associate Provost, University Registrar College of William & Mary	4	2021
Mr. Robert L. Musick, Jr.	Principal, CT Executive Benefits Group	8	2021
Mr. Samuel G. Oakey, III	President/Chairman, Oakey's Funeral Services	7	2022
Mr. Arne Owens	Retired, Deputy Assistant Secretary for Planning & Evaluation, U.S. Department of Health and Human Services	2	2023
Dr. Pam Parsons	Associate Clinical Professor & Associate Dean of Practice and Community Engagement, VCU School of Nursing	1	2024
Mr. John Poma	Chief Legal Counsel, Tidewater Physicians Multispecialty Group, P.C.	1	2024
Mrs. Susan Rucker	President, Prospective Insights	8	2021
Mr. Matthew Scott	Health Care Consultant	5	2024
Mr. Michael M. Smith	Retired	7	2022

Each VBH affiliate has a separate board comprised of the members set forth above. Such separate boards meet once a year.

Management

Officers of VBH and affiliates

The officers of VBH also serve as the officers of the Culpeper Affiliate, the Lakewood Affiliate, the Newport News Affiliate, and the Glebe Affiliate.

President and CEO: Jonathan R. Cook (50) – Jonathan R. Cook joined the staff of LifeSpire as President/CEO in December 2014. Prior to joining LifeSpire, Mr. Cook worked for Life Care Services LLC, where in his tenure he served as both Executive Director and in the regional position of Director of Operations Management. He has more than 26 years of experience in the senior living/elder care field, including experience in multi-site continuing care retirement communities (“CCRCs”). Mr. Cook is a graduate of The Richard Stockton College of New Jersey and is a licensed Nursing Home Administrator in North Carolina and South Carolina.

Chief Financial Officer: Christopher Markwith (52) – Christopher Markwith joined LifeSpire in January 2018 and was promoted to CFO in June 2019. Chris is responsible for directing overall financial operations for LifeSpire, its communities, foundation offices and its home-based membership program. Markwith has more than 25 years’ experience in progressive leadership roles in auditing, finance and operations for a number of organizations including the Commonwealth of Virginia, Signet Banking Corporation (now Wells Fargo), MCV Physicians, ChildFund International, Patient Services, Inc., and Health Savings Administrators, LLC. Markwith, a certified public accountant, is a graduate of the University of Mary Washington, with a bachelor’s degree in business administration and major in accounting. He also earned a master’s degree in business administration from Virginia Commonwealth University.

Chief Strategy and Integration Officer: Lisa H. Legeer (53) – Lisa H. Legeer joined the team at LifeSpire as Chief Strategy and Integration Officer in June 2021. She has more than 25 years of experience

in all phases of CCRC development and operations. Prior to joining LifeSpire, Ms. Legeer worked for GlynnDevins (now Attane) as Senior Vice President of Research and Health Care Consulting and as Senior Vice President of Strategic Partnerships. Before joining GlynnDevins, she spent 14 years working in the senior living practice at Dixon Hughes Goodman. Ms. Legeer is a graduate of the University of Virginia.

Chief Marketing Officer: J. Peter Robinson (42) – J. Peter Robinson joined VBH in January 2009. Before joining LifeSpire, he worked with Sunrise Senior Living where he served in a variety of roles, including regional manager for an assisted living portfolio, managing a portfolio of six continuing care retirement communities and directing the marketing and sales for a new development. Prior to working for Sunrise Senior Living, Mr. Robinson worked for Sunnyside Retirement Community in Harrisonburg, Virginia. Mr. Robinson is a graduate of James Madison University with a bachelor's degree in History and a graduate of George Mason University with a master's degree in Health Systems Management.

VBH is currently recruiting for a new Chief Operating Officer.

Executive Director of The Culpeper, The Chesapeake, Lakewood, The Glebe, and The Summit

The Culpeper Executive Director: James F. Jacobsen (56) – James F. (“Jim”) Jacobsen was named Executive Director of The Culpeper in September 2015. His employment with LifeSpire began in August 1991 when he served as Director of Dining Services at The Culpeper. In 1995, he began 20 years of service at Lakewood. Mr. Jacobsen was instrumental in coordinating and facilitating a number of initiatives at Lakewood and he played key roles during various organizational transitions while serving at Lakewood. Mr. Jacobsen most recently served as the Associate Executive Director. While at Lakewood he was often described as the face of “Customer Service” for the community. Mr. Jacobsen is a licensed Nursing Home Administrator and holds an Associate in Applied Science degree from the University of Florida.

The Chesapeake Executive Director: David A. Loop (60) – David F. Loop joined The Chesapeake as Executive Director in June 2017 and has 30 years of experience as a senior living community executive. Prior to becoming Executive Director, David served in leadership positions at several non-profit senior living organizations, including Chief Operating Officer of Willow Valley Living in Pennsylvania; Executive Director at The Garlands of Barrington in Illinois; President/CEO of Friendship Village in Illinois; Executive Director of Kahala Nui in Hawaii; President/CEO of Wesleyan Senior Living in Ohio; and, Executive Director for Ohio Presbyterian Retirement Services. He is a graduate of Miami University in Oxford, Ohio.

Lakewood Executive Director: Heather Crumbaugh (59) - Heather Crumbaugh has more than 15 years of experience in all aspects of senior living, including improving operational efficiencies and outcomes, team and census building, strategic planning and project management. Mrs. Crumbaugh most recently served as the regional director of operations, mid-Atlantic region for Senior Lifestyle Corp., where she had operational oversight of ten communities offering independent living, assisted living and memory support across five states. Prior positions include serving as vice president of sales and operations for upscale senior living communities in South Carolina, as well as CEO of a highly regarded life plan community in Chapel Hill, North Carolina.

The Glebe Executive Director: Ellen D’Ardenne (58) – Ms. D’Ardenne is in her 16th year of leadership with The Glebe and VBH. She was appointed executive director of The Glebe in 2017. Prior to becoming executive director, she served at The Glebe as Licensed Administrator and Director of Health Services. Prior to joining The Glebe, Ms. D’Ardenne spent more than 25 years leading successful food service operations in the CCRC industry as well as the private sector. For a short period, Ms. D’Ardenne also opened and operated Gourmet Catering and Food Shoppe business in Roanoke, Virginia. Thereafter, she returned to Mary Baldwin College for her bachelor’s degree in Health Care Administration.

GENERAL INFORMATION FOR THE OBLIGATED GROUP COMMUNITIES

Services of VBH

VBH provides management support and financial services to each of its affiliated Communities. Most accounting functions are handled by VBH, which include general ledger accounting, payroll and accounts payable processing. Medicare and Medicaid cost reports, IRS Forms 990, bond covenant compliance monitoring and reporting, and payroll tax returns are filed by the VBH staff for each of the retirement communities as applicable. Operational management support functions include human resources and benefits administration, health care compliance and support, physical plant and project management, information technology administration, marketing & public relations oversight and support, and State Corporation Commission reporting and compliance. VBH owns or controls the real properties of its affiliates.

Financial Assistance to Residents

LifeSpire has a policy to grant financial assistance to continuing care residents who, through no fault of their own, have exhausted their financial resources. The resident must submit a confidential financial statement to support the need and explain the disposition of the assets declared upon admission to the facility. Requests for assistance are considered by the Chief Executive Officer and the Chief Financial Officer, who then determine if approval will be granted. The granting of financial assistance is limited by the Obligated Group's prior obligations and its ability to meet its commitment to all residents and operate on a sound financial basis.

LifeSpire has historically provided funds to assist residents with financial assistance programs. LifeSpire receives funds from several sources, including gifts from the Baptist General Association of Virginia, gifts from area churches and individuals, and payments of income on trusts and other investment vehicles for which VBH is a beneficiary.

Admissions Criteria for Residents

Each community admits residents based upon similar admission criteria. LifeSpire Communities are open to persons 62 years of age or older (except in the case of a married couple, a spouse may be younger), regardless of race, nationality, religion, sexual orientation or any other federally protected class of individual, who are free of communicable disease and demonstrate an ability to meet their financial obligations as residents. Upon acceptance, all prospective residents must pay entrance fees ("Entrance Fees") described below, prior to being admitted as a resident. The applicant is asked to submit the following information: (1) an application for admission containing general background information, (2) a personal health history recounting relevant medical experience and insurance data, and (3) a confidential financial statement which summarizes the prospective resident's net worth and annual income. Each facility's admissions committee, composed of staff of the facility, reviews the information and advises each applicant of its decision to accept or reject his or her application.

Residency Agreements with Residents

All continuing care residents entering a LifeSpire retirement community execute a Residency Agreement (the "Residency Agreement") which provides for the resident's contractual right to receive the services offered by the LifeSpire Community. Each Residency Agreement sets forth an Entrance Fee along with a monthly fee for the continuing care services provided to the resident (the "Monthly Fee"). The Entrance Fee and Monthly Fee vary with the size and type of residence selected, the type of contract selected, and whether the resident applies for single or double occupancy. If a resident is deemed to be "borderline" in meeting financial criteria, VBH staff often assist in a detailed review.

Residents choosing the “Independent Living” option live in an apartment or cottage with access to all of the services along the comprehensive continuum of care. The services are included in the Monthly Fee and are designed to support and enhance the residents’ independence. Among the services provided are one meal per day served in the dining room, regular housekeeping and maintenance services, professionally directed as well as individual exercise opportunities through the fitness center, on-site pharmacy and rehabilitative therapy, clinic services, and scheduled transportation for shopping, cultural events, and medical appointments. Under the Residency Agreement, short-term and long-term health care are provided in the on-site assisted living center and health care center at rates described below.

Residency Agreement Types

The LifeSpire Communities offer the following contract types:

- Life Care (Lakewood, The Chesapeake and The Glebe) – The Life Care contract provides unlimited access to assisted living and skilled nursing in the health care center from independent living with no change in a resident’s existing Monthly Fee. Should space not be available in Assisted Living, the resident may temporarily receive services in the health care center until an appropriate Assisted Living residence is available. Similarly, should space not be available in the health care center, the LifeSpire Communities may transfer residents to another facility or provide home care services in the resident’s independent living residence.
- Fee-For-Service (All four communities) – LifeSpire Communities make available assisted living or skilled nursing care for a resident in independent living who requires such respective care. The associated cost is the applicable Assisted Living or Skilled Nursing daily rate less ten percent (10%) and shall be the responsibility of the resident. Should space not be available in the health care center, the resident may be required to be temporarily transferred to another facility at the expense of the resident.
- Community-based Continuing Care (Lakewood) – LifeSpire offers community-based continuing care contracts for individuals aged 55 and older who wish to age in place in their own homes. Lakewood at Home is a program that provides members access to activities, amenities and if ever needed, assisted living or skilled nursing care, at the Lakewood community. Members pay an entrance fee and a monthly fee depending on their age and the plan they select. Plans include a Life Care contract with refundable options as well as co-payment plans designed for individuals with long-term care insurance.

Residency Agreement Type Mix

The following table displays the contract type mix from fiscal year 2018 through 2020 and the period ending May 31, 2021.

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Life Care	66.7%	63.9%	63.4%	62.5%
Fee for Service	33.3%	36.14%	36.63%	37.5%
Total	100.0%	100.0%	100.0%	100.0%

Refund Options for Residents

LifeSpire Communities' residents selecting Life Care or Fee-for-Service contracts may choose one of the following options:

Refund Option	Amortization Schedule
Standard	The Entrance Fee, less an initial 4% administrative charge (\$5,000 in The Culpeper), will be amortized at 2% per month for 50 months after which time the Entrance Fee is fully amortized.
50% Refund	The Entrance Fee, less an initial 4% administrative charge (\$5,000 in The Culpeper), will be amortized at 2% per month for 25 months after which time the Entrance Fee is fully amortized. Refund will never be less than 50% of the Entrance Fee paid less the 4% administrative fee.
90% Refund	The Entrance Fee, less an initial 4% administrative charge (\$5,000 in The Culpeper), will be amortized at 1% per month for 10 months after which time the Entrance Fee is fully amortized. Refund will never be less than 90% of the Entrance Fee paid less the 4% administrative fee.

Refund Type Mix

The following table displays the refund type mix from fiscal year 2018 through 2020 and the period ending May 31, 2021.

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/21
Standard	89.3%	86.2%	86.3%	85.2%
90%+	9.9%	12.8%	12.9%	13.8%
50%	0.8%	1.0%	0.8%	1.0%
Total	100.0%	100.0%	100.0%	100.0%

Assisted Living Generally

Assisted Living is generally reserved for residents who entered a LifeSpire Community under a Residency Agreement, who can no longer function independently. Direct admission to assisted living from outside residents is available, as space permits, at the applicable Assisted Living daily rate.

Health Care Generally

Admission to the health care center at each community is generally reserved for the care of LifeSpire Community residents under a Residency Agreement, who can no longer function independently, and who are in need of more intensive medical and nursing care. Direct admission of outside residents to skilled nursing care is available, as space permits, at the applicable Skilled Nursing daily rate. All four health care centers are certified for Medicare reimbursement, while The Chesapeake's and The Culpeper's health care centers are also certified for Medicaid.

Waiting Lists

A waiting list is maintained of persons who have expressed an interest in future entrance consideration. A non-interest-bearing deposit of \$1,000 is required of those who want to be on the list. Persons on the list will be contacted first, in the chronological order in which their name was placed on the

list, when a vacancy occurs. If those on the waiting list are not ready or are unwilling to accept the specific available residence, then consideration will be given to non-list applicants. The \$1,000 is not considered an advance payment on the Entrance Fee but is generally applied thereto at the time of entrance. Should the waiting list applicant elect not to enter a LifeSpire Community, not meet the eligibility requirements, or expire prior to consideration, then the \$1,000 deposit will be refunded promptly to either the applicant or to his/her estate.

THE OBLIGATED GROUP COMMUNITIES

THE CULPEPER

Community Background

General. The Culpeper began operation in 1951 as the first Virginia Baptist Homes community and provided assisted living and nursing care. In the 1960s, single-family and duplex cottages for independent living were added. In 2019, LifeSpire completed a \$50 million repositioning of the community with a replacement building for assisted living, memory support, nursing care, and administrative and common areas. Today, the community is a campus-style complex that consists of 23 single-family and 5 duplex cottages (10 residences), 54 assisted living units, 32 assisted living memory support units, and 47 nursing beds.

Health Care. The operations of the health care units are supervised by the Administrator and Director of Nursing, in consultation with the Medical Director, who is a licensed physician. They are responsible for developing and implementing health care policies and coordinating the medical services in accordance with relevant state and federal regulations and generally accepted medical practices. Residents may continue under the care of their own physician, or they may choose the Medical Director as their primary care physician. Registered nurses, together with LPNs and certified nursing assistants, offer residents professional care, immediate attention, and emergency consultations 24 hours per day.

When a resident's medical condition requires assisted living or nursing services, the resident moves from a residential unit to one of the rooms in the health care center on either a permanent or temporary basis. The Medical Director, together with the Executive Director and the Director of Nursing, determine if a resident should be transferred into either of the two levels of care, but only after consulting with the resident and the resident's physician and family.

Resident Profile. The Culpeper's residents have diverse geographic backgrounds. The current average age of residents upon move-in (fiscal years 2019 - 2021) is 84.4 years, and approximately 63% of the independent living residents originate from the general Culpeper area.

Employees and Contracts. The Culpeper Affiliate currently employs approximately 130 full-time equivalent employees, of which approximately 125 are full-time. Part-time employees primarily consist of nursing, dining and environmental services staff. The Culpeper Affiliate has contracts for services limited to highly specialized services, such as physical therapy, occupational therapy and speech therapy, and technical fields which do not require a full-time presence, such as pharmacy consultant, consulting dietician and medical director.

Fees, Occupancy and Payor Mix. See "ENTRANCE AND MONTHLY FEES" below for The Culpeper's fees.

The Culpeper Site Map

A campus map of The Culpeper is shown below:

**LAKEWOOD**

Community Background

General. Lakewood was opened in western Henrico County in 1978. The community is a campus-style complex that currently has 325 independent living units, including 50 villas, 14 cottages and 261 apartments. Health care services include 60 assisted living units, 14 assisted living memory care units and 96 skilled nursing units. Recent capital improvements include a 2019 expansion of amenities and new independent living units. Most of the independent living areas were updated to be “first in class” within the market. Other investments include: added dining venues and variety and over 12,000 square feet of fitness space that includes brain fitness, a salt water pool, an aerobics studio and an equipment room.

In 2019, LifeSpire launched Lakewood at Home, a continuing care retirement community without walls program offering life care and fee-for-service contract options to individuals aged 55 and older who wish to age in place in their own homes. The community-based continuing care contract provides members access to social and wellness activities, state-of-the-art amenities and dining at Lakewood, as well as care coordination for home- or community-based care and services. If a member requires assisted living, memory support or nursing care, he or she can elect to receive that care at Lakewood, as available, or at another suitable community based on the member's preferences and care needs.

Lakewood at Home members pay an entrance fee and a monthly fee, depending on their age and the plan they select. Available plans are designed to accommodate individuals with and without long-term care insurance policies. The Lakewood at Home program has exceeded projections, with 100 members as of June 30, 2021.

Health Care. The operation of the health care unit is supervised by the Administrator and Director of Nursing in consultation with the Medical Director, who is a licensed physician. They are responsible for developing and implementing healthcare policies and coordinating the medical services in accord with relevant state and federal regulations and generally accepted medical practices. Residents may continue under the care of their own physician or they may choose the Medical Director as their primary care physician. Registered nurses, together with licensed practical nurses and certified nursing assistants, offer residents professional care, immediate attention and emergency consultations 24 hours per day.

When a resident's medical condition requires assisted living or nursing services, the resident moves from a residential unit to one of the rooms in the health care center on either a permanent or temporary basis. The Medical Director, together with the Administrator and the Director of Nursing, determine if a resident should be transferred into either of the two levels of care, but only after consulting with the resident and the resident's physician and family.

Resident Profile. The current average age of the residents upon move-in (fiscal years 2019-2021) is 81.3 years and approximately 83% of the independent living residents originate from the Richmond area.

Employees and Contracts. The Lakewood Affiliate currently employs approximately 228 full-time equivalent employees, of which approximately 219 are full-time. Part-time employees primarily consist of nursing, dining and environmental services staff. The Lakewood Affiliate has contracts for services limited to highly specialized services, such as physical therapy, occupational therapy and speech therapy, and technical fields which do not require a full-time presence, such as pharmacy consultant, consulting dietician and medical director.

Fees, Occupancy and Payor Mix. See **"ENTRANCE AND MONTHLY FEES"** below for Lakewood's fees, occupancy rates and the skilled nursing payor mix.

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Lakewood Site Map

A campus map of Lakewood is shown below:



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THE CHESAPEAKE

Community Background

General. The Chesapeake began operation in 1969. The community is a campus-style complex that currently has 251 independent living units, including 34 cottages and 217 apartments. Health care services include 57 assisted living units, 16 assisted living memory care units and 52 skilled nursing units. The Chesapeake has renovated over 75% of the campus in the last three years. The final phase of renovations are set to begin in the fall of 2021, with completion 9 months later. All newly renovated independent living apartments are being equipped with smart home technology.

Health Care. The Chesapeake has 52 private nursing units, 100% of which are Medicare and Medicaid certified. The operations of the health care center are supervised by the Administrator and Director of Nursing in consultation with the Medical Director, who is a licensed physician. They are responsible for developing and implementing health care policies and coordinating the medical services in accord with relevant state and federal regulations and generally accepted medical practices.

Residents may continue under the care of their own physician, or they may choose the Medical Director as their primary care physician. Registered nurses, together with LPNs and certified nursing assistants, offer residents professional care, immediate attention and emergency consultations 24 hours per day.

When a resident's medical condition requires assisted living or nursing services, the resident moves from a residential unit to one of the rooms in the health care center on either a permanent or temporary basis. The Medical Director, together with the Executive Director and the Director of Nursing, determine if a resident should be transferred into either of the two levels of care, but only after consulting with the resident and the resident's physician and family.

Resident Profile. The current average age of the residents upon move in (fiscal years 2019 - 2021) is 81.8 years and approximately 77% of the independent living residents originate from the Hampton Roads metropolitan area.

Employees and Contracts. The Newport News Affiliate currently employs approximately 198 full-time equivalent employees, of which approximately 165 are full-time. Part-time employees primarily consist of nursing, dining and environmental services staff. The Newport News Affiliate has contracts for services limited to highly specialized services, such as physical therapy, occupational therapy and speech therapy, and technical fields which do not require a full-time presence, such as pharmacy consultant, consulting dietician and medical director.

Fees, Occupancy and Payor Mix. See “**ENTRANCE AND MONTHLY FEES**” below for The Chesapeake's fees, occupancy rates and the skilled nursing payor mix.

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The Chesapeake Site Map

A campus map of The Chesapeake is shown below:



THE GLEBE

Community Background

General. The Glebe began operation in 2006. The community is campus-style complex that currently has 154 independent living units, 32 assisted living units, 20 assisted living memory support units (new in 2019), and 32 nursing units. Recent capital improvements include: new make-up air system, new flooring in the health care center, and continual independent living refurbishments, including smart home technology.

Health Care. The Glebe has 32 private skilled nursing units. 100% of skilled nursing units are Medicare certified. The operations of the health care center are supervised by the Administrator and Director of Nursing in consultation with the Medical Director, who is a licensed physician. They are responsible for developing and implementing health care policies and coordinating the medical services in accord with relevant state and federal regulations and generally accepted medical practices.

Residents may continue under the care of their own physician, or they may choose the Medical Director as their primary care physician. Registered nurses, together with LPNs and certified nursing assistants, offer residents professional care, immediate attention and emergency consultations 24 hours per day.

When a resident's medical condition requires assisted living or nursing services, the resident moves from a residential unit to one of the rooms in the health care center on either a permanent or temporary basis. The Medical Director, together with the Executive Director and the Director of Nursing, determine if a resident should be transferred into either of the two levels of care, but only after consulting with the resident and the resident's physician and family.

Resident Profile. The current average age of the residents upon move in (fiscal years 2019 - 2021) is 80.7 years and approximately 54% of the independent living residents originate from the Roanoke metropolitan area.

Employees and Contracts. The Glebe Affiliate currently employs approximately 136 full-time equivalent employees, of which approximately 121 are full-time. Part-time employees primarily consist of nursing, dining and environmental services staff. The Glebe Affiliate has contracts for services limited to highly specialized items, such as physical therapy, occupational therapy and speech therapy, and technical fields which do not require a full-time presence, such as pharmacy consultant, consulting dietician and medical director.

Fees, Occupancy and Payor Mix. See “ENTRANCE AND MONTHLY FEES” below for The Glebe's fees, occupancy rates and the skilled nursing payor mix.

The Glebe Site Map

A campus map of The Glebe is shown below:



ENTRANCE AND MONTHLY FEES

THE CULPEPER

The unit mix, size and fees, as of the date of this Official Statement at The Culpeper are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Independent Living Units:				
The Cottages:				
Keswick - 2 BR	17	1,000-2,366	\$103,000-254,000	\$2,400 - \$3,415
Waverly - 2 BR duplex	10	1,136	275,000	3,000
Conway	2	1,262	296,000	2,813
Hughes	1	1,317	317,000	3,038
Rapidan	1	1,540	350,000	3,600
Rivanna	2	1,765	382,000	3,938
Total Cottages	33			
Independent Living:				
Total	33			

Type of Unit	Number of Units	Approximate Square Footage	Daily Fee ⁽³⁾
Health Care Center:			
Assisted Living Beds:			
Brookneal – Studio	17	373	\$179
Caroline – 1 BR	5	444	189
Davenport – 1 BR	5	481	193
Essex 1 - 1 BR	23	481	193
Jefferson 1 – 2 BR	4	667	223
Total Assisted Living	54		
Memory Care Units:			
Private Units	32	293-300	\$246
Nursing Beds: ⁽⁴⁾			
Private	47	293-300	\$314
Total Health Care	133		
TOTAL UNITS AND BEDS	166		

⁽¹⁾ Entrance Fees are shown for the Standard Fee-For-Service Plan.

⁽²⁾ Incremental second person monthly & entrance fees for all independent living units are \$1,369 and \$31,000, respectively.

⁽³⁾ Rates shown are daily rates for direct admissions; AL rates shown are for Level 1.

⁽⁴⁾ All Health Care beds are Medicare and Medicaid certified, published daily rate shown.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 2.45% to 4% each of the last five fiscal years. Entrance Fees have increased approximately 3% each of the last five fiscal years depending on unit type.

LAKEWOOD

The unit mix, size and fees, as of the date of this Official Statement at Lakewood are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Independent Living Units:				
Apartments:				
Ashton – studio	7	472	\$144,000	\$2,736
Berkley - 1 BR	34	472	148,000	2,736
Carlisle - 1 BR	60	615	177,000	3,446
Davenport - 1 BR	29	944	233,000	4,276
Davidson - 1 BR	30	822	222,000	4,134
Easton - 2 BR	28	874	241,000	4,478
Fairchild - 2 BR	15	937	250,000	4,536
Gathright - 2 BR	14	1,230	355,000	4,819
Total Apartments	217			
Villas:				
Copperas – 2 BR	6	1,640	\$470,000	\$5,708
Timbercrest – 2 BR	6	1,800	534,000	5,909
Tuckahoe – 2 BR	18	1,470	435,000	5,152
Total Villas	30			
Hybrids:				
Birch – 2 BR	6	1,621	\$525,000-533,000	\$5,067
Maple – 2 BR	6	1,404	458,000-466,000	4,503
Oak – 2 BR	6	1,650	555,000-557,000	5,118
Pine – 1 BR	2	1,140	375,000	3,837
Total Hybrids	20			
Clubhouse:				
Eagle I – 1 BR	1	928	\$287,000	\$3,581
Eagle II – 1 BR	11	954	302,000-309,000	\$3,735
Heron – 2 BR	9	1,297	402,000-429,000	4,811
Mallard – 2 BR	3	1,291	415,000-427,000	4,811
Osprey – 2 BR	15	1,397	441,000-475,000	5,015
Pelican – 2 BR	2	1,274	410,000-413,000	4,657
Tern – 2 BR	3	1,450	484,000-504,000	5,067
Total Clubhouse	44			
The Cottages:				
Irrington – 2 BR	3	2,805	\$641,000	\$7,317
Jamestown I – 2 BR	3	2,068	565,000	6,547
Jamestown II – 2 BR	1	2,773	600,000	6,844
Kilmarnock I – 2 BR	1	2,181	587,000	6,844
Kilmarnock II – 2 BR	2	2,932	624,000	7,176
Lancaster – 2 BR	4	1,826	522,000	5,909
Total Cottages	14			
Independent Living: Total	325			

Type of Unit	Number of Units	Daily Fee ⁽³⁾
Health Care Center:		
Assisted Living Beds:		
Private	60	\$235-262
Memory Care Beds:		
Private	14	\$262
Nursing Beds ⁽⁴⁾ :		
Private	96	\$334
Health Care Center: Total	170	
TOTAL UNITS AND BEDS	495	

⁽¹⁾ Entrance Fees are shown for the Standard Life Care Plan.

⁽²⁾ Incremental second person monthly & entrance fees for all independent living units are \$1,702 and \$73,000, respectively.

⁽³⁾ Rates shown are daily rates for direct admissions; AL rates shown are for Level 1.

⁽⁴⁾ All Health Care beds are Medicare and Medicaid certified.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 2.45% to 4% each of the last five fiscal years. Entrance Fees have increased approximately 3% each of the last five fiscal years depending on unit type.

THE CHESAPEAKE

The unit mix, size and fees, as of the date of this Official Statement at The Chesapeake are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Independent Living Units:				
Apartments				
Aberdeen – 1 BR	11	857	\$144,000	\$3,650
Bennett – 1 BR	6	1,050	176,000	3,841
Bethel – 2 BR	3	1,147	215,000	3,799
Bryant – 2 BR	30	1,160	241,000	4,161
Chester – 1 BR	3	919	160,000	3,650
Easton – 2 BR	12	1,093	213,000	3,841
Elizabeth – 1 BR	5	1,126	205,000	4,161
Elizabeth Deluxe – 2 BR	1	1,983	350,000	5,283
Harris – 1 BR	15	857	144,000	3,650
James – 2 BR	30	1,160	241,000	4,161
Lawson – 2 BR	2	1,256	218,000	4,101
Lynnhaven – 2 BR	5	1,762	323,000	4,912
Madison – 2 BR	2	1,056	211,000	3,519
Mobjack – 2 BR	4	1,088	195,000	3,984
Nottoway – 2 BR	3	1,786	295,000	4,353
Patrick – 2 BR	1	1,065	205,000	4,101
Potomac – 1 BR	4	1,110	211,000	4,161
Rappahannock – 2 BR	17	1,326	274,000	4,493
Virginian (formerly Hampton) – 1 BR	27	760	140,000	3,420
Warwick – 2 BR	15	1,178	223,000	4,101
Willoughby – 2 BR	1	1,519	285,000	4,570
York – 1 BR	20	950	166,000	3,689
Total Apartments	217			
The Cottages				
Gloucester/Lancaster I - 2 BR	4	1,469	\$298,000	\$4,478

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Gloucester/Lancaster II - 2 BR	4	1,625	315,000	4,610
Gloucester/Lancaster III - 2 BR	16	1,765	326,000	4,761
Smithfield - 2 BR	7	1,389	291,000	4,454
Smithfield - II & III – 2 BR	3	1,526	309,000	4,574
Total Cottages	34			
Independent Living: Total	251			

Type of Unit	Number of Units	Daily Fee ⁽³⁾
Health Care Center:		
Assisted Living Beds:		
Suite	54	\$205-239
Private	3	243-277
Memory Care Beds:		
Private	15	\$246
Suite	1	257
Nursing Beds ⁽⁴⁾ :		
Private	52	\$338
Health Care Center: Total	125	
TOTAL UNITS AND BEDS	376	

⁽¹⁾ Entrance Fees are shown for the Standard Life Care Plan.

⁽²⁾ Incremental second person monthly & entrance fees for all independent living units are \$1,372 and \$36,000, respectively.

⁽³⁾ Rates shown are daily rates for direct admissions; AL rates shown are for Level 1.

⁽⁴⁾ All Health Care beds are Medicare and Medicaid certified.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 2.45% to 4% each of the last five fiscal years. Entrance Fees have increased approximately 3% each of the last five fiscal years depending on unit type.

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THE GLEBE

The unit mix, size and fees, as of the date of this Official Statement at The Glebe are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Independent Living Units:				
Apartments:				
Allegheny – 1 BR	23	739	\$155,000	\$3,411
Blue Ridge – 1 BR	24	947	199,000	3,872
Catawba – 2 BR	28	1,111	233,000	4,181
Draper – 2 BR	28	1,176	249,000	4,382
Elliston – 2 BR	11	1,347	279,000	4,702
Elliston Deluxe – 2 BR	10	1,411	279,000	4,702
Fincastle – 2 BR	9	1,555	329,000	5,318
Total Apartments	133			
The Cottages:				
Fairview – 2 BR	13	1,765	\$376,000	\$5,495
Greyledge – 2 BR	3	1,498	342,000	5,495
Hawthorne – 2 BR	2	1,504	345,000	5,495
Santillane – 2 BR	2	1,558	361,000	5,495
Spitz – 2 BR	1	2,591	427,000	5,613
Total Cottages	21			
Independent Living: Total	154			
Type of Unit	Number of Units		Daily Fee ⁽³⁾	
Health Care Center:				
Assisted Living Beds				
Private	32		\$205-239	
Memory Care Beds				
Private	20		\$278	
Nursing Beds ⁽⁴⁾				
Private	32		\$352	
Health Care Center: Total	84			
TOTAL UNITS AND BEDS	238			

⁽¹⁾ Entrance Fees are shown for the Standard Life Care Plan.

⁽²⁾ Incremental second person monthly & entrance fees for all independent living units are \$1,433 and \$37,000, respectively.

⁽³⁾ Rates shown are daily rates for direct admissions; AL rates shown are for Level 1.

⁽⁴⁾ All Health Care beds are Medicare certified.

Entrance Fees and Monthly Fees are reviewed each fiscal year. Monthly Fees have increased approximately 2.45% to 4% each of the last five fiscal years. Entrance Fees have increased approximately 3% each of the last five fiscal years depending on unit type.

OCCUPANCY

Below is a table showing average available units through May 31, 2021, and average year to date unit occupancy through May 31, 2021 followed by the average occupancy of the five most recent fiscal years:

	# of Units Available	Avg. Through May 31, 2021 # Occ.	% Occ.	2020	Average Occupancy for the Fiscal Year Ended December 31,			
					2019	2018	2017	2016
Independent Living								
Lakewood	325	298	91.6%	91.3%	88.8%	89.8%	90.0%	90.2%
The Chesapeake	251	246	97.9%	96.7%	97.2%	91.3%	89.8%	89.1%
The Culpeper	33	32	96.9%	98.6%	100.0%	84.9%	90.9%	91.0%
The Glebe	154	147	95.3%	95.7%	95.0%	94.8%	92.7%	92.2%
Assisted Living								
Lakewood	60	46	75.9%	82.8%	88.5%	87.0%	88.7%	86.6%
The Chesapeake	57	45	79.0%	93.1%	90.2%	93.5%	92.1%	94.8%
The Culpeper	54	51	95.1%	95.2%	114.3%	71.2%	80.8%	78.2%
The Glebe	32	31	95.9%	98.0%	92.6%	95.5%	97.7%	97.9%
Memory Support								
Lakewood	14	9	63.6%	79.2%	85.7%	84.8%	93.3%	94.3%
The Chesapeake	16	15	93.4%	82.2%	68.8%	94.6%	77.9%	73.3%
The Culpeper	32	23	72.2%	81.5%	42.2%	-	-	-
The Glebe	20	17	84.4%	85.7%	79.5%	-	-	-
Nursing								
Lakewood	96	79	82.6%	87.5%	91.8%	94.2%	92.8%	82.6%
The Chesapeake	52	48	91.6%	88.4%	90.1%	89.4%	94.4%	92.5%
The Culpeper	47	37	78.6%	89.6%	93.1%	93.7%	91.0%	92.3%
The Glebe	32	27	84.8%	84.9%	89.0%	94.7%	96.0%	94.9%
Total	1,275	1,151	90.3%	91.9%	91.5%	90.7%	90.8%	89.6%

As of May 31, 2021, there were 514 individuals in residence at Lakewood, and Lakewood had a waiting list for independent living units of 190 prospective residents who have made \$1,000 deposits. Lakewood at Home has 100 members as of June 30, 2021. As of May 31, 2021, there were 429 individuals in residence at The Chesapeake, and The Chesapeake had a waiting list for independent living units of 91 prospective residents who have made \$1,000 deposits. As of May 31, 2021, there were 170 individuals in residence at The Culpeper, and The Culpeper had a waiting list for independent living units of 22 prospective residents who have made \$1,000 deposits. As of May 31, 2021, there were 273 individuals in residence at The Glebe, and The Glebe had a waiting list for independent living units of 104 prospective residents who have made \$1,000 deposits.

Below is a table of the weighted average year-to-date unit occupancy through May 31, 2021 and during the five most recent fiscal years:

	# of Units Available	Weighted Avg. Through May 31, 2021 # Occ.	% Occ.	2020	Weighted Average Occupancy for the Fiscal Year Ended December 31,			
					2019	2018	2017	2016
Independent Living	763	723	94.9%	94.2%	93.2%	91.0%	90.6%	90.3%
Assisted Living	203	173	85.0%	91.4%	96.5%	87.0%	89.5%	89.1%
Memory Support	82	64	77.8%	82.3%	63.9%	89.9%	85.3%	83.4%
Nursing	227	191	84.1%	87.8%	91.3%	93.1%	93.4%	88.5%
Total	1,275	1,151	89.6%	91.9%	91.5%	90.7%	90.8%	89.6%

SKILLED NURSING PAYOR MIX

Payor Mix by Community

The following tables display the skilled nursing payor mix by census from fiscal year 2018 through 2020 and the period ending May 31, 2021 for each community. Totals may not foot due to rounding.

The Culpeper Payor Mix

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Private Pay	64.9%	60.9%	55.4%	47.0%
Medicare	9.6%	13.6%	23.2%	28.3%
Medicaid	24.8%	24.8%	20.6%	24.5%
Other	0.7%	0.7%	0.8%	0.2%
Total	100.0%	100.0%	100.0%	100.0%

Lakewood Payor Mix

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Private Pay	75.0%	68.6%	69.4%	64.8%
Medicare	23.2%	29.2%	27.7%	33.8%
Medicaid	0.0%	0.0%	0.0%	0.0%
Other	1.8%	2.2%	2.9%	1.4%
Total	100.0%	100.0%	100.0%	100.0%

The Chesapeake Payor Mix

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Private Pay	77.4%	70.3%	80.5%	83.6%
Medicare	16.9%	25.1%	14.0%	11.2%
Medicaid	4.4%	3.0%	3.7%	4.2%
Other	1.3%	1.6%	1.8%	1.0%
Total	100.0%	100.0%	100.0%	100.0%

The Glebe Payor Mix

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Private Pay	77.7%	69.4%	67.3%	67.3%
Medicare	21.0%	29.8%	31.8%	30.4%
Medicaid	0.0%	0.0%	0.0%	0.0%
Other	1.3%	0.8%	0.9%	2.3%
Total	100.0%	100.0%	100.0%	100.0%

Consolidated Payor Mix

The following table displays the consolidated skilled nursing payor mix by census from fiscal year 2018 through 2020 and the period ending May 31, 2021. Totals may not foot due to rounding.

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Private Pay	74.2%	67.6%	68.7%	66.4%
Medicare	19.1%	25.3%	24.2%	26.6%
Medicaid	5.3%	5.5%	5.2%	5.8%
Other	1.4%	1.6%	1.9%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

SERVICE AREA AND COMPETITION

The Culpeper

The Culpeper's primary service area consists of the Town of Culpeper and the County of Culpeper, as well as the surrounding Counties of Orange, Madison, Green and Fauquier. Lake of the Woods and Fredericksburg are important secondary markets for The Culpeper. The Culpeper has no major competitors in their service area.

Lakewood

Lakewood's key markets come from the west end of Richmond. This area is loosely defined as points west of Richmond through eastern Goochland. Lakewood's service area also includes areas south of Ashland in Northern Chesterfield, Midlothian and Bon Air. Lakewood's primary competitors in their service area include Cedarfield, Westminster Canterbury Richmond, and Avery Point by Erickson Senior Living (anticipated to open in 2022).

The Chesapeake

The Chesapeake's primary service area includes the Newport News areas, west to Williamsburg and east to the Hampton Roads Bridge Tunnel. Those areas include Yorktown, Poquoson, Hampton, Gloucester and Newport News. The Chesapeake's primary competitor in their service area is Warwick Forest.

The Glebe

The Glebe is located in a more rural market than LifeSpire's other communities and therefore draws from a wider than typical primary service area. The Glebe's primary service area includes Roanoke, Daleville, Troutville, Fincastle and Salem. The Glebe receives enough residents from Smith Mountain Lake zip codes for it to be considered a primary market, however due to its distance geographically from The Glebe, Smith Mountain Lake is typically considered an important secondary market. The Glebe's primary competitors in their service area include Brandon Oaks Life Plan Community and Richfield Living.

CONTINUING STRATEGIC INITIATIVES AND GOALS

General

Following the retirement of its former CEO in 2015, the Board of Trustees understood that for LifeSpire to be more than just sustainable, they required a greater depth of operational experience. Following the hiring of Jonathan Cook as President and CEO, the organization implemented a number of programs and processes that led to significant improvement to financial performance, following substantial annual operating losses after The Great Recession. Key areas of prior and current focus include:

- Revamped budgeting process along with improved monthly financial reporting and use of benchmarking
- Use of actuarially sound analysis for resident pricing, admissions, and contracts
- Increased reinvestment in capital assets
- Ensuring LifeSpire offers competitive compensation and benefits in each of its markets
- Revised governance, including board recruitment initiatives
- Implemented lifestyle programming for dining, wellness and hospitality to all areas of the communities

LifeSpire, as with many faith-based organizations, historically had a Board of Trustees composed primarily of clergy and laypersons. While their contributions are acknowledged and celebrated, the Board of Trustees recognized this posed a risk to the organization as senior living continues to evolve rapidly, presenting new challenges to every aspect of the organization. Over the past five years, the Board of Trustees has been deliberate and successful in identifying and recruiting new members to enhance its business acumen, professional expertise and diversity. Recent additions to the Board of Trustees include senior living industry leaders in the marketing and banking arenas, as well as nurses and clergy, to ensure that mission and care remain paramount. LifeSpire devotes significant time and resources educating the Board of Trustees at local and national conferences, bringing outside speakers to committee and board meetings, and providing retreats and other educational opportunities.

LifeSpire's key priority continues to be delivering quality care, programs and services to its residents, and it is continually seeking and evaluating improvements in the areas of teamwork, efficiency and execution. Additionally, LifeSpire is constantly evaluating opportunities to expand its size and scale. Currently, independent living expansions are underway at two LifeSpire communities, described more thoroughly in the following sections.

The Culpeper Cottage Expansion Project

The first phase of The Culpeper cottage expansion consists of the development, construction, and operation of 25 new independent living cottages on 15.85 acres on the highest point of the campus with excellent views of the Blue Ridge mountains. There are four cottage options ranging from 1,125 sq. ft. to 1,752 sq. ft. with open floor plans, two-car garages and flexibility for customization. Entrance Fees will range from \$296,000 to \$382,000 and Monthly Fees will range from \$2,813 to \$3,938. Included in the phase one neighborhood expansion are walking trails and an overlook pavilion for resident gatherings, as well as beauty shop services, security, emergency call, fitness areas, activity programs and an active resident council. All cottages will include a "smart home" technology package (Alexa, Ring doorbell, smart outlets, smart locks, etc.). All residents will have a meal plan provided in the main building as well as access to a clinic, assisted living, memory support, and nursing care if needed.

The cottages may be pre-sold prior to construction. As of the date of this Official Statement, 15 of the 25 cottages have been sold and 8 are now occupied.

The Culpeper cottage program is designed to add accretive revenue to a mainly assisted living, memory care and skilled nursing campus. Recognizing that, the master plan for the campus contemplates additional independent living expansion beyond the 25 units in phase 1.

Lakewood Cottage Expansion Project

The Lakewood cottage expansion project consists of the development, construction, and operation of 19 new independent living cottages on 6.47 acres at the entrance of the campus with excellent views of the Tuckahoe Creek. There are four cottage options ranging from 1,592 sq. ft. to 1,986 sq. ft. with open floor plans, two-car garages and flexibility for customization. These four cottage floor plan types are not listed in the table in “**ENTRANCE AND MONTHLY FEES – LAKEWOOD**” herein. Entrance Fees will range from \$508,000 to \$634,000 and Monthly Fees will range from \$5,006 to \$6,244. All cottages will include a “smart home” technology package (Alexa, Ring doorbell, smart outlets, smart locks, etc.). All residents have the same meal plan provided in the main building as well as access to a clinic, nursing, assisted living and memory care if needed. Included in this phased neighborhood expansion is walking trails that will tie into the current campus, as well as beauty shop services, security, emergency call, fitness areas, activity programs and an active resident council. All community services provided will extend to the residents of this new pocket neighborhood.

The cottages may be pre-sold prior to construction. As of the date of this Official Statement, 16 of the 19 cottages have been presold.

The expansion is designed to add accretive revenue to the campus. There is significant market demand for cottages in the west end of Richmond. Recognizing that, the master plan for the campus calls for additional independent living expansion beyond the 19 units in the current project.

FUTURE INITIATIVES

LifeSpire continues to evaluate strategies to expand its mission and vision, both within its existing communities as well as through growth opportunities into new markets in the mid-Atlantic region of the United States as they arise.

Master plans have been completed for all four communities. These plans include accretive revenue growth through the addition of independent living and address LifeSpire’s strategic goal of right-sizing each campus to achieve the appropriate balance of independent living and higher levels of care.

To help foster the growth of the organization, Lisa Legeer was recently hired to monitor and implement a variety of growth initiatives, including:

- cultivation of acquisition, merger, and affiliation opportunities,
- investment and re-investment in bricks-and-mortar, and
- evaluation of complementary business lines or services that will improve resident experience.

LifeSpire is also planning to acquire The Summit retirement community in Lynchburg, Virginia (see “**THE SUMMIT ACQUISITION**” herein).

FINANCIAL OVERVIEW

Existing Debt Overview

The table below reflects the Obligated Group's secured debt other than the 2021 Bonds. Please note that the existing 2017A Bonds and the 2017B Bonds will be refinanced with the 2021 Bonds.

Series	Approximate Par Amount Outstanding	Interest Rate Mode	Interest Rates	Interest Rate Reset Date	Final Maturity	Call Provisions
2014A	\$34,745,000	Fixed	3.25% - 6.00%	N/A	7/1/2044	7/1/24 @ 100%
2016	74,850,000	Fixed	1.90% - 5.00%	N/A	12/1/2038	12/1/25 @ 100%
2017A ⁽¹⁾	\$29,257,000	Variable	4.506% ⁽²⁾	7/1/2027	7/1/2047	N/A
2017B ⁽¹⁾	\$17,662,000	Variable	4.551% ⁽²⁾	7/1/2027	7/1/2047	N/A
2017C	49,750,000	Fixed	3.00% - 5.00%	N/A	12/1/2047	12/1/27 @ 100%
Total	\$ 206,389,000					

⁽¹⁾ The 2021 Bonds will refinance the 2017A Bonds and 2017B Bonds, including payment of the applicable termination payment for the related interest rate swaps, calculated at the date of redemption.

⁽²⁾ Interest rates shown for the 2017A Bonds and 2017B Bonds are the all-in synthetically fixed interest rates that include the effect of the respective interest rate swap transactions for each series.

Historical Long-Term Debt Service Coverage Ratio

The following table sets forth historical Long-Term Debt Service Coverage Ratio for the Obligated Group for the three fiscal years ended December 31, 2018 through 2020 and the five-month period ended May 31, 2021.

	FYE 2018	FYE 2019	FYE 2020	YTD through 5/31/2021
Change in Net Assets Without Restrictions	\$(688,444)	\$2,296,825	\$1,368,621	\$3,399,471
Deduct:				
Entrance Fee Amortization	11,992,916	12,927,870	15,217,189	5,492,776
Unrealized Gains on Investments	-	3,628,518	2,086,831	3,217,731
	11,992,916	16,556,388	17,304,020	8,710,507
Add:				
Provision for Depreciation and Amortization	10,944,789	12,547,410	15,354,498	7,236,006
Interest Expense	6,153,275	6,681,859	9,034,011	4,020,100
Entrance Fees Received, Net of Refunds	18,157,616	24,990,032	19,618,756	8,254,456
Unrealized Losses on Investments	6,967,553	-	-	-
Change in Value of Interest Rate Swap Agreements	(274,406)	1,948,705	2,247,471	1,579,323
	41,948,827	46,168,006	46,254,736	21,089,885
Income Available for Debt Service ⁽¹⁾	29,267,467	31,908,443	30,319,337	15,778,848
Maximum Annual Debt Service ⁽²⁾	9,047,888	9,040,213	9,041,325	6,297,314
Maximum Annual Debt Service Coverage	3.23	3.53	3.35	2.51

⁽¹⁾ Income Available for Debt Service is calculated as defined in the Master Trust Indenture.

⁽²⁾ Based upon the Maximum Annual Debt Service of the 2014A Bonds and the 2016 Bonds. The YTD 2021 column also includes the Maximum Annual Debt Service for the 2017A Bonds, the 2017B Bonds, and the 2017C Bonds.

Historical Days' Cash on Hand

The following table shows the Obligated Group's Days' Cash on Hand as of the end of each fiscal year for fiscal year 2018 through 2020 and the five-month period ended May 31, 2021.

	2018	2019	2020	YTD through 5/31/2021
Cash and Securities Without Restriction	\$53,017,003	\$88,211,769	\$90,552,940	\$90,482,026
Total Operating Expenses	75,544,328	83,761,226	93,094,192	40,697,902
Less: Depreciation and Amortization	10,944,789	12,547,410	15,354,498	7,236,006
	\$64,599,539	\$71,213,816	\$77,739,694	\$33,461,896
Average Days' Expenses	\$176,985	\$195,106	\$212,985	\$221,602
Days' Cash on Hand	300	452	425	408

FINANCIAL INFORMATION

The following summary historical consolidated statements of operations of Virginia Baptist Homes, Incorporated d/b/a LifeSpire of Virginia and Subsidiaries as of and for the years ended December 31, 2018 through December 31, 2020 were derived from the audited financial statements of VBH. The summary consolidated statements of operations of VBH as of and for the five-month periods ended May 31, 2020 and 2021 were derived from the unaudited financial statements of the Corporation. The summary information should be read in conjunction with the audited financial statements included in **Appendix B** to the Official Statement.

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**CONSOLIDATED STATEMENTS OF OPERATIONS OF VIRGINIA BAPTIST
HOMES, INCORPORATED D/B/A LIFESPIRE OF VIRGINIA AND
SUBSIDIARIES**

	Fiscal Years Ended December 31,			5 Months ended May 31, (unaudited)	
	2018	2019	2020	2020	2021
Revenue, Gains and Other Support:					
Residential Services ¹	\$ 51,106,804	\$ 54,054,687	\$ 63,081,876	\$ 24,904,017	25,566,618
Health Care Services	20,813,843	23,552,048	23,695,404	9,612,430	10,022,844
Continuing Care at Home Services ²	-	201,454	635,065	251,628	333,472
Net Assets Released from Restrictions used for					
Operations	127,069	100,375	645,458	114,618	2,550
Gifts and Donations	330,604	309,917	2,593,820	1,479,550	1,405,134
Investment Income	10,153,638	5,035,669	2,727,469	894,553	892,019
Other	1,051,011	1,931,659	1,812,816	902,308	1,099,303
Total Revenues, Gains and Other Support	\$83,582,969	\$ 85,185,809	\$ 95,191,908	\$ 38,159,104	\$ 39,321,940
Operating Expenses:					
Salaries, Wages and Professional Fees	\$37,117,114	\$ 41,711,494	\$ 44,043,526	\$ 18,462,058	\$ 19,057,763
Provisions for Depreciation and Amortization	10,945,466	12,548,285	15,358,107	6,079,505	7,237,394
Interest	6,153,275	6,681,859	9,034,011	3,250,850	4,020,100
Other	21,465,177	23,388,533	25,261,403	10,402,391	10,481,384
Total Operating Expenses	\$ 75,681,032	\$ 84,330,171	\$ 93,697,047	\$ 38,194,804	\$ 40,796,641
Operating Income (Loss)	\$ 7,901,937	\$ 855,638	\$ 1,494,861	\$ (35,700)	\$ (1,474,701)
Non-Operating Income (Loss)					
Change in Unrealized Gains (Losses) on					
Investments	\$(8,217,668)	\$ 4,487,813	\$ 2,489,467	\$ (3,560,473)	\$ 3,759,037
Impairment Loss on Investments	-	(414,586)	-	-	-
Change in Value of Interest Rate Swap					
Agreements	274,406	(1,948,705)	(2,247,471)	(2,750,162)	1,579,323
Total Nonoperating Income (Loss)	(7,943,262)	\$ 2,124,522	\$ 241,996	\$ (6,310,635)	\$ 5,338,360
Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses	(41,325)	\$ 2,980,160	\$ 1,736,857	\$ (6,346,335)	\$ 3,863,659
Net Assets without Donor Restrictions					
Other Changes in Net Assets without Donor					
Restrictions: Net Assets Released for					
Acquisition of Property, Plant, and Equipment	46,000	608,392	20,850	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	\$ 4,675	\$ 3,588,552	\$ 1,757,707	\$ (6,346,335)	\$ 3,863,659

¹ Includes amortization of deferred revenue from advance fees of 14,900,857, \$12,826,550 and \$11,992,916 in 2020, 2019 and 2018, respectively.

² Includes amortization of deferred revenue from advance fees of \$316,332 and \$101,420 in 2020 and 2019, respectively.

The summary Consolidated Statements of Operations above include Virginia Baptist Homes Foundation, Inc., which is not a Member of the Obligated Group. Total Revenues, Gains, and Other Support of the Obligated Group comprise in excess of 97% of the consolidated totals shown above for the years and periods presented.

Management Discussion and Analysis

Over the past five years, LifeSpire has improved operating and financial performance, strengthened the composition of its Board of Trustees, continued to grow organically and invested significantly in all of its communities. Capital improvements have totaled nearly \$165 million, including:

- The Culpeper - \$50 million replacement building for assisted living, memory support, and skilled nursing, along with administrative, dining and other amenity spaces; and \$12 million for a cottage expansion to include 25 independent living residences
- The Chesapeake - \$11 million in renovations to dining, fitness and other common areas along with investments and upgrades in technology and systems
- Lakewood - \$70 million for substantial new common spaces and amenities and the addition of 64 independent living units; and \$13 million for a cottage expansion to include 19 independent living residences
- Lakewood at Home - \$1 million to launch the program in the Richmond market
- The Glebe - \$6 million for a new assisted living memory support community with a capacity to serve 20 residents

LifeSpire has continued to reserve up to 20% of entrance fees annually to ensure that resources are available to address any upcoming needs. Building on these accomplishments, LifeSpire is positioned for growth and focused on long-term success and sustainability. Management will continue to improve and standardize processes and systems, leverage scale and increase efficiency.

Management and the Board of Trustees have identified areas for growth including new campus locations through development or acquisition, new and diversified business lines, and strategic partnerships and collaborations. In June 2021, LifeSpire and Pinnacle Living entered a joint venture agreement to provide home health and other organizational support services and purchased Williamsburg Landing Home Health and its existing assets, including state and federal home health licenses and certifications. The home health company will operate as Affirmation Home Health and will allow LifeSpire to expand to serve those who do not reside in a senior living community as well as provide care and services to its Lakewood at Home members. Management plans to launch “At Home” membership programs in other LifeSpire markets where demand exists in the near future.

Since the onset of the COVID-19 pandemic in spring 2020, the Obligated Group’s community teams have worked diligently to prevent the spread of the virus, with the safety, security, and health of all its residents the primary concern. Each LifeSpire community implemented a detailed action plan with a designated project team to address prevention, response and management. There were a combined total of 124 COVID-19 resident cases in independent living, assisted living, memory support and nursing care across all four LifeSpire communities. There have been no positive COVID-19 cases since March 2021. To date, 98 percent of residents and 63 percent of team members across all four LifeSpire communities have been vaccinated. LifeSpire continues to ask that its team members, residents, and visitors follow the guidelines recommend by the Centers for Disease Control and Prevention to limit the virus’s impact.

LifeSpire communities effectively navigated COVID-19 by bringing balance to managing government restrictions while keeping communities operating. Each community implemented new protocols to allow for tours and admissions and were able to maintain occupancy levels except in skilled nursing, where admissions were suspended intermittently based on local health department recommendations.

The Obligated Group received approximately \$7.3 million in loans from the Small Business Administration under the CARES Act Payroll Protection Program (“PPP”) in 2020. As of June 7, 2021, all \$7.3 million has been forgiven. In addition, approximately \$2.7 million of funds were provided by Health

and Human Services (“HHS”). Two million of the HHS funds were recognized as revenue in 2020. As of May 31, 2021, \$1.8 million of the PPP funds were recognized as revenue for 2021. The remaining \$5.5 million in PPP funds will be recognized as revenue in June 2021 and the remaining HHS funds over the course of 2021.

More detail follows on a period by period basis:

Five-Month Period Ended May 31, 2021. Combined revenues of \$39.3 million for the five-month period ended May 31, 2021 exceeded the previous five-month period ended May 31, 2020 by approximately \$1.2 million. Combined operating expenses of \$40.8 million, while \$90,000 favorable to budget, were \$2.6 million more than the previous five-month period ended May 31, 2020. The lingering effects of the COVID-19 pandemic have drawn out the Obligated Group’s expected return to normal, causing revenue in higher levels of care to be off target by \$1.6 million. However, an increasing number of new residents are moving in and moving through the continuum of care. Loan forgiveness in July 2021 of \$5.5 million in Cares Act Payroll Protection Program funds will more than offset the revenue shortfall caused by the pandemic.

Fiscal Year 2020. Combined revenues of \$95.2 million for the fiscal year ended December 31, 2020 exceeded the previous fiscal year by approximately \$10 million. Combined operating expenses of \$93.7 million were \$9.4 million more than the previous year. Revenue was driven by a full year of expansion projects that came online in 2019. Occupancy within the expansion projects outperformed the feasibility projections. Additional staffing for a full year of operations for these projects caused most of the expense increases. In addition, LifeSpire continued to make significant investments to increase the pay for frontline team members and enhance benefit offerings for everyone.

Fiscal Year 2019. Combined revenues of \$85.2 million for the fiscal year ended December 31, 2019 exceeded the previous fiscal year by approximately \$1.6 million. Combined operating expenses of \$84.3 million were \$8.6 million more than the previous year. Residential and health care services revenue increased by \$5.7 million due to strategic repositioning projects that came online in 2019. These projects consisted of a complete replacement of the main building at The Culpeper, a new 20-bed memory support building at The Glebe, and a 64-unit independent living expansion at Lakewood. The expense increases were a direct result of these projects.

Fiscal Year 2018. Combined revenues of \$75.7 million for the fiscal year ended December 31, 2018 exceeded the previous fiscal year by approximately \$10.2 million. Combined operating expenses of \$75.7 million were \$3.7 million more than the previous year. The substantial increase in revenue was driven primarily by investment returns realized by the liquidation of long-held alternative investments. This change added \$5.4 million that was previously recorded as unrealized gains. Expenses increased due to the implementation of a salary administration program designed to drive competitive pay for all staff.

INSURANCE AND LITIGATION

Insurance

Insurance for the Obligated Group includes the following policies with appropriate coverage levels: Property, General Liability, Umbrella Liability, Crime, Electronic Data Processing, Professional Liability, Liquor Liability, Auto, Directors and Officers, Employment Practices Liability, Fiduciary Liability, Resident Trust Fund, and Workers Compensation.

Litigation

Management of the Obligated Group is of the opinion that there is no litigation or any proceedings of any nature pending or, to its knowledge, threatened against the Obligated Group, which if decided

adversely to the Obligated Group, is reasonably expected to have a material adverse effect on the financial position of the Obligated Group.

INVESTMENTS

The Board of Trustees is a fiduciary and is responsible for directing and monitoring the investment management of LifeSpire's assets. As such, the Board of Trustees is authorized and has delegated certain responsibilities to professional experts in various fields to manage LifeSpire's assets under the guidance of an Investment Committee comprised of 5 trustees. The investment policy statement of the Board provides that LifeSpire may take moderate risks with a goal of achieving a target annual return, net of fees, of 4% greater than inflation. The asset allocation goals are as follows:

	Range	Target	Current
Cash	0-5%	0.00%	0.10%
Fixed Income	20-50%	25.00%	23.70%
Equity	40-70%	60.00%	66.50%
Diversifying Strategies	0-30%	15.00%	9.70%

BUDGETING PROCESS

LifeSpire utilizes an established annual budget process to produce both operating and capital budgets that are mission-based management tools which emphasize good stewardship of funds entrusted to LifeSpire by residents and donors. This is an iterative, collaborative process that involves the communities' Executive Directors, department directors, marketing departments, Administrators, LifeSpire support staff, the Board of Trustees, and the residents of each campus. As the budgets are developed and refined through this collaborative process, management ensures solid fiscal stewardship by not just achieving but exceeding the financial covenants. Once the final budgets are approved, each community presents them to its staff and residents, in order to promote transparency.

Once approved, the budgets are monitored on a monthly basis by senior management. The Finance Department provides monthly operational reports, statistical reports, dashboard reporting and benchmarking to Directors to assist with managing operations to budget. Monthly reports and discussion are also provided to the Board of Trustees, and quarterly to the Finance Committee, with financial statements that present budgeted and actual results. Leadership also reports the results of the community to staff and residents routinely.

THE SUMMIT ACQUISITION

Acquisition Status

VBH and the Lynchburg Affiliate's intended acquisition of the Assets to be Acquired (as defined below) is anticipated to close on or about September 30, 2021. The due diligence period expired on July 21, 2021, with the Asset Purchase Agreement (the "APA") executed on July 22, 2021. Following these two events, VBH and the Lynchburg Affiliate deposited approximately \$800,000 into an escrow account to be applied to the purchase price at closing of the acquisition. The deposit is fully nonrefundable except under specific circumstances, including a material default by the seller of its obligations under the APA or failure by the seller to satisfy a material condition precedent to the acquisition closing that is within seller's reasonable control and such failure is not waived by VBH and the Lynchburg Affiliate. The purchase price for the Assets to be Acquired is \$30,250,000. At closing, Centra Health will transfer the

Resident Entrance Fees, approximately \$9,000,000, and the Lynchburg Affiliate will assume all obligations and rights under the Residency Agreements, including, without limitation, all obligations to Residents with respect to repayment of Resident Entrance Fees.

The acquisition is expected to close on or about September 30, 2021, but may close at a later date, if at all, following receipt of change in ownership approvals by the Virginia State Corporation Commission and the Virginia Department of Social Services that will grant appropriate licensure for VBH and the Lynchburg Affiliate to operate The Summit.

Organizational Structure

CCRC, Inc. currently owns and operates 101 independent living units (“The Summit IL Units”) at a senior living community known as “The Summit” located in Lynchburg, Virginia. In addition, Centra Health currently owns and operates The Summit Assisted Living which has 43 assisted living licensed units and capacity for up to 50 residents (“The Summit AL Units”), and The Summit Health and Rehabilitation Center at The Summit. VBH, together with Lynchburg Baptist Retirement Community, LLC (the “Lynchburg Affiliate”), plans to acquire the Summit IL Units, the Summit AL Units, the real property on which the Summit IL Units and Summit AL Units are located, a 74.953-acre undeveloped parcel of land at the northern end of the property and a 6.4-acre undeveloped parcel of land at the southern end of the property (collectively, the “Assets to be Acquired”). The real property will be titled in VBH and the non-real estate Assets to be Acquired will be transferred to the Lynchburg Affiliate which will in turn become a Member of the Obligated Group. The Summit Health and Rehabilitation Center is not being acquired by VBH and will not be part of the Mortgaged Property.

The Lynchburg Affiliate was formed in July 1, 2021 to own and operate the Assets to be Acquired, excepting the real property. It is a disregarded entity of which VBH is the sole member.

Background and Rationale

LifeSpire was attracted to the opportunity to acquire The Summit to expand its mission, broaden its presence geographically and serve a new market. The Lynchburg area has a strong Baptist heritage and The Summit’s faith-based roots are well aligned with LifeSpire’s history of serving seniors. Key factors include: geographic proximity to the other LifeSpire communities; strong historical occupancy of independent living and assisted living; limited comparable competition in the Lynchburg market, especially for independent living; and available land to grow in the future.

Management commissioned the Market Snapshot contained in Appendix D hereto in order to help management evaluate the opportunity. The Market Snapshot indicated modest demographic growth in the market area from which The Summit has attracted the majority of its residents and demand for between 50 and 100 entrance fee independent living units. The Summit currently has a waiting list of approximately 72 households, with 25 to 30 indicating a preference for a garden home. The Market Snapshot also indicated significant unmet demand for assisted living and memory support. The available acreage on the site represents an opportunity for independent living and memory support development, which will be contemplated in management’s master planning following the acquisition. See the Market Snapshot in Appendix D for more information.

Management’s Observations

While no assurances can be made as to future events, Management is enthusiastic about The Summit IL Units’ and The Summit AL Units’ history and potential. Management believes that The Summit IL Units’ and The Summit AL Units’ historical occupancy can drive financial performance and produce sufficient cash flow to provide quality care. Because LifeSpire will not acquire The Summit Health and Rehabilitation Center, and because of the interwoven nature of the financial reporting amongst Centra, the

Assets to be Acquired, and The Summit Health and Rehabilitation Center, an accurate accounting of the precise cash flow of the Assets to be Acquired is not feasible. LifeSpire has investigated the historical occupancy rates and the historical residency agreements to make educated assumptions about historical cash flow and financial performance. Management has taken these assumptions and further applied some of the operational and organization efficiencies it plans to implement such that they have been able to prepare a budget that forecasts approximately \$700,000 in annual operating income. Further, the acquisition of additional land affords LifeSpire the possibility and flexibility to scale the campus and operating performance according to demonstrated market demand.

THE SUMMIT

Community Background

General. Initial occupancy of The Summit IL occurred in August 2003, with The Summit AL Units in June 2007. The Summit is located on approximately 32 acres and includes an approximately 8.5-acre lake with a walking trail, parking, and other improvements. The full community consists of 101 independent living units, including 16 cottages and 85 apartments with a wide range of square footage options, 43 assisted living units, and 120 licensed skilled nursing beds.

Health Care. Centra intends to sell The Summit Health and Rehabilitation Center to Cascade Capital Group, to be operated by one its affiliates. The Obligated Group has an agreement in place to provide for current and future residents to have access to nursing services when they are needed. Residents of The Summit will have priority access to the Summit Health and Rehabilitation Center and will enter a separate agreement with that provider. The Summit will not have any further obligation to residents who permanently transfer to nursing care.

Upon payment of an Entrance Fee, residents will enter into a Residency Agreement governing their stay in independent living and assisted living, with both 90% refundable and fully amortizing Entrance Fee contract options available, along with a separate agreement executed upon transfer to assisted living. Residents will pay a Monthly Fee for independent living services and a daily rate for assisted living services. Residents who have paid an entrance fee will receive a \$550 a month discount upon transfer to assisted living, with a maximum aggregate discount of \$6,600.

Resident Profile. The current average age of the residents upon move in (fiscal years 2019 - 2021) is 85.6 years and approximately 75% of the independent living residents originate from the Lynchburg metropolitan area.

Employees and Contracts. The Summit currently employs approximately 47 full-time equivalent employees, of which approximately 32 are full-time. Part-time employees primarily consist of nursing, dining and environmental services staff. The Lynchburg Affiliate has contracts for services limited to highly specialized services, such as physical therapy, occupational therapy and speech therapy, and technical fields which do not require a full-time presence, such as pharmacy consultant, consulting dietician and medical director. An Executive Director for The Summit will be hired upon the acquisition. The officers of VBH also serve as the officers of the Lynchburg Affiliate.

The unit mix, size and fees, as of the date of this Official Statement at The Summit are as follows:

Type of Unit	Number of Units	Approximate Square Footage	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
Independent Living Units:				
Apartments:				
Poplar	22	732	\$110,679	\$2,446
James	5	925	162,874	2,576
Birch	18	933	161,365	2,690
Peaks of Otter	6	1,081	211,585	2,755
Magnolia	11	1,124	220,031	2,954
Chestnut	17	1,273	233,754	2,996
Skyline	6	1,418	257,733	3,081
Total Apartments	85			
Garden Homes:				
Cumberland	2	1,325	\$207,626	\$3,014
Chesapeake	4	1,362	223,490	3,014
Blue Ridge	1	1,590	249,027	3,085
Shenandoah	4	1,634	271,567	3,229
Appalachian	1	1,849	308,364	3,456
Piedmont	3	2,000	333,547	3,563
Buena Vista	1	2,259	376,741	3,727
Total Cottages	16			
Independent Living: Total	101			
Type of Unit	Number of Units			Daily Fee ⁽³⁾
Assisted Living Units:				
Studio	13			\$140
One Bedroom	28			165
One Bedroom Grand	2			185
Assisted Living: Total	43			
TOTAL UNITS AND BEDS	144			

⁽¹⁾ Entrance Fees are shown for the Standard Fee-for-Service Residency Agreement.

⁽²⁾ Incremental second person monthly & entrance fees for all independent living units are \$850 and \$7,500, respectively.

⁽³⁾ Rates shown are daily rates for direct admissions. Second person daily rate is \$112.

There were no Entrance Fee or Monthly Fee increases in 2020 or 2021. Monthly Fees increased 3% per year in 2018 and 2019. In 2018, Entrance Fees for apartments increased 3% and Entrance Fees for garden homes increased 20%. In 2019, Entrance Fees for apartments and garden homes increased 3%.

Below is a table of the average year to date unit occupancy as of May 31, 2021 and during the most recent three years:

		Avg. as of May 31, 2021		Average Occupancy for the Fiscal Year Ended December 31,		
	# of Units					
	Available	# Occ.	% Occ.	2020	2019	2018
Independent Living	101	92	91.1%	91.1%	92.1%	95.0%
Assisted Living	43	40	93.0%	99.7%	95.7%	97.3%
Total	144	132	91.7%			

Master Planning. Upon acquisition, LifeSpire will develop a plan to address any deferred maintenance and opportunities for updates and renovations. LifeSpire will prepare a comprehensive master plan for The Summit in keeping with its strategic goal of right-sizing the campus to achieve the appropriate balance of independent living and higher levels of care. As noted above, the 81 undeveloped acreage on the site represents an opportunity for assisted living memory support and additional independent living development that will provide accretive revenue growth.

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APPENDIX B

**FINANCIAL STATEMENTS OF
VIRGINIA BAPTIST HOMES, INC. AND SUBSIDIARIES**

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**VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Virginia Baptist Homes, Incorporated
dba: LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended December 31, 2020 we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Board of Trustees
Virginia Baptist Homes, Incorporated
dba: LifeSpire of Virginia and Subsidiaries

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations, changes in their net assets (deficit) and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 26, 2021

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 40,627,589	\$ 48,590,476
Current Portion of Assets Whose Use is Limited	1,505,959	7,660,167
Accounts Receivable	2,871,247	3,053,473
Notes Receivable	3,068,821	5,681,400
Escrow Receivable	-	2,555,382
Prepaid Expenses	1,046,000	680,002
Deposits and Other	1,502,600	3,907,970
Total Current Assets	<u>50,622,216</u>	<u>72,128,870</u>
INVESTMENTS	60,148,802	48,303,633
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	10,065,000	9,476,108
ASSETS WHOSE USE IS LIMITED		
Externally Restricted Under Bond Indenture Agreement (Held by Trustee)	15,501,330	16,877,498
Less: Amounts Available for Current Liabilities	<u>(1,505,959)</u>	<u>(7,660,167)</u>
Total Assets Whose Use is Limited	13,995,371	9,217,331
PROPERTY, PLANT AND EQUIPMENT, NET	214,314,522	212,939,021
OTHER ASSETS	<u>353,246</u>	<u>402,537</u>
Total Assets	<u><u>\$ 349,499,157</u></u>	<u><u>\$ 352,467,500</u></u>

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS (DEFICIT)	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 4,553,781	\$ 7,137,276
Salaries and Wages	2,823,226	3,926,275
Interest Payable	1,514,371	1,526,738
Annuities Payable	93,109	105,489
Deposits from Prospective Residents	868,403	3,113,815
Current Portion of Lease Payable	328,864	237,051
Current Portion of Long-Term Debt	5,724,001	3,863,000
Refundable Advance - CARES Act	8,009,249	-
Advance Fee Refund Liability	4,112,732	3,590,924
Total Current Liabilities	<u>28,027,736</u>	<u>23,500,568</u>
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	34,820,980	32,019,882
DEFERRED REVENUE FROM ADVANCE FEES	104,821,589	105,185,671
ANNUITIES PAYABLE	395,997	443,619
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	4,758,785	2,511,314
LEASE PAYABLE, LESS CURRENT PORTION	1,251,163	1,463,205
LONG-TERM DEBT, NET	<u>201,879,678</u>	<u>216,526,417</u>
Total Liabilities	375,955,928	381,650,676
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(45,069,105)	(46,826,812)
With Donor Restrictions	18,612,334	17,643,636
Total Net Assets (Deficit)	<u>(26,456,771)</u>	<u>(29,183,176)</u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 349,499,157</u></u>	<u><u>\$ 352,467,500</u></u>

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES
IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Residential Services, Including Amortization of Deferred Revenue from Advance Fees of \$14,900,857 and \$12,826,450 in 2020 and 2019, Respectively	\$ 63,081,876	\$ 54,054,687
Health Care Services	23,695,404	23,552,048
Continuing Care At Home Services, Including Amortization of Deferred Revenue from Advance Fees of \$316,332 and \$101,420 in 2020 and 2019, Respectively	635,065	201,454
Net Assets Released from Restrictions Used for Operations	645,458	100,375
Gifts and Donations	2,593,820	309,917
Investment Income	2,727,469	5,035,669
Other	1,812,816	1,931,659
Total Revenue, Gains, and Other Support	<u>95,191,908</u>	<u>85,185,809</u>
OPERATING EXPENSES		
Salaries, Wages and Professional Fees	44,043,526	41,711,494
Provisions for Depreciation and Amortization	15,358,107	12,548,285
Interest	9,034,011	6,681,859
Other	25,261,403	23,388,533
Total Operating Expenses	<u>93,697,047</u>	<u>84,330,171</u>
OPERATING INCOME	1,494,861	855,638
NONOPERATING INCOME (LOSS)		
Change in Unrealized Gains (Losses) on Investments	2,489,467	4,487,813
Impairment Loss on Investments	-	(414,586)
Change in Value of Interest Rate Swap Agreements	(2,247,471)	(1,948,705)
Total Nonoperating Income	<u>241,996</u>	<u>2,124,522</u>
EXCESS OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES	1,736,857	2,980,160

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES
IN NET ASSETS (DEFICIT) (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of Revenues, Gains, and Other Support Over Expenses	\$ 1,736,857	\$ 2,980,160
Other Changes in Net Assets without Donor Restrictions:		
Net Assets Released from Restrictions for Acquisition of		
Property, Plant and Equipment	<u>20,850</u>	<u>608,392</u>
Increase in Net Assets without Donor Restrictions	<u>1,757,707</u>	<u>3,588,552</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts, Grants and Bequests	1,120,409	311,699
Change in Value of Annuity Obligations	(74,295)	69,489
Change in Present Value of Perpetual Trust Funds	588,892	1,217,917
Net Assets Released from Restrictions	<u>(666,308)</u>	<u>(708,767)</u>
Increase in Net Assets with Donor Restrictions	<u>968,698</u>	<u>890,338</u>
INCREASE IN NET ASSETS	2,726,405	4,478,890
Net Assets (Deficit) - Beginning of Year	<u>(29,183,176)</u>	<u>(33,662,066)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (26,456,771)</u></u>	<u><u>\$ (29,183,176)</u></u>

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,726,405	\$ 4,478,890
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Amortization of Deferred Revenue from Advance Fees	(15,217,189)	(12,927,870)
Proceeds from Advance Fees and Deposits	22,060,861	51,503,506
Amortization of Intangible Assets	49,291	49,290
Amortization of Deferred Financing Costs	286,106	242,444
Amortization of Bond Discount	39,572	39,571
Amortization of Bond Premium	(339,256)	(339,257)
Impairment Loss on Investment	-	414,586
Loss on Sale of Property, Plant and Equipment	7,450	555,095
Provision for Bad Debts	154,275	172,475
Provision for Depreciation	15,308,816	12,498,995
Increase (Decrease) in Annuity Obligations	(60,002)	482
Proceeds from Contributions Restricted for Long-Term Investment	(1,120,409)	(311,699)
Net Realized and Unrealized Gains on Long-Term		
Investments	(3,848,159)	(7,045,948)
Change in Present Value of Trust Funds	(588,892)	(1,217,917)
Change in Value of Interest Rate Swap Agreements	2,247,471	1,948,705
Decrease (Increase) in Operating Assets:		
Accounts Receivable	27,951	(729,846)
Escrow Receivable	2,555,382	(2,555,382)
Prepaid Expenses	(365,998)	(197,983)
Notes Receivable	2,612,579	(170,350)
Other Current Assets	2,405,370	(129,513)
Other Assets	-	113,383
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(2,731,830)	(1,249,389)
Deferred Revenue	-	(681,939)
Refundable Advance - CARES Act	8,009,249	-
Salaries and Wages	(1,103,049)	443,916
Interest Payable	(12,367)	(20,467)
Deposits from Prospective Residents	(2,165,412)	309,266
Net Cash Provided by Operating Activities	30,938,215	45,193,044

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	\$ (5,950,588)	\$ (32,409,274)
Proceeds from Sale of Property, Plant and Equipment	-	4,000
Net Purchases of Investments	<u>(7,587,648)</u>	<u>(4,859,731)</u>
Net Cash Used by Investing Activities	<u>(13,538,236)</u>	<u>(37,265,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	1,120,409	311,699
Refunds of Advance Fees and Deposits	(3,964,848)	(2,832,725)
Payments on Long-Term Debt	<u>(23,485,233)</u>	<u>(3,300,000)</u>
Net Cash Used by Financing Activities	<u>(26,329,672)</u>	<u>(5,821,026)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(8,929,693)	2,107,013
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>52,982,629</u>	<u>50,875,616</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 44,052,936</u>	<u>\$ 52,982,629</u>
Cash and Cash Equivalents	\$ 40,627,589	\$ 48,590,476
Restricted Cash included in Assets Limited as to Use	<u>3,425,347</u>	<u>4,392,153</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 44,052,936</u>	<u>\$ 52,982,629</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Property and Equipment Additions in Accounts Payable	<u>\$ 1,339,165</u>	<u>\$ 1,190,830</u>
Property and Equipment Obtained through Long-Term Debt	<u>\$ 10,713,073</u>	<u>\$ 21,137,684</u>
Right of Use Assets Obtained through Operating Leases Payable	<u>\$ 127,007</u>	<u>\$ 1,868,421</u>

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia (LifeSpire) is a nonprofit corporation founded in 1946 as an agency of the Baptist General Association of Virginia (BGAV). LifeSpire operates retirement communities in Culpeper, Richmond, Newport News, and Roanoke, Virginia which provide diversified residential and health care services to retirement community residents. In February 2016, LifeSpire began doing business as LifeSpire of Virginia; this change did not affect LifeSpire's underlying corporate identity or the identities or business names of its affiliates.

LifeSpire operates its retirement communities under arrangements whereby residents enter into agreements which require payment of a one-time advance fee and a monthly maintenance fee. Generally, these payments entitle residents to the use and privileges of LifeSpire for life, including certain nursing services provided in LifeSpire's nursing facilities. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by LifeSpire.

Culpeper Baptist Retirement Community, Inc. (doing business as The Culpeper), Newport News Baptist Retirement Community, Inc. (doing business as The Chesapeake), Lakewood Manor Baptist Retirement Community, Inc. (doing business as Lakewood), The Glebe, Inc. (The Glebe) and Virginia Baptist Homes Foundation, Inc. (Foundation) are wholly owned, nonprofit subsidiaries of LifeSpire.

In 2019, Lakewood began operations of a new program known as Lakewood at Home. This program allows for members to remain in their private residences while enjoying many of the benefits and services offered at a retirement community. The activity of Lakewood at Home is combined with Lakewood Manor Baptist Retirement Community, Inc. in the consolidating and combining financial statements included in the Accompanying Information. Combining schedules have been included for Lakewood to present the activity of the two programs.

In 2020, LifeSpire entered into a joint venture with an unrelated third party to form Senior Living Partners of Virginia, LLC (SLPV). SLPV was created to provide home health services and to promote the health and care of seniors from a broad cross-section of the communities served by the organizations. LifeSpire has a 50% interest in SLPV. No consideration was paid in 2020 related to this joint venture. Subsequent to year-end, \$633,500 was transferred to SLPV as LifeSpire's opening capital contribution.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis for Consolidation

The consolidated financial statements include the accounts of LifeSpire and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Cash and Cash Equivalents

LifeSpire considers cash and cash equivalents to include cash on hand and all highly liquid investments with a maturity of three months or less when purchased.

LifeSpire maintains cash balances at several financial institutions located within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Notes Receivable

Notes receivable is comprised of amounts due to LifeSpire for advance fees due from residents who have moved into the facility but have not yet paid the full amount of the contractually agreed upon advance fee. The notes vary in length from 4 to 12 months, bear interest at varying rates, up to 4%, and are collateralized by the resident's personal investments.

Escrow Receivable

Escrow receivable is comprised of amounts due to LifeSpire related to advance fees from residents. These advance fees were initially required by the trust indenture to be placed into a separate account during the construction project at Lakewood. In accordance with the trust indenture, as these residents have moved into the facility, the advance fees were released to LifeSpire in 2020.

Allowance for Doubtful Accounts

LifeSpire provides an allowance for doubtful accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the historical experience of LifeSpire. The allowance for doubtful accounts was approximately \$545,000 and \$512,000 at December 31, 2020 and 2019, respectively.

Beneficial Interest in Perpetual Trusts

LifeSpire holds a beneficial interest in several Perpetual Trusts. These trusts are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to LifeSpire. Under the terms of several of the trusts, distributions of income are to be made in perpetuity. Because the trusts are perpetual, these funds are reported as perpetually restricted net assets with donor restrictions.

Income distributions from these trusts are recorded as investment income in the consolidated statements of operations and changes in net assets (deficit) without donor restrictions, while any appreciation (depreciation) in the trust value is recorded as a change in perpetually restricted net assets with donor restrictions, in accordance with donor restrictions. Under the terms of some of the trusts, distributions of income and/or principal are made at the discretion of the trustee. Due to this restriction, these funds are reported as purpose restricted net assets with donor restrictions. Distributions from these trusts are recorded as other revenue, while any appreciation (depreciation) in the trust value is recorded as a change in purpose restricted net assets with donor restrictions, in accordance with donor restrictions.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments

Investments with readily determinable market values are carried at fair value, with the exception of certain investments in absolute return strategy investments or hedge funds whose fair value is not readily determinable and whose investment is less than 3%. Such investments are accounted for using the lower of cost or market method. Other hedge fund investments whose investment is greater than 3% are accounted for under the equity method. Investments are comprised of stocks, mutual funds and hedge funds. The fair values of marketable equity securities, bonds and mutual funds are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Five of the hedge funds are not considered liquid; however, they intend to have distributions made within three years and extend no longer than 10 years. Realized gains and losses are reported as activity without restriction.

Unrealized gains (losses) are included in excess (deficiency) of revenues, gains and other support over expenses and are reported as nonoperating income (loss). The cost of securities sold is based on the specific identification method, adjusted for impairment in the value of investments.

LifeSpire periodically evaluates whether any declines in the fair value of investments are indications of impairment. This evaluation consists of a review of several factors, including but not limited to the length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near term prospects for recovery of the fair value of a security, and the intent and ability of LifeSpire to hold the security until the fair value recovers. Declines in fair value below cost that are deemed to be impairments are included in the accompanying consolidated statements of operations and changes in net assets (deficit) as nonoperating losses.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under bond indenture agreements. Amounts required to meet current liabilities have been reclassified as current assets. Assets whose use is limited are carried at fair value.

Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost. Donated items are recorded at fair market value at the date of contribution. LifeSpire capitalizes all assets over \$1,000 with a useful life greater than three years.

Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The general range of estimated useful lives for buildings and land improvements is 20 to 40 years and the general range for equipment is 4 to 20 years. LifeSpire performs a review of its long-lived assets (including property and equipment) for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property, Plant and Equipment (Continued)

If an indication of impairment is present, LifeSpire determines recoverability of its long-lived assets by evaluating the probability that undiscounted future cash flows will be less than the carrying amount of the assets. If future estimated undiscounted cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their estimated fair value. The fair value is determined based on valuation techniques such as comparison to fair values of similar assets or using a discounted cash flow analysis. Management believes that there are no impairments to long-lived assets in 2020 and 2019.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related indebtedness which approximates the effective interest method.

Leases

LifeSpire determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use (ROU) assets and lease payable in the consolidated balance sheets. ROU assets present LifeSpire's right to use an underlying asset for the lease term and lease payables represent LifeSpire's obligation to make lease payments arising from the lease. ROU assets and payables are recognized at the commencement date of the lease based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that LifeSpire will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. LifeSpire has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease payables or ROU assets on the consolidated balance sheets.

Advance Fees

Advance fees represent the payments received at the time a resident is admitted to one of the communities. The nonrefundable portion of advance fees is recorded as deferred revenue from advance fees and is amortized into income over the estimated life expectancy of the residents, or couples, adjusted annually. The refundable portion of advance fees received is presented on the consolidated balance sheets as a refundable advance fee liability. The refundable portion of advance fees is not amortized to income. Upon the death of a sole surviving resident, any remaining unamortized portion of the nonrefundable advance fee is recognized as operating revenue.

The residency agreements at certain of LifeSpire's communities provide for a declining refund upon termination by the residents during the first 50 months of occupancy. Refunds are generally payable the sooner of, one year or upon resale of the unit; however, beginning in 2016, residency agreements do not include the one-year requirement. These amounts are included as an advance fee refund liability. LifeSpire has estimated the current portion of this liability based on actual refunds paid over a ten-year period.

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Obligation to Provide Future Services

LifeSpire annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services). The obligation is discounted at 5.5% in both 2020 and 2019, based on the expected long-term rate of return on investments. Increases or decreases in the obligation are charged or credited to operations, respectively. As of December 31, 2020 and 2019, LifeSpire had no future service obligation.

Refundable Advance – CARES ACT

Paycheck Protection Program

In April 2020, LifeSpire received loan proceeds in the amount of \$7,304,656 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (“the PPP Loan”). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Therefore, LifeSpire has classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, LifeSpire has submitted their application for forgiveness, however they have not received formal SBA approval of their forgiveness application. This amount is presented on the accompanying balance sheet as a Refundable Advance. This amount is expected to be forgiven in fiscal year 2021, therefore it is being shown as current on the accompanying consolidated balance sheet as of December 31, 2020. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, LifeSpire would be obligated to repay these funds to the SBA at an interest rate of 1% over a period of two years. Upon forgiveness being granted, the amount forgiven will be recognized as contribution income by LifeSpire in fiscal year 2021. Subsequent to year-end, formal forgiveness was granted on the PPP Loan related to Virginia Baptist Homes, Incorporated. This loan comprised \$492,800 of the total PPP loan funds received.

Provider Relief Funding

In response to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by LifeSpire as of December 31, 2020 was \$2,696,337. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2020, LifeSpire recognized \$1,991,743 as contribution revenue in the consolidated statement of operations and \$704,594 as a Refundable Advance in the consolidated balance sheets. Management believes the amounts have been recognized appropriately as of December 31, 2020.

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Charity Care and Community Benefit

The mission of LifeSpire is to empower its residents with choices in purposeful living. LifeSpire employs a uniform financial qualification process for all prospective residents and will, under certain circumstances, provide housing and care to residents regardless of their ability to pay for those services.

LifeSpire defines and measures its community benefit primarily through the benevolence it provides to residents who cannot cover the full cost of their care. All residents are financially qualified at admission using actuarial life expectancies and the projected ability of the residents' income and assets to cover the estimated cost of future health care. LifeSpire provides care to residents who meet certain criteria under its financial assistance policy at a reduced rate. Key elements used to determine eligibility include a resident's demonstrated inability to pay due to increasing acuity of care, increasing costs of care and/or increasing longevity.

LifeSpire has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the direct and allocated expenses by level of care to the corresponding revenues charged on an annual basis. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated cost of providing charity care. Using this methodology, LifeSpire has estimated the costs for services and supplies furnished under LifeSpire's financial assistance policy to be approximately \$1,150,000 and \$1,174,000 for the years ended December 31, 2020 and 2019, respectively.

Primarily through the support of the Virginia Baptist Homes Foundation, LifeSpire received approximately \$1,150,000 and \$1,027,000 to subsidize the costs of providing charity care under its financial assistance policy for the years ended December 31, 2020 and 2019, respectively.

In 2019, LifeSpire created the "Fresh Start" program at The Chesapeake to provide ongoing support to team members in need. Included under this program, a house purchased by LifeSpire is being used to provide ongoing support to team members in need with up to three months of housing while they work on a plan to become financially independent.

Operating Indicator

LifeSpire's operations include all revenue without restriction, gains, expenses and losses for the reporting period except for contributions of long-term assets and net assets released from restrictions for acquisition of property, plant, and equipment.

The board of trustees designates LifeSpire's investment income for support of current operations, consisting primarily of interest, dividend and realized gains and losses on investments related to funded depreciation and escrowed advance fees from residents. In addition, other activities not related to LifeSpire's mission are considered to be nonoperating.

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Operating Indicator (Continued)

Nonoperating gains and losses also include the change in unrealized gains (losses) on investments, impairment loss on investments, loss on disposal of property, plant and equipment, changes in obligation to provide future services and use of facilities to current residents, and items related to the refinancing of long-term debt.

Income Taxes

LifeSpire and each of its subsidiaries are nonprofit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

LifeSpire and each of its subsidiaries file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of any of the entities. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for LifeSpire or its subsidiaries.

LifeSpire and each of its subsidiaries follow guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on LifeSpire's consolidated financial statements.

Professional Liability Insurance

LifeSpire has obtained general and professional liability insurance issued by Virginia Senior Care RRG, a Washington, DC risk retention group. LifeSpire's professional liability is on the claims-made basis. Under a claims-made policy, determination of coverage is triggered by the date the insured first becomes aware and notifies the insurer of a claim or potential claim.

Fair Value Measurements

LifeSpire categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that LifeSpire has the ability to access.

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements (Continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on LifeSpire's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, LifeSpire may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government bonds. Level 2 inputs include deferred annuity obligations due from LifeSpire and liabilities under Interest Rate Swap agreements. Assets valued using Level 3 inputs include beneficial interests in perpetual trusts.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. LifeSpire follows the policy to value certain financial instruments at fair value; however, LifeSpire has not elected to measure any existing financial instruments at fair value. LifeSpire may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these consolidated financial statements, LifeSpire has evaluated events and transactions for potential recognition or disclosure through April 26, 2021, the date the consolidated financial statements were issued.

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NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE

Residential, health care, and continuing care at home services revenue is reported at the amount that reflects the consideration to which LifeSpire expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, LifeSpire bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by LifeSpire. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. LifeSpire believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services, housing residents receiving services in the facilities, or participants in their continuing care at home program. LifeSpire considers daily services provided to residents of the skilled nursing facilities, monthly rental for housing services, and monthly fees for continuing care at home services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and LifeSpire does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, LifeSpire has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

LifeSpire determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with LifeSpire's policy, and/or implicit price concessions provided to residents. LifeSpire determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. LifeSpire determines its estimate of implicit price concessions based on its historical collection experience.

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**NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES
REVENUE (CONTINUED)**

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

LifeSpire's licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities were paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS was a per diem price-based system. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Some of LifeSpire's licensed nursing facilities participate in the Medicaid program which is administered by Virginia's Department of Medical Assistance Services (DMAS). DMAS uses a price-based payment system to reimburse providers, which was weighted for each claim based on the Resource Utilization Group (RUG) score listed on each claim. Each year DMAS publishes a priced-based total case mix rate and a total indirect rate, both of which make up the bulk of the base payment rate for each provider. The total case mix rate and the total indirect rate are determined by a preassigned peer group of geographically similar regions within Virginia. The price-based rate was weighted for the severity of care of the documented RUG listed for each claim. Effective October 1, 2019, new PDPM HIPPS codes replaced RUG scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the state of Virginia, however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

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NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and LifeSpire's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020 or 2019.

Generally residents or at home participants who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. LifeSpire estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

LifeSpire has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service line, method of reimbursement, and timing of when revenue is recognized.

The composition of residential, health care, and continuing care at home services revenue by primary payor for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Medicare	\$ 9,664,356	\$ 9,846,918
Medicaid	542,102	545,080
Private	74,833,529	64,902,756
Commercial Insurers	2,372,358	2,513,435
	<u>\$ 87,412,345</u>	<u>\$ 77,808,189</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

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NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

The composition of residential, health care, and continuing care at home services revenue based on LifeSpire's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Service Lines:		
Independent Living	\$ 35,060,773	\$ 31,244,741
Assisted Living	8,554,294	8,052,783
Memory Support	4,565,952	1,930,713
Health Care Services	23,695,404	23,552,048
Continuing Care At Home Services	318,733	100,034
Amortization of Entrance Fees	15,217,189	12,927,870
	<u>\$ 87,412,345</u>	<u>\$ 77,808,189</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 43,933,800	\$ 39,397,558
Amortization of Entrance Fees	15,217,189	12,927,870
Fee for Service	28,261,356	25,482,761
	<u>\$ 87,412,345</u>	<u>\$ 77,808,189</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 87,412,345</u>	<u>\$ 77,808,189</u>

Financing Component

LifeSpire has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, LifeSpire does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

LifeSpire has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that LifeSpire otherwise would have recognized is one year or less in duration.

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NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are summarized as follows as of December 31:

	2020	2019
Investments and Assets Whose Use is Limited		
Cash and Short-Term Investments	\$ 3,425,347	\$ 4,392,153
Mutual Funds	19,230,953	5,120,895
Marketable Equity Securities	24,679,974	29,106,204
Fixed Income	25,310,260	23,584,293
Absolute Return Strategy Investments/Hedge Funds (Liquidity in Excess of a Year)	2,754,918	2,728,906
Equity Method Securities	248,680	248,680
Total	<u>\$ 75,650,132</u>	<u>\$ 65,181,131</u>

At December 31, the assets held by the trustee under various bond agreements are as follows:

	2020	2019
Bond Sinking Fund	\$ 3,182,500	\$ 3,065,187
Debt Service Reserve Fund	9,791,980	9,909,898
Construction Fund	620,708	1,843,349
Principal Fund	309,000	309,001
Interest Fund	1,597,142	1,750,063
Total	<u>\$ 15,501,330</u>	<u>\$ 16,877,498</u>

Under LifeSpire's reserve spending policy, dividends, interest and realized gains and losses generated by the portion of the investment pool related to funded depreciation and escrowed advance fees from residents are appropriated to support current operations. The following schedule summarizes investment income:

	2020	2019
Dividends and Interest	\$ 1,368,777	\$ 2,477,534
Net Realized Gains	1,358,692	2,558,135
Total Investment Income	<u>\$ 2,727,469</u>	<u>\$ 5,035,669</u>

Marketable equity and debt securities and other investments are carried at fair value based on quoted market prices. Realized gains and losses on the sale of investments are determined based on the cost of specific investment sold, adjusted for any impairment in the fair value of investments.

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NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the fair value was less than cost. LifeSpire engages professionals to manage its investment portfolio within the guidelines of LifeSpire's board approved investment policy.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31:

	2020	2019
Land and Land Improvements	\$ 23,447,252	\$ 22,819,414
Buildings and Fixed Equipment	329,955,688	263,923,286
Vehicles	2,221,238	1,920,251
Movable Equipment	30,182,142	26,190,112
Right of Use Assets	2,001,274	1,868,421
Construction in Progress	3,702,793	57,902,654
	<u>391,510,387</u>	<u>374,624,138</u>
Less: Accumulated Depreciation	177,195,865	161,685,117
	<u>\$ 214,314,522</u>	<u>\$ 212,939,021</u>

Capitalized interest totaled approximately \$1,123,000 and \$2,791,000 for the years ended December 31, 2020 and 2019, respectively.

Construction in progress at December 31, 2020 and 2019 was related to expansion projects at LifeSpire's facilities, as well as apartment renovations and improvements to common areas. As of December 31, 2020 LifeSpire has remaining construction commitments amounting to approximately \$4,806,000 related to these expansion projects.

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NOTE 5 LEASES

LifeSpire leases equipment as well as certain office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027 and many cases provide for rent escalations and renewal options. Renewal options are at the sole discretion of LifeSpire. Escalation terms include fixed-rent escalations annually. Total rent expense on these operating leases was approximately \$135,000 and \$189,000 for 2020 and 2019, respectively.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2020, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 331,013
2022	326,564
2023	313,779
2024	271,050
2025	256,055
Thereafter	<u>268,021</u>
Total Lease Payments	1,766,482
Less: Current Portion	(328,864)
Less: Imputed Interest	<u>(186,455)</u>
Present Value of Lease Payable, Net of Current Portion	<u><u>\$ 1,251,163</u></u>

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of December 31, 2020, the weighted average lease term remaining that is included in the maturities of the lease payables is 5.5 years.

As the rate implicit in each lease is not readily determinable, LifeSpire uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate LifeSpire would have to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 4.0% at December 31, 2020 and 2019.

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NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt consists of the following as of December 31:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds Series 2014A (Glebe Series 2014A Bonds):		
Serial bond, matures June 30, 2044. Interest is payable semiannually at a variable rate between 3% and 6%. Principal payments began January 1, 2015.	\$ 34,745,000	\$ 35,425,000
Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016:		
Serial bonds, due in graduated annual installments ranging from \$2,550,000 in 2017 to \$3,520,000 in 2026 and bear interest at varying rates ranging from 1.9% to 5%.	18,795,000	21,525,000
Term bond, due December 1, 2029. Interest is payable semiannually at a rate of 3.5%.	9,095,000	9,095,000
Term bond due December 1, 2031. Interest is payable semiannually at a rate of 5.0%.	10,530,000	10,530,000
Term bond due December 1, 2038. Interest is payable semiannually at a rate of 5.0%.	36,430,000	36,430,000
Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017A		
Serial bond, with maximum draw of \$30 million, matures July 1, 2047. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.65% (2.661% as of December 31, 2020). Interest payments began September 1, 2017. Monthly principal payments began August 1, 2020.	28,949,825	27,157,674

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NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017B		
Serial bond, with maximum draw of \$18.112 million, matures July 1, 2047. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.25% (2.261% as of December 31, 2020). Interest payments began September 1, 2017. Monthly principal payments began August 1, 2020.	\$ 17,635,780	\$ 16,554,306
Economic Development Authority of Henrico County, Virginia Residential Care Facility Revenue and Refunding Bonds (LifeSpire of Virginia) Series 2017C		
Serial bonds, due in graduated annual installments ranging from \$1,060,000 in 2021 to \$1,270,000 in 2027 and bear interest at varying rates ranging from 3.0% to 3.5%.	8,115,000	8,115,000
Term bond, due December 1, 2032. Interest is payable semiannually at a rate of 4.0%.	7,120,000	7,120,000
Term bond, due December 1, 2037. Interest is payable semiannually at a rate of 5.0%.	8,840,000	8,840,000
Term bond, due December 1, 2047. Interest is payable semiannually at a rate of 5.0%.	25,675,000	25,675,000
Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017D		
Serial bond, with maximum draw of \$23.25 million, matures December 21, 2022. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.10%. Interest payments began February 1, 2018. All unpaid principal and interest was paid in 2020.	-	12,235,785
Total	205,930,605	218,702,765
Less: Current Portion	(5,724,001)	(3,863,000)
Less: Unamortized Deferred Financing Costs	(4,033,669)	(4,319,775)
Plus: Unamortized Bond Premium	6,656,444	6,995,700
Less: Unamortized Bond Discount	(949,701)	(989,273)
Total	<u>\$ 201,879,678</u>	<u>\$ 216,526,417</u>

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NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In October 2016, LifeSpire defeased the outstanding Series 2006A and 2006C Bonds and the outstanding amounts drawn on the line of credit by issuing a note for \$85,505,000 in relation to Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds Series 2016 (Series 2016 Bonds). In connection with the refunding of the Series 2006A and 2006C Bonds, LifeSpire recognized a loss on extinguishment in 2016 of \$1,903,178 related to the write-off of deferred financing costs.

In June 2014, The Glebe issued two new notes totaling \$41,155,000 in relation to the Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014A Bonds) and Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014B Bonds). The Glebe Series 2014A and 2014B Bonds were used to refund the outstanding Virginia Small Business Financing Authority Residential Care Facility Revenue Refunding Bonds (Series 2012A Bonds). The Virginia Small Business Financing Authority Residential Care Facility Subordinated Taxable Bonds Series 2012B Bonds (Series 2012B Bonds) were also refunded through this issuance; however, a portion of the Series 2012B Bonds were forgiven in accordance with the provisions of the Series 2012 Bonds. At that time, The Glebe Series 2012A and 2012B Bonds were cancelled and extinguished, and were no longer considered outstanding. The Series 2014A and 2014B Bonds are collateralized by a deed of trust of certain facilities of The Glebe as well as a security interest in certain other assets and property. The Series 2014B Bond was paid in full in January 2018.

In July 2017, LifeSpire issued a note for \$30,000,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017A (Series 2017A Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.65%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2020, LifeSpire had drawn \$29,231,825 on the Series 2017A Bond and made principal payments of \$282,000.

In July 2017, LifeSpire issued a note for \$18,112,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017B (Series 2017B Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.25%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2020, LifeSpire had drawn \$17,806,779 on the Series 2017B Bond and made principal payments of \$171,000.

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NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In December 2017, LifeSpire issued a note totaling \$49,750,000 to fund the project costs of the Lakewood and The Glebe renovations and refund \$2,565,000 of The Glebe Series 2014B Bonds in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue and Refunding Bonds Series 2017C (Series 2017C Bonds). The 2017C Bonds are comprised of serial bonds due in annual installments through 2027 and term bonds due in 2032, 2037 and 2047.

In December 2017, LifeSpire issued a note for \$23,250,000 to fund the project costs of the Lakewood renovations in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue Bond Series 2017D (Series 2017D Bond). Monthly payments of interest began February 1, 2018 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.10%. All unpaid principal and interest are due December 21, 2022. As of December 31, 2020, LifeSpire had paid off the unpaid principal of \$12,235,785 previously drawn on the Series 2017D Bond.

The Series 2016 and 2017 Bonds are collateralized by a deed of trust of certain facilities of the LifeSpire Obligated Group as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contain certain covenants, including a requirement that days cash on hand (as defined) be in excess of 120 days and that the long-term debt service coverage ratio be in excess of 1.20. Management believes LifeSpire is in compliance with these covenants as of December 31, 2020.

Each member of the LifeSpire Obligated Group under the Master Trust Indenture dated January 1, 2003 and the Amended and Restated Master Trust Indenture dated October 1, 2016 is jointly and severally liable for the payment of all LifeSpire Obligated Group Long-Term Debt; however, the individual LifeSpire Obligated Group members are not liable for any other claims against the other LifeSpire Obligated Group members. As part of the Series 2017C Bond issuance described above, a supplemental indenture was entered into related to the Amended and Restated Master Trust Indenture dated October 1, 2016. As part of this supplemental indenture, The Glebe was brought into the Obligated Group and is now subject to the provisions of each Master Trust Indenture noted above. This change was adopted retrospectively.

Accordingly, no LifeSpire entity is liable for any indebtedness of any other LifeSpire entity other than the limited cross liability of the LifeSpire Obligated Group for the LifeSpire Long-Term Debt as discussed above. The Foundation is not a member of the LifeSpire Obligated Group.

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NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In July 2017 LifeSpire entered into two forward dated interest rate swap agreements related to the Series 2017A and Series 2017B Bonds. The swap agreements are with financial institutions and have a notional principal balance of \$29,718,000 and \$18,112,000, respectively, with an effective date of July 1, 2019 and a termination date of August 1, 2027. Under the swap agreements, the interest rates on LifeSpire's Series 2017A and Series 2017B Bonds variable rate borrowings are effectively converted to 1.856% and 1.858%, respectively. LifeSpire recognizes the fair value of its interest rate swaps on the consolidated balance sheet, representing a liability of approximately \$4,759,000 and \$2,511,000 at December 31, 2020 and 2019, respectively. An analysis on the effectiveness of the swaps was not performed, causing the change in fair value of the swaps to be included in excess (deficit) of revenues, gains, and other support over (under) expenses.

Scheduled sinking fund and principal repayments of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 5,724,001
2022	5,946,000
2023	6,166,000
2024	6,400,000
2025	6,683,000
Thereafter	175,011,604
	<u><u>\$ 205,930,605</u></u>

During 2020 and 2019, LifeSpire paid approximately \$9,046,000 and \$6,460,000, respectively, for interest, net of amounts capitalized.

NOTE 7 ADVANCE FEES AND DEPOSITS

A refundable deposit of \$1,000 of the advance fee is made at the time a priority list agreement for The Culpeper, The Chesapeake, Lakewood, or The Glebe is executed. Advance fees received from residents are subject to the refund provisions of Residents' Agreements. Refunds expire ratably over a 10 to 50-month period starting from the resident's date of entrance. At December 31, 2020 and 2019, the portion of advance fees subject to refund provisions amounted to approximately \$83,298,000 and \$85,193,000, respectively. Amounts expected to be refunded to current residents, based on LifeSpire's experience, are approximately \$4,113,000 and \$3,591,000 at December 31, 2020 and 2019, respectively.

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Purchase of Equipment	\$ 89,841	\$ 54,587
Benevolent Care of Residents	3,257,484	2,954,819
Other	65,166	72,050
	<u>3,412,491</u>	<u>3,081,456</u>
 Annuity Trust Agreements	 893,580	 967,875
 Beneficial Interests in Perpetual Trusts	 10,065,000	 9,476,108
 Subject to the Corporation's Spending Policy and Appropriation:		
Endowment Funds	4,241,263	4,118,197
Total Net Assets With Donor Restrictions	<u>\$ 18,612,334</u>	<u>\$ 17,643,636</u>

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2020	2019
Purchase of Equipment	\$ 20,850	\$ 608,392
Benevolent Care of Residents	605,074	67,905
Other	40,384	32,470
Total Releases	<u>\$ 666,308</u>	<u>\$ 708,767</u>

LifeSpire's net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The state of Virginia adopted the Virginia Prudent Management of Institutional Funds Act (the Act). The Board of Trustees of LifeSpire has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, LifeSpire classifies as perpetually restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment.

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted Endowment Fund that is not classified in perpetually restricted net assets with donor restrictions is classified as purpose restricted net assets with donor restrictions until those amounts are appropriated for expenditure by LifeSpire in a manner consistent with the standard of prudence prescribed in the Act.

In accordance with the Act, LifeSpire considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of LifeSpire and the Donor-Restricted Endowment Fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of LifeSpire
- The investment policy of LifeSpire

Funds with Deficiencies

It is LifeSpire's policy to maintain the corpus amounts of each individual Donor-Restricted Endowment Fund received. If the fair value of assets associated with Individual Donor-Restricted Endowment Funds were to fall below the level that the donor or the Act requires LifeSpire to retain as a fund of perpetual duration, in accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

Return Objectives and Risk Parameters

LifeSpire has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that LifeSpire must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, LifeSpire relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets LifeSpire's long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

LifeSpire's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Perpetually restricted net assets of approximately \$14,306,000 and \$13,594,000 at December 31, 2020 and 2019, respectively, are restricted to investment in perpetuity, the income some of which is not donor restricted and is expendable primarily to support residential services. Of these totals, approximately \$10,065,000 and \$9,476,000 relates to split interest agreements that are administered and managed by third parties as trustees at December 31, 2020 and 2019, respectively. LifeSpire does not have the ability to make any investing decisions related to these funds. The remaining \$4,241,000 and \$4,118,000 of perpetually restricted net assets with donor restrictions are managed by LifeSpire at December 31, 2020 and 2019, respectively. LifeSpire had no board designated endowment funds for the years ended December 31, 2020 and 2019.

The perpetually restricted assets include beneficial interest in charitable remainder trusts, as well as other investments which are pooled with LifeSpire's investment portfolio with the objectives of providing long-term growth of capital, maximizing the return on assets over the long-term while diversifying investments within asset classes to reduce the impact of losses in single investments.

Endowment net asset composition by type of fund was as follows as of December 31:

	2020	2019
Donor-Restricted Endowment Funds:		
Portion subject to appropriation under UPMIFA	\$ 1,146,986	\$ 1,146,986
Original Donor-Restricted Gift Amount and Amounts		
Required to be Retained by Donor	4,241,263	4,118,197
Total Funds	<u>\$ 5,388,249</u>	<u>\$ 5,265,183</u>

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The following is the change in endowment net assets managed by LifeSpire for the years ended December 31, 2020 and 2019:

	2020			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$ 1,146,986	\$ 4,118,197	\$ 5,265,183
Realized Losses and Change in Unrealized Losses on Investments	-	-	-	-
Contributions	-	-	123,066	123,066
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,146,986</u>	<u>\$ 4,241,263</u>	<u>\$ 5,388,249</u>
	2019			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$ 1,146,986	\$ 4,249,296	\$ 5,396,282
Realized Losses and Change in Unrealized Losses on Investments	-	-	-	-
Change in Value of Annuity Obligations	-	-	(189,392)	(189,392)
Contributions	-	-	58,293	58,293
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,146,986</u>	<u>\$ 4,118,197</u>	<u>\$ 5,265,183</u>

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NOTE 9 ANNUITY PLAN

All employees of LifeSpire are eligible to participate in the GuideStone 403(b) Plan (the Plan). The Plan provides retirement contributions for those employees completing six months of service and a minimum of 500 hours of service during a six-month period. LifeSpire matches eligible employees' contributions. The match is determined as a percentage of the participant's compensation, not to exceed 3.5% in 2020 and 2019. The participant is fully vested in the matching contribution. LifeSpire may also make discretionary contributions. Participants may make voluntary contributions, not to exceed the lesser of \$18,500 or 20%, with certain exceptions, of their annual compensation during the plan year.

Contributions by LifeSpire approximated \$680,000 and \$559,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 LIQUIDITY AND AVAILABILITY

LifeSpire invests cash in excess of short-term requirements in short-term investments. In addition, LifeSpire has long-term mutual funds and equity securities which are liquid within one week and hedge funds and equity method securities which are liquid quarterly. As of December 31, 2020 and 2019, LifeSpire had working capital of \$30,788,655 and \$48,628,302, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 40,627,589	\$ 48,590,476
Investments and Assets Whose Use is Limited:		
Cash and Short-Term Investments	3,425,347	4,392,153
Mutual Funds	19,230,953	5,120,895
Marketable Equity Securities	24,679,974	29,106,204
Fixed Income	25,310,260	23,584,293
Equity Method Securities	248,680	248,680
Accounts Receivable, Net	2,871,247	3,053,473
Notes Receivable	3,068,821	5,681,400
Less: Purpose Restricted Net Assets	<u>(3,412,491)</u>	<u>(3,081,456)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 116,050,380</u>	<u>\$ 116,696,118</u>

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NOTE 11 FAIR VALUE MEASUREMENTS

LifeSpire uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. All assets have been valued using a market approach, except for Level 3 beneficial interests in perpetual trusts. Alternative funds held by LifeSpire seek long-term capital appreciation and reduction of overall portfolio risk through investing in hedge funds of funds, real estate investment trusts, or commodities. LifeSpire established alternative investment valuation procedures in which Management validates the fair value reported by the third-party investment manager. For additional information on how LifeSpire measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of LifeSpire measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Mutual Funds	\$ 19,230,953	\$ -	\$ -	\$ 19,230,953
Marketable Equity Securities	24,679,974	-	-	24,679,974
Fixed Income	25,310,260	-	-	25,310,260
Beneficial Interest in Perpetual Trust Funds	-	-	10,065,000	10,065,000
Total Assets	<u>\$ 69,221,187</u>	<u>\$ -</u>	<u>\$ 10,065,000</u>	<u>\$ 79,286,187</u>
Liabilities:				
Annuities Payable	\$ -	\$ 489,106	\$ -	\$ 489,106
Interest Rate Swap Agreements	-	4,758,785	-	4,758,785
Total Liabilities	<u>\$ -</u>	<u>\$ 5,247,891</u>	<u>\$ -</u>	<u>\$ 5,247,891</u>

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NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Mutual Funds	\$ 5,120,895	\$ -	\$ -	\$ 5,120,895
Marketable Equity Securities	29,106,204	-	-	29,106,204
Fixed Income	23,584,293	-	-	23,584,293
Beneficial Interest in Perpetual Trust Funds	-	-	9,476,108	9,476,108
Total Assets	<u>\$ 57,811,392</u>	<u>\$ -</u>	<u>\$ 9,476,108</u>	<u>\$ 67,287,500</u>
Liabilities:				
Annuities Payable	\$ -	\$ 549,108	\$ -	\$ 549,108
Interest Rate Swap Agreements	-	2,511,314	-	2,511,314
Total Liabilities	<u>\$ -</u>	<u>\$ 3,060,422</u>	<u>\$ -</u>	<u>\$ 3,060,422</u>

The tables above include all assets whose use is limited and investments with the exception of cash and short-term investments and absolute return strategy investments/hedge funds and equity method investments as these investments are measured at cost at December 31, 2020 and 2019.

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the year ended December 31:

	Beneficial Interests
Balance at January 1, 2019	\$ 8,258,191
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	<u>1,217,917</u>
Balance at December 31, 2019	9,476,108
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	<u>588,892</u>
Balance at December 31, 2020	<u>\$ 10,065,000</u>

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NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Certain alternative investments held by LifeSpire calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of these investments that calculate net asset value per share for the years ended December 31, 2020 and 2019:

	2020			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	\$ 37,520	\$ 35,000	Quarterly	10 Business Days
MAP 2004	229,406	-	Short-term	10 Business Days
Commonfund Int'l Partners V	75,297	15,719	Quarterly	10 Business Days
Venture Investment Assoc. V	167,106	15,000	Quarterly	10 Business Days
MAP 2006	305,861	-	Short-term	10 Business Days
SFM Private Equity I, L.P.	182,357	-	Quarterly	5 Business Days
MAP 2009	532,483	-	Short-term	10 Business Days
SFM Opportunities V, L.P.	989,848	235,000	Quarterly	5 Business Days
Total	<u>\$ 2,519,878</u>	<u>\$ 300,719</u>		

	2019			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	\$ 42,068	\$ 35,000	Quarterly	10 Business Days
MAP 2004	357,198	-	Short-term	10 Business Days
Commonfund Int'l Partners V	78,072	15,719	Quarterly	10 Business Days
Venture Investment Assoc. V	227,187	15,000	Quarterly	10 Business Days
MAP 2006	354,730	-	Short-term	10 Business Days
SFM Private Equity I, L.P.	248,680	-	Quarterly	5 Business Days
MAP 2009	622,328	-	Short-term	10 Business Days
SFM Opportunities V, L.P.	828,048	270,000	Quarterly	5 Business Days
Total	<u>\$ 2,758,311</u>	<u>\$ 335,719</u>		

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NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

The investment funds are valued at the net asset value (NAV) of units, which are based on market prices of the underlying investments, held by LifeSpire at year-end. TIFF Partners' investment objective is to invest in domestic private equity investment partnerships and to maintain endowment purchasing power for its investors by generating returns greater than those provided by the broader United States stock market. MAP 2004 and MAP 2009 invest in direct and indirect interests in natural gas and oil royalty interests associated with some of the largest, long-life gas fields in the U.S. Commonfund International Partners V invests in approximately 15 to 20 top-tier international private equity and venture capital funds. Venture Investment Associates V was formed to provide investors with significant long-term appreciation through investment in private equity partnerships. SFM Opportunities V, L.P. invest in nonmarketable limited partnership interests in private equity partnerships that invest in the energy sector or other national resources. MAP 2006 invests in direct and indirect royalty interests and entering derivatives in order to reduce the risk associated with the investments. SFM Private Equity I, L.P. invests in nonmarketable limited partnership interests in private equity partnerships with the objective to generate long-term returns greater than those available through traditional public equity investing.

NOTE 12 COMMITMENTS AND CONTINGENCIES

As an agency of the BGAV, LifeSpire receives certain additional support which approximated \$8,000 during the year ended December 31, 2020. There were no amounts received in 2019.

LifeSpire is subject to legal proceedings and claims which arise in the course of providing health care services. LifeSpire maintains liability insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Liability Insurance

LifeSpire, together with other similar retirement communities in the state of Virginia, is a shareholder of Virginia Senior Care Group, a limited liability corporation whose primary purpose is that of obtaining general liability and professional insurance for its shareholders. Under the terms of the policy, the risk for these entities is pooled and a potential liability for this coverage is actuarially determined. Premiums paid represent a portion of the potential liability, as actuarially determined for the group. In addition, LifeSpire maintains a loss fund deposit in the event that claims exceed the premiums. The policy also provides for umbrella coverage, which functions as an extension of the primary limit. The policy is written on a claims first made basis and has a component of reinsurance. Management has not recorded any liabilities related to this policy as it is not aware of any underfunding within the pool.

Health Insurance

During 2012, LifeSpire began to self-insure its employees' health plan by joining the Heritage Group Health Program, with the exception of The Glebe which joined in 2016. This program, on behalf of LifeSpire and other similar retirement communities in the state of Virginia, has contracted with an administrative service company to supervise and administer the program and act as its representative. Provisions for expected future payments are accrued based on LifeSpire's experience and include amounts for claims filed and claims incurred but not reported. LifeSpire insures for excessive and unexpected health claims and is liable for claims not to exceed \$100,000 for each employee per plan year and an aggregate amount of \$1,000,000 per plan year.

COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to LifeSpire, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes that they are taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 13 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include occupancy, repairs and maintenance, taxes, utilities, other, depreciation and interest expense. Dietary and food services expenses are allocated based on number of meals served. The expenses that are allocated based on the number of units occupied include legal and accounting, marketing, and professional services. Supplies are allocated based on resident days.

Program, management, and fundraising expenses for the year ended December 31, 2020 are summarized as follows:

	Program Services				Management and General	Fundraising	Total
	Independent Living	Assisted Living	Health Center	Total			
Salaries and Wages	\$ 11,175,706	\$ 9,239,184	\$ 12,805,276	\$ 33,220,166	\$ 3,579,229	\$ 440,082	\$ 37,239,477
Employee Benefits	2,124,337	1,756,420	2,434,354	6,315,111	432,952	55,986	6,804,049
Dietary and Food Service	2,949,360	1,175,512	219,356	4,344,228	-	-	4,344,228
Therapy	-	-	3,621,535	3,621,535	-	-	3,621,535
Insurance	606,589	96,147	37,371	740,107	34,060	-	774,167
Marketing Expense	686,136	190,829	158,739	1,035,704	-	21,672	1,057,376
Professional Services	571,862	159,047	132,302	863,211	312,513	1,176	1,176,900
Rental Equipment	176,657	28,001	10,884	215,542	9,200	-	224,742
Occupancy, Repairs, and Maintenance	2,563,357	406,302	157,923	3,127,582	389,287	24,439	3,541,308
Supplies	1,676,815	466,469	2,091,575	4,234,859	86,814	12,133	4,333,806
Taxes	87,344	13,844	5,381	106,569	-	-	106,569
Telephone	647,764	102,673	39,907	790,344	100,669	315	891,328
Utilities	2,325,044	368,528	143,241	2,836,813	-	-	2,836,813
Other	1,432,828	227,296	88,346	1,748,470	560,720	43,441	2,352,631
Depreciation	12,402,092	1,965,779	813,360	15,181,231	173,267	3,609	15,358,107
Interest Expense	7,444,647	1,180,005	409,359	9,034,011	-	-	9,034,011
Total Expenses by Function	<u>\$ 46,870,538</u>	<u>\$ 17,376,036</u>	<u>\$ 23,168,909</u>	<u>\$ 87,415,483</u>	<u>\$ 5,678,711</u>	<u>\$ 602,853</u>	<u>\$ 93,697,047</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 13 FUNCTIONAL EXPENSES (CONTINUED)

Program, management, and fundraising expenses for the year ended December 31, 2019 are summarized as follows:

	Program Services				Management and General	Fundraising	Total
	Independent Living	Assisted Living	Health Center	Total			
Salaries and Wages	\$ 10,473,797	\$ 7,855,874	\$ 13,816,305	\$ 32,145,976	\$ 2,891,271	\$ 217,920	\$ 35,255,167
Employee Benefits	1,982,783	1,487,859	2,616,731	6,087,373	334,202	34,752	6,456,327
Dietary/Food Service	2,306,406	750,723	984,866	4,041,995	-	-	4,041,995
Therapy	-	-	4,008,399	4,008,399	-	-	4,008,399
Insurance	486,523	83,144	32,317	601,984	55,620	-	657,604
Marketing Expense	1,011,374	318,150	304,066	1,633,590		31,397	1,664,987
Professional Services	110,465	34,749	33,211	178,425	577,123	6,946	762,494
Rental Equipment	170,285	29,101	11,311	210,697	15,975	-	226,672
Occupancy, Repairs, and Maintenance	2,271,948	388,468	150,992	2,811,408	357,908	24,744	3,194,060
Supplies	1,490,473	364,977	1,511,631	3,367,081	55,843	44,061	3,466,985
Taxes	77,977	13,326	5,180	96,483	191	-	96,674
Telephone	555,949	95,009	36,928	687,886	96,787	1,256	785,929
Utilities	2,278,317	389,352	151,335	2,819,004	-	-	2,819,004
Other	781,324	133,524	51,899	966,747	494,684	202,299	1,663,730
Depreciation	10,052,567	1,709,508	664,460	12,426,535	120,875	875	12,548,285
Interest Expense	5,400,270	922,879	358,710	6,681,859	-	-	6,681,859
Total Expenses by Function	<u>\$ 39,450,458</u>	<u>\$ 14,576,643</u>	<u>\$ 24,738,341</u>	<u>\$ 78,765,442</u>	<u>\$ 5,000,479</u>	<u>\$ 564,250</u>	<u>\$ 84,330,171</u>



INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Trustees
Virginia Baptist Homes, Incorporated
dba: LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

We have audited the consolidated financial statements of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries as of and for the year ended December 31, 2020 and our report thereon dated April 26, 2021 which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and combining information for the Obligated Group as listed under "Accompanying Information" on the table of contents are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies or the Obligated Group, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information and combining information for the Obligated Group are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 26, 2021

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020

	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 40,627,589	\$ -	\$ 23,413,155	\$ (203,229)	\$ (536,073)	\$ 5,156,796	\$ 11,027,499	\$ 1,769,441
Assets Whose Use is Limited	1,505,959	-	292,569	-	-	189,140	1,024,250	-
Accounts Receivable	2,871,247	-	-	568,892	588,583	1,370,177	343,595	-
Notes Receivable	3,068,821	-	-	-	1,241,700	1,425,821	401,300	-
Prepaid Expenses	1,046,000	-	813,644	37,184	39,478	51,877	89,234	14,583
Due from Affiliates	-	(120,640,753)	14,942,636	3,617,252	25,880,665	67,460,886	7,268,867	1,470,447
Deposits and Other	1,502,600	-	1,106,717	394,732	-	1,151	-	-
Total Current Assets	50,622,216	(120,640,753)	40,568,721	4,414,831	27,214,353	75,655,848	20,154,745	3,254,471
INVESTMENTS	60,148,802	-	13,144,614	31,250	2,095,806	21,065,632	15,357,490	8,454,010
BENEFICIAL INTEREST IN PERPETUAL TRUST	10,065,000	-	4,293,098	821,724	627,172	1,561,377	2,761,629	-
ASSETS WHOSE USE IS LIMITED								
Under Bond Indenture Agreement	15,501,330	-	6,988,064	-	-	7,094,977	1,418,289	-
Less: Amounts Available for Current Liabilities	(1,505,959)	-	(292,569)	-	-	(189,140)	(1,024,250)	-
Total Assets Whose Use is Limited	13,995,371	-	6,695,495	-	-	6,905,837	394,039	-
PROPERTY, PLANT AND EQUIPMENT, NET	214,314,522	-	2,207,539	47,261,129	34,916,049	92,366,941	37,453,859	109,005
OTHER ASSETS	353,246	-	-	-	-	-	353,246	-
 Total Assets	 <u>\$ 349,499,157</u>	 <u>\$ (120,640,753)</u>	 <u>\$ 66,909,467</u>	 <u>\$ 52,528,934</u>	 <u>\$ 64,853,380</u>	 <u>\$ 197,555,635</u>	 <u>\$ 76,475,008</u>	 <u>\$ 11,817,486</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020

	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
LIABILITIES AND NET ASSETS (DEFICIT)								
CURRENT LIABILITIES								
Accounts Payable	\$ 4,553,781	\$ -	\$ 648,764	\$ 358,551	\$ 623,898	\$ 2,092,990	\$ 829,121	\$ 457
Salaries and Wages	2,823,226	-	2,819,746	19	1,883	1,110	451	17
Interest Payable	1,514,371	-	297,223	-	3,783	189,115	1,024,250	-
Annuities Payable	93,109	-	-	-	-	-	-	93,109
Deposits from Prospective Residents	868,403	-	-	437,800	133,600	193,003	104,000	-
Due to Affiliates	-	(120,640,753)	46,054,686	7,600,943	39,552,288	17,457,135	5,843,249	4,132,452
Current Portion of Lease Payable	328,864	-	162,045	21,324	25,212	92,215	28,068	-
Current Portion of Long-Term Debt	5,724,001	-	196,211	1,184,540	1,973,361	1,498,705	871,184	-
Refundable Advance - CARES Act	8,009,249	-	492,800	1,395,850	2,021,919	2,733,997	1,364,683	-
Advance Fee Refund Liability	4,112,732	-	-	177,242	1,350,158	1,133,359	1,451,973	-
Total Current Liabilities	28,027,736	(120,640,753)	50,671,475	11,176,269	45,686,102	25,391,629	11,516,979	4,226,035
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	34,820,980	-	-	-	14,404,003	9,864,438	10,552,539	-
DEFERRED REVENUE FROM ADVANCE FEES	104,821,589	-	-	5,324,048	23,742,138	55,873,815	19,881,588	-
ANNUITIES PAYABLE	395,997	-	-	-	-	-	-	395,997
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	4,758,785	-	-	4,758,785	-	-	-	-
LEASE PAYABLE, LESS CURRENT PORTION	1,251,163	-	718,928	38,865	47,808	350,461	95,101	-
LONG-TERM DEBT, NET	201,879,678	-	8,653,774	46,546,156	50,035,810	56,990,185	39,653,753	-
Total Liabilities	375,955,928	(120,640,753)	60,044,177	67,844,123	133,915,861	148,470,528	81,699,960	4,622,032
NET ASSETS (DEFICIT)								
Without Donor Restrictions	(45,069,105)	-	2,267,246	(17,807,021)	(70,065,398)	45,247,214	(8,094,160)	3,383,014
With Donor Restrictions	18,612,334	-	4,598,044	2,491,832	1,002,917	3,837,893	2,869,208	3,812,440
Total Net Assets (Deficit)	(26,456,771)	-	6,865,290	(15,315,189)	(69,062,481)	49,085,107	(5,224,952)	7,195,454
Total Liabilities and Net Assets (Deficit)	\$ 349,499,157	\$ (120,640,753)	\$ 66,909,467	\$ 52,528,934	\$ 64,853,380	\$ 197,555,635	\$ 76,475,008	\$ 11,817,486

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2020

	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
REVENUES, GAINS, AND OTHER SUPPORT								
Residential Services	\$ 63,081,876	\$ -	\$ -	\$ 7,378,953	\$ 18,024,563	\$ 24,662,834	\$ 13,015,526	\$ -
Health Care Services	23,695,404	-	-	5,703,406	4,877,882	9,810,297	3,303,819	-
Continuing Care At Home Services	635,065	-	-	-	-	635,065	-	-
Net Assets Released from Restrictions								
Used for Operations	645,458	-	-	4,974	27,577	594,657	1,000	17,250
Gifts and Donations	2,593,820	(181,579)	-	715,359	617,668	1,020,248	377,149	44,975
Investment Income	2,727,469	-	472,359	1,841	92,969	1,181,154	660,678	318,468
Other	1,812,816	(7,248,454)	7,146,969	264,727	639,511	528,875	272,576	208,612
Total Revenue, Gains, and Other Support	95,191,908	(7,430,033)	7,619,328	14,069,260	24,280,170	38,433,130	17,630,748	589,305
EXPENSES								
Salaries, Wages and Professional Fees	44,043,526	-	4,396,917	7,207,955	9,864,042	14,847,004	7,234,163	493,445
Provisions for Depreciation and Amortization	15,358,107	-	173,267	1,562,928	4,337,902	5,846,505	3,433,896	3,609
Interest	9,034,011	-	269,535	1,943,102	2,333,332	2,008,083	2,479,959	-
Other	25,261,403	(7,430,033)	2,404,721	4,171,568	8,828,696	11,847,719	5,332,931	105,801
Total Operating Expenses	93,697,047	(7,430,033)	7,244,440	14,885,553	25,363,972	34,549,311	18,480,949	602,855
Operating Income (Loss)	1,494,861	-	374,888	(816,293)	(1,083,802)	3,883,819	(850,201)	(13,550)
NONOPERATING INCOME (LOSS)								
Change in Unrealized Gains on Investments	2,489,467	-	319,840	-	99,397	976,649	690,945	402,636
Change in Value of Interest Rate Swap Agreements	(2,247,471)	-	-	(2,247,471)	-	-	-	-
Total Nonoperating Income (Loss)	241,996	-	319,840	(2,247,471)	99,397	976,649	690,945	402,636
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	1,736,857	-	694,728	(3,063,764)	(984,405)	4,860,468	(159,256)	389,086

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Virginia Baptist Homes, Incorporated</u>	<u>Culpeper Baptist Retirement Community, Incorporated</u>	<u>Newport News Baptist Retirement Community, Incorporated</u>	<u>Lakewood Manor Baptist Retirement Community, Incorporated</u>	<u>The Glebe, Incorporated</u>	<u>Virginia Baptist Homes Foundation, Incorporated</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS								
Excess (Deficit) of Revenues, Gains and Other Support Over (Under) Expenses	\$ 1,736,857	\$ -	\$ 694,728	\$ (3,063,764)	\$ (984,405)	\$ 4,860,468	\$ (159,256)	\$ 389,086
Net Assets Released from Restrictions for Acquisition of Property, Plant, and Equipment	<u>20,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets without Donor Restrictions	1,757,707	-	694,728	(3,063,764)	(963,555)	4,860,468	(159,256)	389,086
NET ASSETS WITH DONOR RESTRICTIONS								
Gifts, Grants and Bequests	1,120,409	-	-	487,386	263,276	199,458	36,161	134,128
Change in Value of Annuity Obligations	(74,295)	-	-	-	-	-	-	(74,295)
Change in Present Value of Perpetual Trusts	588,892	-	413,723	18,967	5,037	34,976	116,189	-
Net Assets Released from Restrictions	<u>(666,308)</u>	<u>-</u>	<u>-</u>	<u>(4,974)</u>	<u>(48,427)</u>	<u>(594,657)</u>	<u>(1,000)</u>	<u>(17,250)</u>
Increase (Decrease) in Donor Restricted Net Assets	<u>968,698</u>	<u>-</u>	<u>413,723</u>	<u>501,379</u>	<u>219,886</u>	<u>(360,223)</u>	<u>151,350</u>	<u>42,583</u>
INCREASE (DECREASE) IN NET ASSETS	2,726,405	-	1,108,451	(2,562,385)	(743,669)	4,500,245	(7,906)	431,669
Net Assets (Deficit) - Beginning of Year	<u>(29,183,176)</u>	<u>-</u>	<u>5,756,839</u>	<u>(12,752,804)</u>	<u>(68,318,812)</u>	<u>44,584,862</u>	<u>(5,217,046)</u>	<u>6,763,785</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (26,456,771)</u>	<u>\$ -</u>	<u>\$ 6,865,290</u>	<u>\$ (15,315,189)</u>	<u>\$ (69,062,481)</u>	<u>\$ 49,085,107</u>	<u>\$ (5,224,952)</u>	<u>\$ 7,195,454</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF OBLIGATED GROUP
DECEMBER 31, 2020

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 38,858,148	\$ -	\$ 23,413,155	\$ (203,229)	\$ (536,073)	\$ 5,156,796	\$ 11,027,499
Assets Whose Use is Limited	1,505,959	-	292,569	-	-	189,140	1,024,250
Accounts Receivable	2,871,247	-	-	568,892	588,583	1,370,177	343,595
Notes Receivable	3,068,821	-	-	-	1,241,700	1,425,821	401,300
Prepaid Expenses	1,031,417	-	813,644	37,184	39,478	51,877	89,234
Due from Affiliates	2,662,005	(116,508,301)	14,942,636	3,617,252	25,880,665	67,460,886	7,268,867
Deposits and Other	1,502,600	-	1,106,717	394,732	-	1,151	-
Total Current Assets	51,500,197	(116,508,301)	40,568,721	4,414,831	27,214,353	75,655,848	20,154,745
INVESTMENTS	51,694,792	-	13,144,614	31,250	2,095,806	21,065,632	15,357,490
BENEFICIAL INTEREST IN PERPETUAL TRUST	10,065,000	-	4,293,098	821,724	627,172	1,561,377	2,761,629
ASSETS WHOSE USE IS LIMITED							
Under Bond Indenture Agreement	15,501,330	-	6,988,064	-	-	7,094,977	1,418,289
Less: Amounts Available for Current Liabilities	(1,505,959)	-	(292,569)	-	-	(189,140)	(1,024,250)
Total Assets Whose Use is Limited	13,995,371	-	6,695,495	-	-	6,905,837	394,039
PROPERTY, PLANT AND EQUIPMENT, NET	214,205,517	-	2,207,539	47,261,129	34,916,049	92,366,941	37,453,859
OTHER ASSETS	353,246	-	-	-	-	-	353,246
Total Assets	<u>\$ 341,814,123</u>	<u>\$ (116,508,301)</u>	<u>\$ 66,909,467</u>	<u>\$ 52,528,934</u>	<u>\$ 64,853,380</u>	<u>\$ 197,555,635</u>	<u>\$ 76,475,008</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2020

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
LIABILITIES AND NET ASSETS (DEFICIT)							
CURRENT LIABILITIES							
Accounts Payable	\$ 4,553,324	\$ -	\$ 648,764	\$ 358,551	\$ 623,898	\$ 2,092,990	\$ 829,121
Salaries and Wages	2,823,209	-	2,819,746	19	1,883	1,110	451
Interest Payable	1,514,371	-	297,223	-	3,783	189,115	1,024,250
Deposits from Prospective Residents	868,403	-	-	437,800	133,600	193,003	104,000
Due to Affiliates	-	(116,508,301)	46,054,686	7,600,943	39,552,288	17,457,135	5,843,249
Current Portion of Lease Payable	328,864	-	162,045	21,324	25,212	92,215	28,068
Current Portion of Long-Term Debt	5,724,001	-	196,211	1,184,540	1,973,361	1,498,705	871,184
Refundable Advance - CARES Act	8,009,249	-	492,800	1,395,850	2,021,919	2,733,997	1,364,683
Advance Fee Refund Liability	4,112,732	-	-	177,242	1,350,158	1,133,359	1,451,973
Total Current Liabilities	27,934,153	(116,508,301)	50,671,475	11,176,269	45,686,102	25,391,629	11,516,979
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	34,820,980	-	-	-	14,404,003	9,864,438	10,552,539
DEFERRED REVENUE FROM ADVANCE FEES	104,821,589	-	-	5,324,048	23,742,138	55,873,815	19,881,588
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	4,758,785	-	-	4,758,785	-	-	-
LEASE PAYABLE, LESS CURRENT PORTION	1,251,163	-	718,928	38,865	47,808	350,461	95,101
LONG-TERM DEBT, NET	201,879,678	-	8,653,774	46,546,156	50,035,810	56,990,185	39,653,753
Total Liabilities	375,466,348	(116,508,301)	60,044,177	67,844,123	133,915,861	148,470,528	81,699,960
NET ASSETS (DEFICIT)							
Without Donor Restrictions	(48,452,119)	-	2,267,246	(17,807,021)	(70,065,398)	45,247,214	(8,094,160)
With Donor Restrictions	14,799,894	-	4,598,044	2,491,832	1,002,917	3,837,893	2,869,208
Total Net Assets (Deficit)	(33,652,225)	-	6,865,290	(15,315,189)	(69,062,481)	49,085,107	(5,224,952)
Total Liabilities and Net Assets (Deficit)	\$ 341,814,123	\$ (116,508,301)	\$ 66,909,467	\$ 52,528,934	\$ 64,853,380	\$ 197,555,635	\$ 76,475,008

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) OF OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2020

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
REVENUES, GAINS, AND OTHER SUPPORT							
Residential Services	\$ 63,081,876	\$ -	\$ -	\$ 7,378,953	\$ 18,024,563	\$ 24,662,834	\$ 13,015,526
Health Care Services	23,695,404	-	-	5,703,406	4,877,882	9,810,297	3,303,819
Continuing Care At Home Services	635,065	-	-	-	-	635,065	-
Net Assets Released from Restrictions							
Used for Operations	628,208	-	-	4,974	27,577	594,657	1,000
Gifts and Donations	2,548,845	(181,579)	-	715,359	617,668	1,020,248	377,149
Investment Income	2,409,001	-	472,359	1,841	92,969	1,181,154	660,678
Other	1,604,204	(7,248,454)	7,146,969	264,727	639,511	528,875	272,576
Total Revenue, Gains, and Other Support	94,602,603	(7,430,033)	7,619,328	14,069,260	24,280,170	38,433,130	17,630,748
EXPENSES							
Salaries, Wages and Professional Fees	43,550,081	-	4,396,917	7,207,955	9,864,042	14,847,004	7,234,163
Provisions for Depreciation and Amortization	15,354,498	-	173,267	1,562,928	4,337,902	5,846,505	3,433,896
Interest	9,034,011	-	269,535	1,943,102	2,333,332	2,008,083	2,479,959
Other	25,155,602	(7,430,033)	2,404,721	4,171,568	8,828,696	11,847,719	5,332,931
Total Expenses	93,094,192	(7,430,033)	7,244,440	14,885,553	25,363,972	34,549,311	18,480,949
OPERATING INCOME (LOSS)	1,508,411	-	374,888	(816,293)	(1,083,802)	3,883,819	(850,201)
NONOPERATING INCOME (LOSS)							
Change in Unrealized Gains on Investments	2,086,831	-	319,840	-	99,397	976,649	690,945
Change in Value of Interest Rate Swap Agreements	(2,247,471)	-	-	(2,247,471)	-	-	-
Total Nonoperating Income (Loss)	(160,640)	-	319,840	(2,247,471)	99,397	976,649	690,945
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	1,347,771	-	694,728	(3,063,764)	(984,405)	4,860,468	(159,256)

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) OF OBLIGATED GROUP (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Excess (Deficit) of Revenues, Gains and Other Support Over (Under) Expenses	\$ 1,347,771	\$ -	\$ 694,728	\$ (3,063,764)	\$ (984,405)	\$ 4,860,468	\$ (159,256)
Net Assets Released from Restrictions for Acquisition of Property, Plant, and Equipment	20,850	-	-	-	20,850	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	1,368,621	-	694,728	(3,063,764)	(963,555)	4,860,468	(159,256)
NET ASSETS WITH DONOR RESTRICTIONS							
Gifts, Grants and Bequests	986,281	-	-	487,386	263,276	199,458	36,161
Change in Present Value of Perpetual Trusts	588,892	-	413,723	18,967	5,037	34,976	116,189
Net Assets Released from Restrictions	(649,058)	-	-	(4,974)	(48,427)	(594,657)	(1,000)
Increase (Decrease) in Donor Restricted Net Assets	926,115	-	413,723	501,379	219,886	(360,223)	151,350
INCREASE (DECREASE) IN NET ASSETS	2,294,736	-	1,108,451	(2,562,385)	(743,669)	4,500,245	(7,906)
Net Assets (Deficit) at Beginning of Year	(35,946,961)	-	5,756,839	(12,752,804)	(68,318,812)	44,584,862	(5,217,046)
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (33,652,225)</u>	<u>\$ -</u>	<u>\$ 6,865,290</u>	<u>\$ (15,315,189)</u>	<u>\$ (69,062,481)</u>	<u>\$ 49,085,107</u>	<u>\$ (5,224,952)</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Obligated Group	Nonobligated Group	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets	\$ 2,294,736	\$ 431,669	\$ 2,726,405
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Amortization of Deferred Revenue from Advance Fees	(15,217,189)	-	(15,217,189)
Proceeds from Advance Fees and Deposits	22,060,861	-	22,060,861
Amortization of Intangible Assets	49,291	-	49,291
Amortization of Deferred Financing Costs	286,106	-	286,106
Amortization of Bond Discount	39,572	-	39,572
Amortization of Bond Premium	(339,256)	-	(339,256)
Loss on Sale of Property, Plant and Equipment	7,450	-	7,450
Provision for Bad Debts	32,847	121,428	154,275
Provision for Depreciation	15,305,207	3,609	15,308,816
Decrease in Annuity Obligations	-	(60,002)	(60,002)
Proceeds from Contributions Restricted for Long-Term Investment	(986,281)	(134,128)	(1,120,409)
Net Realized and Unrealized Gains on Long-Term Investments	(3,225,894)	(622,265)	(3,848,159)
Change in Present Value of Trust Funds	(588,892)	-	(588,892)
Change in Value of Interest Rate Swap Agreements	2,247,471	-	2,247,471
Decrease (Increase) in Operating Assets:			
Accounts Receivable	149,379	(121,428)	27,951
Escrow Receivable	2,555,382	-	2,555,382
Prepaid Expenses	(351,415)	(14,583)	(365,998)
Notes Receivable	2,612,579	-	2,612,579
Other Current Assets	1,222,893	1,182,477	2,405,370
Other Assets	-	-	-
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(2,731,346)	(484)	(2,731,830)
Refundable Advance - CARES Act	8,009,249	-	8,009,249
Salaries and Wages	(1,103,066)	17	(1,103,049)
Interest Payable	(12,367)	-	(12,367)
Deposits from Prospective Residents	(2,165,412)	-	(2,165,412)
Net Cash Provided by Operating Activities	30,151,905	786,310	30,938,215

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Obligated Group	Nonobligated Group	Total
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	\$ (5,948,996)	\$ (1,592)	\$ (5,950,588)
Net Purchases of Investments	<u>(7,545,535)</u>	<u>(42,113)</u>	<u>(7,587,648)</u>
Net Cash Used by Investing Activities	(13,494,531)	(43,705)	(13,538,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Contributions Restricted for Long-Term Investment	986,281	134,128	1,120,409
Refunds of Advance Fees and Deposits	(3,964,848)	-	(3,964,848)
Payments on Long-Term Debt	<u>(23,485,233)</u>	<u>-</u>	<u>(23,485,233)</u>
Net Cash Provided (Used) by Financing Activities	<u>(26,463,800)</u>	<u>134,128</u>	<u>(26,329,672)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(9,806,426)	876,733	(8,929,693)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>52,089,921</u>	<u>892,708</u>	<u>52,982,629</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 42,283,495</u>	<u>\$ 1,769,441</u>	<u>\$ 44,052,936</u>
Cash and Cash Equivalents	\$ 38,858,148	\$ 1,769,441	40,627,589
Restricted Cash included in Assets Limited as to Use	<u>3,425,347</u>	<u>-</u>	<u>3,425,347</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 42,283,495</u>	<u>\$ 1,769,441</u>	<u>\$ 44,052,936</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Property and Equipment Additions in Accounts Payable	<u>\$ 1,339,165</u>	<u>\$ -</u>	<u>\$ 1,339,165</u>
Property, Plant and Equipment Obtained through Long-Term Debt	<u>\$ 10,713,073</u>	<u>\$ -</u>	<u>\$ 10,713,073</u>
Right of Use Assets Obtained through Operating Leases Payable	<u>\$ 127,007</u>	<u>\$ -</u>	<u>\$ 127,007</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF LAKEWOOD MANOR
DECEMBER 31, 2020

	Combined	Eliminations	Lakewood Manor Baptist Retirement Community, Incorporated	Lakewood at Home
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,156,796	\$ -	\$ 5,021,002	\$ 135,794
Assets Whose Use is Limited	189,140	-	189,140	-
Accounts Receivable	1,370,177	-	1,369,316	861
Notes Receivable	1,425,821	-	1,425,821	-
Prepaid Expenses	51,877	-	40,425	11,452
Due from Affiliates	67,460,886	(6,664)	65,877,842	1,589,708
Deposits and Other	1,151	-	1,151	-
Total Current Assets	75,655,848	(6,664)	73,924,697	1,737,815
INVESTMENTS	21,065,632	-	19,417,127	1,648,505
BENEFICIAL INTEREST IN PERPETUAL TRUST	1,561,377	-	1,561,377	-
ASSETS WHOSE USE IS LIMITED				
Under Bond Indenture Agreement	7,094,977	-	7,094,977	-
Less: Amounts Available for Current Liabilities	(189,140)	-	(189,140)	-
Total Assets Whose Use is Limited	6,905,837	-	6,905,837	-
PROPERTY, PLANT AND EQUIPMENT, NET	92,366,941	-	91,930,430	436,511
 Total Assets	 \$ 197,555,635	 \$ (6,664)	 \$ 193,739,468	 \$ 3,822,831

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF LAKEWOOD MANOR (CONTINUED)
DECEMBER 31, 2020

	Combined	Eliminations	Lakewood Manor Baptist Retirement Community, Incorporated	Lakewood at Home
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,092,990	\$ -	\$ 2,090,756	\$ 2,234
Salaries and Wages	1,110	-	1,109	1
Interest Payable	189,115	-	189,115	-
Deposits from Prospective Residents	193,003	-	193,003	-
Due to Affiliates	17,457,135	(6,664)	16,515,531	948,268
Current Portion of Lease Payable	92,215	-	28,068	64,147
Current Portion of Long-Term Debt	1,498,705	-	1,498,705	-
Refundable Advance - CARES Act	2,733,997	-	2,733,997	-
Advance Fee Refund Liability	1,133,359	-	1,009,621	123,738
Total Current Liabilities	25,391,629	(6,664)	24,259,905	1,138,388
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	9,864,438	-	7,099,211	2,765,227
DEFERRED REVENUE FROM ADVANCE FEES	55,873,815	-	55,873,815	-
LEASE PAYABLE, LESS CURRENT PORTION	350,461	-	41,426	309,035
LONG-TERM DEBT, NET	56,990,185	-	56,990,185	-
Total Liabilities	148,470,528	(6,664)	144,264,542	4,212,650
NET ASSETS (DEFICIT)				
Without Donor Restrictions	45,247,214	-	45,637,033	(389,819)
With Donor Restrictions	3,837,893	-	3,837,893	-
Total Net Assets (Deficit)	49,085,107	-	49,474,926	(389,819)
Total Liabilities and Net Assets (Deficit)	<u>\$ 197,555,635</u>	<u>\$ (6,664)</u>	<u>\$ 193,739,468</u>	<u>\$ 3,822,831</u>

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
OF LAKEWOOD MANOR
YEAR ENDED DECEMBER 31, 2020

	Combined	Eliminations	Lakewood Manor Baptist Retirement Community, Incorporated	Lakewood at Home
REVENUES, GAINS, AND OTHER SUPPORT				
Residential Services	\$ 24,662,834	\$ -	\$ 24,662,834	\$ -
Health Care Services	9,810,297	-	9,810,297	-
Continuing Care At Home Services	635,065	-	-	635,065
Net Assets Released from Restrictions				
Used for Operations	594,657	-	594,657	-
Gifts and Donations	1,020,248	-	1,020,248	-
Investment Income	1,181,154	-	1,092,029	89,125
Other	528,875	-	528,875	-
Total Revenue, Gains, and Other Support	38,433,130	-	37,708,940	724,190
EXPENSES				
Salaries, Wages and Professional Fees	14,847,004	-	14,316,945	530,059
Provisions for Depreciation and Amortization	5,846,505	-	5,835,197	11,308
Interest	2,008,083	-	1,992,052	16,031
Other	11,847,719	-	11,634,047	213,672
Total Operating Expenses	34,549,311	-	33,778,241	771,070
Operating Income (Loss)	3,883,819	-	3,930,699	(46,880)
NONOPERATING INCOME				
Change in Unrealized Gains on Investments	976,649	-	913,309	63,340
Total Nonoperating Income	976,649	-	913,309	63,340
EXCESS OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES	4,860,468	-	4,844,008	16,460

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
OF LAKEWOOD MANOR (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	<u>Combined</u>	<u>Eliminations</u>	<u>Lakewood Manor Baptist Retirement Community, Incorporated</u>	<u>Lakewood at Home</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Excess of Revenues, Gains and Other Support Over Expenses	\$ 4,860,468	\$ -	\$ 4,844,008	\$ 16,460
Net Assets Released from Restrictions for Acquisition of Property, Plant, and Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Assets without Donor Restrictions	4,860,468	-	4,844,008	16,460
NET ASSETS WITH DONOR RESTRICTIONS				
Gifts, Grants and Bequests	199,458	-	199,458	-
Change in Present Value of Perpetual Trusts	34,976	-	34,976	-
Net Assets Released from Restrictions	<u>(594,657)</u>	<u>-</u>	<u>(594,657)</u>	<u>-</u>
Decrease in Donor Restricted Net Assets	<u>(360,223)</u>	<u>-</u>	<u>(360,223)</u>	<u>-</u>
INCREASE IN NET ASSETS	4,500,245	-	4,483,785	16,460
Net Assets (Deficit) - Beginning of Year	<u>44,584,862</u>	<u>-</u>	<u>44,991,141</u>	<u>(406,279)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ 49,085,107</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,474,926</u></u>	<u><u>\$ (389,819)</u></u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Virginia Baptist Homes, Incorporated
dba: LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire)'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire)'s internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire)'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 26, 2021

APPENDIX C

EXAMINATION OF FINANCIAL FORECAST

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**OBLIGATED GROUP CONSISTING OF:
VIRGINIA BAPTIST HOMES, INC.
CULPEPER BAPTIST RETIREMENT COMMUNITY, INC.
LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.
NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC.
THE GLEBE, INC.**

EXAMINATION OF FINANCIAL FORECAST

**FOR THE YEARS ENDING
DECEMBER 31, 2021 THROUGH 2023**



**WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING**

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Virginia Baptist Homes, Inc.
D/B/A LifeSpire of Virginia
Glen Allen, Virginia

We have examined the accompanying forecast of the obligated group (the "Obligated Group") consisting of Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc. and The Glebe, Inc., which comprises the forecasted combined balance sheets as of December 31, 2021, 2022, and 2023 (the "Forecast Period") and the related forecasted combined statements of operations, combined statements of changes in net assets (deficits), combined statements of cash flows, and combined schedule of financial ratios for the years then ending, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. Management of the Obligated Group ("Management") is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants ("AICPA"). Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. **This presentation is not intended to present the consolidated forecasted financial statements of Virginia Baptist Homes, Inc., which would also include the Virginia Baptist Homes Foundation, Inc. (the "Foundation"). The Foundation is not included in the Obligated Group and is not liable for debt services associated with the Obligated Group. Accordingly, the forecast is not intended to be a presentation in conformity with generally accepted accounting principles since it excludes the Foundation. References herein to the Obligated Group exclude the Foundation whose financial information would be consolidated with Virginia Baptist Homes, Inc. under generally accepted accounting principles.**

Legislation and regulations at all levels of government have affected and may continue to affect the operations of senior living communities, including revenues and expenses of facilities such as the Obligated Group's. The forecast is based upon legislation and regulations currently in effect. If future legislation or regulations related to the Obligated Group's operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

Management's forecast is based on the achievement of occupancy levels as determined by Management. We have not been engaged to evaluate the effectiveness of Management and we are not responsible for future marketing efforts and other Management actions upon which actual results will depend.

The accompanying forecast of the Obligated Group as of and for each of the years in the Forecast Period is based upon assumptions provided by or reviewed with and approved by Management.

The interest rates, principal payments, and other financing assumptions are described in the section entitled “Summary of Significant Forecast Assumptions and Accounting Policies.” If actual interest rates, principal payments, or funding requirements are different from those assumed, the amount of the Series “2021 Bonds” and “2021 Taxable Loan”, collectively the “2021 Financing” (each as defined hereafter) and associated debt service requirements would need to be adjusted accordingly from those indicated in the forecast. If such interest rates, principal payments, and funding requirements are lower than those assumed, such adjustments would not adversely affect the forecast.

Management’s “Summary of Significant Forecast Assumptions and Accounting Policies” sets forth significant assumptions on which the accompanying forecasted financial statements are based. These assumptions are integral and essential to an understanding of the forecasted financial statements.

In our opinion, except for the effects of not consolidating the Foundation as discussed previously, the accompanying forecast of the Obligated Group is presented in all material respects, in conformity with guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for Management’s forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management has conducted sensitivity analyses on selected significant assumptions which it believes are particularly subject to variation. The sensitivity analyses are presented beginning on page C-54 of Management’s “Summary of Significant Forecast Assumptions and Accounting Policies” and estimate the impact on the Obligated Group’s forecasted maximum annual debt-service coverage and liquidity ratios as a result of the various sensitivity analyses. Management has conducted these sensitivity analyses on its forecast which are presented for purposes of additional analysis and are not a required part of the forecast. These sensitivity analyses have not been subjected to procedures applied in the examination of the forecast and, accordingly, we express no opinion or any other form of assurance on them.

Management has executed an asset purchase agreement (the “APA”) to acquire, amongst other items, certain assets of a retirement community previously known as The Summit (defined hereafter), and subsequent to the change of ownership, as Lynchburg Baptist Retirement Community, LLC (the “Lynchburg Affiliate”) that will operate as an independent living and assisted living community (“The Summit”). Under the APA, Virginia Baptist Homes, Inc. and the Lynchburg Affiliate would be acquiring the property associated with the existing independent living and assisted living operations of The Summit, but not the property associated with the nursing operations, along with additional land and assuming all residency agreements. The property has been appraised. The due diligence period expired on July 21, 2021, with the APA executed on July 22, 2021. In addition, Management is applying for changes in ownership and other regulatory steps necessary to operate The Summit, including negotiating a resident transfer agreement with a third-party nursing home operator for those residents that need nursing.

Although Management plans to acquire and operate The Summit, as of the date of this report, many of the elements needed to finalize the acquisition of The Summit are still pending. Therefore, Management has not forecasted the acquisition or operations of The Summit since Management has no assurance that these items will occur. Management has included projected financial statements (the “Supplemental Projections”) related to the hypothetical acquisition and operations of The Summit to provide users of its forecast with information about The Summit. These Supplemental Projections should not be considered

Board of Trustees
Virginia Baptist Homes, Inc.
D/B/A LifeSpire of Virginia

a presentation of expected future results. The Supplemental Projections have not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on them. Management's Supplemental Projections assuming the acquisition and operation of The Summit are presented, along with certain key assumptions related to The Summit, are included in the supplemental disclosure to this report.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 22, 2021

**OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2021	2022	2023
REVENUES, GAINS, AND OTHER SUPPORT			
Residential Services	\$ 49,841	\$ 54,024	\$ 56,594
Deferred Revenue from Advanced Fees - Residential Services	14,467	15,939	16,513
Health Care Services	23,056	25,932	27,020
Continuing Care at Home Services	448	461	475
Amortization of Deferred Revenue from Advance Fees - Continuing Care at Home	308	317	327
Net Assets Released from Restrictions Used for Operations	176	176	176
Gifts and Donations	9,269	1,298	1,337
Investment Income	2,896	3,587	4,197
Other	1,886	1,942	2,000
Total Revenue, Gains, and Other Support	102,347	103,676	108,639
EXPENSES			
Administration	10,247	10,578	10,912
Marketing	3,481	3,493	3,643
Member Services	182	187	193
Information Technology	2,444	2,517	2,592
Resident Services	1,475	1,519	1,565
Activities	370	381	392
Salon Services	434	447	460
Laundry	367	378	390
Housekeeping	3,527	3,656	3,776
Food Services	12,821	13,293	13,753
Health Care	15,050	16,381	17,138
Assisted Living	5,501	5,877	6,122
Clinic	667	687	708
Maintenance	8,150	8,516	8,843
Security	827	851	877
Transportation	554	571	588
Memory Support	3,073	3,269	3,397
Therapies	3,720	4,286	4,452
Home Health	139	143	147
Wellness	424	436	449
General Expense	116	119	123
Depreciation	17,375	17,266	17,138
Interest	9,830	10,809	10,699
Interest- Amortization of Issuance Costs	286	291	278
Interest- Amortization of Bond Premium	(562)	(896)	(831)
Interest- Amortization of Bond Discount	40	40	40
Total Operating Expenses	100,538	105,095	107,844
Operating Income	1,809	(1,419)	795
Nonoperating Expense			
Change in Value of Interest Rate Swap Agreements	1,037	-	-
Loss on Extinguishment of Debt	(671)	-	-
Nonoperating Expense	366	-	-
CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	\$ 2,175	\$ (1,419)	\$ 795

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

**OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2021	2022	2023
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS			
Change in Net Assets (Deficit) Without Donor Restrictions	\$ 2,175	\$ (1,419)	\$ 795
NET ASSETS WITH DONOR RESTRICTIONS			
Net Assets Released from Restrictions	(176)	(176)	(176)
Investment Income	176	176	176
Change in Net Assets With Donor Restrictions	-	-	-
CHANGE IN NET ASSETS (DEFICIT)	2,175	(1,419)	795
Net Deficit, Beginning of Year	(33,652)	(31,477)	(32,896)
NET DEFICIT, END OF YEAR	\$ (31,477)	\$ (32,896)	\$ (32,101)

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

**OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets (Deficit)	\$ 2,175	\$ (1,419)	\$ 795
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:			
Amortization of Deferred Revenue from Advance Fees	(14,775)	(16,256)	(16,840)
Proceeds from Advance Fees and Deposits	21,907	25,363	27,243
Amortization of Bond Issuance Costs Included in Interest Expense	286	291	278
Amortization of Bond Discount	40	40	40
Amortization of Bond Premium	(562)	(896)	(831)
Loss on Extinguishment of Debt	671	-	-
Provision for Depreciation	17,375	17,266	17,138
Change in Value of Interest Rate Swap Agreements	(1,037)	-	-
Change in:			
Accounts Receivable	(488)	(241)	(120)
Prepaid Expenses	70	(29)	(30)
Change in:			
Accounts Payable	1,622	480	273
Refundable Advance - CARES Act	(8,009)	-	-
Salaries and Wages	788	281	159
Interest Payable	307	(33)	(5)
Net Cash Provided by Operating Activities	20,370	24,847	28,100
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases of Investments	(26,600)	(21,350)	(10,555)
Acquisition of Property and Equipment	(20,922)	(21,760)	(9,152)
Capitalized Interest Into Property and Equipment	(510)	(466)	-
Net Change in Assets Whose Use is Limited	(50,719)	24,773	9,132
Purchase of Equity Interest in Joint Venture	(634)	-	-
Net Cash Used in Investing Activities	(99,385)	(18,803)	(10,575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Refunds of Advance Fees and Deposits	(3,711)	(4,128)	(4,275)
Payments on Long-Term Debt	(4,612)	(13,870)	(14,281)
Refinancing of Long-Term Debt	(46,904)	-	-
Proceeds from Series 2021 Financing	108,361	-	-
Payment of Financing Costs	(1,880)	-	-
Termination of Swap Agreements	(3,722)	-	-
Proceeds from Initial Advance Fees	3,705	12,568	1,638
Payments on Leases Payable	(273)	(279)	(278)
Net Cash Provided by (Used in) Financing Activities	50,964	(5,709)	(17,196)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(28,051)	335	329
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	42,283	14,232	14,567
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 14,232	\$ 14,567	\$ 14,896
Cash and Cash Equivalents	\$ 10,807	\$ 11,142	\$ 11,471
Restricted Cash included in Assets Limited as to Use	3,425	3,425	3,425
Total Cash, Cash Equivalents, and Restricted Cash	\$ 14,232	\$ 14,567	\$ 14,896
Supplemental Disclosure of Cash Flow Information:			
Cash Paid for Interest	\$ 9,975	\$ 11,260	\$ 10,668

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

**OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED BALANCE SHEETS
AT DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2021	2022	2023
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 10,807	\$ 11,142	\$ 11,471
Current Portion of Assets Whose Use is Limited	2,320	2,307	2,327
Accounts Receivable	3,359	3,600	3,720
Notes Receivable	3,069	3,069	3,069
Prepaid Expenses	961	990	1,020
Due from Affiliates	2,662	2,662	2,662
Deposits and Other	1,503	1,503	1,503
Total Current Assets	24,681	25,273	25,772
Assets Whose Use is Limited:			
Bond Sinking Fund	3,183	3,183	3,183
Debt Service Reserve Funds	14,697	14,697	14,697
Principal Fund	499	519	544
Interest Fund	1,821	1,788	1,783
Project Fund	16,021	-	-
Board Designated- Capital Fund	30,000	21,261	12,109
Total Assets Whose Use is Limited	66,221	41,448	32,316
Less: Current Portion	(2,320)	(2,307)	(2,327)
Total Assets Whose Use is Limited, Less Current Portion	63,901	39,141	29,989
Investments	78,295	99,645	110,200
Beneficial Interest In Perpetual Trusts	10,065	10,065	10,065
Property and Equipment	412,806	435,032	444,184
Less: Accumulated Depreciation	(194,543)	(211,809)	(228,947)
Net Property and Equipment	218,263	223,223	215,237
Other Assets	353	353	353
Equity Interest in Joint Venture	634	634	634
Total Assets	\$ 396,192	\$ 398,334	\$ 392,250

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

**OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED BALANCE SHEETS
AT DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2021	2022	2023
Liabilities and Net Assets (Deficit)			
Current Liabilities:			
Accounts Payable	\$ 6,177	\$ 6,657	\$ 6,930
Salaries and Wages	3,611	3,892	4,051
Interest Payable	1,821	1,788	1,783
Deposits from Prospective Residents	868	868	868
Current Portion of Lease Payable	279	278	246
Current Maturities of Long-Term Debt	6,275	6,515	6,775
Advance Fee Refund Liability	4,113	4,113	4,113
Total Current Liabilities	23,144	24,111	24,766
Advance Fee Refund Liability, Less Current Portion	31,110	26,982	22,707
Deferred Revenue from Advance Fees	115,659	137,334	149,375
Lease Payable, Less Current Portion	1,028	750	504
Long-Term Debt	253,491	239,621	225,340
Less: Current Portion	(6,275)	(6,515)	(6,775)
Unamortized Deferred Financing Costs	(4,957)	(4,666)	(4,388)
Unamortized Bond Discount	(910)	(870)	(830)
Unamortized Bond Premium	15,379	14,483	13,652
Long-Term Debt, Net	256,728	242,053	226,999
Total Liabilities	427,669	431,230	424,351
Net Assets (Deficit):			
Without Donor Restriction	(46,277)	(47,696)	(46,901)
With Donor Restriction	14,800	14,800	14,800
Total Net Deficit	(31,477)	(32,896)	(32,101)
Total Liabilities and Net Deficit	\$ 396,192	\$ 398,334	\$ 392,250

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

OBLIGATED GROUP CONSISTING OF VIRGINIA BAPTIST HOMES, INC., CULPEPER BAPTIST RETIREMENT COMMUNITY, INC., LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC., NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., AND THE GLEBE, INC.
FORECASTED COMBINED SCHEDULE OF FINANCIAL RATIOS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2021	2022	2023
Long-Term Debt Service Coverage Ratio			
Change in Net Assets (Deficits) Without Donor Restrictions	\$ 2,175	\$ (1,419)	\$ 795
Remove:			
Deferred Revenue from Advanced Fees - Residential Services	(14,775)	(16,256)	(16,840)
Gain on Valuation of Swap	(1,037)	-	-
Add:			
Entrance Fees Received from Attrition, Net of Refunds ⁽¹⁾	18,196	21,235	22,968
Depreciation	17,375	17,266	17,138
Loss on Extinguishment of Debt	671	-	-
Interest- Amortization of Issuance Costs	286	291	278
Interest- Amortization of Bond Premium	(562)	(896)	(831)
Interest- Amortization of Bond Discount	40	40	40
Interest Expense	9,830	10,809	10,699
Income Available for Debt Service	\$ 32,199	\$ 31,070	\$ 34,247
Maximum Annual Debt Service⁽²⁾⁽³⁾	\$ 16,394	\$ 16,394	\$ 17,497
Long-Term Debt Service Coverage Ratio	1.96	1.90	1.96
	2021	2022	2023
Days' Cash on Hand			
Cash and Cash Equivalents	\$ 10,807	\$ 11,142	\$ 11,471
Investments	78,295	99,645	110,200
Board Designated- Capital Fund	30,000	21,261	12,109
Less Restricted Assets Included in Investments	(4,398)	(4,398)	(4,398)
Total Cash on Hand	\$ 114,704	\$ 127,650	\$ 129,382
Total Operating Expenses	\$ 100,538	\$ 105,095	\$ 107,844
Less:			
Depreciation	(17,375)	(17,266)	(17,138)
Interest- Amortization of Issuance Costs	(286)	(291)	(278)
Interest- Amortization of Bond Premium	562	896	831
Interest- Amortization of Bond Discount	(40)	(40)	(40)
Total Adjusted Operating Expenses	\$ 83,399	\$ 88,394	\$ 91,219
Divided by Days	365	365	365
Daily Operating Expenses	\$ 228.49	\$ 242.18	\$ 249.92
Days' Cash on Hand Ratio	502	527	518
Days' Cash on Hand Ratio, Excluding Board Designated - Capital Fund	371	439	469

Notes to the Forecasted Schedule of Financial Ratios:

1. Excludes initial entrance fees associated with the Lakewood Project and Culpeper Project.
2. Includes debt service related to the Series 2014 Bonds, Series 2016 Bonds, Series 2017C Bonds, and Series 2021 Bonds. In 2021 and 2022, debt service on the Series 2021 Bonds associated with the Lakewood Project and Culpeper Project is excluded from the maximum annual debt service.
3. Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the 2021 Taxable Loan as it is classified as Qualifying Intermediate-Term Indebtedness.

See Summary of Significant Forecast Assumptions and Accounting Policies and
Independent Accountants' Report

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information

Basis of Presentation

The purpose of the examined forecast (the “Forecast”) is to evaluate the ability of the obligated group (the “Obligated Group”) consisting of Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc. and The Glebe, Inc. to meet the operating requirements, working capital requirements, refund certain existing indebtedness, and other financial requirements associated with its plans to add cottages at two of its locations (the “Lakewood Project” and the “Culpeper Project” as further described), and additional routine capital improvements.

Management of Virginia Baptist Homes, Inc. d/b/a LifeSpire of Virginia (“LifeSpire”), inclusive of the Obligated Group members, is referred to as “Management.”

The accompanying Forecast for the years ending December 31, 2021, 2022, and 2023 and for each of the three years then ending (the “Forecast Period”), contained herein is estimated by Management. The financial forecast presents, to the best of Management’s knowledge and belief, the Obligated Group’s expected financial position, results of operations and changes in net assets (deficits), and cash flows for the Forecast Period.

Accordingly, the Forecast reflects Management’s judgment as of July 22, 2021, the date of this financial forecast, of its expected conditions and its expected course of action. The assumptions disclosed herein, while not all-inclusive, are those that Management believes are significant to its financial forecast. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This presentation is not intended to present the consolidated forecasted financial statements of Virginia Baptist Homes, Inc., which would also include the Virginia Baptist Homes Foundation, Inc. (the “Foundation”). **The Foundation is not included in the Obligated Group.** Accordingly, the Forecast is not intended to be a presentation in conformity with generally accepted accounting principles since it excludes the Foundation. References herein to the Obligated Group exclude the Foundation whose financial information would be consolidated with Virginia Baptist Homes, Inc. under generally accepted accounting principles.

Fundamental to the Forecast is the assumption that the operations of the Obligated Group will be competently and efficiently managed, and its services professionally and consistently marketed. In addition, the validity of the Forecast will decrease substantially in proportion to the time elapsed since its preparation. Management’s Forecast has been prepared in connection with the proposed issuance of the “Series 2021 Bonds” and the “2021 Taxable Loan”, collectively the “2021 Financing”. Management does not intend to update the Forecast subsequent to its issuance, and, accordingly, there are risks inherent to referring to, or using, this Forecast in the future as it may, and most likely will, become outdated.

The assumed interest rates, principal payments, project-related costs, other financing assumptions, and assumptions pertaining to the forecasted revenue, expenses, and cash flows of the Obligated Group are described herein. If the actual interest rates, principal payments, or other financing assumptions related to the 2021 Financing are different from those assumed, the associated debt service requirements would need to be adjusted, accordingly, from those disclosed. If interest rates, principal payments, and funding requirements are lower than those assumed, then such adjustments would not adversely affect the Forecast.

Background Information (continued)

Supplemental Projection - Proposed Acquisition of The Summit

Management has executed an asset purchase agreement (the “APA”) to acquire, amongst other items, certain assets of a retirement community previously known as The Summit and subsequent to the change of ownership, as Lynchburg Baptist Retirement Community, LLC (the “Lynchburg Affiliate”) that will operate as an independent living and assisted living community (“The Summit”). Under the APA, the Obligated Group would be acquiring the property associated with the existing independent living units and assisted living units of The Summit, but not the property associated with the nursing beds, along with additional land and assuming all residency agreements. The property has been appraised. The due diligence period expired on July 21, 2021, with the APA executed on July 22, 2021. In addition, Management is applying for changes in ownership and other regulatory steps necessary to operate The Summit, including negotiating a resident transfer agreement with a third-party nursing home operator for those residents that need nursing.

Although Management plans to acquire and operate The Summit, as of the date of this report, many of the elements needed to finalize the acquisition are still pending. Therefore, Management has not forecasted the operations of The Summit since Management has no assurance that these items will occur as currently planned and timed. **Management has included projected financial statements (the “Supplemental Projections”) related to the hypothetical acquisition and operations of The Summit to provide users of its Forecast with information about The Summit. These Supplemental Projections should not be considered a presentation of expected future results. The Supplemental Projections have not been subjected to procedures applied in the examination of the Forecast.**

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named “coronavirus disease 2019” (“COVID-19”) to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States. The Centers for Disease Control and Prevention has confirmed the spread of COVID-19 to the United States, including Virginia. In response, the federal government and a large number of state governments, including Virginia, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19.

Specific to the Obligated Group, COVID-19 has impacted and may continue to impact various parts of its operations and financial results, including but not limited to: additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to its reduction in certain revenue streams. Management believes it is taking appropriate actions to mitigate the negative impact.

In addition to the direct impact to the health care industry, national and global investment and financial markets have experienced substantial volatility attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Obligated Group expects it may encounter further volatility and disruption in its operations and the local economies. The potential impact of the COVID-19 pandemic is difficult to predict and could materially impact the Obligated Group’s financial condition, liquidity and results of operations, as well as national and local economies.

Since the first reports of COVID-19 were diagnosed in the United States, the Obligated Group has been working to ensure resident safety and that its staff is prepared to respond to the virus as needed. Management continually reviews guidance and recommendations from the Centers for Disease Control and Prevention (“CDC”) and the Virginia Department of Health and incorporates this guidance into operational policy and protocol.

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

The accompanying Forecast reflects Management's estimate of the impact of the COVID-19 pandemic on the Obligated Group's operations during the Forecast Period, most significant of which is Management's assumption regarding the occupancy recoveries in its assisted living, memory support, and skilled nursing locations during the Forecast Period.

Corporate Entities

LifeSpire was organized as a Virginia non-stock corporation in 1946 by the Baptist General Association of Virginia. The Baptist General Association of Virginia, however, has no legal responsibility for payment of obligations owed by LifeSpire or its related entities. LifeSpire carries out its mission through related non-stock corporations ("LifeSpire Affiliates"), which it controls by virtue of being the sole corporate member of all LifeSpire Affiliates and retaining the right to appoint the affiliate board members. The LifeSpire Affiliates are as follows:

- Culpeper Baptist Retirement Community, Inc. d/b/a The Culpeper, which owns and operates a retirement community in Culpeper, Virginia ("The Culpeper");
- Lakewood Manor Baptist Retirement Community, Inc. d/b/a Lakewood, which owns and operates a retirement community in Richmond, Virginia ("Lakewood");
- Newport News Baptist Retirement Community, Inc. d/b/a The Chesapeake, which owns and operates a retirement community in Newport News, Virginia ("The Chesapeake")
- The Glebe, Inc., which owns and operates a retirement community in Daleville, Virginia ("The Glebe"); and
- Virginia Baptist Homes Foundation, Inc. (the "Foundation").

As described above, the LifeSpire Affiliates does not include the Lynchburg Affiliate.

LifeSpire and the LifeSpire Affiliates are all tax-exempt entities described in Section 501(c)(3) of the Internal Revenue Code and therefore are generally not subject to federal income taxation.

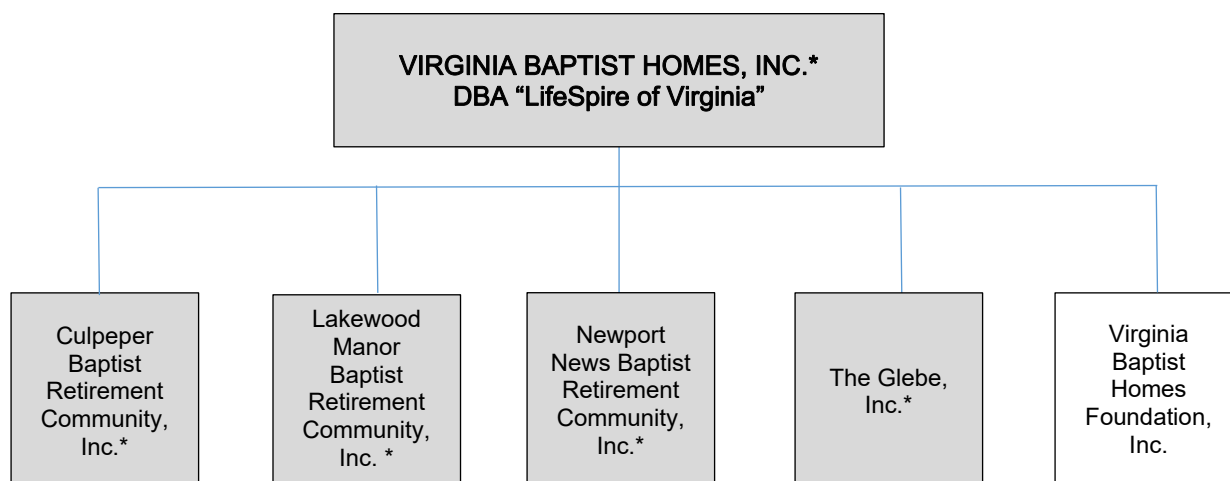
LifeSpire maintains a corporate office for all LifeSpire Affiliates, providing for the development and management of the LifeSpire Affiliates.

The LifeSpire Affiliates operate each of their retirement communities (also known as a life plan community) under arrangements whereby residents enter into agreements which require payment of a one-time entrance fee and a monthly service fee. Generally, these payments entitle residents to the use and privileges of the retirement community for life. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the LifeSpire Affiliates.

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

The following chart displays the current corporate structure of LifeSpire and the LifeSpire Affiliates:



* Member of the Obligated Group.

The following discussion provides background information on the Obligated Group members.

LifeSpire

LifeSpire's corporate office is located in Richmond, Virginia. Through its corporate office, LifeSpire is responsible for financial, operational and governance oversight of the LifeSpire Affiliates, and fundraising and development through the Foundation. The corporate office employs the key management members for LifeSpire. Costs relating to the operation of the corporate office are allocated to the Obligated Group members.

The Culpeper

The Culpeper is located at 12425 Village Loop, in Culpeper, Virginia. The community is a campus style complex that currently has 27 independent living units, including 17 single-family cottages and 5 duplex cottages (10 units). Health care services include 54 traditional assisted living units, 32 memory support assisted living units, and 47 skilled nursing beds. Recent capital improvements include: (i) numerous cottage renovations (2012 – current), (ii) technology upgrades (2013,) (iii) refurbishment of common areas and apartments (2014), (iv) unit design in the main building, (v) a new electronic health records system (2015), (vi) the replacement of the existing health care center (2019), and (vii) addition of 25 single-family cottages (ongoing) (the "Culpeper Project" as described below).

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

The Culpeper Project

The Culpeper Project is forecasted to consist of the development, construction, and operation of an expansion to Culpeper, consisting of 25 new independent living cottages (the "Expansion Independent Living Units – Culpeper").

The Expansion Independent Living Units – Culpeper will range between 1,262 and 1,765 square feet in size. Each new cottage will be furnished with floor coverings, cabinets, and countertops; window treatments; appliances, including a refrigerator and freezer, range/oven, dishwasher, microwave oven, garbage disposal, washer and dryer; an emergency call system; fire sprinkler system; and cable/telephone/data communication ports. Initial residents of The Culpeper Project have the option to customize their cottage at their expense, subject to The Culpeper's policies and with Culpeper's prior written approval. The Culpeper reserves the right to restore the Expansion Independent Living Units – Culpeper to their pre-altered state upon vacancy of the units. The cost of restoration, as determined by Culpeper, is the responsibility of the resident and may be withheld from any entrance fee ("Entrance Fee" or "Advance Fee") refunded.

The following table shows the unit configuration of The Culpeper before and after The Culpeper Project.

Table 1
The Culpeper
Unit Configuration Before and After Completion of The Culpeper Project
Type, Number, and Weighted Average Square Footage by Unit Type

Unit Type	Existing Number of Units	Culpeper Project Number of Units	Total	Existing Weighted Average Square Footage by Unit Type	Culpeper Project Weighted Average Square Footage by Unit Type
<i>Independent Living Units:</i>					
Cottages	27	25	52	1,305	1,384
Total Independent Living Units	27	25	52		
<i>Assisted Living Units:</i>					
Traditional Assisted Living Units	54	-	54	457	
Memory Support Assisted Living Units	32	-	32	293-300	
<i>Nursing Beds:</i>					
Skilled Nursing Beds	47	-	47	293-300	
Total Health Care Units and Beds	133	-	133		
Total Campus Units and Beds	160	25	185		

Source: Management

Management began construction of Culpeper Project in early 2021 and plans to complete all of the units by June 2022.

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

Lakewood

Lakewood is located at 1900 Lauderdale Drive, in Richmond, Virginia. Lakewood was opened in western Henrico County in 1978. The community is a campus style continuing care retirement community that currently has 325 independent living units, including 30 villas, 20 hybrids, 44 clubhouses, 14 cottages, and 217 apartments. Health care services include 60 traditional assisted living units, 14 memory support assisted living units and 96 skilled nursing beds. Recent capital improvements include a 2109 expansion of amenities and new independent living units. Most of the independent living areas were updated to be “first in class” within the market. Other investments include: added dining venues and variety and over 12,000 square feet of fitness space that includes brain fitness, a salt water pool, an aerobics studio and an equipment room. Additionally, in 2019, Lakewood began operations of a new program known as Lakewood at Home, which allows for members to remain in their private residences while enjoying many of the benefits and services offered at the retirement community.

Lakewood Project

The Lakewood Project is forecasted to consist of the development, construction, and operation of an expansion to Lakewood, consisting of 19 new independent living cottages (the “Expansion Independent Living Units – Lakewood”).

The Expansion Independent Living Units - Lakewood will range in size from approximately 1,592 - 1,986 square feet. Each new cottage will be furnished with floor coverings, cabinets, and countertops; window treatments; appliances, including a refrigerator and freezer, range/oven, dishwasher, microwave oven, garbage disposal, washer and dryer; an emergency call system; fire sprinkler system; and cable/telephone/data communication ports. Initial residents of the Lakewood Project have the option to customize their cottage at their expense, subject to the Lakewood’s policies and with Lakewood’s prior written approval. Lakewood reserves the right to restore the Expansion Independent Living Units – Lakewood to its pre-altered state upon vacancy of the unit. The cost of restoration, as determined by Lakewood, is the responsibility of the resident and may be withheld from any Entrance Fee refunded.

The Expansion Independent Living Units – Lakewood and the Expansion Independent Living Units – Culpeper are collectively referred to as the “Expansion Independent Living Units”.

Summary of Significant Forecast Assumptions and Accounting Policies
Background Information (continued)

The following table shows the unit configuration of Lakewood before and after the Lakewood Project.

Table 2 Lakewood Unit Configuration Before and After Completion of the Lakewood Project Type, Number and Weighted Average Square Footage by Unit Type					
Unit Type	Existing Number of Units	Lakewood Project Number of Units	Total	Existing Weighted Average Square Footage by Unit Type	Lakewood Project Weighted Average Square Footage by Unit Type
<i>Independent Living Units:</i>					
Studio Apartments	7	-	7	472	
One-Bedroom Apartments	153	-	153	747	
Two-Bedroom Apartments	57	-	57	978	
Villas	30	-	30	1,570	
Hybrids	20	-	20	1,517	
Clubhouses	44	-	44	1,246	
Cottages	14	19	33	2,339	1,892
Total Independent Living Units	325	19	344		
<i>Assisted Living Units:</i>					
Traditional Assisted Living Units	60	-	60	425	
Memory Support Assisted Living Units	14	-	14	425	
<i>Nursing Beds:</i>					
Skilled Nursing Beds	96	-	96	325	
Total Health Care Units and Beds	170	-	170		
Total Campus Units and Beds	495	19	514		

Source: Management

Management anticipates that the Lakewood Project cottages will be completed by February 2023.

Management has forecasted the following timeline for the Culpeper Project and the Lakewood Project:

Table 3 Project Timeline	
Event	Date
Construction Commences - The Culpeper Project	June 2020
Fill-up Begins - The Culpeper Project	April 2021
Close on 2021 Financing	August 2021
Construction Commences - Lakewood Project	July 2021
Construction Complete - The Culpeper Project	June 2022
Fill-up Ends - Culpeper Project	July 2022
Construction Complete - Lakewood Project	February 2023
Fill-up Ends - Lakewood Project	February 2023

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

The Chesapeake

The Chesapeake is a campus style continuing care retirement community located at 955 Harpersville Road, in Newport News, Virginia. The Chesapeake began operation in 1969. The community is a campus style complex that currently has 253 independent living units, including 34 cottages and 219 apartments. Health care services include 57 traditional assisted living units, 16 memory support assisted living units and 52 skilled nursing beds. The Chesapeake has renovated over 75 percent of the campus in the last three years. The final phase of renovations are set to begin in the fall of 2021, with completion expected nine months later. All newly renovated independent living apartments are being equipped with smart home technology.

The following table shows The Chesapeake's unit configuration.

Table 4		
The Chesapeake		
Unit Configuration Type, Number, and Weighted Average Square Footage by Unit Type		
Unit Type	Number of Units	Weighted Average Square Footage by Unit Type
<i>Independent Living Units:</i>		
One-bedroom apartments	92	901
Two-bedroom apartments	125	1,217
Cottages	34	963
Total Independent Living Units	251	
<i>Assisted Living Units:</i>		
Traditional Assisted Living Units	57	447
Memory Support Assisted Living Units	16	370
<i>Nursing Beds:</i>		
Skilled Nursing Beds	52	325
Total Health Care Units and Beds	125	
Total Campus Units and Beds	376	

Source: Management

The Glebe

The Glebe is a campus-style continuing care retirement community located at 200 The Glebe Boulevard in Daleville, Virginia. The Glebe began operations in 2006. The 65-acre site for The Glebe, in Botetourt County, is located off Highway 220, just north of the city of Roanoke. The 133 one- and two-bedroom apartments are housed in a multi-story horseshoe-shaped building overlooking the mountains. The 21 single-family cottages all offer two bedrooms, living room, dining room, kitchen, porch and garage, with options of dens, formal dining rooms and other additional spaces. The Glebe has 32 traditional assisted living units, 20 memory support assisted living units (new in 2019), as well as 32 private skilled nursing beds. Recent capital improvements include: new make-up air system, new flooring in the health care center, and continual independent living refurbishments, including smart home technology.

The following table shows The Glebe's unit configuration.

Summary of Significant Forecast Assumptions and Accounting Policies
Background Information (continued)

Table 5
The Glebe
Unit Configuration Type, Number, and Weighted Average Square Footage by Unit Type

Unit Type	Number of Units	Weighted Average Square Footage by Unit Type
<i>Independent Living Units:</i>		
One-bedroom apartments	47	845
Two-bedroom apartments	86	1,244
Cottages	21	1,722
Total Independent Living Units	154	
<i>Assisted Living Units:</i>		
Traditional Assisted Living Units	32	425
Memory Support Assisted Living Units	20	450
<i>Nursing Beds:</i>		
Skilled Nursing Beds	32	325
Total Health Care Units and Beds	84	
Total Campus Units and Beds	238	

Source: Management

Admissions Criteria

The Obligated Group facilities are all open to persons 62 years of age or older (except in the case of a married couple, a spouse may be younger), regardless of race, nationality, sexual orientation or religion, who are free of communicable disease and demonstrate an ability to meet their financial obligations as residents. Upon acceptance, all prospective residents must pay Entrance Fees prior to being admitted as a resident. The applicant is asked to submit the following information:

- an application for admission containing general background information;
- a personal health history recounting relevant medical experience and insurance data; and
- a confidential financial statement which summarizes the prospective resident's net worth and annual income.

Each facility's admissions committee, composed of staff of the facility and LifeSpire, reviews the information and advises each applicant of its decision to accept or reject his or her application under guidance adopted by the Board of Directors annually.

Applicants for residency in an existing independent living unit at any of the Obligated Group communities typically will place a \$1,000 reservation deposit and pay the balance of the Entrance Fee upon move-in. For an expansion project, prospective residents will place a ten percent deposit (the "Deposit") for a particular unit and pay the balance of the Entrance Fee upon move-in.

As part of its presale efforts for the Expansion Independent Living Units, residents pay the Deposit of their Entrance Fees at the time of their acceptance, with the balance due on or before the date of their occupancy. A portion of the Deposit is refundable if the applicant does not move into the Expansion Independent Living Units.

Residency Agreements

All residents who are accepted for admission to an Obligated Group community are required to sign a residency agreement (the "Residency Agreement"). At the time that the resident signs the Residency Agreement, the resident is required to pay the Entrance Fee, less any Deposits previously made, for the particular unit, apartment or cottage in which the resident will reside. Pursuant to Virginia law, the resident is entitled to rescind the Residency Agreement within seven days following the later of the execution of

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

the Residency Agreement and the resident's receipt of the legally mandated disclosure statement. Upon a timely rescission, the resident is entitled to a refund of all monies paid to the facility.

If the resident dies prior to occupying his or her independent living unit, or is precluded from occupying his or her independent living unit on account of illness, injury or incapacity, the Residency Agreement is automatically canceled, and all fees paid shall be refunded.

Following the initial seven days after the execution of the Residency Agreement, the resident may terminate the Residency Agreement upon 30 days' notice in writing to the facility. Refunds of paid Entrance Fees are available in the following options, and are paid to the resident approximately 30 days from the date of termination of the contract.

Each of the Obligated Group facilities offer a declining balance refundable plan (the "Standard Refund Plan"), a 50 percent refundable plan (the "50% Refund Plan") and a 90 percent refundable plan (the "90% Refund Plan"). The plans have the option of including a life care benefit.

Standard Refund Plan – The Entrance Fee less an initial 4 percent administrative charge (\$5,000 at The Culpeper) will be amortized at 2 percent per month for 50 months after which time the Entrance Fee is fully amortized.

50% Refund Plan – The Entrance Fee less an initial 4 percent administrative charge (\$5,000 at The Culpeper) will be amortized at 2 percent per month for 25 months after which time the Entrance Fee is fully amortized. The refund is never less than 50 percent of the Entrance Fee paid less the 4 percent administrative fee.

90% Refund Plan – The Entrance Fee less an initial 4 percent administrative charge (\$5,000 at The Culpeper) will be amortized at 1 percent per month for 10 months after which time the Entrance Fee is fully amortized. The refund is never less than 90 percent of the Entrance Fee paid less the 4 percent administrative fee.

Refunds of Entrance Fees, when applicable, are contingent upon resale of a comparable unit but due no later than one year from the date of termination. Beginning in 2016, all Residency Agreement contracts from that point forward specify that the refund is due solely upon resale of a comparable unit.

Based on recent actuarial work, Management anticipates the mix of entrants into the various communities to be as follows:

Table 6
The Obligated Group
Forecasted Entrance Fee Plan Selections
Forecasted Three Year Average

Entrance Fee Option	Lakewood	The Culpeper	The Chesapeake	The Glebe
Life Care 90% Refund Plan	5%	0%	6%	40%
Life Care 50% Refund Plan	0%	0%	0%	0%
Life Care Standard Refund Plan	50%	0%	64%	60%
Fee for Service 90% Refund Plan	5%	0%	0%	0%
Fee for Service 50% Refund Plan	0%	0%	0%	0%
Fee for Service Standard Refund Plan	40%	100%	30%	0%
Total	100%	100%	100%	100%

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

Under the Residency Agreement, independent living residents must pay an Entrance Fee and a monthly service fee and are generally entitled to the following services and amenities at no additional cost:

- Utilities to include water/sewer, electricity, heating and air conditioning;
- A flexible meal program with a declining balance that equates to one meal per day;
- Furnishings to include flooring, blinds and appliances, based upon unit occupied;
- Bi-weekly housekeeping services within each unit;
- Routine maintenance;
- Groundskeeping including lawn, tree and shrubbery care;
- Security staff;
- Wireless internet connection (Wi-Fi) in designated common areas;
- Planned wellness, social, recreational, spiritual, educational and cultural activities; arts and crafts; exercise and health programs; and other special activities;
- An urgent call system and smoke detectors; and
- Scheduled transportation for shopping, cultural events, and medical appointments.

Healthcare Benefit

The communities of the Obligated Group (the “Obligated Group Communities”) offer three healthcare benefit contract types:

- Life Care (Lakewood, The Chesapeake and The Glebe) – The “Life Care” contract provides an independent living resident unlimited access to assisted living and skilled nursing care in the health care center with no change in a resident’s existing monthly service fee (or if the resident has moved to a new residence in the last year prior to moving to a new level of care, at the rate of the last residence in which the resident resided for at least one year). In addition to the monthly service fee, the resident will be charged for two additional meals per day and other ancillary service charges, if needed. Should space not be available in assisted living, the resident may temporarily receive services in the health care center until an appropriate assisted living residence is available. Similarly, should space not be available in the health care center, the Obligated Group Communities may transfer residents to another facility or provide home care services in the resident’s independent living residence.
- Fee For Service (All four communities) – For an independent living resident who transfers to an assisted living, memory support, or skilled nursing unit, the associated cost is the applicable assisted living, memory support, or skilled nursing daily rate less 10 percent and shall be the responsibility of the resident. Should space not be available in the health care center, the resident may be required to be temporarily transferred to another facility at the expense of the resident.
- Community-Based Continuing Care (Lakewood) – The Obligated Group offers community-based continuing care contracts for individuals aged 55 and older who wish to age in place in their own homes. Lakewood at Home is a program that provides members access to activities, amenities and if ever needed, assisted living or skilled nursing care, at Lakewood. Members pay an Entrance Fee and a monthly fee depending on their age and the plan they select. Plans include a Life Care contract with refundable options as well as co-payment plans designed for individuals with long-term care insurance.

Summary of Significant Forecast Assumptions and Accounting Policies

Background Information (continued)

Health Care Services

Each of the Obligated Group facilities offer assisted living and nursing services to its residents. In general, the operations of the health care units are supervised by a director of nursing ("DON") in consultation with the medical director ("MD"), who is a licensed physician. They are responsible for developing and implementing health care policies and coordinating the medical services in accordance with relevant state and federal regulations and generally accepted medical practices. Residents may continue under the care of their own physician, or they may choose the medical director as their primary care physician.

The DON is charged with the operation of the health care services. Registered nurses together with licensed practitioner nurses and certified nursing assistants offer residents professional care, immediate attention and emergency consultations 24 hours per day. When a resident's medical condition requires assisted living or nursing services, the resident moves from an independent living unit to either an assisted living or nursing unit, either on a permanent or temporary basis. The MD, together with the administrator and the DON, determine if a resident should be transferred into either of the two levels of care, but only after consulting with the resident and the resident's physician and family. The Obligated Group allows direct admissions from outside the communities into the assisted living and nursing units, as space permits, at the applicable daily rate. All four health care centers are certified for Medicare reimbursement, while The Chesapeake's and The Culpeper's health care centers are also certified for Medicaid. Residents of the assisted living or nursing units receive the same services as in the independent living units. In addition, they also receive two additional meals for a total of three meals per day, daily housekeeping, if needed, and routine medical supplies.

Additional services such as therapies, or items such as medical supplies and medications are not included in the basic fees for assisted living or nursing and will be charged to the resident.

Summary of Significant Forecast Assumptions and Accounting Policies

Plan of Finance

A summary of the forecasted sources and uses of funds is provided in the following table based upon data provided by Management, the underwriter, Herbert J. Sims & Company, Inc. and Davenport & Company LLC, (the “Underwriters”), and Truist Bank (the “Bank”).

Table 7
2021 Financing
Sources and Uses of Funds
(In Thousands)

Sources of Funds:		
Series 2021 Bonds	\$ 83,715	¹
Bond Premium	9,285	²
2021 Taxable Loan	15,361	³
Total Sources of Funds	\$ 108,361	
Uses of Funds:		
Depoist for Future Purchases	25,400	⁴
Reimbursement of The Culpeper and Lakewood Project Costs	7,000	⁵
Project Fund - The Culpeper and Lakewood Projects	15,550	⁶
Project Fund - Lakewood and Culpeper Capital Expenditures	3,000	⁷
Huntington Swap Termination Fee	2,123	⁸
SunTrust Swap Termination Fee	1,599	⁹
Refunding Escrow Cash Deposit	46,904	¹⁰
Debt Service Reserve Fund	4,905	¹¹
Cost of Issuance and Other Costs	1,880	¹²
Total Uses of Funds	\$ 108,361	

Source: Underwriter and Management

Certain summaries, assumptions, rationale, and descriptions included in Management’s financial forecast are more fully described in the offering documents pertaining to the 2021 Financing. For more detailed information regarding the proposed terms, conditions, debt service requirements, and any other requirements of the 2021 Financing, all of the 2021 Financing related documents should be read in their entirety.

Summary of Significant Forecast Assumptions and Accounting Policies

Plan of Finance (continued)

Notes to Table 7:

- (1) The Series 2021 Bonds are forecasted to be tax-exempt term bonds, with interest payable December 1 and June 1 annually, and consists of the of the following term maturities:
 - \$8,375,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2026 with mandatory sinking fund redemptions beginning December 1, 2021 through December 1, 2026.
 - \$9,795,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2031 with mandatory sinking fund redemptions beginning December 1, 2027 through December 1, 2031.
 - \$11,920,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2036 with mandatory sinking fund redemptions beginning December 1, 2032 through December 1, 2036.
 - \$14,505,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2041 with mandatory sinking fund redemptions beginning December 1, 2037 through December 1, 2041.
 - \$15,945,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2046 with mandatory sinking fund redemptions beginning December 1, 2042 through December 1, 2047.
 - \$23,175,000 term bond assumed to be issued with a fixed interest rate of 4.00 percent maturing December 1, 2051 with mandatory sinking fund redemptions beginning December 1, 2047 through December 1, 2051.
- (2) The Series 2021 Bonds are assumed to be issued with an original issue premium of \$9,285,000.
- (3) Concurrent with the issuance of the Series 2021 Bonds, the Obligated Group will enter into a 2021 Taxable Loan with a financial institution in an aggregate principal amount of \$15,361,000 assumed to be issued with a fixed interest rate of 2.25 percent maturing December 1, 2026. Interest on the 2021 Taxable Loan is payable monthly, starting September 1, 2021. The 2021 Taxable Loan is anticipated to be repaid from Entrance Fee proceeds from the Lakewood Project and The Culpeper Project.
- (4) As noted in Management's Supplemental Projection, the Obligated Group is currently negotiating the purchase of The Summit. Due to the timing of that transaction, along with potential delays and continued due diligence, Management's Forecast does not reflect the acquisition of The Summit; however, it does include the borrowing of all the funds necessary to purchase The Summit. However, in the Forecast, Management has instead utilized these funds to pay for routine capital during the Forecast Period. The Supplemental Projection reflects the use of these funds towards the acquisition of The Summit.
- (5) A portion of the financing proceeds are assumed to be used to reimburse the Obligated Group for costs that have already been incurred for The Culpeper Project and the Lakewood Project.
- (6) Represents the anticipated amount needed to complete the construction of the 44 new independent living cottages, site work, infrastructure and associated improvements and other costs for The Culpeper Project and the Lakewood Project.
- (7) Represents future routine capital expenditures for Lakewood and Culpeper.
- (8) Represents the amount that is planned to be used to terminate the swap agreement on the Series 2017A Bonds (as defined herein).
- (9) Represents the amount that is planned to be used to terminate the swap agreement on the Series 2017B Bonds (as defined herein).
- (10) Represents the amounts needed to repay all amounts owed on the Series 2017A Bonds and 2017B Bonds.
- (11) A portion of the proceeds from the issuance of the Series 2021 Bonds will be used to fund a debt service reserve fund.

Summary of Significant Forecast Assumptions and Accounting Policies

Plan of Finance (continued)

- (12) Represents Management's estimate of financing-related costs, which includes underwriter fees, legal, accounting, and other costs associated with the proposed issuance of the 2021 Financing.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

The Obligated Group maintains its accounting and financial records according to the accrual basis of accounting. Management's Forecast has been presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

Principles of Combination

Management's Forecast has been prepared for the specific purpose of presenting the forecasted combined balance sheets, statements of operations, change in net assets (deficits), and statements of cash flows of the Obligated Group. **This presentation is not in accordance with U.S. generally accepted accounting principles which would require inclusion of the Foundation.**

Use of Estimates

The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Cash and Cash Equivalents

The Obligated Group considers cash and cash equivalents to include cash on hand and all highly liquid investments with a maturity of three months or less when purchased.

The Obligated Group maintains cash balances at several financial institutions located within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, deposits may exceed FDIC amounts.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Notes Receivable

Notes receivable is comprised of amounts due to the Obligated Group for advance fees due from residents who have moved into the facility but have not yet paid the full amount of the contractually agreed upon Advance Fee. The notes vary in length from 4-12 months, bear interest at varying rates, up to 4 percent, and are collateralized by the resident's personal investments. Management has not forecasted any change in notes receivable during the Forecast Period.

Allowance for Doubtful Accounts

The Obligated Group provides an allowance for doubtful accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the historical experience of the Obligated Group.

Beneficial Interest in Perpetual Trusts

The Obligated Group holds a beneficial interest in several perpetual trusts. These trusts are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to the Obligated Group. Under the terms of several of the trusts, distributions of income are to be made in perpetuity. Because the trusts are perpetual, these funds are reported as net assets with donor restrictions.

Income distributions from these trusts are recorded as investment income in the combined forecasted statements of operations, while any appreciation (depreciation) in the trust value is recorded as a change in net assets with donor restrictions in the combined statement of changes in net assets (deficits), in accordance with donor restrictions. Under the terms of some of the trusts, distributions of income and/or principal are made at the discretion of the trustee. Due to this restriction, these funds are reported as net assets with donor restrictions. Distributions from these trusts are recorded as other revenue, while any appreciation (depreciation) in the trust value is recorded as a change in net assets with donor restrictions, in accordance with donor restrictions.

Management has not forecasted any change in the beneficial interest in perpetual trusts during the Forecast Period or recognized income from such potential changes.

Investments

Investments with readily determinable market values are carried at fair value, with the exception of certain investments in absolute return strategy investments or hedge funds whose fair value is not readily determinable and whose investment is less than 3%. Such investments are accounted for using the lower of cost or market method. Other hedge fund investments whose investment is greater than 3% are accounted for under the equity method. Investments are comprised of stocks, mutual funds and hedge funds.

The fair values of marketable equity securities, bonds and mutual funds are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. As of December 31, 2020, five of the hedge funds that the Obligated Group was invested in are not considered liquid; however, they intend to have distributions made within three years and extend no longer than 10 years. Realized gains and losses are reported as investment income and included within revenues, gains, and other support on the combined forecasted statement of operations.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Unrealized gains (losses) are included in nonoperating income (loss). The cost of securities sold is based on the specific identification method, adjusted for impairment in the value of investments. Management is not forecasting any unrealized gains (losses) during the Forecast Period.

The Obligated Group periodically evaluates whether any declines in the fair value of investments are indications of impairment. This evaluation consists of a review of several factors, including but not limited to the length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near term prospects for recovery of the fair value of a security, and the intent and ability of the Obligated Group to hold the security until the fair value recovers. Declines in fair value below cost that are deemed to be impairments are included in the accompanying combined statements of operations and changes in net assets (deficit) as nonoperating losses. Management is not forecasting any other-than-temporary decline on its investments during the Forecast Period.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under bond indenture agreements and board designated funds. Amounts required to meet current liabilities have been reclassified as current assets. Assets whose use is limited are carried at fair value.

Property and Equipment

Property and equipment are reported on the basis of cost. Donated items are recorded at fair market value at the date of contribution. The Obligated Group capitalizes all assets over \$1,000 with a useful life greater than three years.

Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The general range of estimated useful lives for buildings and land improvements is 20 to 40 years and the general range for equipment is 4 to 20 years. The Obligated Group performs a review of its long-lived assets (including property and equipment) for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Obligated Group determines recoverability of its long-lived assets by evaluating the probability that undiscounted future cash flows will be less than the carrying amount of the assets. If future estimated undiscounted cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their estimated fair value. The fair value is determined based on valuation techniques such as comparison to fair values of similar assets or using a discounted cash flow analysis. Management has not forecasted any impairments to long-lived assets during the Forecast Period.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related indebtedness which approximates the effective interest method.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Leases

The Obligated Group determines if an arrangement is a lease at inception. Operating leases are included in property and equipment as right-of-use ("ROU") assets and lease payable in the forecasted combined balance sheets. ROU assets present the Obligated Group's right to use an underlying asset for the lease term and lease payables represent the Obligated Group's obligation to make lease payments arising from the lease. ROU assets and payables are recognized at the commencement date of the lease based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Obligated Group will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Obligated Group has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease payables or ROU assets on the forecasted combined balance sheets.

Entrance Fees (Advance Fees)

Entrance fees represent the payments received at the time a resident is admitted to one of the communities. The nonrefundable portion of the Entrance Fee is recorded as deferred revenue from Entrance Fees and is amortized into income over the estimated life expectancy of the residents, or couples, adjusted annually. The refundable portion of Entrance Fees received is presented on the forecasted combined balance sheets as a refundable advance fee liability. The refundable portion of Entrance Fees is not amortized to income.

Upon the death of a sole surviving resident, any remaining unamortized portion of the nonrefundable Entrance Fee is recognized as operating revenue.

The Residency Agreements at the Obligated Group's communities provide for a declining refund upon termination by the residents during the first 50 months of occupancy. Refunds are generally payable the sooner of, one year or upon resale of the unit; however, beginning in 2016, residency agreements do not include the one-year requirement. These amounts are included as an Entrance Fee refund liability. The Obligated Group has estimated the current portion of this liability based on actual refunds paid over a ten-year period.

Refundable Advance – CARES ACT

Paycheck Protection Program

In April 2020, the Obligated Group received loan proceeds in the amount of \$7,304,656 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program ("the PPP Loan"). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

As of December 31, 2020, the Obligated Group had submitted their application for forgiveness, and subsequently received formal SBA approval of their forgiveness application. This amount was presented on the December 31, 2020 combined balance sheet as a Refundable Advance. In 2021, formal forgiveness was granted on the PPP Loan related to LifeSpire and the forgiven amounts are forecasted as contribution revenue in 2021.

Provider Relief Funding

In response to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Obligated Group as of December 31, 2020 was \$2,696,337. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2020, the Obligated Group recognized \$1,991,743 as

See Accompanying Independent Accountants' Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

contribution revenue in the combined statement of operations and had \$704,594 recorded as a refundable advance in the combined balance sheets. Management has forecasted the recognition of the remaining balance as contribution revenue in 2021.

Obligation to Provide Future Services

The Obligated Group annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services). For purposes of the Forecast, Management has assumed no future service obligation liability, consistent with the historical analysis that the Obligated Group has done.

Charity Care and Community Benefit

The mission of the Obligated Group is to empower its residents with choices in purposeful living. The Obligated Group employs a uniform financial qualification process for all prospective residents and will, under certain circumstances, provide housing and care to residents regardless of their ability to pay for those services.

The Obligated Group defines and measures its community benefit primarily through the benevolence it provides to residents who cannot cover the full cost of their care. All residents are financially qualified at admission using actuarial life expectancies and the projected ability of the residents' income and assets to cover the estimated cost of future health care. The Obligated Group provides care to residents who meet certain criteria under its financial assistance policy at a reduced rate. Key elements used to determine eligibility include a resident's demonstrated inability to pay due to increasing acuity of care, increasing costs of care and/or increasing longevity.

The Obligated Group has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the direct and allocated expenses by level of care to the corresponding revenues charged on an annual basis. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated cost of providing charity care.

Primarily through the support of the Foundation, the Obligated Group has forecasted receiving contributions of approximately \$1,260,000, \$1,298,000, and \$1,337,000, respectively, for 2021, 2022 and 2023 in gifts and donations on the forecasted combined statement of operations, of which a portion will be used to subsidize the costs of providing charity care under its financial assistance policy during the Forecast Period.

Residential Care, Health Care, and Continuing Care at Home Services Revenue

Residential, health care, and continuing care at home services revenue is reported at the amount that reflects the consideration to which the Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Obligated Group bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

incurred in relation to total expected (or actual) charges. The Obligated Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services, housing residents receiving services in the facilities, or participants in their continuing care at home program. The Obligated Group considers daily services provided to residents of the skilled nursing facilities, monthly rental for housing services, and monthly fees for continuing care at home services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, The Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with The Obligated Group's policy, and/or implicit price concessions provided to residents. The Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. The Obligated Group determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

The Obligated Group's licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities are paid the Patient Driven Payment Model (PDPM). Under PDPM, the underlying complexity and clinical needs of a patient are the primary basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Medicare and Medicaid (Continued)

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

The Chesapeake's and The Culpeper's licensed nursing facilities participate in the Medicaid program which is administered by Virginia's Department of Medical Assistance Services (DMAS). DMAS uses a price-based payment system to reimburse providers, which was weighted for each claim based on the Resource Utilization Group (RUG) score listed on each claim. Each year DMAS publishes a priced-based total case mix rate and a total indirect rate, both of which make up the bulk of the base payment rate for each provider. The total case mix rate and the total indirect rate are determined by a preassigned peer group of geographically similar regions within Virginia. The price-based rate was weighted for the severity of care of the documented RUG listed for each claim. Effective October 1, 2019, new PDPM HIPPS codes replaced RUG scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the State of Virginia, however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, residents or at home participants who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Obligated Group has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service line, method of reimbursement, and timing of when revenue is recognized.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Financing Component

The Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Obligated Group has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Obligated Group otherwise would have recognized is one year or less in duration.

Operating Indicator

The Obligated Group's operations include all revenue without restriction, gains, expenses and losses for the reporting period except for contributions of long-term assets and net assets released from restrictions for acquisition of property, plant, and equipment.

The board of trustees designates the Obligated Group's investment income for support of current operations, consisting primarily of interest, dividend and realized gains and losses on investments related to funded depreciation and escrowed advance fees from residents. In addition, other activities not related to the Obligated Group's mission are considered to be nonoperating. Nonoperating gains and losses also include the change in unrealized gains (losses) on investments, impairment loss on investments, loss on disposal of property and equipment, changes in obligation to provide future services and use of facilities to current residents, and items related to the refinancing of long-term debt.

Income Taxes

Each of the members of the Obligated Group are nonprofit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Each of the members of the Obligated Group file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of any of the entities. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the members of the Obligated Group.

Each of the members of the Obligated Group follow guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on the Obligated Group's combined financial statements. Management has not forecasted any uncertain tax positions during the Forecast Period.

Professional Liability Insurance

The Obligated Group has obtained general and professional liability insurance, which covers all members of the Obligated Group, issued by Virginia Senior Care RRG, a Washington, DC risk retention group. The Obligated Group's professional liability is on the claims-made basis. Under a claims-made policy, determination of coverage is triggered by the date the insured first becomes aware and notifies the insurer of a claim or potential claim.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue

Revenues for the Obligated Group are primarily generated from per diem charges from the skilled nursing beds and monthly service fees from assisted living units, memory support units, and independent living units, as well as Entrance Fees.

Net resident service revenue is comprised of:

- Revenue for the skilled nursing beds, memory support units, and assisted living units based on assumed monthly and daily charges, as well as based on Management's expectations of Medicare and Medicaid reimbursement;
- Revenue for the independent living units, which are based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the independent living units; and
- Amortization income from Entrance Fees received.

The forecasted average monthly service fees and Entrance Fees for the Obligated Group's independent living units and the forecasted average daily rates for its assisted living units, memory support units, and skilled nursing beds shown in the following tables are forecasted by Management based upon its historical operating experience, current economic conditions, regulatory rate adjustments and assumed acuity and inflationary increases during the Forecast Period.

Forecasted Occupancy Levels

The following table summarizes forecasted occupancy at The Culpeper. The table reflects the impact of The Culpeper Project.

Table 8
The Culpeper
Forecasted Occupancy by Level of Care
For the Years Ending December 31,

Independent Living Units				Assisted Living Units and Memory Support Units			Skilled Nursing Beds		
Fiscal Year	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy
2021 ⁽¹⁾⁽²⁾	32.9	30.2	91.6%	86.0	76.1	88.5%	47.0	39.0	83.0%
2022 ⁽¹⁾	49.5	46.5	93.9%	86.0	80.9	94.1%	47.0	45.0	95.7%
2023	52.0	49.5	95.2%	86.0	81.0	94.2%	47.0	45.0	95.7%

Source: Management

Notes:

- 1) See Table 9 for the forecasted availability of Expansion Independent Living Units - Culpeper and the fill-up schedule for The Culpeper Project.
- 2) Management has forecasted a recovery of assisted living, memory support, and skilled nursing occupancies to pre-COVID 19 levels by the end of fiscal year 2022.

Summary of Significant Forecast Assumptions and Accounting Policies**Management's Basis for Forecast of Revenue (continued)**

The following table reflects Management's forecasted move-in assumptions for The Culpeper Project:

Table 9
The Culpeper
Forecasted Fill Schedule – Expansion Independent Living Units - Culpeper

	Total Units	Fill	Cumulative	Occupancy Percentage
Fiscal Year 2021				
January	-	-	-	0.0%
February	-	-	-	0.0%
March	-	-	-	0.0%
April	2.0	1.0	1.0	50.0%
May	5.0	2.0	3.0	60.0%
June	6.0	2.0	5.0	83.3%
July	7.0	1.0	6.0	85.7%
August	8.0	1.0	7.0	87.5%
September	8.0	-	7.0	87.5%
October	10.0	1.0	8.0	80.0%
November	12.0	2.0	10.0	83.3%
December	13.0	1.0	11.0	84.6%
Fiscal Year 2022				
January	15.0	2.0	13.0	86.7%
February	17.0	2.0	15.0	88.2%
March	19.0	2.0	17.0	89.5%
April	21.0	2.0	19.0	90.5%
May	23.0	2.0	21.0	91.3%
June	25.0	2.0	23.0	92.0%
July	25.0	1.0	24.0	96.0%
August	25.0	-	24.0	96.0%
September	25.0	-	24.0	96.0%
October	25.0	-	24.0	96.0%
November	25.0	-	24.0	96.0%
December	25.0	-	24.0	96.0%
Thereafter	25.0		24.0	96.0%

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table summarizes forecasted occupancy at Lakewood. The table reflects the impact of the Lakewood Project.

Table 10
Lakewood
Forecasted Occupancy by Level of Care

Independent Living Units				Assisted Living and Memory Support Units			Skilled Nursing Beds		
Fiscal Year	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy
2021 ⁽¹⁾⁽²⁾	325.0	306.0	94.2%	74.0	57.0	77.0%	96.0	81.0	84.4%
2022 ⁽¹⁾	331.3	315.3	95.2%	74.0	63.0	85.1%	96.0	88.0	91.7%
2023	343.8	326.8	95.1%	74.0	63.0	85.1%	96.0	89.0	92.7%

Source: Management

Notes:

- 1) See Table 11 for the forecasted availability of the Expansion Independent Living Units - Lakewood and the fill-up schedule for the Lakewood expansion.
- 2) Management has forecasted a recovery of assisted living, memory support, and skilled nursing occupancies to pre-COVID 19 levels by the end of fiscal year 2022.

The following table reflects Management's forecasted move-in assumptions for the Lakewood Project, which is projected to begin in 2022:

Table 11
Lakewood
Forecasted Fill Schedule – Expansion Independent Living Units - Lakewood

	Total Units	Fill	Cumulative	Occupancy Percentage
Fiscal Year 2022				
January	-	-	-	0.0%
February	-	-	-	0.0%
March	-	-	-	0.0%
April	1.0	1.0	1.0	100.0%
May	3.0	2.0	3.0	100.0%
June	5.0	2.0	5.0	100.0%
July	7.0	2.0	7.0	100.0%
August	10.0	3.0	10.0	100.0%
September	11.0	1.0	11.0	100.0%
October	11.0	-	11.0	100.0%
November	13.0	2.0	13.0	100.0%
December	15.0	2.0	15.0	100.0%
Fiscal Year 2023				
January	17.0	1.0	16.0	94.1%
February	19.0	2.0	18.0	94.7%
March	19.0	-	18.0	94.7%
April	19.0	-	18.0	94.7%
May	19.0	-	18.0	94.7%
June	19.0	-	18.0	94.7%
July	19.0	-	18.0	94.7%
August	19.0	-	18.0	94.7%
September	19.0	-	18.0	94.7%
October	19.0	-	18.0	94.7%
November	19.0	-	18.0	94.7%
December	19.0	-	18.0	94.7%
Thereafter	19.0	-	18.0	94.7%

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table summarizes forecasted occupancy at The Chesapeake.

Table 12
The Chesapeake
Forecasted Occupancy by Level of Care

Independent Living Units				Assisted Living and Memory Support Units			Skilled Nursing Beds		
Fiscal Year	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy
2021 ⁽¹⁾	251.0	241.0	96.0%	73.0	60.0	82.2%	52.0	45.0	86.5%
2022	251.0	242.0	96.4%	73.0	66.0	90.4%	52.0	48.0	92.3%
2023	251.0	242.0	96.4%	73.0	67.0	91.8%	52.0	48.0	92.3%

Source: Management

Notes:

- 1) Management has forecasted a recovery of assisted living, memory support, and skilled nursing occupancies to pre-COVID 19 levels by the end of fiscal year 2022.

The following table summarizes forecasted occupancy at The Glebe.

Table 13
The Glebe
Forecasted Occupancy by Level of Care

	Independent Living Units			Assisted Living and Memory Support Units			Skilled Nursing Beds		
Fiscal Year	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy
2021 ⁽¹⁾	154.0	148.0	96.1%	52.0	48.0	92.3%	32.0	28.0	87.5%
2022	154.0	145.0	94.2%	52.0	49.0	94.2%	32.0	29.0	90.6%
2023	154.0	145.0	94.2%	52.0	49.0	94.2%	32.0	29.0	90.6%

Source: Management

Notes:

- 1) Management has forecasted a recovery of assisted living, memory support, and skilled nursing occupancies to pre-COVID 19 levels by the end of fiscal year 2022.

The forecasted second person occupancy percentages in the independent living units are based upon assumptions provided by the Obligated Group's actuary and are as follows:

Table 14
Obligated Group
Second Person Occupancy Percentage
Independent Living Units

Year	Lakewood	The Culpeper	The Chesapeake	Glebe
2021	26.1%	41.6%	28.8%	39.2%
2022	25.9%	37.8%	29.7%	40.0%
2023	25.8%	36.7%	29.8%	40.0%

Source: Management

Obligated Group Forecasted Independent Living Revenue and Amortization Income

The following tables summarize the pricing related to Entrance Fees, monthly service fees and daily rates for the Obligated Group facilities.

Forecasted income relating to independent living includes monthly fees received from residents, as well as amortization income recognized from deferred revenue from Entrance Fee receipts.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table reflects the Entrance Fee and monthly service fees for The Culpeper:

Table 15
The Culpeper
2021 Monthly Service Fees and Independent Living Entrance Fees

			Standard Fee for Service Plan	
Unit Configuration	Number of Units	Square Footage	Monthly Service	
			Fee	Entrance Fee
Independent Living Cottages:				
The Keswick	17	1,000 - 2,366	\$2,400 - \$3,415	\$103,000 - \$254,000
The Waverly	10	1,136	\$3,000	\$275,000
Total / Weighted Average	27	1,305	\$ 2,834	\$ 211,593
Second Person Fee			\$ 1,369	\$ 31,000

Source: Management

Note:

- 1) For the Keswick and the Waverly, The Culpeper only offers the Standard Fee-for-Service Plan.

The following table reflects the Entrance Fee and monthly service fees for The Culpeper Project:

Table 16
Culpeper Project
2021 Monthly Service Fees and Entrance Fee
Expansion Independent Living Units - Culpeper

Unit Configuration	Number of Units	Square Footage	Monthly Service Fee		Standard Refund Plan		
			Lifecare	Fee for Service	Lifecare	Fee for Service	
Independent Living Cottages:							
Rivanna	8	1,765	\$ 4,332	\$ 3,938	\$ 458,000	\$ 382,000	
Conway	11	1,262	3,342	3,038	355,000	296,000	
Hughes	1	1,317	3,589	3,263	380,000	317,000	
Rapidan	5	1,540	3,960	3,600	420,000	350,000	
Total / Weighted Average	25	1,481	\$ 3,792	\$ 3,447	\$ 401,960	\$ 335,160	
Second Person Fee			\$ 1,506	\$ 1,369	\$ 37,000	\$ 31,000	

Source: Management

Notes:

- 1) For The Culpeper Project, The Culpeper only offers the Standard Refund Plan, with either a Life Care or Fee for Service option.

Management has indicated that new entrants into The Culpeper would choose the Standard Refund Plan, with approximately 100 percent choosing the Life Care option and 0 percent choosing the fee for service option.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table reflects the Entrance Fee and monthly service fees for Lakewood:

Table 17
Lakewood
2021 Monthly Service Fees and Independent Living Entrance Fees

Unit Configuration	Number of Units	Square Footage	Monthly Service Fee		Standard Refund Plan		50% Entrance Fee Plan		90% Entrance Fee Plan		
			Lifecare	Fee for Service	Lifecare	Fee for Service	Lifecare	Fee for Service	Lifecare	Fee for Service	
Independent Living Apartments:											
Studio - The Ashton	7	472	\$ 2,736	\$ 2,417	\$ 144,000	\$ 79,000	\$ 193,000	\$ 111,000	\$ 259,000	\$ 154,000	
One Bedroom - The Berkley	34	472	2,736	2,417	148,000	82,000	201,000	115,000	267,000	160,000	
One Bedroom - The Carlisle	60	615	3,446	2,974	177,000	102,000	239,000	142,000	318,000	196,000	
One Bedroom - The Davenport	29	944	4,276	3,246	233,000	151,000	314,000	212,000	418,000	295,000	
One Bedroom - The Davidson	30	822	4,134	3,152	222,000	145,000	299,000	204,000	399,000	283,000	
Two Bedroom - The Easton	28	874	4,478	3,329	241,000	164,000	325,000	230,000	434,000	320,000	
Two Bedroom - The Fairchild	15	937	4,536	3,389	250,000	187,000	339,000	262,000	450,000	365,000	
Two Bedroom - The Gathright	14	1,230	4,819	3,446	355,000	255,000	479,000	355,000	639,000	495,000	
Independent Living Clubhouse Apartments:											
One Bedroom - The Eagle I	1	928	3,581	3,530	287,000	217,000	402,000	303,000	459,000	346,000	
One Bedroom - The Eagle II	11	954	3,735	3,684	302,000 - 309,000	230,000 - 237,000	422,000 - 432,000	322,000 - 331,000	482,000 - 494,000	368,000 - 378,000	
Two Bedroom - The Heron	9	1,297	4,811	4,759	402,000 - 429,000	325,000 - 351,000	561,000 - 600,000	454,000 - 491,000	641,000 - 685,000	519,000 - 561,000	
Two Bedroom - The Mallard	3	1,291	4,811	4,759	415,000 - 427,000	338,000 - 349,000	581,000 - 597,000	473,000 - 488,000	664,000 - 682,000	541,000 - 558,000	
Two Bedroom - The Osprey	15	1,397	5,015	4,964	441,000 - 475,000	362,000 - 395,000	617,000 - 664,000	507,000 - 553,000	705,000 - 760,000	579,000 - 632,000	
Two Bedroom - The Pelican	2	1,274	4,657	4,606	410,000 - 413,000	333,000 - 336,000	574,000 - 578,000	466,000 - 470,000	656,000 - 660,000	532,000 - 537,000	
Two Bedroom - The Tern	3	1,450	5,067	5,015	484,000 - 504,000	403,000 - 422,000	676,000 - 705,000	563,000 - 591,000	773,000 - 805,000	644,000 - 675,000	
Independent Living Villas:											
Two Bedroom - The Copperas	6	1,640	5,708	4,004	470,000	343,000	634,000	480,000	846,000	667,000	
Two Bedroom - The Timbercrest	6	1,800	5,909	4,134	534,000	389,000	721,000	542,000	961,000	756,000	
Two Bedroom - The Tuckahoe	18	1,470	5,152	3,625	435,000	316,000	588,000	442,000	783,000	615,000	
Hybrid Home Villas:											
One Bedroom - The Pine	2	1,140	3,837	3,786	375,000	300,000	525,000	419,000	599,000	479,000	
Two Bedrooms - The Birch	6	1,621	5,067	5,015	525,000 - 533,000	442,000 - 450,000	735,000 - 746,000	619,000 - 630,000	839,000 - 853,000	707,000 - 720,000	
Two Bedrooms - The Maple	6	1,404	4,503	4,452	458,000 - 466,000	379,000 - 386,000	641,000 - 652,000	530,000 - 541,000	733,000 - 745,000	606,000 - 618,000	
Two Bedrooms - The Oak	6	1,650	5,118	5,067	555,000 - 557,000	470,000 - 473,000	776,000 - 780,000	658,000 - 662,000	887,000 - 891,000	752,000 - 756,000	
Cottages:											
The Irvington	3	2,805	7,317	5,139	641,000	466,000	865,000	652,000	1,153,000	908,000	
The Jamestown I	3	2,068	6,547	4,608	565,000	409,000	763,000	574,000	1,016,000	799,000	
The Jamestown II	1	2,773	6,844	4,796	600,000	437,000	809,000	612,000	1,079,000	852,000	
The Kilmarnock I	1	2,181	6,844	4,819	587,000	425,000	792,000	593,000	1,055,000	827,000	
The Kilmarnock II	2	2,932	7,176	5,032	624,000	454,000	843,000	637,000	1,123,000	886,000	
The Lancaster	4	1,826	5,909	4,134	522,000	374,000	704,000	524,000	940,000	730,000	
Total / Weighted Average - Apartments	325	1,012	\$ 4,251	\$ 3,485	\$ 211,006	\$ 141,369	\$ 285,062	\$ 197,837	\$ 378,926	\$ 274,129	
Second Person Fee			\$ 1,744	\$ 1,209	\$ 75,000	\$ 16,000	\$ 86,000	\$ 27,000	\$ 98,000	\$ 37,000	

Source: Management

The following table reflects the Entrance Fee and monthly service fees for the Lakewood Project:

Table 18
Lakewood Project
2021 Monthly Service Fees and Entrance Fee
Expansion Independent Living Units - Lakewood

Unit Configuration	Number of Units	Square Footage	Monthly Service Fee		Standard Refund Plan	
			Lifecare	Fee for Service	Lifecare ⁽¹⁾	Fee for Service ⁽¹⁾
Independent Living Cottages:						
Amherst	2	1,592	\$ 5,006	\$ 4,005	\$ 508,000	\$ 406,000
Keswick	3	1,790	5,628	4,503	571,000	457,000
Lexington	4	1,883	5,921	4,737	601,000	481,000
Winchester	10	1,986	6,244	4,996	634,000	507,000
Total / Weighted Average	19	1,892	\$ 5,948	\$ 4,759	\$ 603,842	\$ 483,000
<i>Second Person Fee</i>			\$ 1,744	\$ 1,209	\$ 75,000	\$ 16,000

Source: Management

Note:

- (1) Lakewood offers a 50% Entrance Fee Plan and a 90% Entrance Fee Plan for the Life Care and Fee for Service contracts at premiums of approximately 50 percent and 100 percent, respectively.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Management has indicated that new entrants into Lakewood would choose the Standard Refund Plan, with approximately 45 percent choosing the Life Care option and 55 percent choosing the fee for service option.

The following table reflects the Entrance Fee and monthly service fees for The Chesapeake:

Table 19
The Chesapeake
2021 Independent Living Monthly Service Fees and Entrance Fees

Unit Configuration	Number of Units	Square Footage	Monthly Service Fee		Standard Refund Plan	50% Entrance Fee Plan	90% Entrance Fee Plan								
			Lifecare	Fee for Service	Lifecare	Lifecare	Lifecare	Fee for Service							
Independent Living Apartments:															
One Bedroom - The Aberdeen	11	857	\$	3,650	\$	2,938	\$	144,000	\$	201,000	\$	279,000	\$	147,000	
One Bedroom - The Bennett	6	1,050		3,841		3,092		176,000		247,000		345,000		178,000	
Two Bedroom - The Bethel	3	1,147		3,799		3,060		215,000		302,000		418,000		212,000	
Two Bedroom - The Bryant	30	1,160		4,161		3,350		241,000		336,000		470,000		230,000	
One Bedroom - The Chester	3	919		3,650		2,938		160,000		224,000		313,000		158,000	
Two Bedroom - The Easton	12	1,093		3,841		3,092		213,000		298,000		414,000		204,000	
One Bedroom - The Elizabeth I	5	1,126		4,161		3,350		205,000		286,000		400,000		204,000	
Two-Bedroom - The Elizabeth II	1	1,983		5,283		4,260		350,000		486,000		675,000		346,000	
One Bedroom - The Virginian	27	760		3,420		2,754		140,000		195,000		271,000		138,000	
One Bedroom - The Harris	15	857		3,650		2,938		144,000		201,000		279,000		147,000	
Two Bedroom - The James	30	1,160		4,161		3,350		241,000		336,000		470,000		230,000	
Two Bedroom - The Lawson	2	1,256		4,101		3,301		218,000		306,000		425,000		207,000	
Two Bedroom - The Lynnhaven	5	1,762		4,912		3,954		323,000		452,000		631,000		312,000	
Two Bedroom - The Madison	2	1,056		3,519		2,816		211,000		295,000		410,000		203,000	
Two Bedroom - The Mobjack	4	1,088		3,984		3,206		195,000		271,000		378,000		186,000	
Two Bedroom - Nottoway	3	1,786		4,353		3,503		295,000		411,000		572,000		299,000	
Two Bedroom - The Patrick	1	1,065		4,101		3,301		205,000		285,000		399,000		199,000	
One Bedroom - The Potomac	4	1,110		4,161		3,350		211,000		295,000		410,000		213,000	
Two Bedroom - The Rappahannock	17	1,326		4,493		3,618		274,000		384,000		534,000		264,000	
Two Bedroom - The Warwick	15	1,178		4,101		3,300		223,000		313,000		435,000		217,000	
Two Bedroom - The Willoughby	1	1,519		4,570		3,679		285,000		401,000		558,000		272,000	
One Bedroom - The York	20	950		3,689		2,971		166,000		233,000		325,000		165,000	
Cottages:															
Two Bedroom - The Gloucester/Lancaster I	4	1,469		4,478		3,604		298,000		416,000		579,000		281,000	
Two Bedroom - The Gloucester/Lancaster II	4	1,625		4,610		3,711		315,000		440,000		614,000		305,000	
Three Bedroom - The Gloucester/Lancaster III	16	1,765		4,761		3,834		326,000		457,000		637,000		316,000	
Two Bedroom - The Smithfield	7	1,389		4,454		3,585		291,000		409,000		569,000		276,000	
Two Bedroom - The Smithfield II	3	1,526		4,574		3,683		309,000		431,000		600,000		296,000	
Total / Weighted Average - Apartments		251	1,155	\$	4,055	\$	3,264	\$	221,207	\$	309,255	\$	430,984	\$	214,928
Second Person Fee				\$	1,372	\$	1,112	\$	36,000	\$	50,000	\$	67,000	\$	50,000

Source: Management

Management has indicated that new entrants into The Chesapeake would choose the Standard Refund Plan, with approximately 30 percent choosing the Life Care option and 70 percent choosing the fee for service option.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table reflects the Entrance Fee and Monthly Service Fees for The Glebe:

Table 20
The Glebe
2021 Monthly Service Fees and Independent Living Entrance Fee

Unit Configuration	Number of Units	Square Footage	Monthly Service Fee		Standard Refund Plan		90% Entrance Fee Plan	
				Fee for		Fee for		Fee for
			Lifecare	Service	Lifecare	Service	Lifecare	Service
Independent Living Apartments:								
One Bedroom - The Allegheny	23	739	\$ 3,411	\$ 2,915	\$ 155,000	\$ 131,000	\$ 264,000	\$ 222,000
One Bedroom - The Blue Ridge	24	947	3,872	3,210	199,000	175,000	339,000	296,000
Two Bedroom - The Catawba	28	1,111	4,181	3,648	233,000	211,000	397,000	356,000
Two Bedroom - The Draper	28	1,176	4,382	3,778	249,000	214,000	422,000	363,000
Two Bedroom - The Elliston	11	1,347	4,702	4,075	279,000	240,000	473,000	407,000
Two Bedroom - The Elliston Deluxe	10	1,411	4,702	4,075	279,000	240,000	473,000	407,000
Two Bedroom - The Fincastle	9	1,555	5,318	4,371	329,000	279,000	558,000	473,000
Cottages:								
The Fairview	13	1,765	5,495	4,499	376,000	318,000	638,000	539,000
The Greyledge	3	1,498	5,495	4,499	342,000	284,000	579,000	482,000
The Hawthorne	2	1,504	5,495	4,499	345,000	287,000	587,000	488,000
The Santillane	2	1,558	5,495	4,499	361,000	304,000	611,000	515,000
The Spitz	1	2,591	5,613	-	427,000	-	-	-
Total / Weighted Average - Apartments	154	1,187	\$ 4,335	\$ 3,681	\$ 246,643	\$ 213,195	\$ 418,974	\$ 361,071
Second Person Fee			\$ 1,433	\$ 1,185	\$ 37,000	\$ 32,000	\$ 62,000	\$ 53,000

Source: Management

Management has indicated that new entrants into The Glebe would choose the Standard Refund Plan, with approximately 0 percent choosing the Life Care option and 100 percent choosing the fee for service option.

Healthcare Revenue

Revenue for healthcare units is derived from assisted living, memory support and skilled nursing units. Generally, occupancy is from direct entrants, individuals who move from the community at large into healthcare units, and transferring residents who transfer through the continuum of care from independent living units. Revenue from nursing is composed primarily from daily charges from private pay residents as well as Medicare and Medicaid program revenue. Management has strived to position the Obligated Group to be responsive to advances in care, while being flexible from an operational perspective. Healthcare reform is anticipated to impact all providers, and it is unknown what the ultimate direction that healthcare might be in the future. Management has presented its Forecast based on regulations currently in place. However, as will be noted further, Management has assumed that there would be some level of payment reform in the future, and as such, has utilized reimbursement rate increases that are less than operating cost increases to reflect such expectation.

For residents who have signed a Residency Agreement and paid the Entrance Fee, the amount paid in the healthcare units depends on the nature of the Residency Agreement. Generally speaking, a variety of contracts offer different healthcare benefit components. Transfers are categorized as follows based on the particular contract type.

Life Care Contracts:

For Life Care contracts, residents continue to pay the rates that were in effect in their independent living units, plus the cost of two additional meals and other out of pocket expenses relating to healthcare including supplies, pharmaceuticals, therapies, etc.

- First person permanent transfers: Individuals who have transferred from their independent living unit and who continue to pay the first person fee associated with their independent living units;

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

- Second person permanent transfers: In situations where one resident still resides in the independent living, and the other resident resides in a healthcare unit, the resident in the healthcare unit pays the applicable second person fee from their independent living unit. If a fee-for-service resident, this individual will pay the discounted daily rate.
- Temporary Transfers: Individuals who are temporarily placed in a healthcare unit do not pay extra if a Life-Care resident. If a fee-for-service resident, this individual will pay the discounted daily rate.

Type B Contracts:

For Type B contracts, or fee for service contracts, the situation is similar to above, except that the transferring resident only receives a discount from published rates at the respective facilities. Currently this discount approximates 10 percent.

The following table summarizes assisted living and memory support monthly service fees for the Obligated Group:

Table 21
Obligated Group
2021 Assisted Living Unit and Memory Support Unit Monthly Rates

Unit Type	Lakewood	The Culpeper	The Chesapeake	The Glebe
Assisted Living ⁽¹⁾	\$7,148 - \$7,969	\$5,445 - 6,266	\$6,235 - \$8,425	\$6,235 - \$7,270
Memory Support ⁽¹⁾	\$7,969	\$8,912 - \$9,125	\$7,483 - \$7,817	\$8,456

Source: Management

Note:

- (1) The rates shown represent the rate that would be paid for direct admission.

The following table reflects the forecasted daily rates for skilled nursing services for the Obligated Group.

Table 22
Obligated Group
2021 Skilled Nursing Rates

Unit Type	Lakewood	The Culpeper	The Chesapeake	The Glebe
Nursing Private - Daily ⁽¹⁾	\$334	\$314	\$338	\$352
Nursing Private Pay - Contract Holders (includes Life Care residents) ⁽²⁾	\$185	\$291	\$150	\$205
Medicare - Daily	\$510	\$543	\$485	\$463
Medicaid - Daily	N/A	\$224	\$232	N/A

Source: Management

Notes:

- (1) The rates shown represent the rate that would be paid for direct admission.
(2) Represents the total daily weighted average for all contract holders (Life Care and Fee-for-Service).

Summary of Significant Forecast Assumptions and Accounting Policies**Management's Basis for Forecast of Revenue (continued)**

The following table presents the forecasted payor mix for the Obligated Group's skilled nursing beds:

Table 23
Obligated Group
Forecasted Nursing Payor Mix
(By Occupied Unit)
For the Years Ending December 31,

Payor	2021	2022	2023
Private Pay and Other	67%	66%	66%
Medicare	28%	29%	29%
Medicaid	5%	5%	5%
Total	100%	100%	100%

Source: Management

The following table presents healthcare utilization by resident and payor type:

Table 24
Obligated Group
Healthcare Utilization
For the Years Ending December 31,

Payor	2021	2022	2023
Private Pay - Direct Admit	21	20	20
Private Pay - Contract Holders (includes Life Care residents)	108	118	119
Medicare	53	61	61
Medicaid	10	10	10
Total	192	209	210

Source: Management

The following table reflects forecasted rate increases for each of the Obligated Group facilities:

Table 25
Obligated Group
Forecasted Rate Increases ⁽¹⁾
For the Years Ending December 31,

Unit Type	2022	2023
Existing Independent Living Unit Entrance Fee	3.00%	3.00%
Existing Independent Living Unit Monthly Service Fee	2.45%	2.45%
Lakewood Project Independent Living Unit Monthly Service Fee - Fee for Service	2.45%	2.45%
Culpeper Project Independent Living Unit Monthly Service Fee - Fee for Service	2.45%	2.45%
Assisted Living Unit Monthly Service Fee - Lifecare	2.45%	2.45%
Assisted Living Unit Monthly Service Fee - Fee for Service	2.45%	2.45%
Memory Support Unit Monthly Fee	2.45%	2.45%
Skilled Nursing Unit Per Diem	2.45%	2.45%
Skilled Nursing Unit Medicare	0.00%	0.00%
Skilled Nursing Unit Medicaid	1.50%	1.50%

Source: Management

Note:

- (1) Rates used in the Forecast are set forth in the previously mentioned tables as of the fiscal year beginning January 1, 2021.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Entrance Fee Receipts and Refunds

Entrance Fee receipts and refunds are based on estimates Management has obtained from its actuary, which is based partly on historical data provided by Management. The following table presents Management's forecast of Entrance Fee receipts and refunds during the Forecast Period for the Obligated Group.

Table 26
Obligated Group
Forecasted Entrance Fee Receipts and Refunds
For the Years Ending December 31,
(In Thousands of Dollars)

	2021	2022	2023
Forecasted:			
Lakewood Entrance Fee Receipts from Unit Turnover, Net of Refunds	\$ 12,142	\$ 10,649	\$ 11,036
Initial Entrance Fees from the Lakewood Project	-	8,190	1,638
The Culpeper Entrance Fee Receipts from Unit Turnover, Net of Refunds	469	981	1,670
Initial Entrance Fees from the Culpeper Project	3,705	4,379	-
Glebe Entrance Fee Receipts from Unit Turnover, Net of Refunds	2,354	3,765	4,103
Chesapeake Entrance Fee Receipts from Unit Turnover, Net of Refunds	3,231	5,838	6,159
Total Entrance Fees Received, Net of Refunds	\$ 21,901	\$ 33,803	\$ 24,606

Source: Management and the actuary

Investment Income

Investment income consists of interest earned on available cash, investments and assets whose use is limited. During construction of The Culpeper Project and the Lakewood Project, interest expense, net of interest earnings on Project-related trustee-held funds, are forecasted to be capitalized as a cost of construction.

The following table reflects Management's assumed realized investment earning rates during the Forecast Period.

Table 27
Obligated Group Members
Investment Income Earnings Rates

	2021	2022	2023
Cash and Cash Equivalents	0.25%	0.25%	0.25%
Debt Service Reserve Funds	2.00%	2.00%	2.00%
Other Restricted Funds	0.25%	0.25%	0.25%
Investments	4.00%	4.00%	4.00%

Source: Management

Management does not forecast any unrealized or realized gains/losses from the valuation or sale of investments during the Forecast Period.

Unrestricted Gifts and Donations

Management's forecasted unrestricted gifts and donations are based in part on the historical experience of the Obligated Group and consist of amounts received from external contributions designated for use within the Obligated Group and contributions from the Foundation that are utilized within the Obligated Group.

See Accompanying Independent Accountants' Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

As noted previously, Management has forecasted contribution income relating to the PPP loan forgiveness and Provider Relief Funds of approximately \$8,009,000 in aggregate during the year ending December 31, 2021.

Other Income

Other income consists of revenues earned from resident meals purchased in excess of the amount provided for in the monthly service fee, non-resident meals, beauty and barber services, rental of guest suites, convenience store profits, rental revenue from on-site banks, and other miscellaneous items.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses

Operating Expenses

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based upon Management's operating plans for the Obligated Group, based on the historical operations of the Obligated Group, giving effect to the Lakewood Project and The Culpeper Project.

The specific basis for major expense items were formulated by Management and are discussed below.

LifeSpire Corporate Office

Operating costs of the LifeSpire's corporate office are included in the Obligated Group.

Salaries and Employee Benefits

A full-time equivalent employee ("FTE") represents 2,080 hours of time paid annually. Management has forecasted payroll taxes and employee benefits to be approximately 19 percent, 21 percent, 20 percent and 20 percent of salaries and wages for Lakewood, The Culpeper, The Chesapeake, and The Glebe, respectively. Payroll taxes and employee benefits include FICA, unemployment taxes, workers' compensation, health insurance, incentives and other miscellaneous benefits. Average hourly rates are forecasted to increase at an average rate of 3.0 percent for inflation for the Forecast Period.

As a result of COVID and the general economic environment, the Obligated Group has supplemented staffing shortages with contract labor. The following table reflects a gradual reduction in contract labor that translates to FTE increases during the Forecast Period.

Listed below are the forecasted full-time equivalents ("FTE"), by department, for the Obligated Group for the years ending December 31, 2021 through 2023.

Table 28
Obligated Group
Full-Time Equivalent Staffing
For the Years Ending December 31,

Department	2021	2022	2023
Administration	47.6	47.6	47.6
Marketing	16.0	16.0	16.0
Information Technology	3.0	3.0	3.0
Resident Services	24.7	24.7	24.7
Activities	6.5	6.5	6.5
Salon Services	7.0	7.0	7.0
Laundry	8.4	8.4	8.4
Housekeeping	72.6	72.6	72.6
Food Service	183.1	183.1	183.1
Health Care	203.0	214.5	219.6
Assisted Living	91.3	96.5	98.8
Clinic	7.8	7.8	7.8
Maintenance	37.5	37.5	37.5
Security	16.6	16.6	16.6
Transportation	13.7	13.7	13.7
Memory Support	55.0	58.1	59.5
Home Health	3.9	3.9	3.9
Wellness	2.0	2.0	2.0
Lakewood at Home	6.0	6.0	6.0
Total	799.7	819.5	828.3

Source: Management

See Accompanying Independent Accountants' Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses (continued)

Administration

Non-salary related costs of administration include costs for supplies, professional fees, and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Marketing

Non-salary related costs of marketing include costs for items such as supplies, marketing collateral, advertising and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Member Services

Non-salary related costs of member services include costs for items such as supplies and other miscellaneous costs. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Information Technology

Non-salary related costs of information technology include costs for items related to systems, security and other technology functions. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Resident Services

Non-salary related costs of resident services include costs for items such as supplies and other miscellaneous costs. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Activities

Non-salary related costs of activities include costs for items such as transportation, resident entertainment and functions, and other costs. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Salon Services

Non-salary related costs of the salon services include costs for supplies. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Laundry Services

Non-salary related costs of the laundry include costs for supplies, chemicals and other miscellaneous. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses (continued)

Housekeeping Services

Non-salary related costs of the housekeeping include costs for supplies, chemicals and other miscellaneous. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Food Services

Non-salary related costs of food services include costs for raw food and dietary supplies. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Health Care

Non-salary related costs of health care services include costs for supplies and other miscellaneous costs incurred in the provision of nursing care. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Assisted Living

Non-salary related costs of assisted living services include costs for supplies and other miscellaneous costs incurred in the provision of assisted living care. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Clinic

Non-salary related costs of the clinic include costs for supplies and other miscellaneous costs incurred in operating the clinic. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Maintenance

Non-salary related costs of maintenance include costs for supplies, utilities, maintenance and other miscellaneous costs. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Security

Non-salary related costs of security services include costs for supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Transportation

Non-salary related costs of transportation services include costs for supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Memory Support

Non-salary related costs of memory support services include costs for supplies and other miscellaneous costs incurred in the provision of memory support services. Management assumes that these costs would

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses (continued)

vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Therapies

Non-salary related therapies costs include costs for professional services, supplies and other miscellaneous costs incurred in providing therapy services. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Home Health

Non-salary related costs of home health include licensing, education, administrative processing, supplies, travel reimbursement, and other miscellaneous costs incurred. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Wellness

Non-salary related costs of wellness include costs for supplies and other miscellaneous costs incurred in operating the wellness program. Management assumes that these costs would vary with changes in occupancy levels. Additionally, these costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

General Expenses

Non-salary related costs of general expense include other general expenses not included in the previous departmental costs. These costs are anticipated to increase at 3.00 percent annually throughout the Forecast Period for inflation.

Property Taxes

The Obligated Group facilities are exempt from the payment of real estate taxes. Management is of the opinion that this exception should remain unchanged throughout the Forecast Period.

Depreciation

Property and equipment are forecasted to be depreciated over their estimated useful lives using the straight-line method.

Interest

Interest expense is assumed to be related to the debt service requirements and the amortization of the deferred financing costs, bond premium, bond discount related to the 2021 Financing and other existing long-term indebtedness. Management plans to capitalize The Culpeper Project and Lakewood Project related interest expense during the construction period of each of the projects.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Other Items

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash balances for the Forecast Period are based on the results of the Forecasted Combined Statements of Cash Flows. For purposes of presentations, cash balances are estimated at 90 days of operating expenses, less depreciation and interest expense, for the Obligated Group. Amounts in excess of this are classified as long-term investments.

Accounts Receivable

Accounts receivable, net of allowance for non-collectible accounts, are forecasted at historical levels for the existing facilities and based on 14 days of revenue for the Lakewood and Culpeper Projects.

Notes Receivable

Notes receivable are forecasted at historical levels for the facility.

Prepaid Expenses

Prepaid expenses consisting of prepaid insurance, inventory and other prepaid items have been estimated based on historical levels for the existing facilities and approximately 8 days of operating expenses for The Culpeper and Lakewood Projects.

Due from Affiliates

Due from Affiliates represents amounts owed to the Obligated group from the Foundation. Management has not forecasted any change in balance during the Forecast Period.

Deposits and Other

Deposits and Other primarily consists of deposits made to the Obligated Group's property and casualty insurance carrier, health insurance carrier, and various other deposits. Management has not forecasted any change in balance during the Forecast Period.

Accounts Payable

Accounts payable has been forecasted based on historical levels for the existing facility and 65 days of annual operating expenses for The Culpeper and Lakewood Projects.

Salaries and Wages

Salaries and Wages, which consists of accrued salaries and benefits, has been forecasted based on 38 days of annual salaries for the Obligated Group and are forecasted to increase at the rate of forecasted salary and benefit expense increases throughout the Forecast Period.

Interest Payable

Accrued interest has been calculated based on interest expense requirements of the existing indebtedness (as defined hereinafter), which include the Series 2014A Bonds, Series 2016 Bonds, Series 2017A Bonds, Series 2017B Bonds, Series 2017C Bonds, and the 2021 Financing. As further described hereinafter, Management has forecasted the refunding of the Series 2017A Bonds and Series 2017B Bonds with the 2021 Financing.

Assets Whose Use is Limited

Management has forecasted the following assets whose use is limited:

Bond Sinking Funds—The funds held in the bond funds represents amounts that have been deposited with the trustee of the respective bonds to make the annual principal payments on the Series 2016 Bonds and the debt service reserve on the Series 2017C Bonds.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Other Items (continued)

Debt Service Reserve Funds —The Obligated Group is required to maintain debt service reserve funds for certain of its debt equal to the maximum annual debt service requirement for the various series of bonds that require a debt service reserve fund.

Principal Fund – The funds held in the principal fund represents amounts that have been deposited with the trustee of the respective bonds to make the annual principal payments to the owners of the bonds when due.

Interest Fund - The funds held in the interest fund represents amounts that have been deposited with the trustee of the respective bonds to make the semi-annual interest payments to the owners of the bonds when due.

Project Fund -Represents funds set aside for the construction of The Culpeper Project and Lakewood Project.

Board Designated- Capital Fund – Management's Forecast assumes the full issuance of the 2021 Financing. As noted previously, the Forecast does not assume the acquisition of The Summit. As a result, these board designated funds were used for capital additions of approximately \$8,739,000 and \$9,152,000 during the years ending December 31, 2022 and 2023. The Forecast does not assume an accelerated redemption of debt.

Property and Equipment

Property and equipment balances, net of accumulated depreciation, were based on forecasted routine property and equipment additions, The Culpeper Project costs, and the Lakewood Project costs during the Forecast Period, reduced by estimated annual depreciation. Furthermore, interest expense during construction of the Lakewood Project and The Culpeper Project, less interest earnings, have been capitalized as property and equipment.

The following table reflects forecasted capital additions during the Forecast Period.

Table 29
The Obligated Group
Forecasted Property and Equipment Expenditures
For the Years Ending December 31,
(In Thousands of Dollars)

	2021	2022	2023
Culpeper and Lakewood Project Costs	\$10,460	\$ 13,021	\$ -
Capitalized Interest, Net of Interest Earnings	510	466	-
Routine Capital Additions	10,462	8,739	9,152
Total	\$21,432	\$ 22,226	\$ 9,152

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies**Management's Basis for Forecast of Other Items (continued)**

The following table reflects the forecasted property and equipment balances by category:

Table 30
The Obligated Group
Forecasted Property and Equipment as of December 31,
(In Thousands of Dollars)

	2021	2022	2023
Land and Land Improvements	\$ 23,447	\$ 23,447	\$ 23,447
Buildings and Fixed Equipment	352,733	372,973	381,307
Vehicles	2,375	2,511	2,568
Moveable Equipment	32,249	34,099	34,861
Right of Use Assets	2,002	2,002	2,002
Subtotal	412,806	435,032	444,184
Less: Accumulated Depreciation	(194,543)	(211,809)	(228,947)
Net Property and Equipment	\$ 218,263	\$ 223,223	\$ 215,237

Source: Management

Equity Interest in Joint Venture

LifeSpire of Virginia entered into a joint venture agreement to provide home health and other organizational support services with Pinnacle Living. The terms of the agreement created Senior Living Partners of Virginia, LLC ("SLP"). SLP's home health division, Affirmation Home Health, will initially provide home health services in the greater Richmond, New Port News and Williamsburg, Virginia areas. In 2021, LifeSpire transferred a capital contribution of approximately \$634,000 to SLP and this has been recorded as an equity interest in joint venture on the forecasted combined balance sheets. Management does not have any plans for additional capital contributions, and therefore has not forecasted any additional changes in the equity investment of the SLP joint venture during the Forecast Period.

Long-Term Debt and Interest Expense

The Obligated Group has a number of existing outstanding debt agreements. Long-term debt of the Obligated Group consisted of the following at December 31, 2020:

- \$34,745,000 ("Series 2014A Bonds")
 - In June 2014, The Glebe issued two new notes totaling \$41,155,000 in relation to the Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014A Bonds) and Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014B Bonds). The Glebe Series 2014A and 2014B Bonds were used to refund the outstanding Virginia Small Business Financing Authority Residential Care Facility Revenue Refunding Bonds (Series 2012A Bonds). The Virginia Small Business Financing Authority Residential Care Facility Subordinated Taxable Bonds Series 2012B Bonds (Series 2012B Bonds) were also refunded through this issuance; however, a portion of the Series 2012B Bonds were forgiven in accordance with the provisions of the Series 2012 Bonds. At that time, The Glebe Series 2012A and 2012B Bonds were cancelled and extinguished and were no longer considered outstanding. The Series 2014A and 2014B Bonds are collateralized by a deed of trust of certain facilities of The Glebe as well as a security interest in certain other assets and property. The Series 2014B Bond was paid in full in January 2018.

Summary of Significant Forecast Assumptions and Accounting Policies
Management's Basis for Forecast of Other Items (continued)

- \$74,850,000 ("Series 2016 Bonds")
 - In October 2016, the Obligated Group defeased the outstanding Series 2006A and 2006C Bonds and the outstanding amounts drawn on the line of credit by issuing a note for \$85,505,000 in relation to Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds Series 2016 (Series 2016 Bonds).
- \$28,949,825 ("Series 2017A Bonds")
 - In July 2017, the Obligated Group issued a note for \$30,000,000 to fund the project costs of The Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017A (Series 2017A Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.65%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2020, LifeSpire had drawn \$29,231,825 on the Series 2017A Bond and made principal payments of \$282,000. **Management has forecasted the refunding of the Series 2017A Bonds with the 2021 Financing.**
- \$17,635,780 ("Series 2017B Bonds")
 - In July 2017, the Obligated Group issued a note for \$18,112,000 to fund the project costs of The Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017B (Series 2017B Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.25%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2020, LifeSpire had drawn \$17,806,780 on the Series 2017B Bond and made principal payments of \$171,000. **Management has forecasted the refunding of the Series 2017B Bonds with the 2021 Financing.**
- \$49,750,000 ("Series 2017C Bonds")
 - In December 2017, the Obligated Group issued a note totaling \$49,750,000 to fund the project costs of the Lakewood and The Glebe renovations and refund \$2,565,000 of The Glebe Series 2014B Bonds in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue and Refunding Bonds Series 2017C (Series 2017C Bonds). The 2017C Bonds are comprised of serial bonds due in annual installments through 2027 and term bonds due in 2032, 2037 and 2047.

The Series 2014A, Series 2016 and 2017C Bonds are collateralized by a deed of trust of certain facilities of the Obligated Group as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contain certain covenants, including a requirement that days cash on hand be in excess of 120 days and that the long-term debt service coverage ratio be in excess of 1.20.

Each member of the Obligated Group under the Master Trust Indenture dated January 1, 2003 and the Amended and Restated Master Trust Indenture dated October 1, 2016 is jointly and severally liable for the payment of all the Obligated Group Long-Term Debt; however, the individual Obligated Group members are not liable for any other claims against the other Obligated Group members. As part of the Series 2017C Bond issuance described above, a supplemental indenture was entered into related to the Amended and Restated Master Trust Indenture dated October 1, 2016. As part of this supplemental

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Other Items (continued)

indenture, The Glebe was brought into the Obligated Group and is now subject to the provisions of each Master Trust Indenture noted above. This change was adopted retrospectively.

Accordingly, no Obligated Group entity is liable for any indebtedness of any other Obligated Group entity other than the limited cross liability of the Obligated Group for the Obligated Group Long-Term Debt as discussed above. As previously noted, the Foundation is not a member of the Obligated Group.

Forecasted principal payments on the Obligated Group debt is forecasted as follows:

Table 31
The Obligated Group
Forecasted Principal Payments (In Thousands of Dollars)

Year	Series 2014 Bonds	Series 2016 Bonds	Series 2017A and 2017B Bonds	Series 2017C Bonds	Series 2021 Bonds	2021 Taxable Loan	Total
2021	\$ 710	\$ 2,840	\$ 46,586	\$ 1,060	\$ 320	\$ -	\$ 51,516
2022	750	2,950	-	1,090	1,485	7,595	13,870
2023	780	3,070	-	1,120	1,545	7,766	14,281
2024	820	3,190	-	1,155	1,610	-	6,775
2025	860	3,350	-	1,190	1,675	-	7,075
2026	915	3,520	-	1,230	1,740	-	7,405
2027	970	3,630	-	1,270	1,810	-	7,680
2028	1,025	3,765	-	1,315	1,880	-	7,985
2029	1,090	3,910	-	1,365	1,955	-	8,320
2030	1,155	4,060	-	1,420	2,035	-	8,670
Thereafter	25,670	40,565	-	37,535	67,660	-	171,430
Total	<u>\$ 34,745</u>	<u>\$ 74,850</u>	<u>\$ 46,586</u>	<u>\$ 49,750</u>	<u>\$ 83,715</u>	<u>\$ 15,361</u>	<u>\$ 305,007</u>

Source: Management

Fair Value of Interest Rate Swap Agreement

In July 2017 the Obligated Group entered into two forward dated interest rate swap agreements related to the Series 2017A and Series 2017B Bonds. The swap agreements are with financial institutions and have a notional principal balance of \$29,718,000 and \$18,112,000, respectively, with an effective date of July 1, 2019 and a termination date of August 1, 2027. Under the swap agreements, the interest rates on the Obligated Group's Series 2017A and Series 2017B Bonds variable rate borrowings are effectively converted to 1.856% and 1.858%, respectively. The Obligated Group recognizes the fair value of its interest rate swaps on the combined balance sheet, representing a liability of approximately \$4,759,000 at December 31, 2020. An analysis on the effectiveness of the swaps was not performed in 2020, causing the change in fair value of the swaps to be included in excess (deficit) of revenues, gains, and other support over (under) expenses. Management has forecasted the termination of both swaps effective with the closing of the 2021 Financing and has forecasted a change in value of swap of \$1,037,000 in 2021 on the forecasted combined statements of operations.

Other Items

Other Assets consists of an intangible asset associated with the purchase of CON licenses.

Sensitivity Analyses

The Forecast was prepared based on assumptions made by Management concerning future operations of the Obligated Group. Various factors and conditions may occur which could adversely affect the Forecast of the financial condition of the Obligated Group and its ability to meet debt service requirements. These factors include, among others, legislation and regulatory action, changes in assumptions concerning occupancy, rental rates, financing, construction costs, operating costs, and occupancy variations due to increased competition from other nursing and senior housing facilities, continued impacts of COVID-19, as well as Management's failure to implement its marketing and/or operational plans. Furthermore, Management prepared its forecast assuming that the Obligated Group obtains financing at rates and terms similar to those described herein, and that the debt service requirements of the 2021 Financing and other existing long-term obligations do not change during the Forecast Period.

The analyses that follow should not be construed as reflecting all of the significant assumptions presented in the Forecast. The sensitivity analyses represent Management's analyses and have not been examined. The sensitivity analyses are not intended to be all-inclusive, and are presented for the purpose of demonstrating the significance of:

- A one-percent decrease in overall occupancy, beginning in fiscal year 2022 (Sensitivity One); and
- Operating expenses increasing at one percent greater than forecasted. (Sensitivity Two).

Summary of Significant Forecast Assumptions and Accounting Policies**Sensitivity Analyses (continued)****Sensitivity One**

Sensitivity One has been prepared to reflect the impact of occupancy levels that are one percent less than forecasted occupancy levels with no corresponding adjustment in operating expenses. For purposes of this sensitivity, a reduction in independent living occupancy is associated with a reduction in Entrance Fee receipts associated with a unit turnover over but not being reoccupied.

Table 32
Sensitivity One
For the Years Ending December 31,
(In Thousands of Dollars, Except Ratios)

	2021	2022	2023
As Forecasted:			
Independent Living Occupied Units	762.9	785.8	800.8
Healthcare (Assisted Living, Memory Support and Nursing) Occupied Units	432.4	467.2	470.2
Entrants Generating Entrance Fee Receipts- Existing Independent Living Units	77.9	88.1	89.7
Associated Net Entrance Fees from Unit Turnover	\$ 18,196	\$ 21,235	\$ 22,968
Operating Revenue (Excluding Amortization Income)	\$ 87,572	\$ 87,420	\$ 91,799
Long-Term Debt Service Coverage Ratio	1.96 x	1.90 x	1.96 x
Days' Cash on Hand Ratio	502	527	518
	2021	2022	2023
Under Sensitivity One:			
Independent Living Occupied Units	762.9	777.9	792.9
Healthcare (Assisted Living, Memory Support and Nursing) Occupied Units	432.4	462.5	465.5
Entrants Generating Entrance Fee Receipts- Existing Independent Living Units	77.9	87.2	88.8
Associated Net Entrance Fees from Unit Turnover	\$ 18,196	\$ 20,979	\$ 22,697
Operating Revenue (Excluding Amortization Income)	\$ 87,572	\$ 86,382	\$ 90,686
Long-Term Debt Service Coverage Ratio	1.96 x	1.82 x	1.88 x
Days' Cash on Hand Ratio	502	522	507

Source: Management

Summary of Significant Forecast Assumptions and Accounting Policies**Sensitivity Analyses (continued)****Sensitivity Two**

Sensitivity Two has been prepared to reflect the estimated impact of operating expenses (excluding depreciation and interest expense) increasing at one percent greater than what Management has forecasted without a corresponding increase in monthly service fees and other charge rates. This one percent was applied each year beginning in 2022, thereby creating a cumulative impact on operating expenses.

Table 33
Sensitivity Two
For the Years Ending December 31,
(In Thousands of Dollars, Except Ratios)

	2021	2022	2023
As Forecasted:			
Operating Expenses (Excluding Depreciation and Amortization)	\$ 83,399	\$ 88,394	\$ 91,219
Long-Term Debt Service Coverage Ratio	1.96 x	1.90 x	1.96 x
Days' Cash on Hand Ratio	502	527	518
	2021	2022	2023
Sensitivity Two:			
Operating Expenses (Excluding Depreciation and Amortization)	\$ 83,399	\$ 89,278	\$ 93,024
Long-Term Debt Service Coverage Ratio	1.96 x	1.84 x	1.85 x
Days' Cash on Hand Ratio	502	518	497

Source: Management

SUPPLEMENTAL DISCLOSURE: PROJECTED FINANCIAL STATEMENTS FOR PERIODS COVERED BY THE FORECAST

The American Institute of Certified Public Accountants define a hypothetical assumption as an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation.

Management has executed an Asset Purchase Agreement (the “APA”) for the acquisition of the independent living and assisted living associated with the sale of The Summit, an existing retirement community in Lynchburg, Virginia. As of the date of this report, Management has not finalized its diligence, change of ownership, obtained an appraisal for the property, or established a closing date.

Management has therefore included projected financial statements (the “Supplemental Projections”) as of December 31, 2021, 2022, and 2023 and for each of the three years then ending (the “Projection Period”), to provide potential investors with information assuming the following hypothetical assumptions (the “Hypothetical Assumptions”):

- The acquisition of The Summit assets and assumption of certain liabilities occurs as disclosed hereafter;
- The Summit becomes an Obligated Group Member;
- The closing of the purchase occurs on September 30, 2021;
- The Obligated Group obtains licenses and change of ownership by September 30, 2021;
- The Summit is exempt from property taxes;
- The Obligated Group receives approximately \$9,819,000 from the seller for the refundable entrance fees; and
- The Obligated Group assumes approximately \$1,966,000 of deferred revenue related to unamortized Entrance Fees.

The projection should not be considered a presentation of expected future results. The Supplemental Projections have not been subjected to procedures applied in the examination of the financial forecast.

The information provided in this section provides Management’s key assumptions relating to the Supplemental Projections assuming the hypothetical purchase and operation of The Summit.

The Asset Purchase Agreement

Under the terms of the APA, the assets of the seller’s retirement community (The Summit) relating to independent living and assisted living are being purchased by the Lynchburg Affiliate, whose sole member is Virginia Baptist Homes, Inc. In addition to the assets that are being purchased, the Lynchburg Affiliate is assuming the resident contracts and associated liabilities under the residency agreements. A unique element of the APA is that the seller will fund the refund liability associated with residents who have paid a refundable Entrance Fee contract.

Management has projected that the purchase will occur on September 30, 2021. The initial due diligence period expired on July 21, 2021, with the APA executed on July 22, 2021. Following these two events, Management plans to deposit approximately \$800,000 into an escrow account to be applied to the purchase price at closing of the acquisition. The deposit is fully nonrefundable except under specific circumstances, including a material default by the seller of its obligations under the APA or failure by the seller to satisfy a material condition precedent to the acquisition closing that is within seller’s reasonable control and such failure is not waived.

The acquisition is expected to close following receipt of change in ownership approvals by the Virginia State Corporation Commission and the Virginia Department of Social Services that will grant appropriate licensure to operate The Summit.

SUPPLEMENTAL DISCLOSURE: PROJECTED FINANCIAL STATEMENTS FOR PERIODS COVERED BY THE FORECAST

The Summit

The Summit consists of the following unit configuration:

**Table 34
The Summit
Unit Configuration**

Unit Type	Number of Units	Weighted Average Square Footage by Unit Type
<i>Independent Living Units:</i>		
Apartments	85	1,018
Garden Homes	16	1,646
Total Independent Living Units	101	
<i>Assisted Living Units:</i>		
Traditional Assisted Living Units	43	416
Total Health Care Units and Beds	43	
Total Campus Units and Beds	144	

Source: Management

Management has projected the following pricing for The Summit:

**Table 35
The Summit
Projected Monthly Service Fees and Entrance Fees (2021 Dollars)**

Unit Configuration	Number of Units	Monthly Service Fee	Standard Refund Plan	90% Refund Plan
<i>Independent Living Apartments:</i>				
One Bedroom - The Poplar	22	\$ 2,446	\$ 110,679	\$ 204,755
One Bedroom - The James	5	2,576	162,874	301,316
One Bedroom - The Birch	18	2,690	161,365	298,526
Two Bedroom - The Peaks of Otter	6	2,755	211,585	391,432
Two Bedroom - The Magnolia	11	2,954	220,031	407,057
Two Bedroom - The Chestnut	17	2,996	233,754	432,447
Two Bedroom - The Skyline	6	3,081	257,733	476,806
<i>Garden Homes:</i>				
Two Bedroom - The Cumberland	2	3,014	207,626	384,110
Two Bedroom - The Chesapeake	4	3,014	223,490	413,457
Two Bedroom - The Blue Ridge	1	3,085	249,027	460,700
Two Bedroom - The Shenandoah	4	3,229	271,567	502,399
Two Bedroom - The Appalachian	1	3,456	308,364	570,475
Two Bedroom - The Piedmont	3	3,563	333,547	617,062
Two Bedroom - The Buena Vista	1	3,727	376,741	696,972
Total / Weighted Average	101	\$ 2,827	\$ 194,992	\$ 360,736
<i>Second Person Fee</i>		\$ 850	\$ 7,500	\$ 7,500

Source: Management

SUPPLEMENTAL DISCLOSURE: PROJECTED FINANCIAL STATEMENTS FOR PERIODS COVERED BY THE FORECAST

Management's Basis for Projected Revenues and Entrance Fees – The Summit

Resident and Patient Service Revenue

Revenues for The Summit are primarily based on monthly service fees assumed by Management to be charged to the residents and the assumed utilization for The Summit.

Projected occupancy for The Summit is based upon Management's analysis of underlying residency agreements and occupancy reports it has received during the due diligence period relating to the APA. The following table reflects Management's anticipated projected occupancy.

Table 36
The Summit
Projected Occupancies
For the Years Ending December 31,

	Independent Living Units			Assisted Living Units		
	Average Units Available	Average Occupancy	Average Percent Occupancy	Average Units Available	Average Occupancy	Average Percent Occupancy
2021	101	91.9	91.0%	43	40.8	95.0%
2022	101	91.9	91.0%	43	40.8	95.0%
2023	101	95.0	94.1%	43	41.0	95.3%

Source: Management

The projected second person occupancy percentages for The Summit Independent Living Units is assumed to approximate 20 percent.

Management has projected monthly services fees to be inflated by 3.0 percent per year beginning on January 1, 2022 and through the remainder of the Projection Period. Management has projected inflation on the Entrance Fee rates of 3.0 percent per year, beginning on January 1, 2022 and through the remainder of the Projection Period.

Entrance Fees

Entrance Fee receipts and refunds are projected based on Management's estimates based on its experience with the other Obligated Group communities. The following table presents Management's projection of Entrance Fee receipts and refunds during the Projection Period.

Table 37
The Summit
Projected Entrance Fee Receipts and Refunds
For the Years Ending December 31,
(In Thousands of Dollars)

	2021	2022	2023
Projected:			
Entrance Fee Receipts from Unit Turnover	\$ -	\$ 2,749	\$ 2,927
Entrance Fee Refunded from Unit Turnover	-	(354)	(354)
Total Entrance Fees Received, net of Refunds	\$ -	\$ 2,395	\$ 2,573

Source: Management

***SUPPLEMENTAL DISCLOSURE: PROJECTED FINANCIAL STATEMENTS FOR PERIODS
COVERED BY THE FORECAST***

Management has assumed that approximately 63 percent of residents would choose the Standard Refund Plan and 37 percent would choose the 90 Percent Refund Plan, based on an analysis of the existing resident contracts.

Management's Basis for Projected Expenses – The Summit

Operating Expenses

Management has projected operating expenses for The Summit based on its experience operating the Obligated Group facilities.

Salaries and Benefits

The following table presents Management's projected full-time equivalents for The Summit.

Table 38
The Summit
Projected Staffing and Average Hourly Rates
For the Years Ending December 31,
(In Full-Time Equivalents)

	2021		2022		2023	
	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage
Administration	5.0	\$ 32.95	5.0	\$ 34.26	5.0	\$ 35.63
Marketing	1.0	\$ 30.00	1.0	\$ 31.20	1.0	\$ 32.45
Resident Services	1.6	\$ 24.56	1.6	\$ 25.55	1.6	\$ 26.57
Activities	1.0	\$ 17.00	1.0	\$ 17.68	1.0	\$ 18.39
Salon Services	1.5	\$ 15.00	1.5	\$ 15.60	1.5	\$ 16.22
Housekeeping	2.0	\$ 14.25	2.0	\$ 14.82	2.0	\$ 15.41
Assisted Living	21.4	\$ 22.43	21.4	\$ 23.32	21.4	\$ 24.25
Maintenance	3.8	\$ 24.42	3.8	\$ 25.40	3.8	\$ 26.41
Transportation	2.0	\$ 13.00	2.0	\$ 13.52	2.0	\$ 14.06
Security	2.4	\$ 14.00	2.4	\$ 14.56	2.4	\$ 15.14
	41.7	\$ 22.41	41.7	\$ 23.30	41.7	\$ 24.23

Source: Management

Average hourly wages are projected to increase at a rate of 3.00 percent per year beginning on January 1, 2022 and throughout the remainder of the Projection Period.

Management has projected payroll taxes and employee benefits will approximate 21.0 percent of salaries and wages during the Projection Period.

Administration

Non-salary related costs of administration include costs for supplies, professional fees, and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Marketing

Non-salary related costs of marketing include costs for items such supplies, marketing collateral, advertising and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Member Services

Non-salary related costs of member services include costs for items such as supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Information Technology

Non-salary related costs of information technology include costs for items related to systems, security and other technology functions. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Resident Services

Non-salary related costs of resident services include costs for items such as supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Activities

Non-salary related costs of activities include costs for items such as transportation, resident entertainment and functions, and other costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Salon Services

Non-salary related costs of the salon services include costs for supplies. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Laundry Services

Non-salary related costs of the laundry include costs for supplies, chemicals and other miscellaneous. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Housekeeping Services

Non-salary related costs of the housekeeping include costs for supplies, chemicals and other miscellaneous. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Food Services

Non-salary related costs of food services include costs for raw food and dietary supplies as well as the outsourcing of the dietary program. Management assumes that these costs would vary with changes in occupancy levels. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Assisted Living

Non-salary related costs of assisted living services include costs for supplies and other miscellaneous costs incurred in the provision of assisted living care. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Maintenance

Non-salary related costs of maintenance include costs for supplies, utilities, maintenance and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Security

Non-salary related costs of security services include costs for supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Transportation

Non-salary related costs of transportation services include costs for supplies and other miscellaneous costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

General Expenses

Non-salary related costs of general expense include other general expenses not included in the previous departmental costs. These costs are anticipated to increase at 3.00 percent annually throughout the Projection Period for inflation.

Income Taxes

LifeSpire has been recognized as a tax-exempt entity relative to Federal corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal taxation. Management forecasts that this exempt status will remain in effect throughout the Projection Period.

Property Taxes

The Obligated Group facilities are exempt from the payment of real estate taxes. Management is of the opinion that this exception should remain unchanged throughout the Projection Period.

Depreciation

Property, plant, and equipment are forecasted to be depreciated over their estimated useful lives using the straight-line method.

Management's Basis for Projected Other Items– The Summit

Net Acquisition Cost of The Summit

Pursuant to the APA, the Obligated Group is spending \$30,250,000 to acquire The Summit

Table 39
The Summit
Net Purchase Price (In 000s)

Purchase Price	\$ 30,250
Estimated Funding of Entrance Fee Refund Liability by the Seller	(9,819)
Seller Funded Deferred Maintenance/Capital	(680)
Seller Funded Other Capital Concessions	(1,600)
Net Purchase Price	\$ 18,151

Source: Management

Assets Whose Use Is Limited

Board Designated – Summit Entrance Fee Refund Fund – Represents funds received by the Obligated Group from the Seller upon closing that are to be utilized to pay Entrance Fee refund obligations for those residents occupying independent living units or assisted living units at The Summit at the day of closing.

Property and Equipment

Property and equipment, net of accumulated depreciation, were projected based on the estimated costs of The Summit, based on an allocation of the purchase price based on the underlying asset values assigned by an appraisal of The Summit.

The opening balances for the purchased assets based on the net allocated acquisition cost are assumed to be \$4,490,000 for land, \$24,787,000 for property and plant, and \$659,000 for equipment.

Management has projected fixed asset additions of \$250,000, \$1,000,000 and \$1,030,000 respectively in 2021, 2022, and 2023.

Refundable Entrance Fees and Deferred Revenue

Based upon an analysis of existing residency agreements, Management has estimated that the refundable entrance fees total approximately \$9,819,000 at the time of the acquisition and are reflected as an increase in the Obligated Group's refund liability. In addition, nonrefundable contracts are projected to have a contractual refund obligation of approximately \$1,966,000 and is reflected as an increase in the deferred revenue of the Obligated Group. Management has projected amortization income on the amortization of the acquired deferred revenue balance, as well as new residency agreements subsequent to the purchase date.

Healthcare Access

The Lynchburg Affiliate is securing a resident transfer agreement for nursing that would provide residents of The Summit with nursing services. Under the residency agreements, there is a lifetime benefit to residents of approximately \$6,600 (\$550 per month) in reduced nursing fees. The contract is a fee for service contract and as a result, the residents will directly pay the nursing provider for nursing services. Management has negotiated and executed the transfer agreement, which will become effective upon closing of the acquisition.

OBLIGATED GROUP
PROJECTED COMBINED STATEMENTS OF OPERATIONS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars)

	2021	2022	2023
REVENUES, GAINS, AND OTHER SUPPORT			
Residential Services	\$ 51,298	\$ 60,429	\$ 63,444
Deferred Revenue from Advanced Fees - Residential Services	14,508	16,213	16,904
Health Care Services	23,056	25,932	27,020
Continuing Care at Home Services	448	461	475
Amortization of Deferred Revenue from Advance Fees - Continuing Care at Home	308	317	327
Net Assets Released from Restrictions Used for Operations	176	176	176
Gifts and Donations	9,269	1,298	1,337
Investment Income	3,404	4,445	4,790
Other	1,913	2,052	2,113
Total Revenue, Gains, and Other Support	104,380	111,323	116,586
EXPENSES			
Administration	10,391	11,203	11,555
Marketing	3,530	3,765	3,923
Member Services	182	187	193
Information Technology	2,452	2,658	2,737
Resident Services	1,509	1,655	1,705
Activities	381	434	446
Salon Services	442	501	516
Laundry	367	378	390
Housekeeping	3,550	3,751	3,874
Food Services	13,216	14,481	14,977
Health Care	15,050	16,381	17,138
Assisted Living	5,828	6,918	7,194
Clinic	667	687	708
Maintenance	8,404	9,344	9,697
Security	854	937	966
Transportation	570	639	658
Memory Support	3,073	3,269	3,397
Therapies	3,720	4,286	4,452
Home Health	139	143	147
Wellness	424	436	449
General Expense	179	239	246
Depreciation	17,648	18,308	18,383
Interest	9,830	10,809	10,699
Interest- Amortization of Issuance Costs	286	291	278
Interest- Amortization of Bond Premium	(562)	(896)	(831)
Interest- Amortization of Bond Discount	40	40	40
Total Operating Expenses	102,170	110,844	113,937
Operating Income	2,210	479	2,649
Nonoperating Expense			
Change in Value of Interest Rate Swap Agreements	1,037	-	-
Loss on Extinguishment of Debt	(671)	-	-
Nonoperating Expense	366	-	-
CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	\$ 2,576	\$ 479	\$ 2,649

OBLIGATED GROUP
PROJECTED COMBINED STATEMENTS OF CHANGES IN NET DEFICIT
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars)

	2021	2022	2023
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS			
Change in Net Assets (Deficit) Without Donor Restrictions	\$ 2,576	\$ 479	\$ 2,649
NET ASSETS WITH DONOR RESTRICTIONS			
Net Assets Released from Restrictions	(176)	(176)	(176)
Investment Income	176	176	176
Change in Net Assets With Donor Restrictions	-	-	-
CHANGE IN NET ASSETS (DEFICIT)	2,576	479	2,649
Net Deficit, Beginning of Year	(33,652)	(31,076)	(30,597)
NET DEFICIT, END OF YEAR	\$ (31,076)	\$ (30,597)	\$ (27,948)

OBLIGATED GROUP
PROJECTED COMBINED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars)

	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets (Deficit)	\$ 2,576	\$ 479	\$ 2,649
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:			
Amortization of Deferred Revenue from Advance Fees	(14,816)	(16,530)	(17,231)
Proceeds from Advance Fees and Deposits	21,907	28,112	30,170
Amortization of Bond Issuance Costs Included in Interest Expense	286	291	278
Amortization of Bond Discount	40	40	40
Amortization of Bond Premium	(562)	(896)	(831)
Loss on Extinguishment of Debt	671	-	-
Provision for Depreciation	17,648	18,308	18,383
Change in Value of Interest Rate Swap Agreements	(1,037)	-	-
Change in:			
Accounts Receivable	(537)	(412)	(138)
Prepaid Expenses	21	(24)	(31)
Change in:			
Accounts Payable	1,804	461	278
Refundable Advance - CARES Act	(8,009)	-	-
Salaries and Wages	970	262	164
Interest Payable	307	(33)	(5)
Net Cash Provided by Operating Activities	21,269	30,058	33,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases of Investments	(27,067)	(17,237)	(5,640)
Acquisition of Property and Equipment	(21,172)	(22,760)	(10,182)
Acquisition of the Summit Facility	(30,250)	-	-
Capitalized Interest Into Property and Equipment	(510)	(466)	-
Net Change in Assets Whose Use is Limited	(20,469)	16,784	(20)
Purchase of Equity Interest in Joint Venture	(634)	-	-
Net Cash Used in Investing Activities	(100,102)	(23,679)	(15,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Refunds of Advance Fees and Deposits	(3,711)	(4,482)	(4,629)
Payments on Long-Term Debt	(4,612)	(13,870)	(14,281)
Refinancing of Long-Term Debt	(46,904)	-	-
Proceeds from Series 2021 Financing	108,361	-	-
Payment of Financing Costs	(1,880)	-	-
Termination of Swap Agreements	(3,722)	-	-
Proceeds from Initial Advance Fees	3,705	12,568	1,638
Payments on Leases Payable	(273)	(279)	(278)
Net Cash Provided by (Used in) Financing Activities	50,964	(6,063)	(17,550)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(27,869)	316	334
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	42,283	14,414	14,730
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 14,414	\$ 14,730	\$ 15,064
Cash and Cash Equivalents	\$ 10,989	\$ 11,305	\$ 11,639
Restricted Cash included in Assets Limited as to Use	3,425	3,425	3,425
Total Cash, Cash Equivalents, and Restricted Cash	\$ 14,414	\$ 14,730	\$ 15,064
Supplemental Disclosure of Cash Flow Information:			
Cash Paid for Interest	\$ 9,975	\$ 11,260	\$ 10,668
The Summit Acquisition Fixed Assets Purchased	\$ (29,936)		
The Summit Acquisition Board Designated Entrance Fee and Capital Reserve Received	(10,499)		
Less: Seller Provided Capital Improvement Obligation	(1,600)		
Less: Deferred Revenue from Entrance Fees Acquired	1,966		
Less: Refundable Entrance Fees Acquired	9,819		
Add: Land Improvement	-	1,600	
Net Cash Paid for Acquisition of the Summit Facility	\$ (30,250)	\$ 1,600	\$ -

OBLIGATED GROUP
PROJECTED COMBINED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars)

	2021	2022	2023
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 10,989	\$ 11,305	\$ 11,639
Current Portion of Assets Whose Use is Limited	2,320	2,307	2,327
Accounts Receivable	3,408	3,820	3,958
Notes Receivable	3,069	3,069	3,069
Prepaid Expenses	1,010	1,034	1,065
Due from Affiliates	2,662	2,662	2,662
Deposits and Other	1,503	1,503	1,503
Total Current Assets	24,961	25,700	26,223
Assets Whose Use is Limited:			
Bond Sinking Fund	3,183	3,183	3,183
Debt Service Reserve Funds	14,697	14,697	14,697
Principal Fund	499	519	544
Interest Fund	1,821	1,788	1,783
Project Fund	16,021	-	-
Board Designated- Summit Entrance Fee Refund Fund	10,249	9,499	9,499
Total Assets Whose Use is Limited	46,470	29,686	29,706
Less: Current Portion	(2,320)	(2,307)	(2,327)
Total Assets Whose Use is Limited, Less Current Portion	44,150	27,379	27,379
Investments	78,762	95,999	101,639
Beneficial Interest In Perpetual Trusts	10,065	10,065	10,065
Property and Equipment	442,992	467,818	478,000
Less: Accumulated Depreciation	(194,816)	(213,124)	(231,507)
Net Property and Equipment	248,176	254,694	246,493
Other Assets	1,953	353	353
Equity Interest in Joint Venture	634	634	634
Total Assets	\$ 408,701	\$ 414,824	\$ 412,786

OBLIGATED GROUP
PROJECTED COMBINED BALANCE SHEETS (CONTINUED)
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars)

	2021	2022	2023
Liabilities and Net Assets (Deficit)			
Current Liabilities:			
Accounts Payable	\$ 6,359	\$ 6,820	\$ 7,098
Salaries and Wages	3,793	4,055	4,219
Interest Payable	1,821	1,788	1,783
Deposits from Prospective Residents	868	868	868
Current Portion of Lease Payable	279	278	246
Current Maturities of Long-Term Debt	6,275	6,515	6,775
Advance Fee Refund Liability	4,113	4,113	4,113
Total Current Liabilities	23,508	24,437	25,102
Advance Fee Refund Liability, Less Current Portion	40,929	37,878	34,774
Deferred Revenue from Advance Fees	117,584	140,303	153,355
Lease Payable, Less Current Portion	1,028	750	504
Long-Term Debt	253,491	239,621	225,340
Less: Current Portion	(6,275)	(6,515)	(6,775)
Unamortized Deferred Financing Costs	(4,957)	(4,666)	(4,388)
Unamortized Bond Discount	(910)	(870)	(830)
Unamortized Bond Premium	15,379	14,483	13,652
Long-Term Debt, Net	256,728	242,053	226,999
Total Liabilities	439,777	445,421	440,734
Net Assets (Deficit):			
Without Donor Restriction	(45,876)	(45,397)	(42,748)
With Donor Restriction	14,800	14,800	14,800
Total Net Deficit	(31,076)	(30,597)	(27,948)
Total Liabilities and Net Deficit	\$ 408,701	\$ 414,824	\$ 412,786

OBLIGATED GROUP
PROJECTED COMBINED SCHEDULE OF FINANCIAL RATIOS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE C-57
(In Thousands of Dollars, Except for Ratios)

	2021	2022	2023
Long-Term Debt Service Coverage Ratio			
Change in Net Assets (Deficit) Without Donor Restrictions	\$ 2,576	\$ 479	\$ 2,649
Remove:			
Deferred Revenue from Advanced Fees - Residential Services	(14,816)	(16,530)	(17,231)
Gain on Valuation of Swap	(1,037)	-	-
Add:			
Entrance Fees Received from Attrition, Net of Refunds ⁽¹⁾	18,196	23,630	25,541
Depreciation	17,648	18,308	18,383
Loss on Extinguishment of Debt	671	-	-
Interest- Amortization of Issuance Costs	286	291	278
Interest- Amortization of Bond Premium	(562)	(896)	(831)
Interest- Amortization of Bond Discount	40	40	40
Interest Expense	9,830	10,809	10,699
Income Available for Debt Service	\$ 32,832	\$ 36,131	\$ 39,528
Maximum Annual Debt Service⁽²⁾⁽³⁾	\$ 16,394	\$ 16,394	\$ 17,497
Long-Term Debt Service Coverage Ratio	2.00	2.20	2.26

	2021	2022	2023
Days' Cash on Hand			
Cash and Cash Equivalents	\$ 10,989	\$ 11,305	\$ 11,639
Investments	78,762	95,999	101,639
Board Designated- Summit Entrance Fee Refund Fund	10,249	9,499	9,499
Less Restricted Assets Included in Investments	(4,398)	(4,398)	(4,398)
Total Cash on Hand	\$ 95,602	\$ 112,405	\$ 118,379
Total Operating Expenses	\$ 102,170	\$ 110,844	\$ 113,937
Less:			
Depreciation	(17,648)	(18,308)	(18,383)
Interest- Amortization of Issuance Costs	(286)	(291)	(278)
Interest- Amortization of Bond Premium	562	896	831
Interest- Amortization of Bond Discount	(40)	(40)	(40)
Total Adjusted Operating Expenses	\$ 84,758	\$ 93,101	\$ 96,067
Divided by Days	365	365	365
Daily Operating Expenses	\$ 232.21	\$ 255.07	\$ 263.20
Days' Cash on Hand Ratio	412	441	450

Notes to the Projected Schedule of Financial Ratios:

1. Excludes initial entrance fees associated with the Lakewood Project and The Culpeper Project.
2. Includes debt service related to the Series 2014 Bonds, Series 2016 Bonds, Series 2017C Bonds, and Series 2021 Bonds. In 2021 and 2022, debt service on the Series 2021 Bonds associated with the Lakewood Project and Culpeper Project is excluded from the maximum annual debt service.
3. Pursuant to the Master Trust Indenture, the maximum annual debt service excludes the 2021 Taxable Loan as it is classified as Qualifying Intermediate-Term Indebtedness.

APPENDIX D

MARKET SNAPSHOT OF LYNCHBURG, VIRGINIA

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Looking Glass Market Insights LLC

MARKET SNAPSHOT

Lynchburg, Virginia

Prepared For:



January 2021

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Introduction

Lifespire of Virginia (Lifespire) is interested in confidentially evaluating an opportunity to assume ownership for a The Summit in Lynchburg, a senior living community offering Independent Living (IL), Assisted Living (AL) and Skilled Nursing (SNF).

As part of this exploration, Lifespire has commissioned this market snapshot study. The focus of this market snapshot is to preliminarily evaluate depth in the market for Independent Living (IL), Assisted Living (AL) and Memory Care (MC) to understand the overall environment in Lynchburg. The purpose of this snapshot is to get a quick read of a market from “30,000 feet.” It is a good first step to give a broad “go vs. no-go” platform on which to stand and decide if Lifespire wants to pursue further analysis of the market for future acquisition and/or development.

Methodology

Based on the above background, a market snapshot has been developed by completing the following:

- Analysis of the Primary Market Area (PMA) for The Summit based on a qualitative evaluation of leads and move-ins as well as drive-time analysis.
- Synthesis of data on population and households within the PMA into simple charts, indicating counts and forecast growth.
 - Thematic mapping is included to indicate geographic concentrations of target-market households and households with target-market home values within the defined PMA.
- Estimates (range) of market demand for Independent Living (IL), Assisted Living (AL) and Memory Care (MC);
 - These estimates will be stratified according to affordability (by income).

Summary of Findings

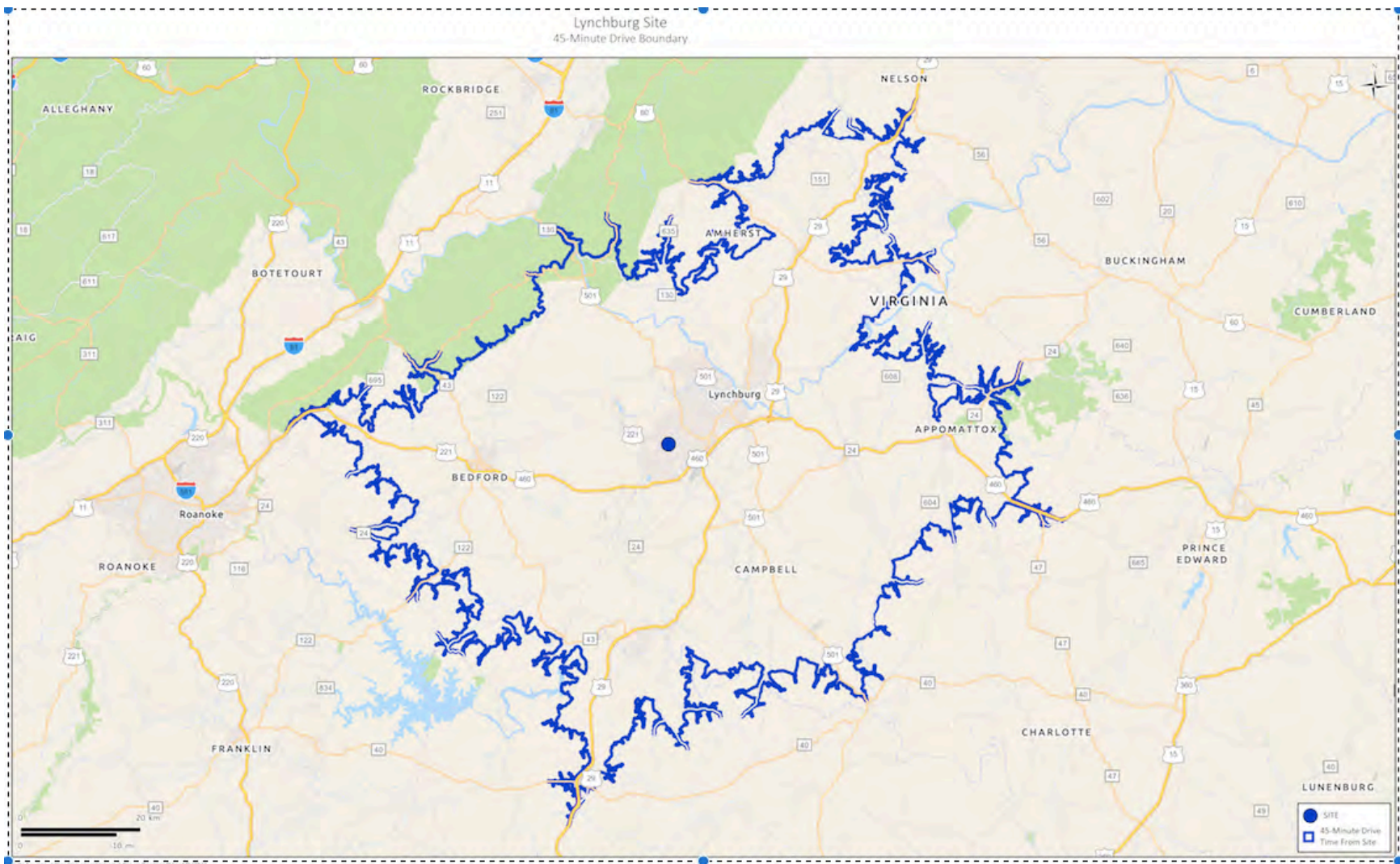
There is evident statistical depth for all examined additional housing that could potentially be offered at The Summit. Note that estimates take into account traditional tendencies in market draw, current and projected demographics in the market area, the presence of competitors, and conservative estimates of utilization. Each estimate indicates need/demand beyond that which is currently being offered in the PMA assuming all residences were 100% occupied.

- The PMA has been and is projected to continue experiencing minimal growth among all target markets, excluding the “adult child” market that is predicted to shrink considerably between 2021 and 2026. All reviewed age cohorts are growing at rates considerably less than national averages.
 - There are currently 2,250 age 75+ households with incomes of \$75,000+ (total target market), and this cohort is forecast to grow by nearly 500 households to over just over 2,700 such households by 2026 – a growth rate of 21.4% (trailing the national average at 27.6%).
- The competitive landscape has one primary and notable competitor beside The Summit itself, Westminster Canterbury of Lynchburg. Combined, the Summit and WCL offer 66% of the current IL inventory in the PMA.
- Forecasted demand from the age 75+ market indicates potential market depth for between 52 and 248 IL residences in the PMA 2026 (with rental representing the high end of that range).
 - The estimates assume minimum monthly fees for proposed residences of \$2,500 roughly translating to affordability with a minimum annual household income of \$50,000.
 - If IL residences are offered at a higher minimum monthly fee (approximately \$3,750/month), the potential market depth would drop to between 26 and 146 residences.
 - The demand for entrance fee, higher monthly fee IL residences (minimum monthly fee of approximately \$3,750/month) shows potential market depth of 26 to 52 additional residences.
- The forecast indicates potential market depth for up to 230 additional Assisted Living (AL) residences and for up to 179 additional Memory Care (MC) residences beyond those currently offered in the PMA. This surplus could be compelling given The Summit does not offer MC today.
 - Market depth for AL is based on the need-based market in the PMA age 75 or older with annual incomes of \$75K+. It is assumed that 80% or more of gross household income would be spent on need-based housing. For an income of \$75K, this translates to the ability to afford approximately \$5,000/month.

- Market depth for MC is similarly based on the need-based market in the PMA but includes those age 65 or older as dementia and Alzheimer's disease related disorders can affect younger individuals. The minimum household income threshold for MC is \$75,000, translating to an ability to afford at least \$5,000 in monthly fees (similarly based on an allocation of 80% of gross income).

Primary Market Area Definition

The Primary Market Area (PMA) is the area from which the majority (between 75% and 90%) of residents at The Summit are expected to originate and has been defined for this project as the areas roughly contained within a 45-minute drive (depending upon traffic patterns) from The Summit. The PMA (blue outline) was roughly based on a 45-minute drive time in normal traffic.



Given the location of The Summit about an hour's drive due east of The Glebe, it is important to note that there may be some potential overlap in the market areas for the communities, but that the total overlap is suspected to be minimal.

Market Demographics

The primary target market for senior housing in the Lynchburg market is defined as households headed by someone age 75 or older with minimum annual incomes of \$50,000.

- It is assumed that a household will spend 60% or more of its gross income on IL with services. At an annual household income of \$50,000, this translates to the ability to afford \$2,500 per month in monthly fees – on par with the entry point of The Summit’s current monthly fees.
- The affordability assumption for higher levels of care, such as AL and MC are based on a spend of approximately 80% of gross income. This translates to the ability to afford \$5,000/month for an income of \$75,000 and \$6,667/month for an income of \$100,000. The \$5,000 price point is aligned with current AL fees at The Summit.

The tables and charts on the following page highlight population/household figures for The Summit’s PMA by age and income cohorts as provided by the U.S. Census Bureau (via Envision Analytics’ Senior Life Report) based on the 2010 census, updated annually and projected through 2026. Data for 2021 is referred to as “current” throughout the study, as it is the most updated demographic data available.

Senior Population

The total population (all ages) in the PMA is expected to grow over the next five years by 2.4% or nearly 6,000 individuals – a rate of growth just below that of the national average (2.9%).

- The age 65-74 cohort is expected to see the greatest change, with forecast growth of 16.4% (or more than 4,000 individuals) from 2021 to 2026.
 - All cohorts in the PMA are forecasted to grow at rates below national averages.
 - The age 55-64 cohort is the only cohort that is declining in growth over the next five years (-1.1% as compared to -0.7% nationwide).
 - The age 75-84 cohort is forecasted to experience the least amount of growth (less than 5.9%), though nationally, this cohort is the second-fastest among all older cohorts (forecasted to grow 12.4%).

Overall, the primary target age market for senior housing (age 75+) is predicted to experience a comparatively low rate of growth (6.3%) compared to most markets throughout the US (national average is nearly 11% in this cohort).

Population Change by Age Cohort

	Market Area		Percent Change	
	2121	2026	PMA	U.S. Average
Total Population	241,297	247,126	2.4%	2.9%
Age 55 to 64	32,145	31,801	-1.1%	-0.7%
Age 65 to 74	26,860	31,276	16.4%	18.3%
Age 75 to 84	13,977	14,795	5.9%	12.4%
Age 85+	5,790	6,222	7.5%	6.9%
Total Ages 55+	78,772	84,094	6.8%	8.4%
Total Ages 65+	46,627	52,293	12.2%	15.2%
Total Ages 75+	19,767	21,017	6.3%	10.8%

Senior Households

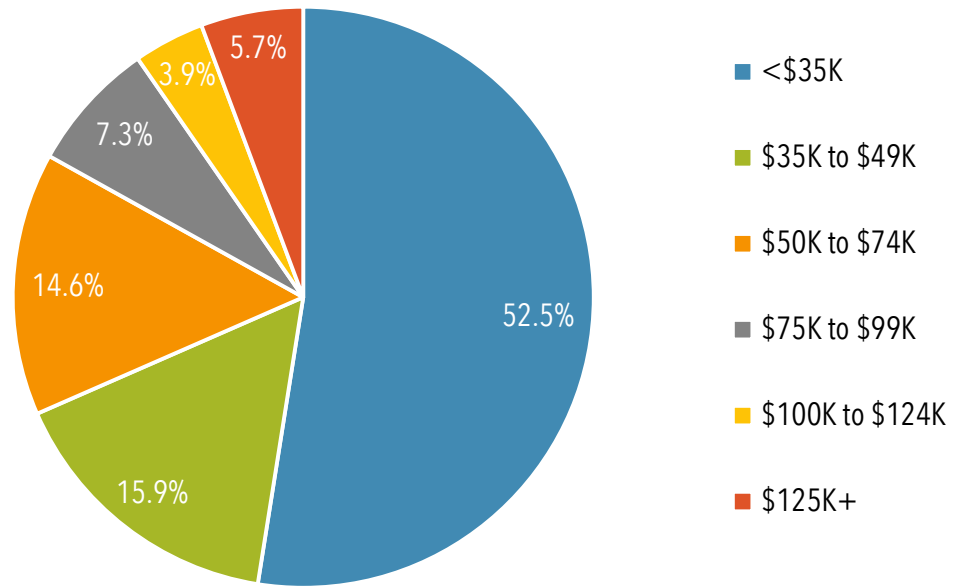
Demographic indicators are more favorable when income parameters are considered – the age 75+ cohort with minimum incomes of \$35,000 is expected to grow by just more than 16% within the next five years. This positive growth rate indicates a growing presence of the target market within the PMA through 2026, and in general, the higher the income, the greater the growth rate.

- Higher income households (age 75+ with \$75,000+) are predicted to grow at a rate of 21.1% – significantly greater than any other cohort, though still less than the national average (27.6%).
- Household demographics are detailed in the table below and in the chart on the following page.

Household Change by Age Cohort

	Market Area		Percent Change	
	2021	2026	PMA	U.S. Average
Total Age 75+ Households	13,297	14,016	5.4%	9.4%
<\$35,000	6,981	6,932	-0.7%	1.6%
\$35,000 to \$50,000	2,118	2,259	6.7%	5.6%
\$50,000 to \$75,000	1,947	2,094	7.6%	10.6%
\$75,000 to \$100,000	967	1,050	8.6%	15.7%
\$100,000+	1,283	1,681	31.0%	21.6%
Total \$35,000+	6,315	7,084	12.2%	16.3%
Total \$50,000+	4,197	4,825	15.0%	20.6%
Total \$75,000+	2,250	2,731	21.4%	27.6%

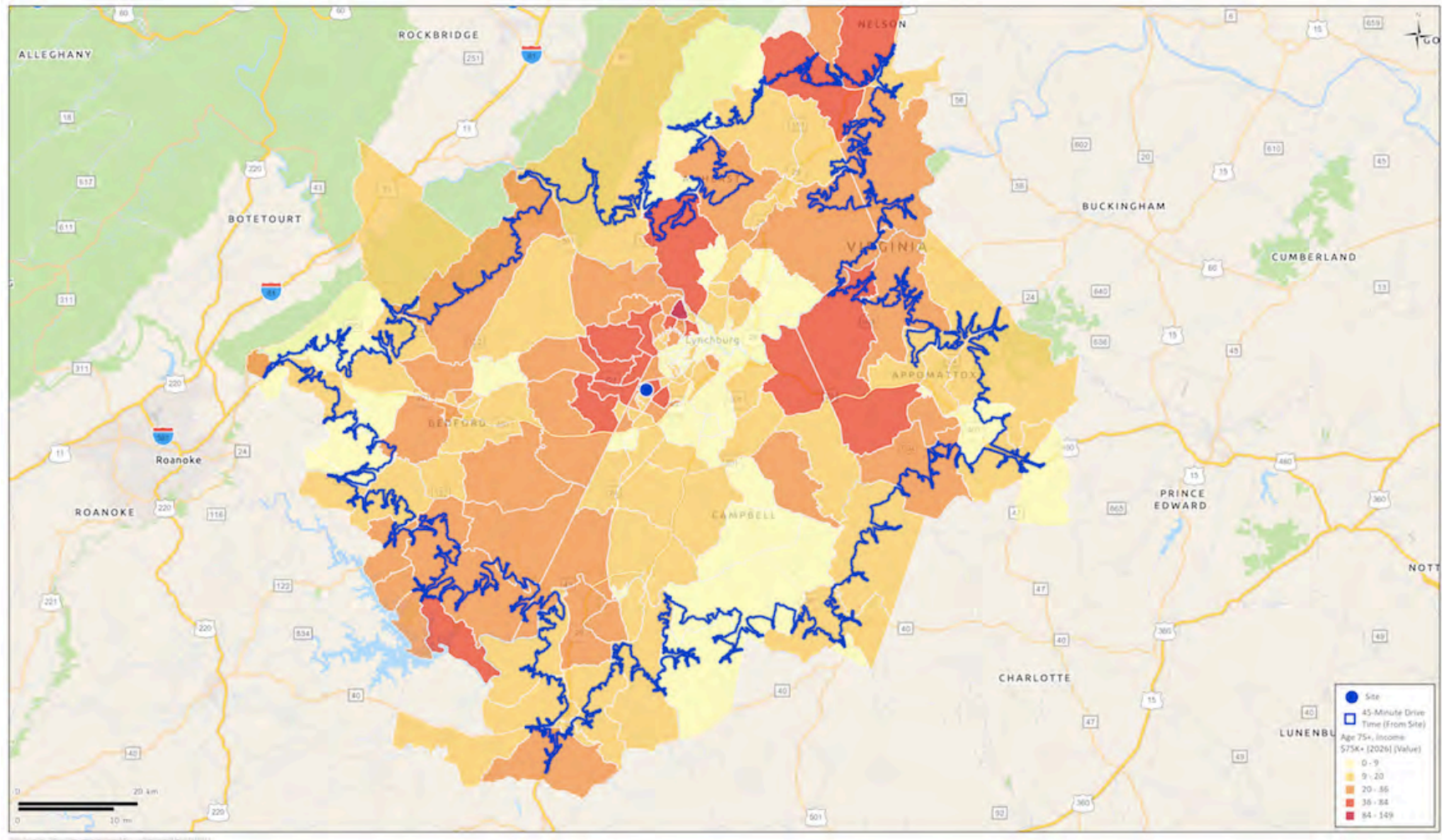
**Income Distribution
Age 75+ Households
(2021)**



Geographic Distribution

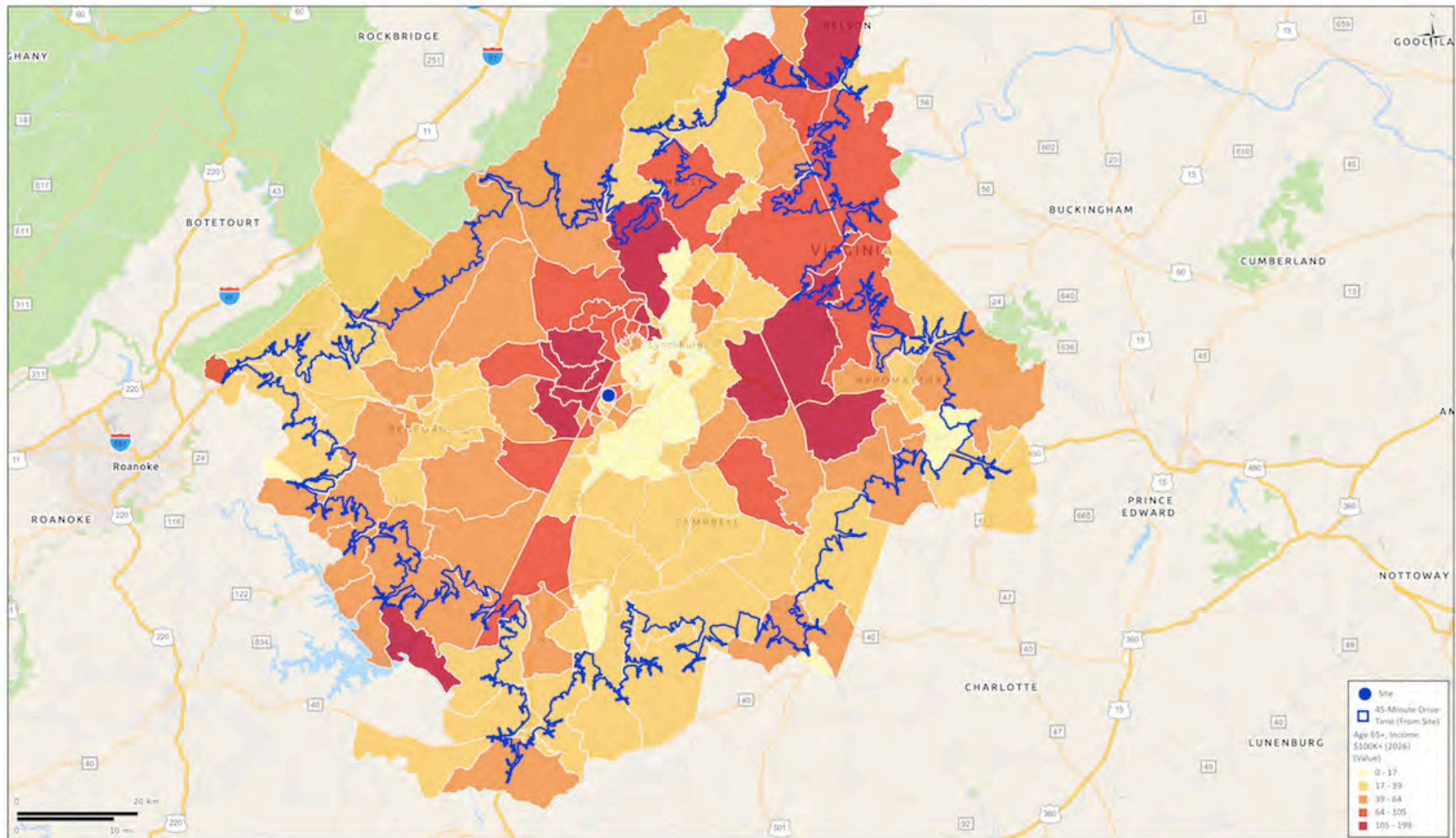
The geographic distribution of target-market households (age 75+, income \$75K+) in the PMA forecasted for 2026 by Census Block Group Code shows the heaviest concentrations to the immediate west of Lynchburg, with secondary concentrations to the east (just west of Appomattox) and north (Nelson).

Lynchburg Site (75+, \$75K+, 2026)



If the Summit is able to attract a younger consumer (age 65-74), this map illustrates the potential for a younger consumer with higher income qualifications (age 65+, income of \$100K+).

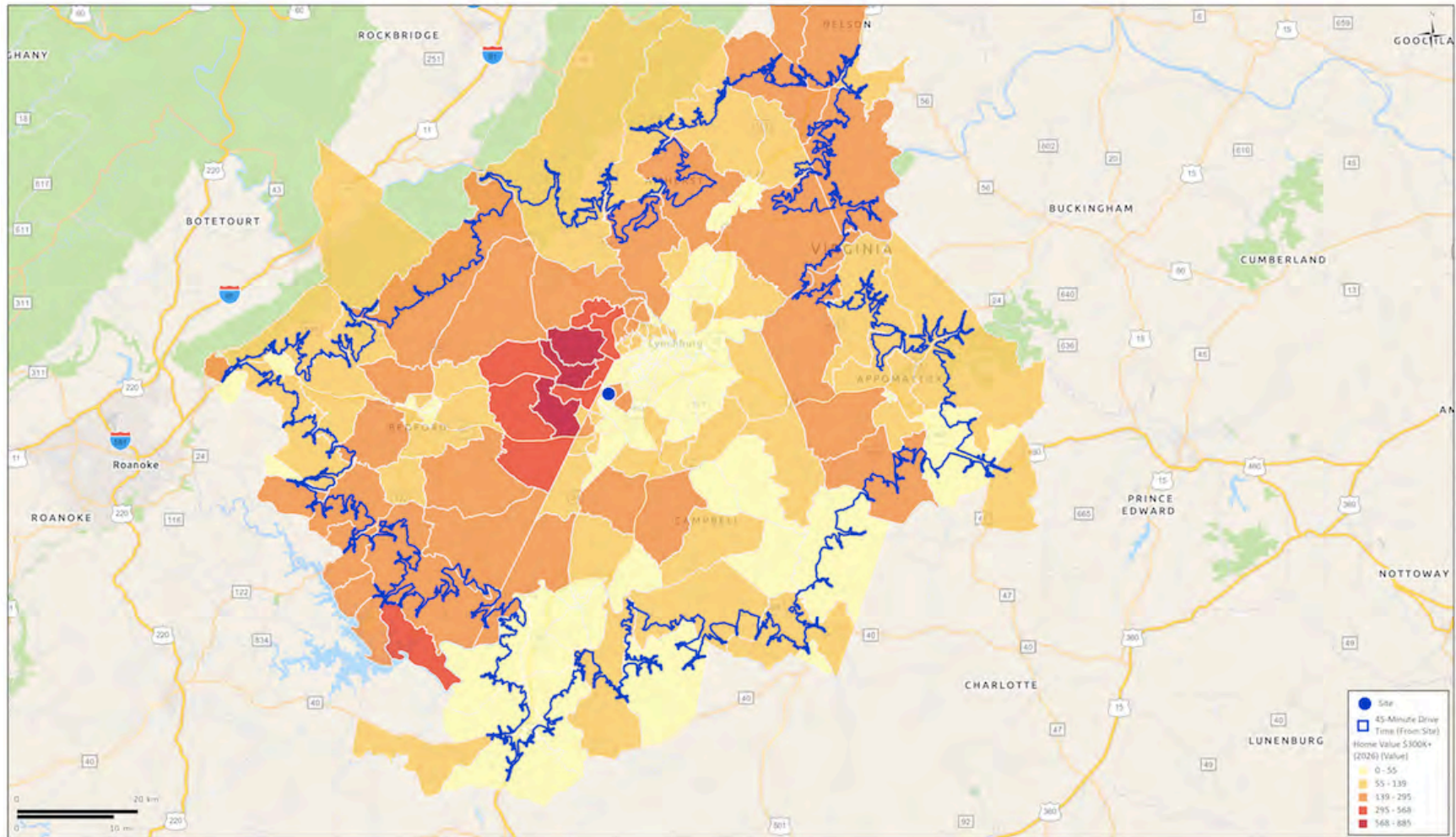
Lynchburg Site (65+, \$100K+, 2026)



Target Home Value Distribution

The geographic distribution of homes forecasted to be valued at \$300,000 or greater by 2026 in the PMA show the greatest concentrations to the west of Lynchburg and also with decent orange concentrations throughout the PMA.

Lynchburg Site (Home Value \$300K+, 2026)

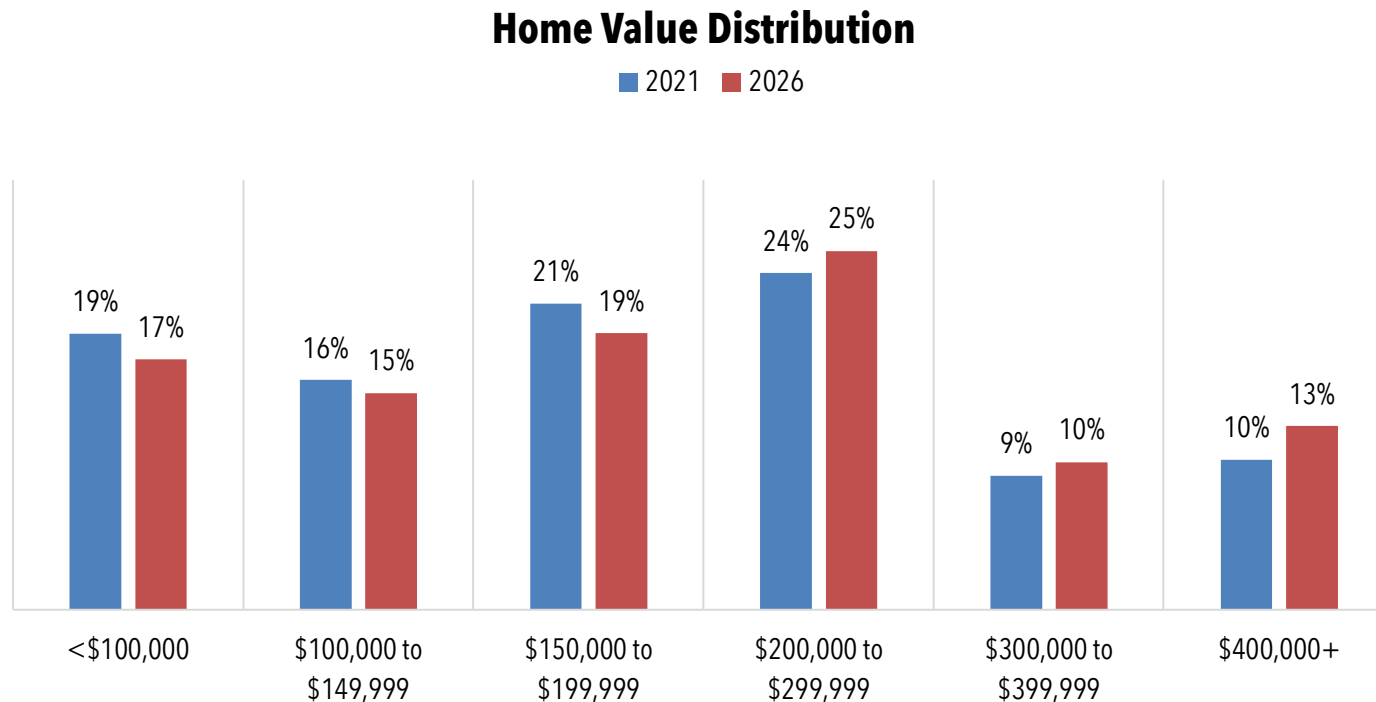


Home Ownership and Home Values

The rate of home-ownership within the PMA is currently 69% and is forecast to remain unchanged through 2026. As is typical, the rate of ownership among older households (age 75+) is notably higher at 77%.

The current median home value in the PMA is \$183,846 and is forecast to increase to \$194,871 by 2026 (6% growth).

- By 2026, nearly 50% of all PMA homes are forecast to be valued at \$200,000 or more.



Adult-Child Influencers (ACI)

As adult children typically encourage their aging parents to move closer if/when additional care (AL, MC) may be needed, coupled with the fact that a more affluent adult child may be able to financially support the cost of care for an aging parent (in part or in whole), population and income demographics were analyzed for those ages 45 to 64 (adult children) within the PMA.

- The potential “adult child” population is predicted to shrink by 4.7% by 2026 – a very significant, forecasted population loss when compared to the national average for this cohort (-0.6%).
- There are currently over 27,000 such households that could potentially relocate an aging parent to be closer to them (forecast to shrink to 1,176 by 2026).
- Income growth among the higher-income (\$125,000+) households is predicted to be significant, and close to the national average, as is expected among a population still “working age.”

	PMA		Percent Change	
	2121	2026	PMA	U.S. Average
Population: Age 45 to 64	59,577	56,803	-4.7%	-0.6%
Ages 45 to 54	27,432	25,002	-8.9%	-0.6%
Ages 55 to 64	32,145	31,801	-1.1%	-0.7%
Households: Age 45 to 64	27,582	26,406	-4.3%	-1.4%
<\$75,000	11,862	10,126	-14.6%	-12.6%
\$75,000 to \$100,000	4,397	3,954	-10.1%	-5.3%
\$100,000 to \$125,000	4,177	4,129	-1.1%	-0.8%
\$125,000 to \$150,000	2,174	2,367	8.9%	6.5%
\$150,000+	4,972	5,830	17.3%	19.8%
Total \$100,000+	11,323	12,326	8.9%	11.9%

Market Capture Analysis Summary: Independent Living

Market Capture Analysis (MCA) methodology yields a range of estimates of market capacity in the form of the number of residences the market could absorb prior to reaching saturation. The “range” results from the application of accepted industry-standard capture rates to provide conservative, standard, and moderately aggressive evaluations of market depth.

- Demand estimates indicate sufficient market depth to accommodate between 52 and 257 additional IL residences in the PMA by 2026 (utilizing conservative to more aggressive capture rates).
 - This estimate assumes a minimum monthly fee for proposed residences of \$2,500, roughly translating to affordability with a minimum annual household income of \$50,000.
 - A “standard” capture rate (3% capture) analysis points to market potential for up to 193 residences beyond those which are currently available in the PMA.
 - At a higher monthly price point of \$3,750, depth in the rental market ranges from 73 (conservative) to 109 (standard) to 146 (moderately aggressive) additional residences.
 - Entrance fee product demand estimates indicate sufficient market depth to accommodate between 52 and 105 additional IL residences in the PMA by 2026.
- It is important to note that maximizing market potential is dependent upon market acceptance of the product. The primary reason for employing a range of capture rate assumptions is that in a competitive market, a product that does not meet market expectations would be expected to achieve a lower capture rate, whereas a product that meets or exceeds market expectation would be expected to achieve a higher capture rate.
- Estimates of depth based on market capture are in addition to existing product (The Summit). The estimates further assume that all operating residences are full.
- Estimates also take into account potential for a new product to achieve an “outside fill rate” of 25% – an assumption that assumes 75% of residents will originate from within the boundaries of the PMA, and the remaining 25% (“outside fill”) will originate from beyond these boundaries. This is a typical estimate for a non-destination market area.

Market Capture Methodology: Market Segmentation by Price Point (Rental)

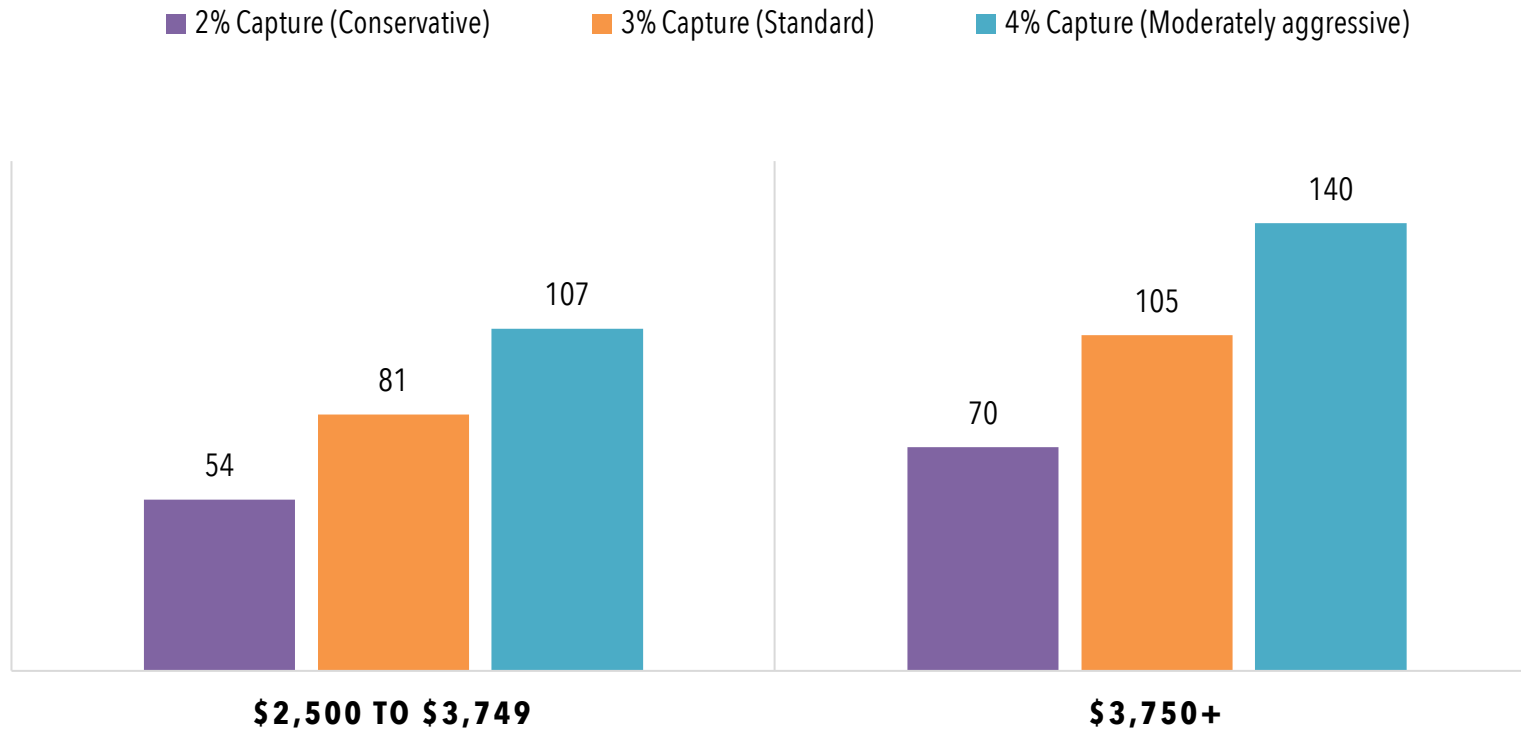
An examination of market depth by rental price point begins with the market capture methodology outlined above that estimates overall depth in the PMA. The estimated market pool indicated from the above analysis is then categorized according to the projected distribution of household incomes by 2026 (data on income provided by *Nielsen Claritas*). As visually evidenced in the chart below, ranges of projected market depth are as follows for varying rental price points:

- \$2,500+ per month (\$50,000+ income): 54 to 107
- \$3,750+ per month (\$75,000+ income): 70 to 140

Rental Independent Living

Year 2026		PMA			
Total age 75+ households		14,016			
Less existing, competitive IL		507			
= Total market pool		13,509			
Segmentation by income		\$50K to \$74K	\$75K+		
x Percent with target income		14.9%	19.5%		
= Qualified market pool		2,013	2,634		
÷ Percent draw from market area		75%	75%		
= Total Market Pool		2,684	3,512		
Capture rate analysis		\$50K to \$74K	\$75K+	Total	
x Capture rate range		2.0%	54	70	124
		3.0%	81	105	186
		4.0%	107	140	248

Market Demand by Income (2026)



Market demand continues to be positive for an entrance fee IL product, which assumes both home ownership and home value of \$200,000 or greater. Surplus demand for this scenario ranges from 54 new residences to 140 new residences.

Market Capture Analysis: Independent Living (Entrance Fee or Equity Contract)

Year 2026		PMA		
Total age 75+ households		14,016		
<i>Less existing, competitive IL</i>		507		
= Total market pool		13,509		
Segmentation by income		\$50K to \$74K	\$75K+	
<i>x Percent with target income</i>		19.5%	19.5%	
<i>x Percent who own home</i>		77.5%	77.5%	
<i>x Percent of homes valued at \$200K+</i>		48.1%	48.1%	
= Qualified market pool		983	983	
<i>÷ Percent draw from market area</i>		75%	75%	
= Total Market Pool		1,310	1,310	
Capture rate analysis		\$50K to \$74K	\$75K+	Total
<i>x Capture rate range</i>		26	26	52
		39	39	79
		52	52	105

Market Capture Analysis Summary: Assisted Living

The demand estimation model was run for age- (75+), income- (at least \$75,000 annualized) and need-qualified households in the PMA.

- The minimum income qualification includes those who earn at least \$75,000 annually (could afford approximately \$5,000/month).
- Qualifications for need include national statistics on those needing assistance with ADLs (Activities of Daily Living) and IADLs (Instrumental Activities of Daily Living) and who are also likely to seek out a formal care setting.

The estimate indicates forecasted (2026) market-rate need for up to 95 additional AL residences in the PMA from the total target-market (age 75+, income \$75,000+).

- Total need (230) is about half of the current supply (508 residences).
- A third (33%) of the in-need population could likely afford market-rate care (the percentage that is estimated to earn annual incomes of \$75,000 or more), leaving an estimated need for 230 additional residences.
 - As minimum price points increase, estimated need would be subsequently reduced. This is explored further in the stratified analysis on the second following page.

Demand Calculation for Assisted Living in the PMA: 2026

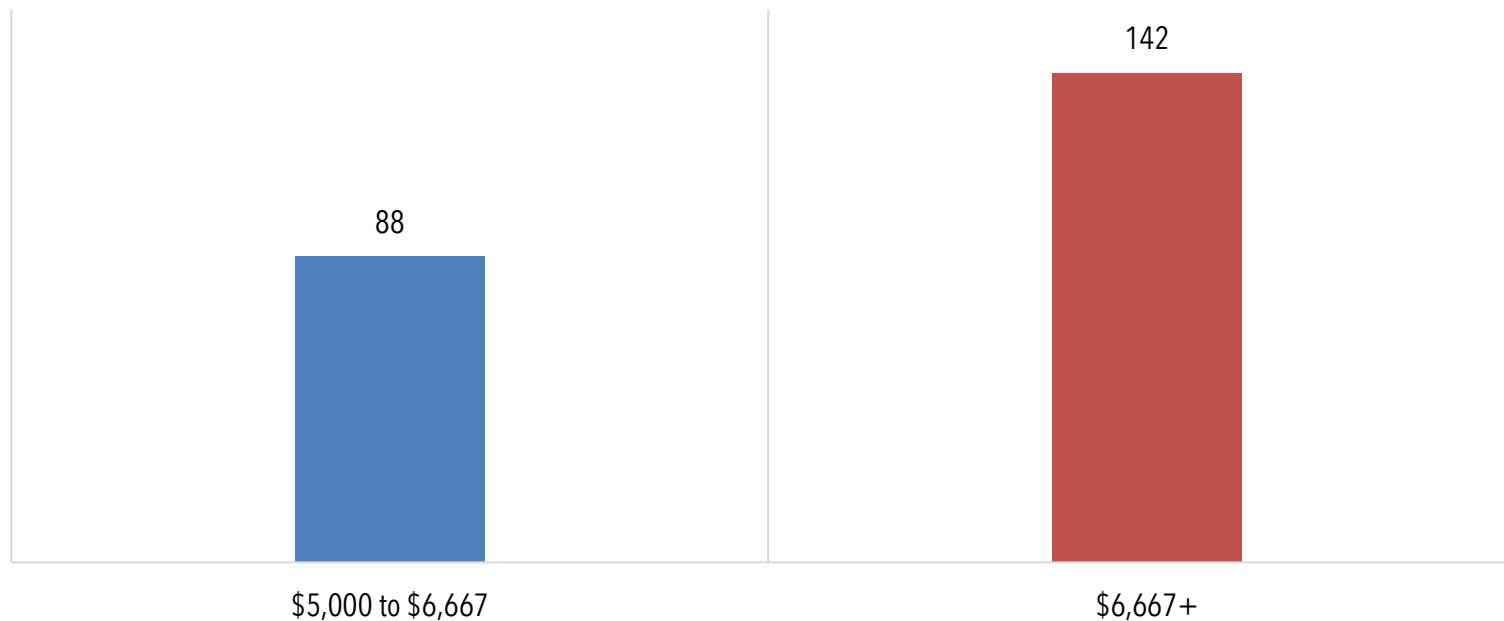
Market Area	PMA	
Target market by age	75-84	85+
Forecast population by age	14,795	6,222
<i>x % with disability & needs assistance</i>	21.9%	30.2%
= Population in-need of AL by age	3,240	1,879
Total assisted living need, age 75+	5,119	
<i>x Percent likely to seek-out formal care (utilization rate)</i>	33%	
= Estimated PMA total in-need and utilize formal care	1,689	
<i>- AL residences (current and under construction)</i>	508	
= Remaining unsupplied demand	1,181	
<i>x Target-market income (\$75,000+)</i>	19.5%	
Total Private-pay market for Assisted Living (2026)	230	

Assisted Living Market Segmentation by Price Point

An examination of market depth by monthly fee price point begins with the market capture methodology outlined above that estimates overall depth in the PMA. The estimated market pool indicated from the above analysis is then categorized according to the forecasted (2026) distribution of household incomes (data on income provided by *Nielsen Claritas*).

- There is total demand for up to 230 additional residences priced at \$5,000 or more per month, but for only 88 residences within the category (\$5,000 to \$6,667), matched by households with annual incomes of \$75,000 to \$100,000.
- Those who can afford higher price points on the right of the chart below clearly can afford lesser fees to the left.

Demand for Assisted Living by Income (2026)



Market Capture Analysis Summary: Memory Care

The need/demand estimation for Memory Care within an AL setting includes assumptions of an increasing prevalence of Alzheimer's disease and related dementias (ADRD) with age, combined with an estimation of this population that is likely to seek out a formal care setting as opposed to an informal caregiver such as a family member.

- It also accounts for the portion of the market that could afford care in such a setting, including only those age 65 or older with minimum annual household incomes of \$75,000 in the potential market pool.
- An income of \$75,000 translates to a monthly price-point affordability of approximately \$5,000.

The estimate indicates forecast future (2026) need for up to 179 additional MC residences in the PMA from the market with incomes of at least \$75,000.

- Reaching the full extent of this forecasted depth depends upon price point.
- Only 28.8% of the in-need population could likely afford market-rate care, leaving an estimated need for 179 residences.
 - As minimum price points increase, estimated need would be subsequently reduced. This is explored further in the stratified analysis on the second following page.

Demand Calculation for Memory Care in the PMA: 2026

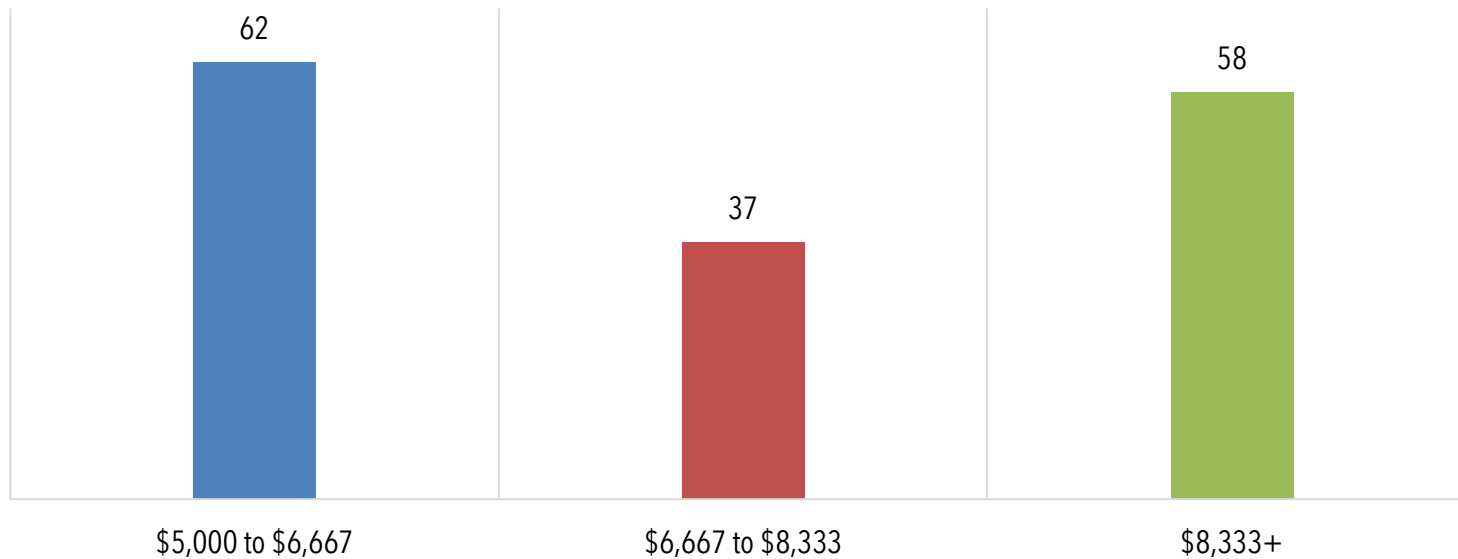
Market Area	PMA		
Target Market by Age	65-74	75-84	85+
Population by age	31,276	14,795	6,222
<i>Less percent nursing-eligible by age</i>	<i>.94%</i>	<i>3.6%</i>	<i>13.8%</i>
= Non-nursing-eligible population	30,982	14,262	5,365
<i>x Percent with probable dementia</i>	<i>1.1%</i>	<i>6.5%</i>	<i>24.2%</i>
= Probable dementia population (non-nursing)	341	927	1,298
Total Memory Care need, age 65+	2,566		
<i>x Percent likely to see-out formal care (utilization rate)</i>	<i>33%</i>		
= Estimated total in-need and utilize formal care	<i>847</i>		
<i>- MC residences (current and under construction)</i>	<i>224</i>		
= Remaining unsupplied demand	623		
<i>x Target-market income (\$75,000+)</i>	<i>28.8%</i>		
Total Private-pay Market for Memory Care	179		

Memory Care Market Segmentation by Price Point

An examination of market depth by monthly fee price point follows an identical methodology to that utilized for Assisted Living (above).

- Total demand is for 179 new MC residences targeting the market with minimum household incomes of \$75,000 – equating to monthly affordability of \$5,000.
- At a higher price point, of \$6,667, demand is for up to 95 new residences (equating to annual household income of \$100,000+), and at a price point of \$8,333, indicated demand is for 58 residences.
- As visually evidenced in the chart below, ranges of projected market depth are as follows for varying rental price points:

Demand for Memory Care by Income (2026)



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APPENDIX E

FORMS OF THE FINANCING DOCUMENTS

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AMENDED AND RESTATED MASTER TRUST INDENTURE

between

VIRGINIA BAPTIST HOMES, INC., D/B/A LIFESPHERE OF VIRGINIA

CULPEPER BAPTIST RETIREMENT COMMUNITY, INC.

LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.

NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., D/B/A THE
CHESAPEAKE

and

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

Dated as of October 1, 2016

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EXHIBIT A - Description of Excluded Real Property
EXHIBIT B - Subordinate Indebtedness

This AMENDED AND RESTATED MASTER TRUST INDENTURE, dated as of October 1, 2016 (the "Master Indenture"), between VIRGINIA BAPTIST HOMES, INC., D/B/A LIFESPIRE OF VIRGINIA (the "Company"); CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. (the "Culpeper Borrower"); LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC. (the "Henrico Borrower") and NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., D/B/A THE CHESAPEAKE (the "Newport News Borrower" and collectively, with the Company, the Culpeper Borrower and the Henrico Borrower, the "Borrowers") each a nonstock, not-for-profit Virginia corporation and U.S. BANK NATIONAL ASSOCIATION, a national banking association, having a corporate trust office in Richmond, Virginia and being duly qualified to accept and administer the trusts created hereby, as master trustee (the "Master Trustee"), amends and restates the Master Trust Indenture dated as of January 1, 2003, between the Borrowers and U.S. Bank National Association, as successor master trustee (the "2003 Master Indenture").

W I T N E S S E T H:

WHEREAS, the parties hereto have previously entered into the 2003 Master Indenture, which provides for the issuance thereunder by the Obligated Group (as defined in the 2003 Master Indenture) of Obligations of the Obligated Group to finance or refinance the acquisition, construction or betterment of retirement facilities, health care facilities or other facilities, or for other lawful and proper purposes and provides that in connection therewith the Master Trustee shall enter into indentures supplemental to the 2003 Master Indenture;

WHEREAS, the registered owners of a majority in aggregate principal amount of all Obligations Outstanding under the 2003 Master Indenture, has consented to the execution of this Amended and Restated Master Trust Indenture as a Supplement to the 2003 Master Indenture under Section 6.02 thereof, amending the 2003 Master Indenture by restating it in its entirety;

WHEREAS, all acts and things necessary to constitute this Master Indenture a valid indenture and agreement according to its terms have been done and performed, and the Borrowers have duly authorized the execution and delivery of this Master Indenture, and the Borrowers, in the exercise of the legal rights and powers vested in it, execute this Master Indenture and propose to make, execute, issue and deliver Obligations hereunder; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby, subject to the terms hereof,

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligations issued hereunder by the registered owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which Obligations are to be issued, authenticated, delivered and accepted by all persons who shall from time to time be or become registered owners thereof, the Members of the Obligated Group covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of Obligations issued hereunder, as follows:

ARTICLE I

**DEFINITIONS AND OTHER PROVISIONS
CONCERNING INTERPRETATION**

Section 1.01 Definitions. For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants that is a member of the American Institute of Certified Public Accountants (or its successor organization) and is licensed to practice in the Commonwealth of Virginia.

"Accounts" means any right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, or (iii) for a secondary obligation incurred or to be incurred. The term "Accounts" shall include healthcare insurance receivables. The term "Accounts" shall not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced or sold. Any term used in this definition (other than the term "Accounts") shall have the meanings given such terms, if any, in the UCC.

"Additional Indebtedness" means Indebtedness incurred by a Member of the Obligated Group subsequent to the issuance and delivery of Obligation No. 1.

"Affiliate" means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by any Member of the Obligated Group, or by any Person which directly or indirectly controls any Member of the Obligated Group or (ii) controls, directly or indirectly, any Member of the Obligated Group. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise. "Affiliate" includes each Person who is an "affiliate" of a Member of the Obligated Group under accounting principles generally accepted in the United States of America.

"Available Reserves" means, as of any particular date of determination, an amount equal to the sum of all cash and the market value of all investments of the Members of the Obligated Group, less: (a) any cash or investments held by a trustee or creditor (i) in any bond payment fund or similar account for the payment of interest on Long-Term Indebtedness (or Related Bonds) up to, but not exceeding, the amount of interest accrued on such Long-Term Indebtedness (or Related Bonds) to such date of determination or (ii) for the payment of Qualifying Intermediate-Term Indebtedness; (b) the principal balance of any Short-Term Indebtedness then Outstanding; (c) any amount required to be reserved by any Member of the Obligated Group under applicable state or federal regulations against such Member's obligation

under Residency Agreements to provide nursing or other health care to residents; (d) with respect to the acquisition or construction of Property that will, upon such acquisition or construction, constitute Property, Plant and Equipment, (i) the amount of proceeds of Indebtedness incurred to finance such acquisition or construction, (ii) the amount of cash or securities pledged by a Member of the Obligated Group as collateral for Indebtedness incurred to finance such acquisition or construction, and (iii) the amount that is due and payable and will be due and payable within one year pursuant to a contract for such acquisition or construction, unless such amount will be paid with the proceeds of Indebtedness incurred to finance such acquisition or construction; (e) cash and investments the use of which is restricted by a donor or grantor to a particular use or purpose inconsistent with their use for the payment of Long-Term Indebtedness or Related Bonds and (f) any other cash or investments not legally available for the payment of Long-Term Indebtedness or Related Bonds (or the purchase thereof) when due, including any trust funds held for the care of residents and any deposits made pursuant to any Residency Agreement.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness (other than Qualifying Intermediate-Term Indebtedness) 25% or more of the original principal of which are due in a single period of 12 consecutive months, which portion of the principal is not required by the documents pursuant to which such Indebtedness is incurred to be amortized by payment or redemption prior to such year.

"Borrower Deed of Trust" means collectively, the Amended and Restated Deed of Trust and Security Agreement dated as of January, 1, 2003, by the Company and the Newport News Borrower, and the Additional Security Deed of Trust and Security Agreement dated as of January 1, 2003, by the Borrowers, both for the benefit of the Master Trustee, as mortgage, as security for all Obligations issued under this Master Indenture, as the same may be altered, amended, modified or supplemented from time to time in accordance with their respective terms.

"Borrowers" means the Company, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower.

"Business Day" means any day on which banks in the city in which the Corporate Trust Office of the Master Trustee is located and New York, New York and the payment system of the U.S. Federal Reserve is operational.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"Collateral Assignments" means any assignment of construction documents, management agreements or Residency Agreements or any other assignment or agreement executed by any Member of the Obligated Group as security for all Obligations issued under this Master Indenture, each as amended from time to time in accordance with its terms.

"Company" means Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, a nonstock, not-for-profit corporation duly organized and validly existing under and by virtue of the laws of the State, and any successor or successors thereof.

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

"Contract Obligations" means the payment obligations (other than the obligation to pay principal of, redemption premium, if any, and interest on Indebtedness), of a Member of the Obligated Group under a financing agreement related to Indebtedness, evidenced by an Obligation issued under this Master Indenture.

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

"Corporate Trust Office" means the designated office of the Master Trustee at which its corporate trust business is conducted, which at the date hereof is located in Richmond, Virginia.

"Culpeper Borrower" means Culpeper Baptist Retirement Community, Inc., a nonstock, not-for-profit corporation duly organized and validly existing under and by virtue of the laws of the State, and any successor or successors thereof.

"Days' Cash on Hand" means 365 times (i) the aggregate unrestricted cash and unrestricted marketable securities (including board-designated funds) of the Obligated Group as of the date of computation, excluding cash and unrestricted marketable securities attributable to Indebtedness of the Obligated Group divided by (ii) the total operating expenses of the Obligated Group for the immediately preceding Fiscal Year for which Financial Statements are available, excluding depreciation and amortization (as shown on the Financial Statements for such Fiscal Year and calculated in the same manner as that used to determine Income Available for Debt Service), provisions for bad debt or any other noncash expenses, and, provided, however, that for purposes of calculating the amount of Excess Funds, the total operating expenses of the Obligated Group shall be determined based upon the combined budgets of the Members of the Obligated Group for the then current Fiscal Year. All securities shall be valued at fair market value for purposes of this definition.

"Debt Service Reserve Fund" means any Debt Service Reserve Fund established under a Supplement and maintained pursuant to Section 3.14 and such Supplement.

"Debt Service Reserve Fund Requirement" means, with respect to each Debt Service Reserve Fund, (i) if such Debt Service Reserve Fund secures more than one Obligation that secures Tax-Exempt Related Bonds, the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Obligation or Obligations secured by such Debt Service Reserve

Fund, (B) one hundred twenty-five percent (125%) of average annual Long-Term Debt Service Requirement on the Obligation or Obligations secured by such Debt Service Reserve Fund and (C) ten percent (10%) of the stated original principal amount of the Related Bonds secured or Indebtedness evidenced by the Obligation or Obligations secured by such Debt Service Reserve Fund or, if the Related Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters' compensation, ten percent (10%) of the initial offering prices to the public of the Related Bonds, or (ii) if such Debt Service Reserve Fund secures only one Obligation that secures Tax-Exempt Related Bonds or secures one or more Obligations that evidence and secure only taxable Indebtedness or Related Bonds, the amount specified in Section 3.14 or any Supplement directing that such Debt Service Reserve Fund be established or maintained.

"Deed of Trust Trustee" means each trustee serving under a Mortgage.

"Defeasance Obligations" means (i) with respect to any Obligation that secures a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Indenture, and (ii) with respect to any Obligation for which there are no Related Bonds, (A) noncallable Government Obligations, (B) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (C) Defeased Municipal Obligations and (D) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are rated in the highest rating category established by the Rating Agencies, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, (iii) cash or (iv) any combination of such noncallable Government Obligations, evidences of ownership and cash, which Government Obligations or evidences of ownership, together with any cash, are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient, together with any cash, to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

"Defeased Obligations" means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to its terms.

"Derivative Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for

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payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or interest rate payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means Indebtedness (or that portion of Indebtedness) for which a Member of the Obligated Group shall have entered into a Derivative Agreement.

"Derivative Obligations" means the payment obligations of a Member of the Obligated Group under a Derivative Agreement that hedges Indebtedness, including but not limited to, regularly scheduled payments and termination payments.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"EMMA" the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, or such other nationally recognized electronic filing system established by the Municipal Securities Rulemaking Board.

"Entrance Fees" means (a) all admission fees received by any Member of the Obligated Group pursuant to any agreement with respect to the granting of rights to the initial and exclusive use of any unit in the Facilities not subject to refund under the laws of the State and net of any amount which has been refunded; provided, however, that deposits for admission to the Facilities will not be "Entrance Fees" until the prospective resident has a right to take possession of such unit pursuant to such agreement, (b) all admission fees received by any Member of the Obligated Group pursuant to any agreement with respect to the granting of rights to exclusive use of any unit that had been previously occupied by another resident and which comprised a part of the Facilities, not subject to refund under the laws of the State and net of any refunds paid to (i) the prior resident upon regaining of exclusive rights to use such unit or (ii) the resident succeeding to the exclusive rights to use such unit and (c) all fees received pursuant to any agreement with respect to customized changes to any unit in the Facilities. If any portion of an Entrance Fee is not paid in cash at the time the resident takes possession of the unit (e.g. is evidenced by a promissory note), such portion of the Entrance Fee shall not be recognized for purposes of determining compliance with the covenants in this Master Indenture until received by a Member of the Obligated Group in cash.

"Equipment" means those items constituting equipment as defined in the UCC used in connection with the Mortgaged Property, whether such equipment is now owned or hereafter acquired by any Member of the Obligated Group.

"Event of Default" means, with respect to this Master Indenture, any one or more of those events set forth in Section 4.01 hereof.

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"Excess Funds" means, as of any particular date of determination, the amount of Available Reserves (determined as of the end of the Fiscal Year prior to the date of determination) in excess of the greater of (a) 150 Days' Cash on Hand and (b) thirty-five percent (35%) of the principal amount of Outstanding Long-Term Indebtedness, exclusive of Qualifying Intermediate-Term Indebtedness, as of the date of determination.

"Excluded Real Property" means the real property described in Exhibit A hereto, unless and until such real property becomes subject to the lien of a Mortgage pursuant to Section 3.13 hereof.

"Existing Facilities" means the continuing care retirement facilities and facilities ancillary thereto owned and operated by any Member of the Obligated Group on the date of execution and delivery of this Master Indenture.

"Facilities" means the Existing Facilities and any other continuing care retirement facilities or health care delivery or residential facilities designed to provide services to the elderly hereafter owned by, and all leasehold interests of, any Member of the Obligated Group and operated by or on behalf of any Member of the Obligated Group, but excluding Excluded Real Property.

"Financial Statements" means the consolidated or combined financial statements of the Obligated Group, for a Fiscal Year, or for such other period for which an audit has been performed, required to be prepared under, and prepared in accordance with, accounting principles generally accepted in the United States of America consistently applied, including a statement of changes in cash flows as of the end of such period, which have been audited and reported upon by an Accountant. If at any time the financial statements of any Member of the Obligated Group includes an Affiliate that is not a Member of the Obligated Group, "Financial Statements" shall also mean the consolidated or combined financial statements of such Member of the Obligated Group and its Affiliates, if any, for the same Fiscal Year (or other period) as the Financial Statements of the Obligated Group, prepared in accordance with accounting principles generally accepted in the United States of America consistently applied, which have been audited and reported upon by an Accountant. Financial Statements of the Obligated Group shall also include, in an additional information section, unaudited consolidating or combining financial statements for the same Fiscal Year (or other period) from which the accounts of any Affiliate of any Member of the Obligated Group that is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group that is not an Affiliate of any Member of the Obligated Group have been added by extracting the balances of such accounts from audited consolidated or combined financial statements of such Member of the Obligated Group and its Affiliates, if any.

"Fiscal Year" means the fiscal year of each of the Members of the Obligated Group, which period commences on January 1 of each year and ends on December 31 of each year, unless the Master Trustee and each Related Bond Trustee is notified in writing by the Obligated Group Representative of a change in such period for all of the Members of the Obligated Group, in which case the Fiscal Year shall be the period set forth in such notice.

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

"GAAP" means accounting principles generally accepted in the United States, consistently applied.

"Governing Body" means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees or other board or group of individuals in which the powers of such Member of the Obligated Group are vested.

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

"Gross Receipts" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by this Master Indenture to be used for a particular purpose inconsistent with their use for the payment of Obligations, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible Property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now received from the leasing of real or tangible personal property, and (e) Entrance Fees; provided, however, that Entrance Fees shall be considered Gross Receipts only when and to the extent they are not held in escrow for the benefit of the payor thereof pursuant to any requirement of law.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder.

"Henrico Borrower" means Lakewood Manor Baptist Retirement Community, Inc., a nonstock, not-for-profit corporation duly organized and validly existing under and by virtue of the laws of the State, and any successor or successors thereof.

"Holder" means the owner of any Obligation issued pursuant to this Master Indenture or a Supplement.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any Fiscal Year or such other twelve month period for which such calculation is made, the increase (decrease) in unrestricted net assets, to which shall be added depreciation, amortization

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and interest and other non-cash expenses deducted from total revenues, all as determined in accordance with accounting principles generally accepted in the United States of America consistently applied, and all Entrance Fees received in cash during such Fiscal Year (less any refunds actually paid in such Fiscal Year), and from which shall be deducted all Entrance Fees amortized during such Fiscal Year; provided, however, that for the purposes of determining compliance with any of the provisions of Section 3.06, Entrance Fees received from the initial resident of a unit in the Facilities or pursuant to any agreement with respect to customized changes to a unit in the Facilities shall be excluded and for the purposes of determining compliance with any of the provisions of Section 3.07, Entrance Fees received from the initial resident of any unit financed with Qualifying Intermediate-Term Indebtedness shall be excluded; and provided further that no determination of Income Available for Debt Service shall take into account:

- (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business;
- (b) any nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets;
- (c) any unrealized gains or losses, including any unrealized gains or losses on investments or the value of any Derivative Agreement, or any "other-than-temporary" impairment losses; provided, however, that realized gains and losses on assets that suffer an other-than-temporary impairment loss shall be determined using the basis for such asset without giving effect to any reductions in basis resulting from such other-than-temporary impairment loss;
- (d) any increase or decrease in obligations to provide future services; and
- (e) any losses incurred from development of additional Facilities that the Governing Body of any Member of the Obligated Group later determines not to pursue;

and provided further that total revenues shall not include investment income from (A) any investment of funds held in a Qualified Escrow or (B) any fund or account that is set aside and used for the purpose of paying Qualifying Intermediate-Term Indebtedness.

For purposes of calculating the Long-Term Debt Service Coverage Ratio pursuant to Section 3.07, the Obligated Group may exclude from total expenses Start-Up Expenses solely related to capital improvements consisting, in whole or in part, of living units or beds, as long as the Long-Term Debt Service Requirement with respect to any Indebtedness incurred or to be incurred to acquire such capital improvements shall be excluded for purposes of such calculation as provided in Section 3.07.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include (1) obligations of any Member of the Obligated Group to another Member of the

Obligated Group, (2) Defeased Obligations, (3) obligations of any Member of the Obligated Group with respect to a Contract Obligation, and (4) obligations of any Member under a line of credit, letter of credit, standby bond purchase agreement, or credit enhancement or similar facility (and any reimbursement agreement relating thereto) established in connection with the issuance of any Indebtedness of a Member or Related Bonds to the extent that such facilities have not been used or drawn upon and to the extent that they have been used or drawn upon to purchase, but not retire, Related Bonds. The facilities described in (4) above shall not be excluded from Indebtedness to the extent amounts are due thereunder without regard to a draw under such facility or to the extent that after a draw on such facility to purchase Related Bonds the amounts due on such Related Bonds pursuant to the provisions of such facility exceed the amounts stated in the Related Bonds. If such liquidity facility is used or drawn upon to retire, but not purchase, indebtedness of a Member or Related Bonds, then the liability incurred by such use or draw by the Member shall be included in Indebtedness.

"Insurance Consultant" means a Person which is not, and no member, stockholder, director, officer or employee of which is, a director, officer or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for continuing care facilities and services and organizations engaged in such operations.

"Investment Obligations" means with respect to any Debt Service Reserve Fund, the investments specified in any Supplement directing that such Debt Service Reserve Fund be established or maintained, which may be specified by reference to investments of proceeds of Related Bonds permitted under the Related Bond Indenture.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest arises by contract, statute or common law, including but not limited to any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person. The term "Lien" shall include any easements, covenants, restrictions, conditions, encroachments, reservations, rights-of-way, leases and other title exceptions and encumbrances affecting real property.

"Liquidity Testing Date" shall mean each December 31, commencing December 31, 2016.

"Long-Term Debt Service Coverage Ratio" means, for each Fiscal Year or such other twelve month period for which such calculation is made, the ratio determined by dividing the Income Available for Debt Service for such Fiscal Year by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for each Fiscal Year, the aggregate of the payments to be made in respect of the principal of and interest on Outstanding Long-Term Indebtedness of the Obligated Group during such Fiscal Year, taking into account:

- (i) With respect to Balloon Long-Term Indebtedness, the amount of principal which would be payable in such Fiscal Year if the principal of such Balloon Long-Term

Indebtedness to be amortized in succeeding Fiscal Years were amortized from the date of incurrence of such Balloon Long-Term Indebtedness over a period of fifteen (15) years (or, if the term thereof exceeds 15 years, over a period equal to such term, but in no event for a period more than thirty (30) years from the date of calculation) on a level debt service basis at an interest rate set forth in an opinion of a banking institution or an investment banking institution knowledgeable in such matters of finance delivered to the Master Trustee as the interest rate at which the Obligated Group could reasonably expect to borrow the same by issuing an obligation with the same term and a fixed rate of interest as assumed above; provided, however, that if the date of calculation is within twelve (12) months of the stated maturity of such Balloon Long-Term Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless a binding commitment to refinance such Balloon Long-Term Indebtedness shall be in effect, in which case the amortization schedule established by such commitment shall apply.

(ii) With respect to Variable Rate Indebtedness that is Long-Term Indebtedness, the interest on such Indebtedness shall be calculated at (A) in the case of Outstanding Variable Rate Indebtedness, the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (B) in the case of Variable Rate Indebtedness proposed to be incurred, the rate which is equal to the average of the SIFMA Municipal Swap Index (or any other specified index or reference rate for such Variable Rate Indebtedness) for the most recent 12-month period immediately preceding the date of calculation (or, if the SIFMA Municipal Swap Index or such other index or reference rate is not available for such 12-month period, the Revenue Bond Index most recently published by The Bond Buyer), plus or minus any specified fixed spread.

(iii) (A) With respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, such Guaranty shall be excluded and (B) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Long-Term Indebtedness, it shall be assumed that the indebtedness that is the subject of the Guaranty shall be repaid in accordance with its scheduled maturities (or, if the indebtedness that is the subject of the Guaranty would be Balloon Long-Term Indebtedness if incurred directly by a Member of the Obligated Group, in accordance with (i) above), that the Guaranty shall have identical repayment terms and that such Guaranty shall be deemed Long-Term Indebtedness of the Obligated Group in accordance with the following schedule:

Long-Term Debt Service Coverage Ratio of the Person whose indebtedness is subject to a Guaranty (calculated as set forth herein for the most recent fiscal year of such Person for which audited financial statements are available)	Percentage of the principal amount of the guaranteed indebtedness deemed to be Long-Term Indebtedness of the Obligated Group
Greater than 2.0	0%
1.5 to and including 2.0	20
1.25 to and including 1.49	50
1.10 to and including 1.24	75
Less than 1.10 (or no available audited financial statements)	100

Notwithstanding the foregoing, if any Member of the Obligated Group is required to make a payment on such indebtedness pursuant to any Guaranty, 100% of the principal amount of the guaranteed indebtedness shall be deemed Long-Term Indebtedness of the Obligated Group for a period of two Fiscal Years following the Fiscal Year in which the most recent payment was made under such Guaranty.

(iv) With respect to Derivative Indebtedness, for so long as the provider of the Derivative Agreement has a long-term credit rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody's and S&P and has not defaulted on its payment obligations thereunder, the interest on such Indebtedness during any Derivative Period shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness pursuant to its terms and (y) the amount payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, in calculating the interest on such Indebtedness for any current or future period, (1) if such Member of the Obligated Group reasonably expects, at the time it enters into the Derivative Agreement, that a floating rate payable by the provider of the Derivative Agreement will be approximately equal to a variable rate of interest on such Derivative Indebtedness or a floating rate under a Derivative Agreement payable by such Member of the Obligated Group, then amounts payable at such approximately equivalent rates shall be deemed to offset each other and shall not be included in computing interest of such Indebtedness, and (2) any amount payable under the Derivative Agreement at a floating rate that is included in computing interest on such Indebtedness shall be calculated based on the average of the specified index or reference rate for the most recent 12-month period immediately preceding the date of calculation; provided, further, that to the extent that the provider of any Derivative Agreement does not have a long-term rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody's and S&P or is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed.

(v) With respect to Subordinate Indebtedness, only such debt service payments that are actually made in a given Fiscal Year.

In addition, interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness; and provided further, however, that notwithstanding the foregoing, the aggregate of payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from funds available (without reinvestment) in a Qualified Escrow (other than principal and interest so payable solely by reason of the Obligated Group's failure to make payments from other sources).

"Long-Term Indebtedness" means all obligations for borrowed money incurred or assumed by any Member of the Obligated Group, including (a) Guaranties, (b) Short-Term Indebtedness if there exists a commitment by an institutional lender whose long-term, unsecured debt obligations are rated not less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) by the Rating Agencies to provide financing to retire such Short-Term Indebtedness and such commitment provides (i) terms and conditions that can be reasonably met by such Member of the Obligated Group to incur such Indebtedness, as certified in an Officer's Certificate filed with the Master Trustee and (ii) for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (c) the current portion of Long-Term Indebtedness (this shall not be read to exclude any portion of Long-Term Indebtedness not constituting the current portion), for any of the following:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one (1) year;
- (ii) leases which are required to be capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one (1) year; and
- (iii) installment sale or conditional sale contracts having an original term in excess of one (1) year;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short Term Indebtedness or Non-Recourse Indebtedness shall be excluded.

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

"Master Indenture" means this Amended and Restated Master Trust Indenture dated as of October 1, 2016, between the Borrowers and the Master Trustee, and any amendments or supplements hereto.

"Master Trustee" means U.S. Bank National Association, Richmond, Virginia, and its successors in the trusts created hereunder.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement, excluding the Long-Term Debt Service Requirement with respect to Qualifying Intermediate-Term Indebtedness.

"Member of the Obligated Group" means, initially, the Borrowers, and, thereafter, any Person which shall become a Member of the Obligated Group in accordance with Section 3.11 and not including any Person which shall have withdrawn from the Obligated Group in accordance with Section 3.12.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee and any Related Bond Trustee.

"Mortgage" means (i) the Borrower Deed of Trust, and (ii) any other deed of trust or mortgage substantially similar to the Borrower Deed of Trust in form satisfactory to the Master Trustee executed by any Member of the Obligated Group as security for all Obligations issued under this Master Indenture, each as amended from time to time in accordance with its terms.

"Mortgaged Property" means the real property, fixtures and personal property described in any Mortgage.

"Net Book Value" means, (a) when used in connection with Property, Plant and Equipment or other Property of any Person (except cash, securities and other intangibles), the value of such Property, Plant and Equipment or other Property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with GAAP, (b) when used in connection with cash, securities and other intangibles of any Person, the fair market value of such cash, securities and other intangibles, and (c) when used in connection with Property, Plant and Equipment or other Property or cash, securities and other intangibles of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property or cash, securities and other intangibles of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property or cash, securities and other intangibles is included more than once.

"Newport News Borrower" means Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake, a nonstock, not-for-profit corporation duly organized and validly existing under and by virtue of the laws of the State, and any successor or successors thereof.

"Non-Recourse Indebtedness" means any Indebtedness to finance the purchase, acquisition or construction of Property, Plant and Equipment, the payment of which is limited to and secured by a Lien on such Property, Plant and Equipment with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" means the Person at the time designated to act on behalf of the Obligated Group in a written certificate furnished to the Master Trustee, which certificate shall contain a specimen signature of such Person and shall be signed on behalf of the Obligated Group by the President of the Company or by his designee.

"Obligation" means the evidence of particular Indebtedness, Derivative Obligations or Contract Obligations issued hereunder.

"Obligation No. 1" means the promissory note issued as an Obligation under this Master Indenture and the Supplement for Obligation No. 1 to secure the Borrowers' obligations related to the Economic Development Authority of the City of Newport News, Virginia, Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016.

"Obligation Register" has the meaning given such term in Section 2.02.

"Officer's Certificate" means a certificate signed by (i) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of each Member of the Obligated Group or (ii) the Obligated Group Representative. Each Officer's Certificate presented under this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) this Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in Section 1.01. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding," when used with reference to Indebtedness, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, and (iii) Obligations in lieu of

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which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser.

"Permitted Liens" means those Liens described in Section 3.05(b).

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

"Pledged Assets" means all Accounts, Equipment, Gross Receipts, general intangibles, inventory, documents, instruments and chattel paper of each Member of the Obligated Group, now owned or hereafter acquired, and all supporting obligations related thereto and all proceeds thereof, including, without limitation all of the Obligated Group's rights under Residency Agreements with respect to, or lease of, residential units in the residence and care facilities owned by any Member of the Obligated Group; provided, however, that Pledged Assets shall not include contract rights consisting of charitable pledges nor any assets derived from Excluded Real Property.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired. Notwithstanding the previous sentence, Property shall include any property financed in whole or in part with an Obligation and shall not include Excluded Real Property.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under accounting principles generally accepted in the United States of America.

"Put Indebtedness" shall mean Long-Term Indebtedness the principal of which is required, at the option of the owner thereof, to be purchased or redeemed on a date prior to its stated maturity, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Qualified Escrow" means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long-Term Indebtedness previously incurred and then Outstanding (herein referred to as "Prior Indebtedness") or for Long-Term Indebtedness, if any, then to be incurred to refund Outstanding Prior Indebtedness (herein referred to as "Refunding Indebtedness"), (b) is held by the holder of the Prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder and is subject to a perfected security interest in favor of such holder, trustee or agent, (c) is held in cash or invested in Defeasance Obligations, as defined in the Related Bond Indenture that secures such Prior Indebtedness or Refunding Indebtedness, and (d) is required by the documents establishing such fund or account to be applied toward the Obligated Group's payment obligations in respect of the Prior Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the

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same may require specified payments of principal or interest (or both) in respect of the Refunding Indebtedness to be made from the fund or account prior to the date on which the Prior Indebtedness is repaid in full.

"Qualifying Intermediate-Term Indebtedness" means any Indebtedness that (i) matures on a single date not more than seven years from its date of issuance or incurrence and (ii) is issued or incurred to finance the expansion of the Existing Facilities or to finance additional Facilities which, in either case, are expected by the Obligated Group to generate initial Entrance Fees (pursuant to executed Residency Agreements under which deposits of not less than 10% of the Entrance Fees have been or are required to be received and which obligate the prospective resident or some other Person, which prospective resident or other Person shall have met the financial criteria established by the Governing Body of any Member of the Obligated Group, to pay the balance) in an amount not less than 100% of the principal amount of such Qualifying Intermediate-Term Indebtedness, all as certified to the Master Trustee in an Officer's Certificate.

"Rating Agencies" means Fitch, Moody's and S&P.

"Related Bond Indenture" means any indenture, bond resolution, bond purchase and loan agreement or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

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

"Related Bonds" means (a) revenue bonds or similar obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, and (b) any bonds issued by any other Person, in either case the proceeds of which are loaned or otherwise made available to a Member of the Obligated Group in consideration, whether in whole or part, of the execution, authentication and delivery of an Obligation to such governmental issuer or Person or in consideration of the execution and delivery of a Guaranty issued by a Member of the Obligated Group which Guaranty is represented by an Obligation.

"Residency Agreement" means an agreement entered into by a Member of the Obligated Group with respect to the granting of rights to the exclusive use of any unit in the Facilities, as the same may be amended from time to time.

"S&P" means S&P Global, Inc., its successors and their assigns, and if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee and any Related Bond Trustee.

"Short-Term Indebtedness" means all obligations, other than the current portion of Long-Term Indebtedness, incurred or assumed by one or more Members of the Obligated Group, for any of the following:

(i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) payments under leases which are capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) year or less; and

(iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

"Stable Occupancy" means the earlier to occur of (a) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of any additional independent or assisted living units or health care beds in the capital improvements financed with Long-Term Indebtedness reaches 90% and (b) the first full Fiscal Year following the Fiscal Year in which occurs that date that is 18 months following the date upon which substantially all of such independent or assisted living units or health care beds are placed in service.

"Start-Up Expenses" shall mean the Obligated Group's expenses as shown on the Financial Statements or otherwise identifiable under GAAP, plus any expenses not so shown or identified that are to develop, construct, implement, market or maintain the capital improvements being undertaken or the programs to be offered in such capital improvements until Stable Occupancy.

"State" means the Commonwealth of Virginia.

"Subordinate Indebtedness" means Indebtedness which, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instruments evidencing such Indebtedness) substantially as in Exhibit B to this Master Indenture.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

"Supplement for Obligation No. 1" means the Supplemental Indenture for Obligation No. 1, dated as of October 1, 2016, between the Borrowers and the Master Trustee.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is exempt from federal income taxes under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Tax-Exempt Related Bonds" means Related Bonds for which an Opinion of Bond Counsel that interest thereon is excludable from gross income for federal income tax purposes was delivered upon initial issuance and delivery of such Related Bonds.

"Total Revenue" means, as to any period of time, total revenue of the Obligated Group, as determined in accordance with accounting principles generally accepted in the United States of America consistently applied, less investment income.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"UCC" means the Uniform Commercial Code as in effect in the Commonwealth of Virginia or other applicable state.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate.

"Virginia Baptist Homes" means Virginia Baptist Homes, Incorporated.

Section 1.02 Interpretation. (a) Any reference herein to any officer or member of the Governing Body of a Member of the Obligated Group shall include those Persons succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

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

(c) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with GAAP.

(d) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Reference herein to particular articles or sections are references to articles or sections of this Master Indenture unless some other reference is otherwise indicated.

(e) Provisions relating to the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

(f) If an Affiliate of the Company is not a Member of the Obligated Group or if a Member of the Obligated Group is not an Affiliate of the Company, a determination or calculation required to be made or performed under this Master Indenture based on the Financial Statements shall be made or performed based on the unaudited combining information referred to in the last sentence of the definition of "Financial Statements."

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ARTICLE II

OBLIGATIONS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01 Amount of Obligations. Each Member of the Obligated Group may issue Obligations hereunder to evidence and secure Indebtedness, Derivative Obligations or Contract Obligations incurred or to be incurred by such Member of the Obligated Group. The number and principal amount of Obligations that may be created hereunder are not limited, except as limited by the provisions hereof, including the following sentence and Section 3.06, or of any Supplement. Pursuant to Section 3.01, each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

Section 2.02 Form, Designation, Numbering and Registration of Obligations. Obligations shall be issued in such forms as may from time to time be created by Supplements permitted hereunder. Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation. Obligations shall be issuable as fully registered Obligations and shall be numbered as provided in the Obligation or the Supplement creating such Obligation. If neither the Obligation nor the Supplement creating such Obligation provide for its registration, such Obligation shall be registered on the register to be maintained by the Obligated Group for that purpose at the Corporate Trust Office of the Master Trustee and such Obligation shall be transferable only upon presentation of such Obligation at said office by the registered owner or by his duly authorized attorney and subject to the limitations, if any, set forth in this Master Indenture. Such transfer shall be without charge to the Holder hereof, but any tax or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Obligated Group shall execute and the Master Trustee shall authenticate and deliver in exchange for such Obligation, a new fully registered Obligation or Obligations, registered in the name of the transferee. Prior to the due presentment hereof for registration of transfer, any Member of the Obligated Group, the Master Trustee, any paying agent and any registrar may deem and treat the person in whose name such Obligation is registered as the absolute owner hereof for all purposes; and neither any Member of the Obligated Group, any payment agent, the Master Trustee, nor any registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable on such Obligation. The Master Trustee shall keep at its Corporate Trust Office a register (the "Obligation Register"), in which the Master Trustee shall provide for the registration of, transfer and exchange of each Obligation as provided in the Supplement creating such Obligation, subject to any additional reasonable regulations as it may prescribe.

Section 2.03 Execution and Authentication of Obligations. Each Obligation shall be executed for and on behalf of the issuer thereof, by the Chairman or Vice Chairman of its Governing Body or its President or Vice President. The signature of any such officer may be mechanically or photographically reproduced on the Obligation. If any officer whose signature appears on any Obligation ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such

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delivery. Each Obligation shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

The Master Trustee's authentication certificate shall be substantially in the following form:

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. ____ is one of the Obligations contemplated by the within-mentioned Indenture.

as Master Trustee

By: _____
Authorized Signatory

Section 2.04 Supplement Creating Obligations. Any Member of the Obligated Group and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation hereunder. Such Supplement shall set forth the date of such Obligation, the date or dates on which the principal of, redemption premium, if any, and interest or other payments on such Obligation shall be payable, the form of such Obligation and such other terms and provisions as shall conform with the provisions hereof.

Section 2.05 Conditions to Issuance of Obligation No.1. Simultaneously with or prior to the execution, authentication and delivery of Obligation No. 1 pursuant to this Master Indenture and Supplement for Obligation No. 1, the Borrowers shall have delivered the following to the Master Trustee:

(a) the fully executed Borrower Deed of Trust, with evidence of recording in the County of Henrico, Virginia, the County of Culpeper, Virginia and the City of Newport News, Virginia, and fully executed UCC financing statements with respect to the security interest in the Pledged Assets and fixtures of the Obligated Group granted to the Master Trustee pursuant to this Master Indenture and the Borrower Deed of Trust, with evidence of filing in the office of the State Corporation Commission of the Commonwealth of Virginia and in the County of Henrico, Virginia, the County of Culpeper, Virginia and the City of Newport News, Virginia, as appropriate;

(b) a mortgagee title insurance policy, or an endorsement to an existing mortgagee title insurance policy, issued to the Master Trustee in an amount equal to the aggregate principal amount of Obligation No. 1, insuring that the Borrower Deed of Trust is a first priority Lien, subject only to Permitted Liens, on the Mortgaged Property;

(c) an Officer's Certificate stating that (i) all requirements and conditions to the issuance of Obligation No. 1 set forth in this Master Indenture and Supplement for Obligation No. 1 shall have been complied with and satisfied, and (ii) to the best of the knowledge of the signer thereof, the Person who is to be the Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the

assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (A) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (B) any Member of the Obligated Group or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended; and

(d) an Opinion of Counsel addressed to the Master Trustee to the effect that (i) all requirements and conditions to the issuance of Obligation No. 1 set forth in this Master Indenture and Supplement for Obligation No. 1 shall have been complied with and satisfied, and (ii) registration of Obligation No. 1 under the Securities Act of 1933, as amended, and qualification of this Master Indenture and Supplement for Obligation No. 1 under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (iii) this Master Indenture and Supplement for Obligation No. 1 are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles.

Section 2.06 Conditions to Issuance of Other Obligations Hereunder. With respect to Obligations, other than Obligation No. 1, created hereunder, simultaneously with or prior to the execution, authentication and delivery of an Obligation pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligation, if any, set forth in this Master Indenture and in the Supplement creating such Obligation shall have been complied with and satisfied, as provided in an Officer's Certificate, a copy of which Certificate shall be delivered to the Master Trustee;

(b) The issuer of such Obligation shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (i) all requirements and conditions to the issuance of such Obligation, set forth in this Master Indenture and any supplement shall have been complied with and satisfied, (ii) registration of such Obligation under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplement creating such Obligation under the Trust Indenture Act of 1939, as amended, are not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (iii) the Master Indenture, the Supplement creating such Obligation and such Obligation are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles;

(c) Each Member of the Obligated Group shall have delivered to the Master Trustee an Officer's Certificate stating that, (i) all requirements and conditions to the issuance of Obligation No. 1 set forth in this Master Indenture and supplement shall have been complied with and satisfied, and (ii) to the best of the knowledge of the signer thereof, the Person who is to be the Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any

arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (A) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (B) any Member of the Obligated Group or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended; and

(d) Each Member of the Obligated Group who has previously executed and delivered a Mortgage to the Master Trustee if required by law to secure future advances or if requested by the Master Trustee, (i) shall have executed and delivered a modification or amendment to such Mortgage to the Master Trustee, in form satisfactory to the Master Trustee, describing the terms of issuance of such Obligation and increasing the principal amount of Obligations secured by such Mortgage, and shall have caused such amendment to be recorded with the appropriate governmental authority and (ii) shall have caused an endorsement, in form satisfactory to the Master Trustee, to the mortgage title insurance policy issued to the Master Trustee insuring such Mortgage (or if more than one mortgage title insurance policy, together with tie-in endorsements, has been issued to the Master Trustee insuring such Mortgage, an endorsement to each such policy) that (A) amends the effective date and time of such policy to be the date and time of the recording of the amendment to such Mortgage, (B) increases the amount of such policy (if there is only one such policy) or increases the amount of all such policies in the aggregate (if there is more than one such policy) to an amount equal to the principal amount of all Obligations then Outstanding (less any amount to be deposited into a debt service reserve fund for such Obligations or any Related Bonds related to such Obligations), and (C) continues to insure that such Mortgage, as amended, is a first priority lien on the Mortgaged Property described therein, subject to Permitted Liens. Notwithstanding any provision of this subsection to the contrary, for purposes of determining the amount of the mortgage title insurance policy issued to the Master Trustee (or the aggregate amount of such policies, if there are more than one), the principal amount of any Obligation that evidences and secures Derivative Obligations or Contract Obligations shall be deemed to be zero unless otherwise provided in the Supplement creating such Obligation.

ARTICLE III

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01 Nature of Obligations; Payment of Principal and Interest; Security; Further Assurances; Deposit of Gross Receipts. (a) Each Obligation issued pursuant to this Master Indenture shall be a general, joint and several obligation of each Member of the Obligated Group and shall be equally and ratably secured by this Master Indenture, except as provided to the contrary in Section 3.14 or a Supplement with respect to a Debt Service Reserve Fund. Each Member of the Obligated Group covenants promptly to pay or cause to be paid the principal of, redemption premium, if any, and interest on each Obligation issued hereunder, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplement creating such Obligation and under such Obligation, at the place, on the dates and in the manner provided herein, in the Supplement creating such Obligation and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(b) To secure (i) the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating the Obligations and under the Obligations, and (ii) the performance by each Member of the Obligated Group of its other obligations hereunder and under the Mortgage and Collateral Assignments, each Member of the Obligated Group hereby grants to the Master Trustee a security interest in its Pledged Assets, the Members of the Obligated Group (as applicable) have executed and delivered the Borrower Deed of Trust, and each Member of the Obligated Group covenants to execute and deliver a Mortgage or notice of extension to the extent required under Section 3.13. The Master Trustee shall, upon written request of a Member of the Obligated Group, together with an executed Officer's Certificate, execute any document, instrument or agreement necessary to cause its lien or security interest in the Pledged Assets, Mortgaged Property or other Property of such Member of the Obligated Group to be subordinate to Liens permitted under Section 3.05(b)(ix) and to be pari passu with Liens permitted under Section 3.05(b)(xi), provided that such Member of the Obligated Group shall cause such document, instrument or agreement shall contain provisions satisfactory in form to the Master Trustee to the effect that any holder of a pari passu Lien permitted under Section 3.05(b)(xi) shall not be entitled to exercise any remedy with respect to the collateral encumbered by such Lien unless the Master Trustee is concurrently exercising such remedy. Any request by a Member for a document, instrument or agreement described in the immediately preceding sentence shall be accompanied by an Officer's Certificate to the effect that the Lien to which the Master Trustee's Lien in the Pledged Assets is to be subordinated (in the case of a document, instrument or agreement subordinating such Lien) is permitted as a senior Lien under Section 3.05(b)(ix) or that the Lien with which the Master Trustee's Lien in the Pledged Assets is to be pari passu (in the case of a document, instrument or agreement establishing such pari passu status) is permitted as a pari passu lien under Section 3.05(b)(xi), and the Master Trustee shall have no obligation to verify that any such Lien is permitted under Section 3.05(b)(ix) or Section 3.05(b)(xi), as the case may be. So long as no Event of Default has occurred and is continuing, any Member of the Obligated Group may Transfer all or any part of its Pledged Assets and all or any portion of its Mortgaged Property, respectively, subject to the provisions of Sections 3.08 and 3.09 and such Mortgage. If any Pledged Assets or Mortgaged Property is Transferred pursuant to the terms of this Master Indenture and the Mortgage encumbering such Mortgaged Property, the Master Trustee shall, upon written request of a Member of the Obligated Group, accompanied by an Officer's Certificate as hereinafter provided, execute a release of its security interest with respect to the Pledged Assets or Mortgaged Property so Transferred. Any request by a Member for a release by the Master Trustee pursuant to the immediately preceding sentence shall be accompanied by an Officer's Certificate to the effect that no Event of Default has occurred and is continuing and the Member is otherwise entitled under the terms of this Master Indenture and, if applicable, the Mortgage encumbering such Mortgaged Property to the release of the Pledged Assets or Mortgaged Property requested to be given by the Master Trustee. Upon the written request of any Member of the Obligated Group, the Master Trustee will notify such Member of the Obligated Group as to whether the Master Trustee has received from any Related Bond Trustee or any registered Holder of an Obligation a notice of an event of default under the applicable Related Bond or Obligation.

(c) Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such Supplements as may be necessary or appropriate to include its Pledged Assets as security hereunder. In addition, each Member of the Obligated Group covenants that it will prepare and file such UCC financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to the occurrence of an event contemplated under Section 3.13 or changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any financing statement of which the Master Trustee has actual knowledge, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interests in Pledged Assets shall remain perfected. In the event the Master Trustee has the duty to file a continuation statement under the foregoing sentence, unless the Master Trustee shall have been notified in writing by the Obligated Group Representative that any such initial filing or description of collateral was or has become defective, the Master Trustee shall be fully protected in (i) conclusively relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Master Trustee shall cause to be filed such continuation statements with respect to each Uniform Commercial Code financing statement relating to the Obligations which was filed at the time of the issuance thereof, in such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Master Trustee. The Obligated Group shall be responsible for the reasonable costs incurred by the Master Trustee in the preparation and filing of all continuation statements hereunder (including reasonable attorney's fees, costs and expenses, if any). Notwithstanding anything to the contrary contained herein, the Master Trustee shall not be responsible for any initial filings of any financing statements, the filing of any continuation statement or the information contained in either (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the UCC.

(d) If an Event of Default shall have occurred and be continuing, the Master Trustee may require that each Member of the Obligated Group deliver all Gross Receipts to it. Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, immediately upon receipt of a written request from the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts thereafter received until such Event of Default has been cured, such Gross Receipts to be applied in accordance with Section 4.04 of this Master Indenture.

Section 3.02 Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member of the Obligated Group hereby covenants as follows:

- (a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence, to procure and maintain all rights, licenses and permits necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where the ownership of its Property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to maintain any of its rights, licenses or permits no longer necessary or desirable, in its judgment, in the operation of its business and affairs, if the failure to maintain such right, license or permit will not be disadvantageous in any material respect to the Holders of Obligations.
- (b) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, ordinary wear and tear excepted, and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, Plant and Equipment if in its judgment (evidenced, in the case of such cessation other than in the ordinary course of business, by an opinion of a Management Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise Transfer the same in accordance with Section 3.08 and within a reasonable time endeavors to effect such sale or other Transfer, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or, in its judgment, useful in the conduct of its business.
- (c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith and the failure to comply will not have a material adverse effect on the financial condition of the Obligated Group.
- (d) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending the resolution of such contest may delay or defer payment thereof if such delay or deferral will not have a material adverse effect on the financial condition of the Obligated Group.
- (e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable or within any period of grace with respect thereto, other than any Indebtedness, demands or claims (exclusive of the Obligations created and Outstanding hereunder or any Related Bonds) whose validity, amount or collectability is being contested in good faith.

(f) To comply with all terms, covenants and provisions of any Liens upon any of its Property.

(g) Each Member of the Obligated Group that is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, that it will not take any action or fail to take any action which action or failure to act (including any action or failure to act which would result in the alteration or loss of its status as a Tax-Exempt Organization), or which would, in the Opinion of Bond Counsel, result in the interest on any Related Bond which is not includable in the gross income of the holder thereof for federal income tax purposes becoming included in the gross income of the holder thereof for federal income tax purposes.

Section 3.03 Insurance. (a) Each Member of the Obligated Group shall maintain, or cause to be maintained, which may include self-insurance programs except for casualty insurance (provided the Obligated Group may self-insure for workman's compensation and professional liability insurance), the following types of insurance in such amounts as, in its judgment, are adequate to protect it and its Property, Plant and Equipment and operations: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned or hired automobiles (excluding collision and comprehensive coverage thereon), (ii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance, (iii) professional liability or medical malpractice insurance, (iv) workers' compensation insurance, and (v) boiler insurance.

(b) The Obligated Group shall retain an Insurance Consultant to review the coverages required by paragraph (a) of this Section and the insurance requirements of the Members of the Obligated Group thereunder from time to time (but not less frequently than biennially with respect to risks covered by insurance companies and not less frequently than annually with respect to risks for which the Members of the Obligated Group are self-insured). If the Insurance Consultant makes recommendations for the increase of any coverage required by paragraph (a) of this Section, the Obligated Group shall increase, or cause to be increased, such coverage in accordance with such recommendations, subject to a good faith determination of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding the above provisions, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure (other than for items covered under clauses (ii) and (v) in subsection (a) of this Section) in whole or in part individually or in

connection with other institutions, to participate in programs of captive insurance companies, to participate with other institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage required by subsection (a) of this Section, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and, if not, the required funding to produce such result. The Obligated Group agrees to provide the funding recommended in any such report.

Section 3.04 Insurance and Condemnation Proceeds. Proceeds received by any Member of the Obligated Group for casualty losses or condemnation awards may be used for such lawful corporate purposes as the recipient determines, including, but not limited to, the replacement or repair of the damaged or taken Property, Plant and Equipment and the application of such proceeds to the payment or repayment of any Indebtedness in accordance with the terms thereof; provided, however, if the amount received exceeds 5% of the Net Book Value of the Property, Plant and Equipment of the Obligated Group, the Obligated Group Representative shall immediately notify the Master Trustee, deposit the amount received with the Master Trustee and, within 12 months after the casualty loss or taking and prior to expending such funds, deliver to the Master Trustee (a) an Officer's Certificate certifying that the expected Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following the expected date of application of such proceeds is expected to be not less than 1.30 as shown by pro forma financial statements for each such period and a statement of relevant assumptions, including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based, and a written report of a Management Consultant confirming such certification; or (b) a written Management Consultant's report stating the Management Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in clause (a) above to be not less than 1.20, or, if in the opinion of the Management Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions referred to in clause (a) above or the recommendations referred to in clause (b) above.

Section 3.05 Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien upon Pledged Assets, Mortgaged Property or any other Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

- (i) Liens on Pledged Assets, Mortgaged Property or other Property created by this Master Indenture, the Mortgage or the Collateral Assignments;

(ii) Any Lien that existed on the date of authentication and delivery of Obligation No. 1, was disclosed to the Master Trustee in the Borrower Deed of Trust, the title insurance policy insuring the Borrower Deed of Trust or in an Officer's Certificate acceptable to the Master Trustee; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(iii) Any Lien on the Property of a Person in existence as of the date such Person becomes a Member of the Obligated Group that is disclosed to the Master Trustee in an Officer's Certificate; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

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

(v) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(vi) Any judgment Lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed or the liability of such Member of the Obligated Group under such judgment is adequately covered by insurance;

(vii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors have been due for fewer than ninety (90)

days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which, if such Lien arises after a Member of the Obligated Group has acquired such Property, do not, in the Opinion of Counsel to the Obligated Group, materially impair the use of such Property or materially and adversely affect the value thereof; and (D) landlord's liens;

(viii) (A) Liens on Mortgaged Property securing Indebtedness so long as such Lien is, by its terms, specifically junior to the Lien on such Mortgaged Property created by a Mortgage and (B) Liens on real property comprising a part of the Property, Plant and Equipment securing Indebtedness and not subject to the Lien of a Mortgage; provided, however, that the aggregate principal amount of Indebtedness so secured by Liens permitted under this clause (B) shall not exceed ten percent (10%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time of the incurrence of such Indebtedness;

(ix) So long as no Event of Default exists under this Master Indenture at the time such Lien is created, (A) any Lien, including a security interest superior to the security interest in Equipment created pursuant to Section 3.01, incurred for the purpose of financing Equipment; provided, however, that at the time such Indebtedness is incurred the aggregate principal amount of Indebtedness secured by Liens permitted under this clause (A) shall not exceed the greater of \$500,000 and fifteen percent (15%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time of the incurrence of such Indebtedness and that such Lien shall attach only to the Equipment with respect to which such Indebtedness was incurred; and (B) any security interest, including a security interest superior to the security interest created pursuant to Section 3.01 in Pledged Assets (other than Equipment), securing Short-Term Indebtedness permitted under Section 3.06(d);

(x) Any consensual Lien on the Pledged Assets (other than Equipment) now owned or hereafter acquired by any Member of the Obligated Group so long as such Lien is, by its terms, specifically junior to the security interest in such Pledged Assets created pursuant to Section 3.01;

(xi) Any Lien securing all Obligations on a parity basis;

(xii) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(xiii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xiv) Any Lien on pledges, gift annuities, gifts or grants to be received in the future, including any income derived from the investment thereof;

(xv) Liens on moneys deposited by residents, patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of care;

(xvi) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xvii) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(e);

(xviii) Any lease of Property other than the Mortgaged Property or any lease of the Mortgaged Property that is by its terms subordinate to the Lien created by the Mortgage;

(xix) Any Lien that consists of an easement, license, right-of-way, or other right or privilege permitted to be created in accordance with and subject to the limitations in a Mortgage;

(xx) So long as no Event of Default exists under this Master Indenture at the time such Lien is created, any Lien on cash and investments (including, without limitation, Liens on deposit accounts of Members of the Obligated Group) if such cash and investments could be Transferred pursuant to Section 3.08(b); and

(xxi) Any Lien on all or any part of the Excluded Real Property.

Section 3.06 Limitations on Incurrence of Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to subsections (a) to (i), inclusive, of this Section. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth as follows:

(a) Long-Term Indebtedness may be incurred if, prior to incurrence thereof, one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Financial Statements are available is not less than 1.20; or

(ii) there is delivered to the Master Trustee (A) an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then proposed to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Financial Statements are available is not less than 1.20; and (B) a report of a Management Consultant stating that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, the Fiscal Year immediately succeeding the year in which substantially all of such capital improvements are forecasted to be placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, such forecast shall be for a period of time extending at

least through Stable Occupancy), or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, the Fiscal Year immediately succeeding the year in which the Long-Term Indebtedness is incurred, is not less than 1.20, accompanied by a statement of the relevant assumptions upon which such forecast is based; or

(iii) there is delivered to the Master Trustee a report of a Management Consultant stating that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, the Fiscal Year immediately succeeding the year in which substantially all of such capital improvements are forecasted to be placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, such forecast shall be for a period of time extending at least through Stable Occupancy), or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, the Fiscal Year immediately succeeding the year in which the Long-Term Indebtedness is incurred, is not less than 1.25, accompanied by a statement of the relevant assumptions upon which such forecast is based; or

(iv) the principal amount of additional Long-Term Indebtedness proposed to be incurred does not exceed 10% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time such Long-Term Indebtedness is incurred; provided, however, that the total principal amount of the Long-Term Indebtedness incurred under this clause (iv) and Outstanding without compliance with one of the tests mentioned in clause (i), (ii) or (iii) above may not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this clause (iv); provided, further, that no indebtedness hereunder shall be incurred if an Event of Default has occurred and is continuing under Section 3.07.

(b) Qualifying Intermediate-Term Indebtedness may be incurred if no Event of Default has occurred and is continuing under Section 3.07.

(c) Long-Term Indebtedness may be incurred to refund any Outstanding Long-Term Indebtedness if, prior to the incurrence thereof, (i) either (A) the Master Trustee receives an Officer's Certificate stating that, taking into account the Long-Term Indebtedness proposed to be incurred, the existing Long-Term Indebtedness to remain Outstanding after the refunding and the refunding of the existing Long-Term Indebtedness to be refunded, Maximum Annual Debt Service will not be increased by more than 10%, or, in the case of a refunding of Qualifying Intermediate-Term Indebtedness only, a report of a Management Consultant which forecasts a Long-Term Debt Service Coverage Ratio of 1.20 for each of the two Fiscal Years next succeeding the Fiscal Year in which such refunding takes place or (B) one of the conditions described in paragraph (a) above is met with respect to such proposed Long-Term Indebtedness, and (ii) the Master Trustee receives an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and the application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded will no longer be Outstanding.

(d) Short-Term Indebtedness may be incurred if, immediately after the incurrence of such Short-Term Indebtedness, the aggregate principal amount of Outstanding Short-Term Indebtedness does not exceed 15% of Total Revenue for the most recent Fiscal Year for which the Financial Statements are available; provided, however, that for a period of at least thirty (30) consecutive calendar days in each Fiscal Year Short-Term Indebtedness shall not exceed the greater of (i) \$250,000 and (ii) 50% of the amount by which Days' Cash on Hand exceeds 300 days, calculated as of the end of the most recent Fiscal Year for which Financial Statements are available.

(e) Non-Recourse Indebtedness may be incurred:

- (i) up to but not in excess of an aggregate of 5% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available;
- (ii) in excess of the aggregate limit mentioned in subparagraph (e) (i) above, if the Master Trustee shall have first received the report of a Management Consultant to the effect that the forecasted long-term debt service coverage ratio (determined in a manner as nearly as possible as the Long-Term Debt Service Coverage Ratio is determined) with respect to the capital assets being financed with the proceeds of such Non-Recourse Indebtedness for the Fiscal Year immediately following the year that such capital assets are forecasted to be placed in service (if such capital assets are being constructed) or following the year the acquisition of such capital assets is completed (if such capital assets are being acquired) is not less than 1.20; or
- (iii) without limit with respect to the Excluded Real Property.

(f) Indebtedness may be incurred without limitation under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the incurrence of any Indebtedness; provided, however, that any liabilities resulting from the use of or drawing under such liquidity or credit enhancement facility shall be included in Indebtedness for all purposes of this Master Indenture. If a liquidity facility is used or drawn upon to purchase, but not retire, Indebtedness, then the principal amount of such Indebtedness so purchased shall be excluded from Indebtedness.

(g) Put Indebtedness may be incurred if, prior to the incurrence of such Put Indebtedness, (i) the conditions described in subsection (a) (i), (a) (ii) or (a) (iii) of this Section are met and (ii) either (A) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase or redemption price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness or (B) the obligation to pay the purchase or redemption price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness are contingent upon the availability of Excess Funds.

(h) Subordinate Indebtedness, without limitation.

(i) Completion Indebtedness may be incurred if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member of the Obligated Group for whose benefit such Indebtedness is being incurred stating that at the time the original Indebtedness for the Facilities to be completed was incurred, such Member of the Obligated Group had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an Independent Architect or another expert reasonably acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member of the Obligated Group stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated loans from Affiliates or bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii), which amount shall be no more than 10% of Indebtedness originally incurred to finance the construction of such Facilities.

(j) Derivative Obligations as provided in Section 2.01.

Section 3.07 Long-Term Debt Service Coverage Ratio. (a) Each Member of the Obligated Group covenants to set rates and collect charges for its Facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated as of the end of each Fiscal Year, commencing with the Fiscal Year ending December 31, 2016, will not be less than 1.20 for the Fiscal Year ending December 31, 2016 and each Fiscal Year thereafter; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, the Long-Term Debt Service Requirement with respect to such Long-Term Indebtedness shall not be taken into account until the earlier to occur of (1) Stable Occupancy and (2) the first full Fiscal Year following the Fiscal Year that contains the 18th month after the date such capital improvements were completed). The Obligated Group agrees that it will notify the Master Trustee within ten (10) days of the following occurrences (i) when substantially all of any capital improvements are placed in service and (ii) when 90% of any additional independent or assisted living units or health care beds are occupied.

(b) In the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 in Fiscal Year but greater than 1.00 (calculated as set forth in subsection (a)) the Obligated Group Representative is required to take the following actions:

- (i) If the Obligated Group has at least 300 Days' Cash on Hand as of the last day of such Fiscal Year, then no action is required and the Obligated Group will be deemed to be in compliance with the Long-Term Debt Service Coverage Ratio.

(ii) If the Obligated Group has less than 300 Days' Cash on Hand as of the last day of such Fiscal Year, then the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(c) Subject to subsection (f) below, in the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.00 (calculated as set forth in subsection (a)) the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(d) Upon selecting a Management Consultant as required by subsections (b) or (c) above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant in the same manner provided in this Section 3.07.

(e) Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

(f) Other than as described in subsection (g) below, if the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under this Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to

comply with (i) or (ii) of the preceding sentence may become an Event of Default, with the giving of notice pursuant to Section 4.12.

(g) Notwithstanding the foregoing, if the Long-Term Debt Service Coverage Ratio of the Obligated Group for any two consecutive Fiscal Years is less than 1.00, such failure shall constitute an Event of Default under this Master Indenture.

(h) The Obligated Group agrees that it will, to the extent permitted by law and consistent with the status of any Member of the Obligated Group as a Tax-Exempt Organization, follow any recommendations of the Management Consultant pursuant to subsection (d) or subsection (e) of this Section.

Section 3.08 Transfers of Property, Plant and Equipment; Transfers of Cash and Investments. (a) Each Member agrees that it will not Transfer in any Fiscal Year Property, Plant and Equipment except for Transfers:

- (i) to another Member of the Obligated Group, without limit;
- (ii) so long as no Event of Default has occurred and is continuing, to any Person if the Net Book Value of the Property, Plant and Equipment subject to such Transfer does not exceed three-quarters of one percent (3/4%) of the Net Book Value of Property, Plant and Equipment, as shown on the Financial Statements for the most recent Fiscal Year for which Financial Statements are available;

If the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available is not less than 1.30, the foregoing percentage of the Property, Plant and Equipment that may be subject to Transfer may be increased as follows under the following conditions:

- (1) to 5%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 300 after the effect of such Transfer; or
- (2) to 7.5%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 400 after the effect of such Transfer; or
- (3) to 10%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 500 after the effect of such Transfer;

(iii) in the case of Equipment, to any Person if, prior to the Transfer, the Master Trustee receives an Officer's Certificate stating that, in the judgment of the signer, such Equipment has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, and the sale, lease, removal or other disposition thereof will not impair the structural soundness or materially impair the revenue producing capacity of the remaining Property, Plant and Equipment; provided, however, that no Officer's Certificate shall be required to be delivered to the Master Trustee with respect to any

Transfers of Equipment in any Fiscal Year having a Net Book Value in the aggregate of less than \$150,000; and

(iv) in addition to the Transfers permitted by clauses (i) to (iii), inclusive, of this subsection, and subject to the terms of the Mortgage which permit the release of a parcel or interest in land constituting part of the Mortgaged Property from the lien and security of the Mortgage, to any Person of real property or Equipment for the fair market value thereof, provided that (A) the proceeds of such Transfer are used to purchase additional real property which, if functionally related to, and operated on an integrated basis with, the Facilities, shall be subjected to the Lien of the Mortgage, or to purchase Equipment which shall become subject to the security interest granted pursuant to Section 3.01, or to prepay, in whole or in part, pro rata, Outstanding Obligations and (B) in the case of real property, ingress to and egress from the Facilities is not materially impaired.

(b) The Obligated Group may in any Fiscal Year Transfer cash and investments:

- (i) to any Member of the Obligated Group, without limit; and
- (ii) so long as (1) there are no deficiencies in a bond fund or a debt service reserve fund created with respect to Related Bonds and (2) such Transfer would not cause an Event of Default, with the giving of notice under Section 4.12, to any Person in an amount not exceeding two and one-half percent (2 1/2%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available; and
- (iii) so long as (1) there are no deficiencies in a bond fund or a debt service reserve fund created with respect to Related Bonds, (2) such Transfer would not cause an Event of Default, with the giving of notice under Section 4.12, and (3) the Obligated Group shall have at least 275 Days' Cash on Hand after such Transfer, calculated as of the date of the disposition, to any Affiliate in an amount not exceeding four percent (4.0%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available.

(c) Notwithstanding the foregoing provisions of this Section, nothing described under this Section shall be construed as limiting the ability of any Member of the Obligated Group to (i) pay its expenses of operation, including, without limitation, state and local taxes or payments in lieu of taxes and the payment of debt service on Indebtedness, provided that the payment of the debt service on any Subordinate Indebtedness shall be made only if, following such payment, the Obligated Group shall have 250 Days' Cash on Hand, (ii) provide charity care and community benefits and make charitable donations and donations and voluntary payments to government agencies, (iii) purchase or sell Property (other than Property and Equipment used in the operation of the Facilities) in the ordinary course of business, (iv) transfer cash, securities and other investment properties in connection with ordinary investment transactions and payment for goods and services provided where such purchases, sales and Transfers are for substantially equivalent value, (v) lease any Property not being used in the operation of the Facilities, subject to the provisions of Section 3.05 or (vi) transfer any Excluded Real Property or

any interest in any Person (A) that is not a Member of the Obligated Group and (B) substantially all the assets of which consist of Excluded Real Property.

Section 3.09 Consolidation, Merger, Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such successor corporation (A) to become a Member of the Obligated Group under this Master Indenture and thereby become subject to compliance with all provisions of this Master Indenture pertaining to a Member of the Obligated Group, including the security interest provided for in Section 3.01 and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (B) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due;

(ii) the successor corporation has met all licensing requirements necessary for the operation of any Facilities operated by it and shall be qualified to do business in the State or shall consent to service of process in the State;

(iii) the Obligated Group Representative has delivered to the Master Trustee a report of a Management Consultant, dated not more than 90 days prior to such consolidation, merger or transfer, to the effect that (i) the forecasted Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years immediately following such merger, consolidation or transfer will be not less than 1.20 or will be greater than it would have been if such merger, consolidation or transfer had not taken place and (ii) upon completion of such consolidation, merger or transfer, the Obligated Group will not be in violation of any of the limitations on the incurrence of Indebtedness contained in Section 3.06; provided, however, that if capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds are under construction or available for initial occupancy on the date of such merger, consolidation or transfer, such forecast shall be for the earlier to occur of (x) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of such independent or assisted living units or health care beds is forecasted to reach 90% or (y) the first full Fiscal Year following the Fiscal Year in which occurs that date which is 18 months from the date set forth in the forecast upon which substantially all of such independent or assisted living units or health care beds are forecasted to be placed in service;

(iv) if all amounts due or to become due on any Tax-Exempt Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the exclusion from

gross income for purposes of federal income taxation of interest payable on such Tax-Exempt Related Bond; and

(v) the Obligated Group Representative has delivered to the Master Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or transfer and such instrument comply with this Article and the other provisions of this Master Indenture, and that all conditions precedent provided in this Master Indenture relating to such transaction have been satisfied.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.11, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue Obligations hereunder in its own name; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

Section 3.10 Filing of Financial Statements, Certificate of No Default and Other Information. The Obligated Group covenants that it will:

(a) As soon as possible but in no event later than one hundred fifty (150) days after the end of each Fiscal Year or other period for which an audit has been performed, file with the Master Trustee and EMMA, a copy of the Financial Statements as of the end of such Fiscal Year or other period accompanied by the report of an Accountant.

(b) Simultaneously with filing the Financial Statements for a Fiscal Year or other period as required under subsection (a), file with the Master Trustee and EMMA, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio and the Days' Cash on Hand, as of the end of such Fiscal Year or such other period, and stating whether, to the best of the

knowledge of the signer of such Officer's Certificate, any Member of the Obligated Group is not in compliance with any covenant contained in this Master Indenture and, if so, specifying each such failure to comply of which the signer may have knowledge and the steps that are being taken by the Obligated Group to cure such non-compliance.

(c) If an Event of Default shall have occurred and be continuing, (i) if requested by Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, file with the Master Trustee such other financial statements and information concerning its operations and financial affairs, including those of any Member of the Obligated Group, as such Holders may from time to time request, excluding, specifically, donor records, patient records, personnel records and records subject to attorney-client privilege and (ii) provide access to the Facilities, the Pledged Assets and the Mortgaged Property for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Unless required to be delivered at an earlier time, within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Management Consultant or an Insurance Consultant.

(e) Notwithstanding any other provision of this Master Indenture to the contrary, if the Obligated Group fails to file the Financial Statements for any Fiscal Year with the Master Trustee within the time period specified in subsection (a), no Liens may be created pursuant to Sections 3.05(b)(viii), 3.05(b)(ix) or 3.05(b)(xx), no Indebtedness may be incurred pursuant to Sections 3.06(a)(i), 3.06(a)(ii), 3.06(a)(iv), 3.06(d) or 3.06(e), and no Property may be transferred pursuant to Sections 3.08(a)(iii) or 3.08(b)(ii) until the Obligated Group has cured such default by filing the Financial Statements for the most recently ended Fiscal Year with the Master Trustee.

(f) The Master Trustee shall have no duty to review or analyze any financial statements delivered to it pursuant to this Master Indenture and shall hold such financial statements solely as a repository for the benefit of the Holders of the Obligations; the Master Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Section 3.11 Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the current Members of the Obligated Group, become Members of the Obligated Group, if:

(a) The Person which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such Person (i) to become a Member of the Obligated Group under this Master Indenture and thereby become subject to compliance with all provisions of this Master Indenture pertaining to a Member of the Obligated Group, including the security interest provided for in Section 3.01 and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (ii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding

or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) The Obligated Group Representative shall have delivered to the Master Trustee an Officer's Certificate which shall state that (i) such admission and such instrument comply with this Article and that all conditions precedent provided in this Master Indenture relating to such admission have been complied with and (ii) immediately after giving effect to such admission, no Event of Default hereunder shall have occurred and be continuing.

(c) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and reasonably satisfactory in form and substance to the Master Trustee (based on its review and review of such counsel as the Master Trustee may retain in its discretion in connection therewith), to the effect that such instrument has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation of such Person enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(d) There shall be filed with the Master Trustee (i) a report of a Management Consultant to the effect that (1) the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) full Fiscal Years immediately succeeding the date of such action is greater than 1.20 or greater than it would have been if such action had not taken place and (2) such action will not reduce by more than twenty-five percent (25%) the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place; provided, however, that if capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds are under construction or available for initial occupancy on the date of such action, such forecast shall be for the earlier to occur of (x) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of such independent or assisted living units or health care beds is forecasted to reach 90% or (y) the first full Fiscal Year following the Fiscal Year in which occurs that date which is 18 months from the date set forth in the forecast upon which substantially all of such independent or assisted living units or health care beds are forecasted to be placed in service or (ii) an Officer's Certificate certifying that (1) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements have been reported upon by independent certified public accountants preceding the proposed date of such action, assuming such action actually occurred at the beginning of such period, would not have been reduced to less than 1.35 or (2) if such Long-Term Debt Service Coverage Ratio calculated under (f)(1) would be less than 1.35, (A) the Long-Term Debt Service Coverage Ratio was at least 1.25, and (B) the inclusion of the new Member in the Obligated Group would raise the Long-Term Debt Service Coverage Ratio.

(e) If all amounts due or to become due on any Tax-Exempt Related Bond have not been fully paid to the holder thereof, there shall be filed with the Master Trustee, an Opinion of Bond Counsel, in form and substance reasonably satisfactory to the Master Trustee, to the effect that the admission of such Person to the Obligated Group would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Tax-Exempt Related Bond.

Section 3.12 Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) (A) An Officer's Certificate demonstrating that (1) all Obligations issued by such Member are no longer Outstanding, (2) an amount of cash or Defeasance Obligations, which together with the interest earned thereon, will be sufficient to accomplish the requirement of clause (A) (1) above has been transferred by such Member to the Master Trustee or (3) all Outstanding Obligations issued by such Member have been assumed by another Member of the Obligated Group, and (B), in either case, if all amounts due or to become due on any Tax-Exempt Related Bond, have not been fully paid to the holder thereof, an Opinion of Bond Counsel, in form and substance reasonably satisfactory in form and substance to the Master Trustee (based on its review and review of such counsel as the Master Trustee may retain in its discretion in connection therewith), to the effect that such Member's withdrawal from the Obligated Group would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Tax-Exempt Related Bond;

(ii) The report of a Management Consultant to the effect that (1) the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) full Fiscal Years immediately succeeding the date of such action is greater than 1.20 or greater than it would have been if such action had not taken place and (2) such action will not reduce by more than twenty-five percent (25%) the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place; and

(iii) An Officer's Certificate which shall state that (A) all conditions precedent provided in this Master Indenture relating to such withdrawal have been complied with and (B) immediately after giving effect to such withdrawal, no Event of Default hereunder shall have occurred and be continuing.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease, any guaranty by such Member of the Obligated Group pursuant to Section 3.11 shall be released and discharged in full, the Master Trustee and the Mortgage Trustee shall execute and deliver to such Member of the Obligated Group a release of any Mortgage or Collateral Assignments given by such Member of the Obligated Group, and the Master Trustee shall execute and deliver to such Member of the Obligated Group all UCC-3 termination statements necessary to terminate or confirm the termination of the security interest in the Pledged Assets of such Member of the Obligated Group pursuant to Section 3.01.

Section 3.13 After-Acquired, Replacement or Substituted Real Property. In the event any Obligation is issued pursuant to this Master Indenture to acquire or finance real property or improvements to real property, the Member of the Obligated Group acquiring or financing such real property or improvements covenants and agrees that it shall cause to be recorded in the county in which such real property is located either a Mortgage containing a

description of the real property or improvements being acquired or financed or a notice of extension containing a description of the property covered thereby relating to a Mortgage previously executed and delivered by such Member of the Obligated Group to the Master Trustee that is recorded in such county.

Any Member of the Obligated Group executing and delivering such Mortgage or notice of extension pursuant to this Section shall

(a) in the case of a Mortgage, (i) cause a mortgage title insurance policy, together with a tie-in endorsement to such policy and each other mortgage title insurance policy previously issued to the Master Trustee under the terms of this Master Indenture, to be issued and delivered to the Master Trustee in an amount equal to the principal amount of any Obligation to be issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount required to be deposited initially into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation), insuring that such Mortgage is a first priority Lien, subject to Permitted Liens, on the Mortgaged Property described therein or (ii) cause an endorsement to a mortgage title insurance policy previously issued to the Master Trustee under the terms of this Master Indenture to be issued to the Master Trustee, that (A) amends the effective date and time of such policy to be the date and time of the recording of such Mortgage, (B) amends the description of the land insured by such policy to include the real property described in such Mortgage, (C) increases the amount of such policy by an amount equal to the principal amount of any Obligation issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount to be deposited into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation) and (D) continues to insure that the Mortgage initially secured by such policy and the new Mortgage are first priority Liens on the Mortgaged Property described therein, subject to Permitted Liens, or

(b) in the case of a notice of extension, cause an endorsement to the mortgage title insurance policy previously issued to the Master Trustee insuring the priority of the Mortgage to which such notice of extension relates to be issued and delivered to the Master Trustee that (i) amends the effective date and time of such policy to be the date and time of the recording of the notice of extension, (ii) amends the description of the land insured by such policy to include the real property described in the notice of extension, (iii) increases the amount of such policy by an amount equal to the principal amount of any Obligation issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount to be deposited into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation) and (iv) continues to insure that such deed of trust, giving effect to the notice of extension, is a first priority Lien on the Mortgaged Property described therein, subject to Permitted Liens.

Section 3.14 Debt Service Reserve Funds. (a) If directed in a Supplement, the Master Trustee shall establish and maintain one or more Debt Service Reserve Funds as security for one or more Obligations issued hereunder pursuant to this Section 3.14.

(b) Each Debt Service Reserve Fund may serve as security for only one Obligation issued hereunder or may serve as security for more than one Obligation issued hereunder, in

which case all Obligations secured by such Debt Service Reserve Fund shall be secured equally and ratably by the amounts on deposit in such Debt Service Reserve Fund; provided, however, that no Debt Service Reserve Fund shall serve as security for one or more Obligations that secure Tax-Exempt Related Bonds and one or more Obligations that evidence or secure taxable Indebtedness or Related Bonds.

(c) Upon establishment of a Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, money in an amount equal to the Debt Service Reserve Fund Requirement to the Master Trustee for deposit into such Debt Service Reserve Fund. After the establishment of a Debt Service Reserve Fund, if a Supplement provides that the Obligation issued thereunder shall be secured by such Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, to the Master Trustee for deposit into such Debt Service Reserve Fund money in an amount equal to the difference between the Debt Service Reserve Fund Requirement (after giving effect to the issuance of such Obligation) and the amount then on deposit in such Debt Service Reserve Fund.

(d) If a Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall establish an account within such Debt Service Reserve Fund for each source of money deposited in such fund, such as proceeds of Related Bonds secured by, or Indebtedness evidenced by, an Obligation or other money of Members of the Obligated Group, and deposit the money obtained from each such source in the appropriate account. Such accounts shall be established solely for the convenience of the Members of the Obligated Group in maintaining an accounting of the uses and applications of such funds under the provisions of applicable federal and state law, and shall equally and ratably secure all Obligations for which such Debt Service Reserve Fund has been established.

(e) If the Holder of an Obligation secured by a Debt Service Reserve Fund delivers a written notice to the Master Trustee to the effect that the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the Holder of such Obligation is less than the amount of principal or interest then due on such Obligation, specifying the amount of such deficiency of principal, interest or both, and directing the transfer of moneys from such Debt Service Reserve Fund in the amount of any such deficiency the Master Trustee, without further direction, shall immediately withdraw moneys from such Debt Service Reserve Fund in the amount of such deficiency and transfer such moneys to such Holder. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall withdraw the amount of such deficiency from each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in each such account. Amounts on deposit in any Debt Service Reserve Fund shall not be applied to pay principal of or interest on any Obligation other than the Obligation or Obligations secured thereby. The Master Trustee shall promptly provide written notice to the Members of the Obligated Group of any such withdrawal from any Debt Service Reserve Fund.

(f) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month following the month in which money is withdrawn from a Debt Service Reserve Fund, the Members of the Obligated Group jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one-twelfth (1/12) of the amount or

amounts so withdrawn until the amount then on deposit in such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement. If an additional withdrawal is made from such Debt Service Reserve Fund prior to the restoration of the initial withdrawal, such additional withdrawal shall be restored by the Members of the Obligated Group in equal monthly installments over the remainder of the restoration period for the initial withdrawal. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall deposit each amount paid to restore such Debt Service Reserve Fund into each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts withdrawn from each such account.

(g) If on any date of valuation pursuant to subsection (m) below the money held in a Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Debt Service Reserve Fund, an amount equal to such excess shall be transferred by the Master Trustee to the Holder of the Obligation secured by such Debt Service Reserve Fund (and if such Obligation secures Related Bonds, for deposit in under the Related Bond Indenture to provide for the payment of the Related Bonds) or, if more than one Obligation is secured by such Debt Service Reserve Fund, such excess shall be withdrawn from each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in each such account and the amount withdrawn from each account shall be paid to the Holder of the Obligation that secures the Related Bonds or Indebtedness that were the source of the moneys deposited in such account or to the Members of the Obligated Group if they were the source of the moneys deposited in such account; provided, however, that any excess created by a refunding (or other payment or defeasance) of a portion of any Tax-Exempt Related Bonds may be applied in any manner which, in an Opinion of Bond Counsel, will not cause the interest on such Tax-Exempt Related Bonds to be includable in the gross income of the owners thereof under the Code. Any such excess transferred to a Holder shall be credited against future amounts payable to such Holder by the Members of the Obligated Group, unless transferred to cure deficiencies therein.

(h) All money deposited with the Master Trustee hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Holders, in the manner directed by the Obligated Group Representative, either (a) by lodging with a bank or trust company chosen by the Master Trustee or custodian at the written direction of the Obligated Group Representative or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Master Trustee to give security for any money that shall be represented by obligations purchased under the provisions of this Section 3.14 as an investment of such money.

(i) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, money held for the credit of a Debt Service Reserve Fund shall be continuously invested and reinvested by the Master Trustee in Investment Obligations to the extent practicable in accordance with the written instructions of an Obligated Group Representative or, if no such instruction is given, in Government Obligations having a maturity not greater than 180 days from the date of such investment. If accounts have been established within a Debt Service Reserve Fund, the Master Trustee may invest the money within each account separately or may use money from each account to purchase a proportionate share of an investment based on the balance then on deposit in each such account. Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, Investment Obligations deposited in a Debt Service Reserve Fund shall mature not later than ten (10) years from the date on which such Investment Obligations were deposited therein. Notwithstanding the foregoing, no Investment Obligations in a Debt Service Reserve Fund may mature beyond the latest maturity date of any Related Bonds Outstanding that are secured by an Obligation that is secured by such Debt Service Reserve Fund at the time such Investment Obligations are deposited unless irrevocable instructions shall have been given to redeem such Investment Obligations on a date or dates not later than the latest maturity date of any such Related Bonds Outstanding. For the purposes of this Section, the maturity date of repurchase agreements for Government Obligations or other obligations is the maturity date of such repurchase agreements and not the maturity date of the underlying Government Obligations or other obligations. The Master Trustee may conclusively rely upon the Obligated Group Representative's written instructions as to both the suitability and legality of the directed investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Master Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. Confirmations of investments are not required to be issued by the Master Trustee for each month in which a monthly statement is rendered.

(j) An Obligated Group Representative shall give to the Master Trustee written directions respecting the investment of any money required to be invested under this Section 3.14, subject, however, to the provisions of this Section 3.14, and the Master Trustee shall then invest such money under this Section 3.14 as so directed in writing by such Obligated Group Representative. The Master Trustee may request, in writing, direction or authorization of an Obligated Group Representative with respect to the proposed investment of money under the provisions of this Section 3.14. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, an Obligated Group Representative will give written directions to the Master Trustee respecting the investment of such money and, in the case of such directions, the Master Trustee shall then, subject to the provisions of this Section 3.14, invest such money in accordance with such directions.

(k) Investment Obligations credited to any Debt Service Reserve Fund established under this Section 3.14 shall be held by or under the control of the Master Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Master Trustee shall sell at the market price available or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to

provide moneys to make any payment or transfer of moneys from any such fund or account. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

(l) For the purpose of determining the amount on deposit in any Debt Service Reserve Fund or account therein, Investment Obligations in which money in such fund or account is invested shall be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six months after the date of valuation thereof at the price at which such Investment Obligations are redeemable by the holder at such holder's option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations.

(m) The Master Trustee shall value the Investment Obligations in each Debt Service Reserve Fund and accounts therein established under this Section 3.14 and held by the Master Trustee three (3) Business Days prior to each January 1 and July 1 and at such times as shall be required in order for the Members of the Obligated Group to comply with federal income tax law applicable to any Tax-Exempt Related Bonds. In addition, the Investment Obligations shall be valued by the Master Trustee at any time requested by an Obligated Group Representative on reasonable notice to the Master Trustee (which period of notice may be waived or reduced by the Master Trustee); provided, however, that the Master Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided herein.

(n) If upon valuation of a Debt Service Reserve Fund, the balance in such fund, including accrued interest to the date of valuation, is less than 90% of the Debt Service Reserve Fund Requirement, the Master Trustee shall compute the amount by which the Debt Service Reserve Fund Requirement exceeds such balance and shall immediately give the Members of the Obligated Group notice of such deficiency and the amount necessary to cure the same.

(o) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month (and on the 25th day of each month thereafter) following a valuation made in accordance with this Section 3.14 in which the amount on deposit in such Debt Service Reserve Fund is less than ninety percent (90%) of the Debt Service Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of such Debt Service Reserve Fund, each Member of the Obligated Group covenants promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one-sixth (1/6) of the amount by which the Debt Service Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

(p) The Members of the Obligated Group covenant and agree that money on deposit in any Debt Service Reserve Fund, whether or not such money was derived from the proceeds of the sale of any Tax-Exempt Related Bonds or from any other sources, and whether or not any Tax-Exempt Related Bonds are Outstanding, will not be used in a manner that would cause any Tax-Exempt Related Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; provided, however, that the Master Trustee shall have no obligation to pay any amounts

necessary to comply with this covenant other than from money received by the Master Trustee from the Members of the Obligated Group. The Master Trustee shall not knowingly violate the requirements of Section 148 of the Code. The Master Trustee shall be fully protected in conclusively relying upon any written investment instruction given by an Obligated Group Representative. In the event the Obligated Group Representative is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Master Trustee pursuant to this Section 3.14, or to use such money in certain manners, in order to avoid any Tax-Exempt Related Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code as such may be applicable to such Tax-Exempt Related Bonds at such time, the Obligated Group Representative may issue to the Master Trustee a written certificate to such effect and appropriate instructions, in which event the Master Trustee shall take such action as is set forth in such certificate and instructions, irrespective of whether the Master Trustee shares such opinion.

(q) The Master Trustee may make investments directed or permitted by this Section 3.14 through its own bond department.

Section 3.15 Liquidity Covenant. (a) The Obligated Group covenants that it will calculate the Days' Cash on Hand of the Obligated Group as of each Liquidity Testing Date. The Obligated Group shall, not less than 45 days after each Liquidity Testing Date occurring on June 30 and not less than 120 days after each Liquidity Testing Date occurring on December 31, deliver an Officer's Certificate setting forth such calculation for such Liquidity Testing Date to the Master Trustee.

(b) Each Member of the Obligated Group shall conduct its business so that on each Liquidity Testing Date the Obligated Group shall have no less than 120 Days' Cash on Hand (the "Liquidity Requirement").

(c) If the Days' Cash on Hand on any Liquidity Testing Date shall be less than the Liquidity Requirement, the Obligated Group Representative shall, within 45 days after delivering the Officer's Certificate pursuant to Section 3.10 disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of each Member of the Obligated Group to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to achieve the Liquidity Requirement on future Liquidity Testing Dates.

(d) If the Obligated Group has not achieved the Liquidity Requirement by the next Liquidity Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Members of the Obligated Group shall, within 30 days after delivery of the Officer's Certificate disclosing such second consecutive deficiency (or such later date permitted under this Indenture), retain a Management Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group, the Obligated Group's methods of operation and other factors affecting its financial condition in order to achieve the Liquidity Requirement on future Liquidity Testing Dates. Each Member of the Obligated Group shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member of the Obligated Group) and permitted by law and, if applicable, its status as a Tax-Exempt Organization.

(e) Upon selecting a Management Consultant as required by subsection (d) above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant in the same manner provided in this Section 3.15.

(f) Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation.

(g) If the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under this Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default, with the giving of notice pursuant to Section 4.12.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01 Events of Default. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the redemption premium, if any, or interest on any Obligation issued and Outstanding hereunder, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating such Obligations and under such Obligations, when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the

terms thereof, of this Master Indenture or of any Supplement; provided that a failure to make any payments hereunder (other than any payment with respect to Indebtedness of any Member of the Obligated Group), shall have occurred at least ten (10) days after the date on which written notice of such failure to make payment shall have been given to the Members of the Obligated Group by the Master Trustee;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any material covenant or agreement on its part under this Master Indenture, other than as described in Section 4.01(a), for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such thirty (30) day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under the Mortgage or a Related Bond Indenture or upon a Related Bond;

(d) Any Member of the Obligated Group shall fail to pay promptly or otherwise satisfy and discharge any Outstanding Indebtedness (other than Obligations issued and Outstanding hereunder and Related Bonds), the principal amount of which as of the date of such default is in excess of one-half of one percent (1/2%) of Income Available for Debt Service for the most recent Fiscal Year for which Financial Statements are available, whether such Indebtedness now exists or shall hereafter be created, as and when the same becomes due and payable and any period of grace with respect thereto shall have expired, or another event of default as defined in any instrument, indenture or mortgage evidencing or securing such Indebtedness shall occur, which event of default shall not have been waived by the holder of such instrument, indenture or mortgage, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default if the validity, amount or collectability of such Indebtedness is being contested in good faith and the applicable Member of the Obligated Group establishes and maintains reserves satisfactory to the Master Trustee, based on the advice of such third party advisors as the Master Trustee may retain in its sole discretion, for the payment of such Indebtedness pending the outcome of such contest;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by any Member of the Obligated Group in furtherance of any such action.

Section 4.02 Acceleration: Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon the written request of (i) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to said Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event the Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued on such principal amount to the date of payment of such principal (or in the case of an Obligation that evidences and secures Derivative Obligations, an amount equal to the amount due upon termination of the Derivative Agreement).

(b) At any time after the Obligations shall have been declared to be immediately due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest or other payments and all principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may, and upon the written request of Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 4.03 Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) suit upon all or any part of the Obligations;
- (iii) civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;
- (iv) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;
- (v) enforcement of the rights of the Master Trustee as a secured party under the UCC;
- (vi) enforcement of any other right of the Holders conferred by law or hereby; and
- (vii) enforcement of any of the rights of the Master Trustee as beneficiary under the Mortgage.

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

Section 4.04 Application of Gross Receipts and Other Moneys after Default. During the continuance of an Event of Default all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees, expenses and liabilities of the Master Trustee under this Master Indenture and (ii) in the sole discretion of the Master Trustee, the payment of the expenses of operating any Member of the Obligated Group, shall be applied as follows:

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

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

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference, except Contract Obligations and Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations;

Third: To the payment to the Persons entitled thereto of any unpaid Contract Obligations evidenced and secured by Obligations, which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Contract Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Contract Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference, except Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations; and

Fourth: To the payment to the Persons entitled thereto of any unpaid Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Derivative Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Derivative Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference, except Contract Obligations and

Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations;

Second: To the payment of Contract Obligations evidenced and secured by Obligations to the Persons entitled thereto without any discrimination or preference, except Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations; and

Third: To the payment of Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations.

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

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid or provided for, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Notwithstanding any provision of this Master Indenture to the contrary, for the purpose of determining the amount of unpaid principal of and interest on any Outstanding Obligation, the amount paid or available to be paid to the Holder of such Obligation from a Debt Service Reserve Fund securing such Obligation shall be deducted.

Notwithstanding any provision of this Section to the contrary, for purposes of this Section, "interest" on Obligations that evidence and secure Derivative Obligations shall mean regularly scheduled payments under the applicable Derivative Agreement and "principal" of such Obligations shall mean termination payments and any other payment except regularly scheduled payments under the applicable Derivative Agreement. Unless otherwise provided in the Supplement creating an Obligation that evidences and secures Derivative Obligations, payment

of the portion of such Obligation that evidences and secures termination payments and any other payments except regularly scheduled payments under a Derivative Agreement shall be subordinate to payment of other Obligations.

Section 4.05 Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06 Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04, any recovery or judgment shall be for the equal benefit of the Holders. When the Master Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 4.07 Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder and the exercise of any other right or power conferred on the Master Trustee, provided that such direction is not in conflict with any applicable law or the provisions hereof, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of any Holders not joining in such direction and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Holders.

Section 4.08 Termination of Proceeding. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee, the Members of the Obligated Group and the Holders shall continue as if no such proceeding had been taken.

Section 4.09 Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) If directed by the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, the Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02, a default in the payment of the principal of, premium, if any, or interest on or other payment on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10 Appointment of Receiver. Upon the occurrence of any Event of Default, unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Upon the occurrence of an Event of Default, each Member of the Obligated Group hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as such Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12 Notice of Default. Promptly after obtaining knowledge of any Event of Default, each Member of the Obligated Group shall deliver to the Master Trustee, a written notice specifying the nature and period of existence of such Event of Default and the action the Obligated Group is taking and proposes to take with respect thereto.

The Master Trustee shall, within thirty (30) days after it has knowledge of the occurrence of an Event of Default, send to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of, redemption premium, if any, or interest or any other payment on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders (which such determination may be based upon an Opinion of Counsel).

For purposes of this Master Indenture, the Master Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless an officer of the Master Trustee has actual knowledge thereof or unless written notice of any event which is an Event of Default is received by the Master Trustee and such notice references this Master Indenture.

ARTICLE V

THE MASTER TRUSTEE

Section 5.01 Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default, the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee.

(b) In the absence of bad faith or gross negligence on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Master Indenture.

(c) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(d) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own gross negligence, its own grossly negligent failure to act, or its own willful misconduct, except that:

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was grossly negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture, except under the circumstances set forth in subsection (c) of Section 4.09 requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02 Certain Rights of Master Trustee. Except as otherwise provided in Section 5.01:

(a) The Master Trustee may rely conclusively and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction or statement of any Member of the Obligated Group mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or any assistant secretary of the Member of the Obligated Group to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate.

(d) The Master Trustee may consult with any counsel, independent auditor or other expert selected by the Master Trustee and the written advice of such party or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Master Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless one or more Holders or such Holders making such request shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances, which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Member of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(h) No permissive right of the Master Trustee hereunder, including the authority to enter into Supplements or take other actions, shall be construed as a duty, and the Master Trustee shall be under no obligations to take any such action or exercise any such right. The Master Trustee shall not be answerable for anything other than its gross negligence or willful misconduct.

(i) The Master Trustee shall not be accountable for the use or application by any Member of the Obligated Group of any of the Obligations or Related Bonds or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Master Indenture or for the use and application of money received by any paying agent. The Master Trustee shall not be required to give any bond or surety with respect to the execution of its rights and obligations hereunder.

(j) Notwithstanding the effective date of this Master Indenture or anything to the contrary in this Master Indenture, the Master Trustee shall have no liability or responsibility for any act or event relating to this Master Indenture which occurs prior to the date the Master Trustee formally executes this Master Indenture and commences acting as Master Trustee hereunder.

(k) The Master Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Obligations or Related Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Obligations or Related Bonds.

(l) Notwithstanding anything contained herein or in any Mortgage (including the Borrower Deed of Trust) to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Master Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Master Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses (including attorney's fees, costs and expenses) to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action and the Master Trustee shall not be required to take such foreclosure action if it reasonably determines that the approval of a governmental regulator that cannot be obtained is necessary for such foreclosure action.

(m) The Master Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Master Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Master Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(n) The Master Trustee agrees to accept and act upon instructions or directions pursuant to this Master Indenture or any Mortgage sent by the any Member of the Obligated Group, as the case may be, by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that each Member of the Obligated Group, respectively, shall provide to the Master Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If a Member of the Obligated Group, as applicable, elects to give the Master Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Master Trustee in its discretion elects to act upon such instructions, the Master Trustee's understanding of such instructions shall be deemed controlling. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Each Member of the Obligated Group, as applicable, agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(o) The Master Trustee shall not be responsible or liable for the environmental condition or any contamination of any property secured by any mortgage or deed of trust or for any diminution in value of any such property as a result of any contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant. The Master Trustee shall not be liable for any claims by or on behalf of the Holders or any other person or entity arising from contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of any such property or with respect to compliance of any such property under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(p) The Master Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Obligated Group, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made.

(q) The Master Trustee shall not be responsible or liable for, special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Master Trustee has been advised of the likelihood of such loss or damage and regardless of the form of actions

Section 5.03 Right to Deal in Obligations and Related Bonds. The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Section 5.04 Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, or no event has occurred or is continuing that, after notice or passage of time or both, would become an Event of Default, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and each Holder at the address then reflected on the books of the Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or the Holders at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

There shall at all times be a Master Trustee hereunder, which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, and having a combined capital and surplus of at least \$100,000,000, either directly or by a guarantee of a corporation related to the Master Trustee. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee ceases to be eligible as above provided, it shall resign immediately in accordance with the terms of this Section 5.04.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

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

Section 5.05 Compensation and Reimbursement. Each Member of the Obligated Group, respectively, agrees jointly and severally:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee promptly upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be determined to have been directly caused by the Master Trustee's gross negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. Such indemnification of the Master Trustee shall survive the termination of this Master Indenture or the sooner resignation or removal of the Master Trustee.

Section 5.06 Recitals and Representations. The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, respectively, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations or any Related Bonds, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

Section 5.07 Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, shall appoint, one or more Persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or

desirable, subject to the remaining provisions of this Section. If no Event of Default shall have occurred and be continuing, or no event has occurred or is continuing that, after notice or passage of time or both, would become an Event of Default, any co-trustee or separate trustee appointed pursuant to this Section shall be subject to the written approval of the Obligated Group, evidenced by an instrument in writing signed by the Obligated Group Representative.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or by the Master Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to perform all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

ARTICLE VI

SUPPLEMENTS AND AMENDMENTS

Section 6.01 Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein which shall not materially and adversely affect the interests of the Holders.
- (b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).
- (d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Obligations as permitted hereunder.
- (f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.09.
- (g) To comply with the provisions of any federal or state securities law.

Section 6.02 Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 and subject to the terms and provisions and limitations contained in this Article, and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time,

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anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

- (i) Effect a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, interest or any other payment on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;
 - (ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or
 - (iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.
- (b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or any assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement, the Master Trustee shall, at the expense of the Obligated Group, cause notice of the proposed execution of such Supplement to be mailed, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Master Trustee for inspection by all Holders. The Master Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplement when approved and consented to as provided in this Section. If, following such notice, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent

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Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

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

Section 6.03 Execution and Effect of Supplements. (a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to conclusively rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby and that all conditions precedent thereto have been satisfied. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

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

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

ARTICLE VII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01 Satisfaction and Discharge of Indenture. If (a) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (b) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the

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same shall have been deposited with the Master Trustee, or (c) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group, and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees jointly and severally to reimburse the Master Trustee for any costs or expenses theretofore and thereafter properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations. In the event that this Master Indenture is being satisfied and discharged with Defeased Obligations, the Master Trustee shall be entitled to obtain (at the sole expense of the Obligated Group) and conclusively rely upon a verification report or similar report from an accountant or other expert, and an Opinion of Counsel to the effect that all conditions precedent to the defeasance of the Obligations have been satisfied.

Section 7.02 Payment of Obligations after Discharge of Lien. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, or interest on any Obligation remaining unclaimed for five years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

ARTICLE VIII

CONCERNING THE HOLDERS

Section 8.01 Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders, (i) the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding; provided, however, if the Related Bond Indenture so provides, if at any time a letter of credit or bond insurance policy secures payment of the principal of and interest on such Related Bonds, then the provider of such letter of credit or bond insurance policy shall be deemed to be the Holder of such Related Bonds except during any period when such provider has failed to honor its obligations under such letter of credit or bond insurance policy, (ii) the amount of any Obligation that evidences and secures Contract

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Obligations shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted hereunder, and (iii) the principal amount of any Obligation that evidences and secures Derivative Obligations shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted hereunder unless the related Derivative Agreement has terminated, in which case the principal amount of such Obligation shall be deemed to be the amount of any termination payment owed to the Holder of such Obligation; provided, however, that no Supplement that would alter the priority of such Obligation with respect to the Pledged Assets or application of moneys under Section 4.04 of this Master Indenture shall be permitted without the consent of the Holder of such Obligation.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing. In connection with the initial offering and sale of Related Bonds, the underwriters (or their representative) of such Related Bonds shall be deemed to be the initial Holders thereof or, if such Related Bonds so provide, may be appointed as attorney-in-fact by the initial purchasers of such Related Bonds for the purpose of consenting to any request, direction, consent or other instrument to be signed and executed by the Holders.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

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

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

Section 8.02 Obligations or Related Bonds Owned by Members of Obligated Group. In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other

action under this Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which a Responsible Officer of the Trustee has actual notice or knowledge are so owned shall be so disregarded. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee. "Responsible Officer" means, when used with respect to the Master Trustee, any vice president, assistant vice president, senior associate or any successor corporate trust office customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in Section 9.08 because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Master Indenture.

Section 8.03 Instruments Executed by Holders Bind Future Holders. At any time prior to (but not after) the Master Trustee takes action in reliance upon evidence, as provided in Section 8.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.01, revoke such action so far as concerns such Obligation or Related Bond. Except upon such revocation any such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond, and of any Obligation or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

Section 9.02 Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 9.03 Holidays. Except to the extent a Supplement or an Obligation provides otherwise:

- (a) Subject to subsection (b) of this Section, when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period is not a Business Day, the action may be done on the next Business Day with effect as though done on the day or within the time period named.
- (b) When the date on which principal of or interest or premium or other payment on any Obligation is due and payable is not a Business Day, payment may be made on the next Business Day with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 9.04 Governing Law. This Master Indenture is a contract made under the laws of the State and shall be governed by and construed in accordance with such laws but without regard to conflict of law principles.

Section 9.05 Counterparts. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.06 Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, interest on or other payment on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of any Member of the Obligated Group, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

Section 9.07 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Member of the Obligated Group, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

Section 9.08 Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

- (i) If to any Member of the Obligated Group, addressed to c/o Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, 1900 Lauderdale Drive, Henrico, Virginia 23238 (Attention: Chief Financial Officer);
 - (ii) If to the Master Trustee, addressed to 1021 East Cary Street, Suite 1850, Richmond, Virginia 23219 (Attention: Corporate Trust Department); or
 - (iii) If to any Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.
- (b) Any Member of the Obligated Group, or the Master Trustee may from time to time by notice in writing to the other and to the Holders designate a different address or addresses for notice hereunder.

Section 9.09 Consents and Approvals. Whenever the written consent or approval of the Obligated Group or the Master Trustee, shall be required under the provisions of this Master Indenture, such consent or approval shall not be unreasonably withheld or delayed. Unless otherwise specified herein, consents of the Obligated Group shall be executed and delivered on behalf of the Obligated Group by the Obligated Group Representative.

Section 9.10 U.S.A. Freedom Act Requirements of the Master Trustee. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Master Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity verifying its information as a legal entity. The Master Trustee may also seek financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[Signature Page Follows]

IN WITNESS WHEREOF, each Member of the Obligated Group has caused this Master Indenture to be executed in its name and on its behalf by its duly authorized officer and to evidence its acceptance of the trusts hereby created, the Master Trustee has caused this Master Indenture to be signed in its name and on its behalf by its duly authorized officer, all of as of the day and year first above written.

**VIRGINIA BAPTIST HOMES, INC., D/B/A
LIFESPIRE OF VIRGINIA**

By: _____
Its: President and Chief Executive Officer
Name: Jonathan R. Cook

**CULPEPER BAPTIST RETIREMENT
COMMUNITY, INC.**

By: _____
Its: President and Chief Executive Officer
Name: Jonathan R. Cook

**LAKEWOOD MANOR BAPTIST
RETIREMENT COMMUNITY, INC.**

By: _____
Its: President and Chief Executive Officer
Name: Jonathan R. Cook

**NEWPORT NEWS BAPTIST RETIREMENT
COMMUNITY, INC., D/B/A THE
CHESAPEAKE**

By: _____
Its: President and Chief Executive Officer
Name: Jonathan R. Cook

[Signature Page to Amended and Restated Master Trust Indenture]

[Signature Page to Amended and Restated Master Trust Indenture]

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

By: _____
Assistant Vice President

EXHIBIT A

Description of Excluded Real Property

The Globe Property

[Description to be inserted]

The Culpeper Farm

[Description to be inserted]

EXHIBIT B

Subordinate Indebtedness

(The term "debentures" is used in the provisions set forth below to designate the instruments issued to evidence subordinated debt and the term "this Indenture" to designate the instrument, indenture or other document containing such provisions.)

All debentures issued under this Indenture shall be issued subject to the following provisions and each person taking or holding any such debenture whether upon original issue or upon transfer or assignment thereof accepts and agrees to be bound by such provisions.

All debentures issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right to the prior payment in full of Superior Indebtedness as defined in this Section. For all purposes of this Section the term "Superior Indebtedness" shall mean all Obligations and Guaranties now or hereafter issued and outstanding under that certain Amended and Restated Master Trust Indenture dated as of October 1, 2016 between Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake and U.S. Bank National Association, as master trustee (the "Master Trustee"), as supplemented and modified to the date hereof, or as the same may hereafter from time to time be further supplemented and modified (the "Master Indenture").

No payment on account of principal, premium, if any, sinking funds or interest on the debentures shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the debentures, unless full payment of amounts then due and payable for principal, premium, if any, sinking funds and interest on Superior Indebtedness has been made or duly provided for in accordance with the terms of such Superior Indebtedness. No payment on account of principal, premium, if any, sinking funds or interest on the debentures shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the debentures, if, at the time of such payment or application or immediately after giving effect thereto, (i) there shall exist a default in the payment of principal, premium, if any, sinking funds or interest with respect to any Superior Indebtedness or (ii) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Superior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof and written notice of such occurrence shall have been given to the issuer of the debentures pursuant to the instrument under which such Superior Indebtedness is outstanding and such event of default shall not have been cured or waived or shall not have ceased to exist.

Upon (i) any acceleration or maturity of the principal amount due on the debentures or (ii) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or total or partial liquidation, reorganization or arrangement of the issuer of the debentures, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due upon all Superior Indebtedness shall first be paid in full, or payment thereof provided for in accordance with the terms of such Superior Indebtedness, before any payment is made on

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account of the principal, premium, if any, or interest on the indebtedness evidenced by the debentures, and upon any such dissolution or winding up or liquidation, reorganization or arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the holders of the debentures or the trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the issuer of the debentures, or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Master Trustee to the extent necessary to pay all Superior Indebtedness in full after giving effect to any concurrent payment or distribution to the Master Trustee for the holders of Superior Indebtedness, before any payment or distribution is made to the holders of the indebtedness evidenced by the debentures or to the trustee under this indenture.

In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by the trustee under this Indenture or by the holders of the debentures before all Superior Indebtedness is paid in full or provision made for such payment in accordance with the terms of such Superior Indebtedness, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Master Trustee for application to the payment of, all Superior Indebtedness remaining unpaid to the extent necessary to pay all such Superior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the Master Trustee for the holders of such Superior Indebtedness.

No present or future holder of Superior Indebtedness shall be prejudiced in his right to enforce subordination of the indebtedness evidenced by the debentures by any act or failure to act on the part of the issuer of the debentures or anyone in custody of its assets or property.

The foregoing subordination provisions shall be for the benefit of the holders of Superior Indebtedness and may be enforced by the Master Trustee against the holders of debentures or any trustee therefor.

Provided, however, that the indentures or other instruments creating or evidencing subordinated debt or pursuant to which any subordinated debt is issued shall provide: (i) that the foregoing provisions are solely for the purpose of defining the relative rights of the holders of "Superior Indebtedness" (as defined therein) on the one hand and the holders of the subordinated debt on the other hand, and that nothing therein shall impair, as between the issuer of the debentures and the holders of the subordinated debt, the obligation of the issuer of the debentures, which is unconditional and absolute, to pay to the holders thereof the principal thereof, premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the subordinated debt or any trustee on their behalf from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights set forth above of the holders of "Superior Indebtedness" to receive cash, property or securities otherwise payable or deliverable to the holders of the subordinated debt, (ii) that upon payment or distribution of assets of the issuer of the debentures of the character referred to in the fourth paragraph of the foregoing provisions, the trustee under any indenture relating to subordinated debt shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding-up, liquidation, reorganization or arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution,

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delivered to said trustee for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of "Superior Indebtedness" and other indebtedness of the issuer of the debentures, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions and (iii) that the trustee under any indenture relating to subordinated debt and any paying agent therefor shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by such trustee or such paying agent, unless and until such trustee or such paying agent, as the case may be, shall have received written notice thereof from the issuer of the debentures or from one or more holders of "Superior Indebtedness" or from the Master Trustee.

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SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 11

between

VIRGINIA BAPTIST HOMES, INC. (D/B/A LIFESPIRE OF VIRGINIA),

**CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. (D/B/A THE
CULPEPER),**

LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.,

**NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC. (D/B/A THE
CHESAPEAKE),**

THE GLEBE, INC.

and

LYNCHBURG BAPTIST RETIREMENT COMMUNITY, LLC

and

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

Dated as of August 1, 2021

**Supplementing the
Amended and Restated Master Trust Indenture
dated as of October 1, 2016**

THIS SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 11, is dated as of August 1, 2021 (as altered, amended, modified, or supplemented, from time to time, this "Supplement"), and is between **VIRGINIA BAPTIST HOMES, INC. (d/b/a LIFESPIRE OF VIRGINIA)**, a Virginia nonstock corporation, **CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. (d/b/a THE CULPEPER)**, a Virginia nonstock corporation, **LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.**, a Virginia nonstock corporation, **NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC. (d/b/a THE CHESAPEAKE)**, a Virginia nonstock corporation, **THE GLEBE, INC.**, a Virginia nonstock corporation and **LYNCHBURG BAPTIST RETIREMENT COMMUNITY, LLC**, a Virginia limited liability company (collectively, the "Borrowers") and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, having a corporate trust office in Richmond, Virginia, as master trustee (the "Master Trustee"), supplementing the Amended and Restated Master Trust Indenture dated as of October 1, 2016 (as amended or supplemented from time to time in accordance with its terms, the "Master Indenture"), between the Borrowers and the Master Trustee.

W I T N E S S E T H:

WHEREAS, the Borrowers are parties to the Master Indenture which provides for the issuance by any Member of the Obligated Group (as defined in the Master Indenture) of their obligations thereunder, upon such Member of the Obligated Group and the Master Trustee entering into an indenture supplemental to the Master Indenture to issue such obligations;

WHEREAS, the Virginia Small Business Financing Authority (the "Authority") is issuing its \$_____ aggregate principal amount Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 (as altered, amended, modified, or supplemented, from time to time, the "Bonds"), pursuant to a Bond Trust Indenture dated as of August 1, 2021 (as altered, amended, modified, or supplemented, from time to time, the "Bond Indenture"); between the Authority and U.S. Bank National Association, as trustee (the "Bond Trustee");

WHEREAS, the Authority will loan the proceeds of the Bonds to the Borrowers under the terms of a Loan Agreement dated as of August 1, 2021 (as altered, amended, modified, or supplemented, from time to time, the "Loan Agreement"), between the Authority and the Borrowers;

WHEREAS, to evidence their obligation to repay the loan of the proceeds of the Bonds, the Borrowers will issue a promissory note in the principal amount of the Bond and dated the date of its delivery (as altered, amended, modified or supplemented from time to time, the "Note");

WHEREAS, the Master Indenture provides that any Member of the Obligated Group (as defined in the Master Indenture) may, on more than one occasion, issue of obligations thereunder (as more particularly defined in the Master Indenture, each an "Obligation");

WHEREAS, the Borrowers desire to issue the Note as an Obligation under the Master Indenture ("Obligation No. 11");

WHEREAS, Section 2.04 of the Master Indenture provides that any Member of the Obligated Group and the Master Trustee may enter into an indenture supplemental to the Master Indenture to issue an Obligation;

WHEREAS, the Borrowers have satisfied the conditions of the Master Indenture to issue Obligation No. 11 as an Obligation on parity with the Outstanding Obligations under the Master Indenture; and

WHEREAS, all acts and things necessary to constitute this Supplement a valid indenture and agreement according to its terms have been done and performed, and the Borrowers have duly authorized the execution and delivery of this Supplement and Obligation No. 11;

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions. All terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein. The following words and phrases shall have the following meanings in this Supplement unless the context otherwise requires:

"Debt Service Reserve Fund Requirement" has the meaning set forth in the Master Indenture, and for purposes of this Supplement is equal to \$_____, as may be modified in accordance with the terms of the Master Indenture to secure additional Tax-Exempt Related Bonds.

"Investment Obligations" means:

- (a) Government Obligations;
- (b) Obligations of the Federal National Mortgage Association, Governmental National Mortgage Association, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks and Federal Home Loan Banks;

(c) Bonds, notes and other evidences of indebtedness unconditionally guaranteed as to payment of principal and interest by the Commonwealth of Virginia or any city, county or town therein;

(d) Savings accounts, time deposits and certificates of deposit in any bank, including the Bond Trustee, or any affiliate thereof, (1) within the Commonwealth of Virginia, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, or (2) within or without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than \$50,000,000;

- (e) Savings accounts and certificates of
 - (1) savings and loan associations that are under supervision of the Commonwealth of Virginia; and

(2) Federal associations organized under the laws of the United States of America and under federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Savings and Loan Insurance Borrowers or any successor federal agency;

(f) "Prime quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by Moody's within its ratings of P-1 or P-2 or by Standard & Poor's within its ratings of A-1 or A-2;

(g) Bankers' acceptances guaranteed by any bank having a combined capital, surplus and undivided profits of not less than \$50,000,000;

(h) Investments in money market funds restricted to Government Obligations and funds rated in the highest rating category by either Moody's, Standard & Poor's or Fitch including any such fund administered by the Master Trustee or for which the Master Trustee, its affiliates or subsidiaries provide investment advisory or other management services; and

(i) Investment Agreements with any bank, registered broker/dealer, insurance company or any other financial institution or corporation, or any subsidiary thereof, with a senior unsecured credit rating of, or claims paying ability of, at least "Aa3" by Moody's or "AA-" by Standard & Poor's or "AA-" by Fitch. The credit rating may be at either the parent or subsidiary level.

"Obligation No. 11" means the Borrowers' promissory note in the principal amount of \$_____ dated the date of its delivery, issued and delivered to the Authority and assigned to the Bond Trustee pursuant to the Indenture and issued as an Obligation under the Master Indenture pursuant to this Supplement, as the same may be altered, amended, modified or supplemented from time to time.

"Supplement" means this Supplemental Indenture for Obligation No. 11 dated as of August 1, 2021, between the Borrowers and the Master Trustee, as the same may be altered, amended, modified or supplemented from time to time.

Section 2. Issuance of Obligation No. 11. (a) There is hereby created and authorized to be issued, as an Obligation under the Master Indenture, Obligation No. 11 in the aggregate principal amount not to exceed \$_____, designated "Promissory Note Constituting Obligation No. 11." Obligation No. 11 shall be issued as a single note, shall be dated the date of its delivery, and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 11 attached to this Supplement as Exhibit A.

(b) Pursuant to Section 3.01 of the Master Indenture, Obligation No. 11 is a joint and several obligation of each Member of the Obligated Group.

Section 3. Payments on Obligation No. 11. Principal of, and interest and any applicable redemption premium on, Obligation No. 11 are payable in lawful money of the United States of America. Payments of principal of and, premium, if any, and interest on Obligation No. 11 shall be made at the times and in the amounts specified in Obligation No. 11 by wire or other transfer of immediately available funds by the Obligated Group depositing the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next preceding Business Day if such date is a Saturday, Sunday or holiday in the city in which the office of the Bond Trustee to which payments are to be made is located), and giving notice to the Master Trustee of each payment of principal, interest or premium on such Obligation, specifying the amount paid and identifying such payment as a payment on Obligation No. 11.

Section 4. Execution and Authentication. Obligation No. 11 shall be manually executed for and on behalf of each Borrower by a duly authorized agent. If any officer or agent whose signature appears on Obligation No. 11 ceases to be such officer or agent before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer or agent had remained in office or position, as applicable, until such delivery. Obligation No. 11 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Obligation No. 11 shall not be entitled to the benefits hereof.

Section 5. Prepayment of Obligation No. 11. Obligation No. 11 is subject to prepayment as set forth therein.

Section 6. Reserve Fund No. 1. (a) The Borrowers and the Master Trustee confirm that Reserve Fund No. 1 was established under the Supplemental Indenture for Obligation No. 1 dated as of October 1, 2016, and was modified by the Supplemental Indenture for Replacement Obligation dated as of December 1, 2017, and the Supplemental Indenture for Obligation No. 8 dated as of December 1, 2017, each between the Borrowers and the Master Trustee.

(b) The Borrowers hereby pledge Reserve Fund No. 1 as security for the Bonds in addition to the other Tax-Exempt Related Bonds secured thereby.

(c) The Borrowers hereby direct the Master Trustee to establish a Series 2021 Account within Reserve Fund No. 1 and deposit \$_____ from the proceeds of the Bonds in that account.

(d) After establishing the Series 2021 Account as set forth in (c) above and making the deposit set forth in (c) above, the Master Trustee has established the following Accounts within Reserve Fund No. 1 with the following amounts deposited in each such Account:

- (i) Series 2016 Account: \$6,297,750
- (ii) Series 2014 Account: \$2,765,100
- (iii) Series 2017C Account: \$3,326,750
- (iv) Series 2021 Account:

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(e) Amounts on deposit in Reserve Fund No. 1 shall be invested, at the written direction of the Borrowers, in Investment Obligations.

Section 7. Amendments to Master Indenture. Set forth below are proposed amendments (the "Proposed Amendments") to the Master Indenture. The Master Trustee acknowledges that by their purchase of the Bonds, the initial purchasers of the Bonds as the beneficial owners of Obligation No. 11 have consented to the Proposed Amendments and that therefore the consent of the Holders of Obligation No. 11 has been obtained as provided in Section 8.01 of the Master Indenture. Such amendments shall be effective when the Master Trustee has received evidence reasonably acceptable to the Master Trustee that the Proposed Amendments have been approved by the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding pursuant to Sections 6.02 and 8.01 of the Master Indenture.

(a) Section 1.01 of the Master Indenture would be amended by amending and restating the last paragraph of the definition of "Income Available for Debt Service" as set forth below:

For purposes of calculating the Long-Term Debt Service Coverage Ratio pursuant to Section 3.07, the Obligated Group may exclude from total expenses Start-Up Expenses solely related to capital improvements consisting, in whole or in part, of living units or beds, as long as the Long-Term Debt Service Requirement with respect to any Indebtedness incurred or to be incurred to acquire such capital improvements shall be excluded for purposes of such calculation as provided in Section 3.07 or if the marketing expenses are otherwise funded with the proceeds of Long-Term Indebtedness.

Section 8. Special Covenants Regarding the Deed of Trust. The Borrowers are issuing Obligation No. 11, in part, with the expectation that the Company will acquire certain real estate in Lynchburg, Virginia, that is related to other assets that will be acquired by Lynchburg Baptist Retirement Community, LLC (the "Lynchburg Borrower"). If the Company uses any proceeds of Obligation No. 11 to acquire this real estate or if the Borrowers use any proceeds of Obligation No. 11 to acquire any improvements to real property, the Company and the appropriate Borrowers will deliver a Mortgage and title insurance policy required by Section 3.13 of the Master Indenture.

Section 9. Discharge of Supplement. Upon payment by the Obligated Group of a sum in cash or Defeasance Obligations, or both, sufficient, together with any other cash and obligations held by the Bondholder and available for such purpose, to cause all of the outstanding principal of and premium, if any, and accrued interest on the Bonds to be deemed to have been paid within the meaning of Section 801 of the Indenture and to pay all other amounts referred to in such Section 801 to be paid, Obligation No. 11 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture, Obligation No. 11 shall no longer be an Obligation under the Master Indenture and this Supplement shall cease to be of further effect.

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Section 10. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 11. Severability. If any provision of this Supplement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 12. Counterparts. This Supplement may be executed in several counterparts, each of which together shall be an original and all of which shall constitute one instrument.

Section 13. Governing Law. This Supplement shall be governed by and construed in accordance with laws of the Commonwealth of Virginia, without regard to conflicts of law principles thereof.

Section 14. U.S.A. Patriot and Freedom Act. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly the Master Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity verifying its formation as a legal entity. The Master Trustee may also request identifying information to sufficiently verify the identities of individuals claiming authority to represent the entity.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Borrowers has caused this Supplement to be signed in its name and on its behalf by its duly authorized officers or agents (it being specifically acknowledged that all Borrowers have the same person serving in the office of President and Chief Executive Officer and each intends to be bound by his single signature below) and, to evidence its acceptance of the trusts hereby created, the Master Trustee has caused this Supplement to be signed in its name and on its behalf by its duly authorized officer, all as of the date first above written.

- VIRGINIA BAPTIST HOMES, INC. (d/b/a
LIFESPIRE OF VIRGINIA),
- CULPEPER BAPTIST RETIREMENT
COMMUNITY, INC. (d/b/a THE CULPEPER),
- LAKWOOD MANOR BAPTIST
RETIREMENT COMMUNITY, INC.,
- NEWPORT NEWS BAPTIST RETIREMENT
COMMUNITY, INC. (d/b/a THE
CHESAPEAKE),
- THE GLEBE, INC. and
- LYNCHBURG BAPTIST RETIREMENT
COMMUNITY, LLC

Each By: _____
Jonathan R. Cook
President and Chief Executive Officer

U.S. BANK NATIONAL ASSOCIATION, as
Master Trustee

By: _____
Authorized Officer

[Signature Page to Supplemental Indenture for Obligation No. 11]

EXHIBIT A
FORM OF OBLIGATION NO. 11

(See Attached)

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BOND TRUST INDENTURE

between

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

August 1, 2021

Relating to

\$
Virginia Small Business Financing Authority
Residential Care Facilities Revenue and Refunding Bonds
(LifeSpire of Virginia)
Series 2021

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This **BOND TRUST INDENTURE** is dated as of August 1, 2021, and is between the **VIRGINIA SMALL BUSINESS FINANCING AUTHORITY**, a political subdivision of the Commonwealth of Virginia (the "Authority"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as trustee (in such capacity, together with any successor in such capacity the "Bond Trustee");

WHEREAS, the Authority is empowered by the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended (the "Act") to issue its revenue bonds for the purpose of lending the proceeds of the sale of such bonds to eligible businesses in order to promote and develop industrial development and to further the long-term economic development of the Commonwealth of Virginia through the improvement of its tax base and the promotion of employment;

WHEREAS, to further the purposes of the Act, the Authority has determined to issue its Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 (the "Series 2021 Bonds") in an aggregate principal amount of \$_____ and use the proceeds thereof to make a loan to Virginia Baptist Homes, Inc. (d/b/a LifeSpire of Virginia, the "LifeSpire Borrower"), and the LifeSpire Borrower's affiliates: Culpeper Baptist Retirement Community, Inc. (d/b/a The Culpeper, the "Culpeper Borrower"), Lakewood Manor Baptist Retirement Community, Inc. (the "Henrico Borrower"), Newport News Baptist Retirement Community, Inc. (d/b/a The Chesapeake (the "Newport News Borrower"), The Glebe, Inc. (the "Daleville Borrower") and Lynchburg Baptist Retirement Community, LLC (the "Lynchburg Borrower" and collectively, with the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower, Newport News Borrower and the Daleville Borrower, the "Borrowers"), under the terms of a Loan Agreement dated as of the date hereof (as altered, amended, modified, or supplemented, from time to time, the "Loan Agreement"), between the Authority and the Borrowers;

WHEREAS, the Borrowers will use the proceeds of the Series 2021 Bonds:

- (1) to finance and refinance the construction of approximately 36 independent living dwellings, site work, infrastructure and connectivity improvements and other related facilities at the Borrowers' community known as The Culpeper, located in and around 12425 Village Loop, Culpeper, Virginia and to finance various capital projects at The Culpeper in and around the existing structures;
- (2) to refinance the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bonds, Series 2017A and Series 2017B (and associated swap termination payments), which financed and refinanced a replacement facility and related improvements at The Culpeper;
- (3) to finance and refinance the construction of approximately 19 independent living dwellings, site work, infrastructure and connectivity improvements and other related facilities at the Borrowers' community known as Lakewood, located in and around 1900 Lauderdale Drive, Henrico, Virginia and to finance various capital projects at Lakewood in and around the existing structures;

(4) to finance and refinance the acquisition of certain existing independent living and assisted living facilities and vacant land in and around 1400 Enterprise Drive, Lynchburg, Virginia 24502 at a life plan community currently known as The Summit and to finance various capital projects at these facilities in and around the existing structures; and

(5) to finance, if and as needed, amounts required for reserves, working capital, capitalized interest, costs of issuance and other financing expenses related to the issuance of the Series 2021 Bonds (collectively (1), (2), (3), (4) and (5) constitute the "Plan of Finance" and (1), (3), (4) and (5) above constitute the "New Money Project");

WHEREAS, simultaneously with the issuance of the Series 2021 Bonds, the Borrowers will execute and deliver to the Authority a Promissory Note in the principal amount of the Series 2021 Bonds constituting Obligation No. 11 ("Obligation No. 11") under the Master Indenture (as hereinafter defined), secured by the Master Indenture and the Deed of Trust (as hereinafter defined);

WHEREAS, the Authority is entering into this Bond Indenture for the purpose of authorizing the Series 2021 Bonds and securing the payment thereof by assigning its rights as registered owner of Obligation No. 11 and certain of its rights under the Loan Agreement;

WHEREAS, the Series 2021 Bonds and the Bond Trustee's certificate of authentication thereon are to be in substantially the form attached hereto as Exhibit A, with appropriate variations, omissions and insertions as permitted or required by this Bond Indenture; and

WHEREAS, all things necessary to make the Series 2021 Bonds, when authenticated by the Bond Trustee and issued as provided in this Bond Indenture, valid, binding and legal limited obligations of the Authority and to constitute this Bond Indenture a valid and binding agreement securing the payment of the principal of and premium, if any, and interest on all Series 2021 Bonds issued and to be issued hereunder have been done and performed, and the execution and delivery of this Bond Indenture and the execution and issuance of the Series 2021 Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS BOND INDENTURE FURTHER WITNESSETH:

That, as security for payment of the principal of, premium, if any, and interest on the Series 2021 Bonds when due, and for the funds which may be advanced by the Bond Trustee pursuant hereto, the Authority does hereby pledge and assign to, and grant a security interest to the Bond Trustee in, the following described property:

A. Obligation No. 11, and all rights, title and interest of the Authority under, in and to the Loan Agreement, Obligation No. 11, the Master Indenture and the Deed of Trust, and all revenues and receipts receivable by the Authority therefrom and the security therefor including the Deed of Trust (except the Authority's Unassigned Rights, as hereinafter defined), but excluding the payments made directly to the Authority under Sections 4.1(b)(1), 4.1(b)(2) and 5.5 of the Loan Agreement.

B. The funds, including moneys, investment income and investments therein, held by the Bond Trustee under the terms of this Bond Indenture.

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C. All other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security hereunder by the Authority or by anyone properly authorized on its behalf or with its written consent in favor of the Bond Trustee, which is hereby authorized to receive all such property at any time and to hold and apply it subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Bond Trustee and its assigns forever.

IN TRUST, however, for the equal and proportionate benefit and security of the holders from time to time of the Series 2021 Bonds issued under and secured by this Bond Indenture, without privilege, priority or distinction as to the lien or otherwise of any of the Series 2021 Bonds over any of the others except as on the terms and conditions hereinafter stated.

The Authority hereby covenants and agrees with the Bond Trustee and with the respective registered owners, from time to time, of the Series 2021 Bonds as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. Unless otherwise required by the context, all words and terms defined in the Loan Agreement and the Master Indenture shall have the same meaning in this Bond Indenture. In addition, the following words and terms shall have the following meanings in this Bond Indenture unless the context otherwise requires:

"Act" has the meaning assigned to it in the Recitals.

"Additional Deed of Trust" means the Second Amended and Restated Deed of Trust and Security Agreement and Substitution of Deed of Trust Trustees dated as of December 1, 2017, from the LifeSpire Borrower and the Daleville Borrower to the deed of trust trustees named therein, as the same may be altered, amended, modified or supplemented from time to time.

"Authority" means the Virginia Small Business Financing Authority, a political subdivision of the Commonwealth of Virginia, and its successors.

"Authorized Representative of the Borrowers" means the Chief Executive Officer or the Chief Financial Officer of the LifeSpire Borrower or any other person or persons designated to act on behalf of the Borrowers by certificate signed by the Chief Executive Officer or the Chief Financial Officer of the LifeSpire Borrower and filed with the Authority and the Bond Trustee.

"Bond Counsel" means an attorney or firm of attorneys nationally recognized on the subject of municipal bonds and reasonably acceptable to the Bond Trustee and the Authority.

"Bond Fund" means the Bond Fund established by Section 601.

"Bond Indenture" means this Bond Trust Indenture, as the same may be altered, amended, modified, or supplemented, from time to time.

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"Bond Trustee" means the Bond Trustee at the time serving as such under this Bond Indenture, whether the original or successor trustee.

"Bondholder", "bondholder" or "Holder" means the registered owner of any Series 2021 Bond.

"Borrower Deed of Trust" has the meaning assigned to it in the Master Indenture.

"Borrowers" has the meaning assigned to it in the Recitals.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions are authorized or obligated by law to close in the Commonwealth of Virginia or at the place where the designated corporate trust office of the Bond Trustee is located.

"Code" means the Internal Revenue Code of 1986, as amended.

"Completion Certificate" means the certificate as to completion of the New Money Project required by Section 504.

"Construction Fund" means the Construction Fund established by Section 501.

"Cost of Issuance Fund" means the Cost of Issuance Fund established by Section 506.

"Cost of the Project" means the "Cost of the Project" as set forth in Section 502.

"Costs of Issuance" has the meaning assigned to it in the Tax Agreement.

"Culpeper Borrower" has the meaning assigned to it in the Recitals.

"Daleville Borrower" has the meaning assigned to it in the Recitals.

"Deed of Trust" means collectively, the Additional Deed of Trust and the Borrower Deed of Trust.

"Defeasance Obligations" means (i) cash; (ii) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series ("SLGS")); (iii) direct obligations of the United States Treasury that have been stripped by the Treasury itself, CATS, TIGRS and similar purchase certificates or other instruments evidencing an undivided ownership in payments of the principal of or interest on direct obligations of the United States Treasury.

"DTC" has the meaning assigned to it in Section 212.

"Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Master Trustee, or another method or system specified by the Master Trustee as available for use in connection with its services hereunder.

"Event of Default" means any of the events enumerated in Section 901.

"Facilities" has the meaning assigned to it in the Master Indenture.

"Fitch" means Fitch Ratings or its successors in the business of providing investment rating services, provided that if neither Fitch nor any successor is then in such business, the references to Fitch and ratings thereof shall no longer be requirements of the financing documents for the Series 2021 Bonds.

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

"Henrico Borrower" has the meaning assigned to it in the Recitals.

"Interest Account" means the Interest Account established in the Bond Fund.

"Interest Payment Date" has the meaning assigned to it in Section 202 herein.

"Letter of Representations" means the Blanket Letter of Representations dated January 2, 1997, from the Authority to DTC and any amendments thereto or successor agreements between the Authority and any successor securities depository, relating to a book-entry system to be maintained by the securities depository with respect to the Series 2021 Bonds.

"Loan Agreement" means the Loan Agreement dated as of the date hereof, between the Authority and the Borrowers, as the same may be altered, amended, modified or supplemented from time to time.

"Lynchburg Borrower" has the meaning assigned to it in the Recitals.

"Master Indenture" means the Amended and Restated Master Trust Indenture dated as of October 1, 2016, among the Borrowers and the Master Trustee, as supplemented and amended from time to time, including by the Supplemental Indenture for Obligation No. 11, including any future amendments or supplements thereto.

"Master Trustee" means U.S. Bank National Association, as Master Trustee under the Master Indenture, and successors thereto.

"Moody's" means Moody's Investors Service, Inc. or its successors in the business of providing investment rating services, provided that if neither Moody's nor any successor is then in such business the reference to Moody's and ratings thereof shall no longer be requirements of the financing documents for the Series 2021 Bonds.

"Mortgaged Property" has the meaning assigned to it in the Master Indenture.

"New Money Project" has the meaning assigned to it in the Recitals.

"Newport News Borrower" has the meaning assigned to it in the Recitals.

"Obligated Group" has the meaning assigned to it in the Master Indenture.

"Obligation No. 11" means the Borrowers' Promissory Note Constituting Obligation No. 11 in the initial principal amount of \$_____ dated the date hereof, issued under the Master Indenture and delivered to the Authority under the Loan Agreement

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

"Outstanding" or "Bonds outstanding" means all Series 2021 Bonds that have been authenticated and delivered by the Bond Trustee under this Bond Indenture, except the following:

(a) Series 2021 Bonds canceled or purchased by or delivered to the Bond Trustee for cancellation under the provisions of this Bond Indenture;

(b) Series 2021 Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Bond Trustee;

(c) Series 2021 Bonds deemed paid under Section 801 of this Bond Indenture; and

(d) Series 2021 Bonds that have been authenticated under Section 204 of this Bond Indenture (relating to registration and exchange of Series 2021 Bonds) or Section 210 of this Bond Indenture (relating to mutilated, lost, stolen, destroyed or undelivered Series 2021 Bonds) in lieu of other Series 2021 Bonds.

"Plan of Finance" has the meaning assigned to it in the Recitals.

"Permitted Liens" has the meaning assigned to it in the Master Indenture.

"Prime Rate" means the rate per year announced from time to time by the Bond Trustee, as its prime rate, with any change in the Prime Rate being effective as of the date such announced prime rate is changed.

"Principal Account" means the Principal Account established in the Bond Fund.

"Reserve Fund No. 1" has the meaning assigned to it in Supplemental Indenture for Obligation No. 11.

"Requisition" means a requisition in substantially the form of Exhibit B.

"Series 2017A Bond" means the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bond, Series 2017A.

"Series 2017B Bond" means the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bond, Series 2017B.

"Series 2021 Bonds" means the Authority's Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 in the aggregate principal amount of

\$_____ authorized to be issued under Section 201, as the same may be altered, amended, modified, or supplemented, from time to time.

"S&P" means S&P Global Ratings, or its successors in the business of providing investment rating services, provided that if neither S&P nor any successor is then in such business the references to S&P and ratings thereof shall no longer be requirements of the financing documents for the Series 2021 Bonds.

"Supplemental Indenture for Obligation No. 11" means the Supplemental Indenture for Obligation No. 11 dated the date hereof, among the Borrowers and the Master Trustee.

"Tax Agreement" means the Tax Certificate and Agreement dated July __, 2021, between the Authority and the Borrowers.

"Term Bonds" means the Series 2021 Bonds maturing on ____ 1, 20____ (in the principal amount of \$_____ and bearing interest at ____%,) ____ 1, 20____ (in the principal amounts of \$_____ and bearing interest at ____%,) and ____ 1, 20____ (in the principal amounts of \$_____ and bearing interest at ____%,).

"Unassigned Rights" means the rights of the Authority under the Loan Agreement to payment of fees and expenses, indemnification, receipt of notices and to give and withhold its consent.

Section 102. Rules of Construction. The following rules shall apply to the construction of this Bond Indenture unless the context otherwise requires:

(a) Singular words shall connote the plural number as well as the singular and vice versa.

(b) Words importing the redemption or calling for redemption of Series 2021 Bonds shall not be deemed to refer to or connote the payment of Series 2021 Bonds at their stated maturity.

(c) All references herein to particular articles or sections are references to articles or sections of this Bond Indenture.

(d) The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Bond Indenture nor shall they affect its meaning, construction or effect.

(e) All references herein to the payment of Series 2021 Bonds are references to payment of principal of and interest on Series 2021 Bonds.

(f) All accounting terms used herein which are not otherwise expressly defined in this Bond Indenture have the meanings respectively given to them in accordance with accounting principles generally accepted in the United States (GAAP). Except as otherwise expressly provided herein, all financial computations made under this Bond Indenture shall be

made in accordance with GAAP and all balance sheets and other financial statements shall be prepared in accordance with GAAP.

(g) Unless otherwise specified, the interest rate applicable to all Series 2021 Bonds shall be a rate per year consisting of 360 days, with computations of interest over any period of less than 360 days to be made on the basis of twelve 30-day months.

ARTICLE II

AUTHORIZATION, EXECUTION, AUTHENTICATION, REGISTRATION AND DELIVERY OF BONDS

Section 201. Authorization of Series 2021 Bonds. The Authority hereby authorizes the issuance of its Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021, in the aggregate principal amount of \$_____.

Section 202. Details of Series 2021 Bonds. (a) The Series 2021 Bonds shall be issuable as registered bonds in the denominations of \$5,000 and multiples thereof, shall be dated the date of their delivery, shall be numbered appropriately, shall bear interest payable semiannually commencing on _____ 1, 20____, and on each _____ 1 and _____ 1 thereafter (each an "Interest Payment Date") at rates, and shall mature on _____ 1 in years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2023	\$	%
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
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2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
2050		

(b) Each Series 2021 Bond shall bear interest (i) from the date of its delivery if it is authenticated prior to _____ 1, 20____, and (ii) otherwise from the Interest Payment Date that is, or immediately precedes, the date on which such Series 2021 Bond is authenticated; provided, however, that if at the time of authentication of any Series 2021 Bond interest is in default, such Series 2021 Bond shall bear interest from the date to which interest has been paid.

Principal of, premium, if any, and interest on the Series 2021 Bonds shall be payable in lawful money of the United States of America, but only from the revenues and receipts derived from the Borrowers and the security therefor and pledged to the payment thereof as hereinafter provided. Principal of and premium of Series 2021 Bonds shall be payable upon presentation and surrender of the Series 2021 Bonds as they become due at the designated corporate trust office of the Bond Trustee; provided that, for so long as Cede & Co. or other nominee of DTC is the sole Bondholder, principal of and premium, if any, on the Series 2021 Bonds shall be payable as provided in the Letter of Representations. Interest on Series 2021 Bonds shall be payable to the registered owners by wire transfer, check or draft mailed to such owners at their addresses as they

- without recourse, to the Bond Trustee.
- (4) The original executed Obligation No. 11, assigned by the Authority, to the Bond Trustee.
- (5) An original executed counterpart of Supplemental Indenture for Obligation No. 11;
- (6) An Opinion of McGuireWoods LLP, Counsel to the Borrowers, to the effect that (A) each Borrower (other than the Lynchburg Borrower) is a "501(c)(3) organization" within the meaning of Section 145 of the Code, and (B) each Borrower (other than the Lynchburg Borrower) is not a private foundation within the meaning of Section 509(a) of the Code and also to the effect that (C) the Loan Agreement, the Obligation No. 11, and the Master Indenture have been duly authorized, executed and delivered by the Borrowers and are enforceable against the Borrowers, in accordance with their terms, subject to bankruptcy and equitable principles.
- (7) Internal Revenue Service form 8038 completed by the Authority with respect to the Series 2021 Bonds together with a certificate of the Borrowers with respect to the information contained therein.
- (8) An opinion of McGuireWoods LLP, Bond Counsel, that the interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes under existing law and is exempt from taxation by the Commonwealth of Virginia and also to the effect that the issuance of the Series 2021 Bonds has been duly authorized.
- (9) An opinion of McGuireWoods LLP, Bond Counsel, to the Bond Trustee to the effect that registration of the Series 2021 Bonds under the Securities Act of 1933, as amended, and qualification of this Bond Indenture under the Trust Indenture Act of 1939, as amended, are not required.
- (10) A request and authorization of the Authority, signed by its Chair or Vice Chair, to the Bond Trustee to authenticate and deliver the Series 2021 Bonds to such person or persons named therein upon payment to the Bond Trustee for the account of the Authority of a specified sum plus accrued interest to the date of delivery.
- (b) Simultaneously with the delivery of the Series 2021 Bonds, the Bond Trustee shall apply, or arrange for the application of, the purchase price thereof, in the amount of \$ _____ (equal to the par amount of the Series 2021 Bonds of \$ _____ plus the net original issue premium of \$ _____ less the underwriter's discount of \$ _____) as follows:
- (1) To the Master Trustee \$ _____ for deposit in Reserve Fund No. 1;
- (2) To Huntington Public Capital Corporation \$ _____ to refund the Series 2017A Bond;
- (3) To Huntington Bank \$ _____ to repay the swap termination payment associated with the Series 2017A Bond;

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appear on registration books kept by the Bond Trustee as bond registrar, as of the 15th day of the month preceding the Interest Payment Date.

If any principal of or premium, if any, or interest on any Series 2021 Bond is not paid when due (whether at maturity, upon acceleration or call for redemption or otherwise), then the overdue installments of principal and, to the extent permitted by law, interest shall bear interest until paid at the same rate set forth in such Series 2021 Bond.

Nothing herein shall be construed as prohibiting the Authority from issuing the Series 2021 Bonds as one fully registered bond for the purpose of qualifying the Series 2021 Bonds for book entry registration by a securities depository or any similar arrangement whereby investors may hold a participation interest in such Series 2021 Bonds.

Section 203. Execution of Bonds. The Series 2021 Bonds shall be signed by the manual or facsimile signature of the Chair or the Vice Chair of the Authority, and a manual or facsimile of its seal shall be printed thereon and attested by the manual or facsimile signature of the Secretary or the Assistant Secretary of the Authority. In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2021 Bond shall cease to be such officer before the delivery of the Series 2021 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes as if he had remained in office until such delivery. Any Series 2021 Bond may bear the facsimile signature of such persons as at the actual time of the execution thereof shall be the proper officers to sign such Series 2021 Bond although at the date of delivery of such Series 2021 Bond such persons may not have been such officers.

Section 204. Authentication of Bonds. The Series 2021 Bonds shall bear a certificate of authentication, substantially in the form set forth in Exhibit A, duly executed by the Bond Trustee. The Bond Trustee shall authenticate each Series 2021 Bond with the signature of an authorized representative of the Bond Trustee, but it shall not be necessary for the same representative to authenticate all of the Series 2021 Bonds. Only such authenticated Series 2021 Bonds shall be entitled to any right or benefit under this Bond Indenture, and such certificate on any Series 2021 Bond issued hereunder shall be conclusive evidence that the Series 2021 Bond has been duly issued and is secured by the provisions hereof.

Section 205. Form of Series 2021 Bonds. The Series 2021 Bonds shall be substantially in the form set forth in Exhibit A, with such appropriate variations, omissions and insertions as permitted or required by this Bond Indenture.

Section 206. Delivery of Series 2021 Bonds. (a) The Bond Trustee shall authenticate and deliver the Series 2021 Bonds when there have been filed with it the following:

- (1) A certified copy of a resolution or resolutions of the Authority authorizing (A) the execution and delivery of the Loan Agreement and the assignment of Obligation No. 11, (B) the execution and delivery of this Bond Indenture, and (C) the issuance, sale, execution and delivery of the Series 2021 Bonds.
- (2) An original executed counterpart of this Bond Indenture.
- (3) An original executed counterpart of the Loan Agreement.

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- (4) To Trust Bank \$ _____ to repay the swap termination payment associated with the Series 2017B Bond;
- (5) To the Construction Fund \$ _____; and
- (6) To the Cost of Issuance Fund \$ _____.

Section 207. Exchange of Bonds; Persons Treated as Owners. The Bond Trustee shall maintain registration books for the registration or exchange of Series 2021 Bonds. Upon surrender of any Series 2021 Bond at the designated corporate trust office of the Bond Trustee, together with an assignment duly executed by the registered owner or his duly authorized attorney or legal representative in such form as shall be satisfactory to the Bond Trustee, such Series 2021 Bond may be exchanged for an equal aggregate principal amount of Series 2021 Bonds of authorized denominations, of the same series, form and maturity, bearing interest at the same rate as the Series 2021 Bonds surrendered and registered in the name or names requested by the then registered owner. The Authority shall execute and the Bond Trustee shall authenticate any Series 2021 Bonds necessary to provide for exchange of Series 2021 Bonds under this section.

Prior to due presentment for registration of transfer of any Series 2021 Bond the Bond Trustee shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person registered on the 15th day of the month preceding the Interest Payment Date as owner on the registration books maintained by the Bond Trustee.

Section 208. Charges for Exchange of Bonds. Any exchange of Series 2021 Bonds shall be at the expense of the Borrowers, except that the Bond Trustee as bond registrar shall make a charge to any Bondholder requesting such exchange in the amount of any tax or other governmental charge required to be paid with respect thereto.

Section 209. Temporary Series 2021 Bonds. Prior to the preparation of Series 2021 Bonds in definitive form the Authority may issue temporary Series 2021 Bonds in such denominations as the Authority may determine, but otherwise in substantially the form hereinabove set forth with appropriate variations, omissions and insertions. The Authority shall promptly prepare, execute and deliver to the Bond Trustee before the first Interest Payment Date Series 2021 Bonds in definitive form and thereupon, upon presentation and surrender of Series 2021 Bonds in temporary form, the Bond Trustee shall authenticate and deliver in exchange therefor Series 2021 Bonds in definitive form of the same series and maturity for the same aggregate principal amount. Until exchanged for Series 2021 Bonds in definitive form, Series 2021 Bonds in temporary form shall be entitled to the lien and benefit of this Bond Indenture. Notwithstanding the foregoing, so long as the Series 2021 Bonds are held in book-entry-only form they may be typewritten.

Section 210. Mutilated, Lost or Destroyed Series 2021 Bonds. If any Series 2021 Bond has been mutilated, lost or destroyed, the Authority shall execute, and the Bond Trustee shall authenticate and deliver, a new Series 2021 Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Series 2021 Bond or in lieu of and in

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substitution for such lost or destroyed Series 2021 Bond; provided, however, that the Authority and the Bond Trustee shall so execute, authenticate and deliver such new Series 2021 Bond only if the holder has paid the reasonable expenses and charges of the Authority and the Bond Trustee in connection therewith and, in the case of a lost or destroyed Series 2021 Bond, (a) has filed with the Authority and the Bond Trustee evidence satisfactory to them that such Series 2021 Bond was lost or destroyed and that the holder was the owner thereof and (b) has furnished to the Authority and the Bond Trustee indemnity satisfactory to them. If any such Series 2021 Bond has matured, instead of issuing a new Series 2021 Bond the Bond Trustee may pay the same without surrender thereof, upon receipt of the evidence and indemnity described above.

Section 211. Cancellation and Disposition of Series 2021 Bonds. All Series 2021 Bonds that have been paid (whether at maturity, upon acceleration or call for redemption or otherwise) or delivered to the Bond Trustee by the Authority, or an Authorized Representative of the Borrowers on behalf of the Authority for cancellation shall not be reissued, and the Bond Trustee shall, unless otherwise directed by the Authority, cremate, shred or otherwise dispose of such Series 2021 Bonds in accordance with the standard procedures of the Bond Trustee. The Bond Trustee shall deliver to the Authority a certificate of any such cremation, shredding or other disposition.

Section 212. Book Entry Provisions. (a) The Series 2021 Bonds will be registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"), and immobilized in DTC's custody, or in the custody of the Bond Trustee, as "FAST" agent for DTC. One Series 2021 Bond for the original principal amount of each maturity will be registered to Cede & Co. Beneficial owners of the Series 2021 Bonds will not receive physical delivery of the Series 2021 Bonds. Individual purchases of the Series 2021 Bonds may be made in book-entry form only in original principal amounts of \$5,000 and integral multiples of \$5,000. Payments of principal of and premium, if any, and interest on the Series 2021 Bonds will be made to DTC or its nominee as the sole Bondholder on the applicable payment date.

DTC is responsible for the transfer of the payments of the principal of and premium, if any, and interest on the Series 2021 Bonds to its participants, which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (the "Participants") and selection of Series 2021 Bonds to be redeemed in the case of a partial redemption. Transfer of the payments of the principal of and premium, if any, and interest on the Series 2021 Bonds to beneficial owners of the Series 2021 Bonds is the responsibility of the Participants and other nominees of such beneficial owners.

Transfer of the beneficial ownership interests in the Series 2021 Bonds shall be made by DTC and its Participants, acting as nominees of the beneficial owners of the Series 2021 Bonds, in accordance with rules specified by DTC and its Participants. Neither the Authority nor the Bond Trustee makes any assurances that DTC, its Participants or other nominees of the beneficial owners of the Series 2021 Bonds will act in accordance with such rules or on a timely basis.

The Authority and the Bond Trustee disclaim any responsibility or obligation to the Participants or the beneficial owners with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC to any Participant or by any Participant to any beneficial owner of any amount due to any beneficial owner in respect

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of the principal of and premium, if any, and interest on the Series 2021 Bonds, (iii) the delivery by DTC to any Participant or by any Participant to any beneficial owner of any notice to any beneficial owner which is required or permitted under the terms of this Bond Indenture to be given to Bondholders, (iv) the selection of the beneficial owner to receive payment in any partial redemption of the Series 2021 Bonds, or (v) any other action taken by DTC as Bondholder.

So long as Cede & Co., as nominee of DTC, is the sole Bondholder, references in this Bond Indenture to the Bondholders, holders or registered owners of the Series 2021 Bonds means Cede & Co. and not the beneficial owners of the Series 2021 Bonds. Any notice to or consent requested of Bondholders under this Bond Indenture shall be given to or requested of Cede & Co.

(b) Replacement Series 2021 Bonds (the "Replacement Bonds") will be registered in the name of and be issued directly to beneficial owners of the Series 2021 Bonds rather than to DTC, or its nominee, but only if:

(1) DTC determines not to continue to act as securities depository for the Series 2021 Bonds; or

(2) The Bond Trustee or the Authority has advised DTC of the Bond Trustee's or the Authority's determination that DTC is incapable of discharging its duties or that it is otherwise in the best interests of the beneficial owners of the Series 2021 Bonds to discontinue the book-entry system of transfer.

Upon the occurrence of an event described in clause (1) or (2) (and the Bond Trustee and the Authority undertake no obligation to make any investigation regarding the matters described in clause (2)), the Authority may attempt to locate another qualified securities depository. If the Authority fails to locate another qualified securities depository to replace DTC, the Authority shall execute and the Bond Trustee shall authenticate and deliver to the Participants the Replacement Bonds (substantially in the form set forth in Exhibits A, with such appropriate variations, omissions and insertions as are permitted or required by this Bond Indenture) to which the Participants are entitled for delivery to the beneficial owners of the Series 2021 Bonds. The Bond Trustee shall be entitled to rely on the records provided by DTC as to the Participants entitled to receive Replacement Bonds. The holders of the Replacement Bonds shall be entitled to the lien and benefits of this Bond Indenture.

ARTICLE III

REDEMPTION OF SERIES 2021 BONDS

Section 301. Redemption Dates and Prices. The Series 2021 Bonds may not be called for redemption by the Authority except as provided below:

(a) Extraordinary Optional Redemption. The Series 2021 Bonds are subject to redemption, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to, but not including, the redemption date, without premium, on the earliest date for which notice of redemption can be given at the direction of the

Borrowers, to the extent the Borrowers makes a prepayment on Obligation No. 11 under the circumstances permitted by Section 7.1 of the Loan Agreement and Section 3.04 of the Master Indenture. In the circumstance contemplated by Section 7.1(c) of the Loan Agreement, the Series 2021 Bonds shall be subject to extraordinary optional redemption in an amount that bears the same pro rata relationship to the aggregate principal amount of the Series 2021 Bonds then outstanding as that portion of the Mortgage Property financed or refinanced with the proceeds of the Series 2021 Bonds (the "Bond Financed Property") with respect to which the net proceeds of any insurance claim have been received bears to all Bond Financed Property. In the event of a partial extraordinary optional redemption, an Authorized Representative of the Borrowers shall direct the Bond Trustee, in writing, to redeem the Series 2021 Bonds from each maturity then outstanding, to the extent practicable, in the proportion that the principal amount of Series 2021 Bonds of such maturity bears to the total principal amount of all Series 2021 Bonds issued under this Bond Indenture and then outstanding or in inverse order of maturity, and the Bond Trustee shall redeem in accordance with such instructions.

(b) Optional Redemption. The Series 2021 Bonds maturing on or after 1, 20, will be subject to redemption by the Authority, at the written direction of the Borrowers, prior to maturity in whole, or in part by lot, at any time, on and after 1, 20, at a redemption price equal to 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon, if any, to the redemption date in the event the Borrowers exercise the option to prepay all or a portion of the amounts available under Obligation No. 11 under Sections 7.2 or 7.3 of the Loan Agreement.

(c) The Term Bonds are required to be redeemed in part under the terms of the sinking fund requirement provided in Section 303 at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

(d) Except as provided in paragraph (a), if less than all of the Series 2021 Bonds of any maturity are called for redemption, the Series 2021 Bonds to be redeemed shall be selected by DTC in accordance with its procedures, or if DTC is not the securities depository, then by lot in such manner as the Bond Trustee in its discretion may determine, each portion of \$5,000 principal amount being counted as one Series 2021 Bond for such purposes. If a portion of a Series 2021 Bond having a principal amount of more than \$5,000 shall be called for redemption, a new registered Series 2021 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

(e) If the Borrowers exercise any option to prepay Obligation No. 11 under Article VII of the Loan Agreement or requests any redemption of Series 2021 Bonds permitted hereunder and sufficient amounts are in the funds created herein, the Bond Trustee shall, in the name of the Authority, redeem Series 2021 Bonds as then permitted or required at the earliest practicable date permitted hereunder.

Section 302. Notice of Redemption. The Bond Trustee, upon being satisfactorily indemnified by the Borrowers with respect to expenses, shall cause notice of the call for any such redemption identifying the Series 2021 Bonds to be redeemed to be sent by first class mail not less than 30 nor more than 60 days prior to the redemption date to the owner of each Series 2021 Bond to be redeemed at his address as it appears on the registration books. Failure to give such notice

by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2021 Bond with respect to which no such failure or defect has occurred.

Any notice of redemption mailed as specified in this section shall be deemed to have been duly given when mailed by the Bond Trustee. Any such notice shall be given in the Authority's name, identify the Series 2021 Bonds to be redeemed by name, certificate number, CUSIP number, interest rate, maturity date and any other descriptive information determined by the Bond Trustee to be needed to identify the Series 2021 Bonds. All such notices shall also state that on the redemption date the Series 2021 Bonds called for redemption will be payable at the Bond Trustee's designated corporate trust office and that from that date interest will cease to accrue.

In the case of an optional redemption under Section 301(b), the notice may state that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Bond Trustee no later than the redemption date.

On or before the date fixed for redemption, funds shall be deposited with the Bond Trustee to pay the principal of and interest accrued thereon to the redemption date on the Series 2021 Bonds called for redemption. Upon the happening of the above conditions, the Series 2021 Bonds or portions thereof thus called for redemption shall cease to bear interest from and after the redemption date, shall no longer be entitled to the benefits provided by this Bond Indenture and shall not be deemed to be Outstanding under the provisions of this Bond Indenture.

Section 303. Mandatory Sinking Fund. As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20____ (in the aggregate principal amount of \$ _____ and bearing interest at _____ %), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	\$
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(maturity)

As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20____ (in the aggregate principal amount of \$ _____ and bearing interest at _____ %), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	\$
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(maturity)

As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20____ (in the aggregate principal amount of \$ _____ and bearing interest at _____ %), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>	\$
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(maturity)

The Authority shall receive a credit against payments required to be made on any mandatory sinking fund redemption date specified by an Authorized Representative of the Borrowers for the Series 2021 Bonds of the same series and maturity, in an amount equal to the principal amount of such Series 2021 Bonds that have been redeemed (otherwise than by mandatory sinking fund redemption) before the mandatory sinking fund redemption date or purchased by the Authority or the Borrowers and delivered to the Bond Trustee for cancellation at least sixty (60) days before the mandatory sinking fund redemption date, provided the principal amount of such Series 2021 Bonds have not previously been applied as a credit against any other mandatory sinking fund redemption payment.

ARTICLE IV

GENERAL COVENANTS AND PROVISIONS

Section 401. Payment of Bonds. The Authority shall promptly pay when due the principal of (whether at maturity, upon acceleration or call for redemption or otherwise) and premium, if any, and interest on the Series 2021 Bonds at the places, on the dates and in the manner provided herein and in the Series 2021 Bonds; provided, however, that such obligations are not general obligations of the Authority but are limited obligations payable solely from the revenues and receipts derived from the trust estate granted in the granting clauses at the beginning of this Bond Indenture, which revenues and receipts are hereby specifically pledged to such purposes in the manner and to the extent provided herein. Neither the directors of the Authority nor any persons executing the Series 2021 Bonds shall be liable personally on the Series 2021 Bonds by reason of the issuance thereof. The Series 2021 Bonds, premium, if any, and interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority, shall be liable for the Series

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2021 Bonds or obligated to pay the principal, premium, if any, or the interest thereon or other costs incident thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the Authority, is pledged to the payment of the principal of or the premium, if any, or the interest on the Series 2021 Bonds or other costs incident thereto.

Section 402. Covenants and Representations of Authority. The Authority shall observe and perform all covenants, conditions and agreements on its part contained in this Bond Indenture, in every Series 2021 Bond executed, authenticated and delivered hereunder and in all its proceedings pertaining thereto; provided, however that the liability of the Authority under any such covenant, condition or agreement for any breach or default by the Authority thereof or thereunder shall be limited solely to the revenues and receipts derived from the trust estate. The Authority represents that it is duly authorized under the Constitution and laws of the Commonwealth of Virginia, including particularly and without limitation the Act, to issue the Series 2021 Bonds authorized hereby and to execute this Bond Indenture, to execute and assign the Loan Agreement, to assign Obligation No. 11 and to pledge the revenues, receipts and funds in the manner and to the extent herein set forth; that all action on its part for the issuance of the Series 2021 Bonds and the execution and delivery of this Bond Indenture has been duly and effectively taken; and that the Series 2021 Bonds in the hands of the holders thereof are and will be valid and enforceable limited obligations of the Authority according to the terms thereof except as limited by bankruptcy laws and usual equity principles.

Section 403. Instruments of Further Assurance. The Authority shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Bond Trustee may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Bond Trustee of all the rights assigned hereby and the revenues and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Series 2021 Bonds. The Authority shall cooperate with the Bond Trustee and with the Bondholders in protecting the rights and security of the Bondholders.

Section 404. Inspection of Books of Facilities. All books and documents in the Authority's possession relating to the Loan Agreement and Obligation No. 11 and the revenues derived therefrom shall during normal business hours upon reasonable notice be open to inspection by such agents reasonably acceptable to the Authority as the Bond Trustee or the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding may from time to time designate.

Section 405. Rights under Agreement, Obligation No. 11 and Deed of Trust. The Bond Trustee in its own name or in the name of the Authority may enforce all rights of the Authority, except the Authority's Unassigned Rights, and all obligations of the Borrowers under and under the Loan Agreement, Obligation No. 11 and the Deed of Trust for and on behalf of the Holders, whether or not the Authority is in default hereunder.

Section 406. Prohibited Activities, Arbitrage Covenant, Tax Covenant. The Authority shall not knowingly engage in any activities or take any action that might result in the income of the Authority derived from the Borrowers becoming taxable to it.

The Authority covenants for the benefit of the Holders of the Series 2021 Bonds that, to the extent within its control, it will not knowingly take any action to cause the proceeds of the Series 2021 Bonds, the earnings on those proceeds, or any moneys on deposit in any fund or account maintained with respect to the Series 2021 Bonds (whether such moneys were derived from the proceeds of the sale of the Series 2021 Bonds or from other sources) to be used in a manner that will cause the Series 2021 Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code (including but not limited to ensuring compliance with the ongoing requirements of Section 148 of the Code concerning the rebate and non-purpose investment rules) all in accordance with the Tax Agreement. This covenant shall survive the defeasance or payment in full of the Series 2021 Bonds, notwithstanding any other provision of this Bond Indenture, until requirements for payment of any rebate amounts pursuant to Section 148(f) of the Code have been fully satisfied.

The Authority covenants for the benefit of the Holders of the Series 2021 Bonds that, to the extent within its control, it will not knowingly take any action to cause or permit any action to be taken that would cause the interest on the Series 2021 Bonds to become includable in gross income for federal income tax purposes. This covenant shall survive the defeasance or payment in full of the Series 2021 Bonds, notwithstanding any other provision of this Bond Indenture, until the requirements for payment of any rebate amounts pursuant to Section 148(f) of the Code have been fully satisfied.

Section 407. Reports by Bond Trustee. The Bond Trustee shall make monthly reports to the LifeSpire Borrower (on behalf of the Borrowers) of all moneys received and expended by it under this Bond Indenture, and the Bond Trustee shall make annual reports no later than 30 days following the end of each fiscal year to the Authority of all moneys received and expended by it under this Bond Indenture.

Section 408. Letter of Representations. The Authority and the Bond Trustee agree that, so long as Cede & Co. or some other nominee of DTC is the sole Bondholder, they each will give notices, make payments and establish record dates for consents and similar purposes with respect to the Series 2021 Bonds and select Series 2021 Bonds for redemption as set forth in the Letter of Representations.

Section 409. Loan to Finance the Plan of Finance. Subject to the provisions of Section 401 and under the Loan Agreement, the Authority shall make a loan to the Borrowers with the proceeds of the Series 2021 Bonds so that they can finance the Plan of Finance. The Authority shall not create or knowingly suffer to be created any lien or security interest in the Mortgaged Property or the Facilities except Permitted Liens, or any lien on the revenues with respect to the loan to the Borrowers, except the pledge made under this Bond Indenture.

ARTICLE V

CUSTODY AND APPLICATION OF BOND PROCEEDS; CONSTRUCTION FUND; COST OF ISSUANCE FUND

Section 501. Creation of Construction Fund. There is hereby established with the Bond Trustee a trust fund designated the "Virginia Small Business Financing Authority, Construction Fund: LifeSpire of Virginia Project."

Section 502. Cost of Project. The Cost of the Project means:

- (a) The cost of acquiring property and interests in property that are or will become part of the New Money Project;
- (b) The cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the construction, renovation and equipping of the New Money Project;
- (c) Governmental charges levied or assessed during construction of the New Money Project, or on any property acquired therefor, and premiums on insurance in connection with the New Money Project during construction;
- (d) Expenses necessary or incident to determining the feasibility or practicability of undertaking the New Money Project (excluding, however, the expense of determining the feasibility of the issuance of the Series 2021 Bonds to finance or refinance the New Money Project), the fees and expenses of architects, engineers and management consultants for making studies, surveys and estimates of costs and of revenues and other estimates, and fees and expenses of architects and engineers for preparation of plans, drawings and specifications and for administration of the construction contract or contracts for the New Money Project, as well as for the performance of all other duties of architects and engineers in relation to the acquisition, construction, renovation and equipping of the New Money Project (but not the issuance of the Series 2021 Bonds);
- (e) Expenses of administration, supervision and inspection properly chargeable to the New Money Project, fees and costs of development and marketing of the New Money Project, legal expenses and fees of the Borrowers in connection with the acquisition, construction, renovation or equipping of the New Money Project (but not the issuance of the Series 2021 Bonds), cost of abstracts and reports on titles to real estate and owners title insurance premiums, cost of managing investments of moneys deposited in the funds created hereunder and all other items of expense, not elsewhere specified in this section incident to the construction, renovation and placing in operation of the New Money Project;
- (f) Interest on the Series 2021 Bonds and interest on obligations of the Borrowers incurred to finance the Cost of the Project prior to, during and for up to one year after the completion of the New Money Project;
- (g) Bond insurance premiums, if any, and related fees and expenses;

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- (h) Working capital in connection with the construction and operation of the New Money Project;
- (i) Costs of Issuance related to the Series 2021 Bonds provided that no more than 2% of the Series 2021 Bond proceeds may be applied to Costs of Issuance and shall first be paid out of the Cost of Issuance Fund;
- (j) Any other cost relating to the New Money Project that is set forth in or permitted by the Act; and

(k) Reimbursement to the Borrowers for any of such costs paid by it whether before or after the execution of this Bond Indenture; provided, however, that reimbursement for any expenditures made prior to the execution of this Bond Indenture shall only be permitted for expenditures meeting the requirements of applicable Treasury Regulations, including but not limited to Treasury Regulations Section 1.150-2 or any successor Treasury Regulations.

Section 503. Disbursement from Construction Fund. (a) The Bond Trustee shall use moneys in the Construction Fund solely to pay Costs of the Project. Before any payment of such Costs of the Project shall be made from the Construction Fund, there shall be filed with the Bond Trustee a Requisition.

(b) The Requisition shall contain no items representing any amount constituting a Cost of Issuance (as defined in Section 506(c)) unless the Requisition is accompanied by an Opinion of Bond Counsel that the payment of the amount in the Requisition will not adversely affect the exemption of interest on the Series 2021 Bonds from federal income tax.

(c) The Bond Trustee shall not be responsible for (i) determining whether the funds on hand in the Construction Fund are sufficient to complete the New Money Project, or (ii) collecting lien waivers (if any).

(d) The Borrowers shall retain on file copies of all Requisitions and all attachments thereto.

(e) Upon receipt of each such Requisition, the Bond Trustee shall within two Business Days make disbursement from the Construction Fund in accordance with such Requisition; provided, however, that if any Event of Default exists hereunder, under the Master Indenture or under the Loan Agreement, the Bond Trustee shall make such disbursements if directed to do so by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding. All such payments shall be made by check or federal funds wire payable either (i) directly to the person, firm or corporation to be paid, (ii) to both the Borrowers and such person, firm or corporation or, (iii) upon receipt of evidence that the Borrowers have previously paid such amount, to the Borrowers.

(f) Notwithstanding the above, to the extent no other funds are available therefor, the Bond Trustee shall use amounts on deposit in the Construction Fund to pay principal of and interest on the Series 2021 Bonds in the event of a default by the Borrowers in making payments to the Bond Trustee to pay such principal and interest.

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Section 504. Disposition of Balance in Construction Fund. When the New Money Project is complete, and the Bond Trustee receives the Completion Certificate signed by the Authorized Representative of the Borrowers stating the date of completion of the New Money Project and what items of the Cost of the Project, if any, have not been paid and for the payment of which moneys should be reserved in the Construction Fund, the balance of any moneys remaining in the Construction Fund in excess of the amount to be reserved for payment of unpaid items of the Cost of the Project shall be applied by the Bond Trustee only in accordance with an Opinion of Bond Counsel.

Section 505. Limit on Investments. In any event, beginning on the date of the third anniversary of the issuance of the Series 2021 Bonds, the Bond Trustee shall invest moneys in the Construction Fund or transferred therefrom to any other fund only in accordance with an Opinion of Bond Counsel.

Section 506. Cost of Issuance Fund. There is hereby established with the Bond Trustee a trust fund designated "Virginia Small Business Financing Authority, Cost of Issuance Fund: LifeSpire of Virginia Project."

- (a) All investment earnings on amounts held in the Cost of Issuance Fund shall be transferred to the Construction Fund.
- (b) The Bond Trustee shall use amounts in the Cost of Issuance Fund at the direction of the Borrowers for payment of Costs of Issuance and Costs of the Project.
- (c) Before any payment shall be made from the Cost of Issuance Fund there shall be filed with the Bond Trustee a Requisition.

Upon receipt of each such Requisition the Bond Trustee shall within two Business Days, make payment from the Cost of Issuance Fund in accordance with such requisition; provided, however, that if any Event of Default exists, the Bond Trustee shall make such payment if directed to do so by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding. All such payments shall be made by check or draft payable either (i) directly to the person, firm or corporation to be paid, (ii) to both the Borrowers and such person, firm or corporation, or (iii) upon receipt of evidence that the Borrowers have previously paid such amount, to the Borrowers.

(d) At the earlier of 180 days after the issuance of the Series 2021 Bonds or when the Bond Trustee shall have received a certificate of the Borrowers signed by an Authorized Representative of the Borrowers, stating that all Costs of Issuance have been paid, the balance of any moneys remaining in the Cost of Issuance Fund shall be transferred, at the direction of the Borrowers, to the Construction Fund.

ARTICLE VI

REVENUES AND FUNDS

Section 601. Establishment of Funds. The following trust funds, all to be held by the Bond Trustee, are hereby established under this Bond Indenture:

Virginia Small Business Financing Authority, Bond Fund: LifeSpire of Virginia Project, in which there shall be established the following subaccounts:

- (a) the Interest Account; and
- (b) the Principal Account.

In addition, Reserve Fund No. 1 has been established under the Master Indenture for the further benefit and security of the Holders of the Series 2021 Bonds.

Section 602. Funds Received. (a) The Bond Trustee on the tenth day of the month shall deposit all payments and receipts derived from Obligation No. 11, the Loan Agreement or the security therefor in the following order, subject to credits as provided in this Article VI:

(1) To the Interest Account of the Bond Fund commencing on _____ 10, 20____, and continuing on the tenth day of each subsequent month until _____ 10, 20____, inclusive, an amount equal to one-_____ of the amount of the interest to be become due on _____ 1, 20____; and commencing on _____ 10, 20____, and continuing on the tenth day of each subsequent month, an amount equal to one-sixth of the amount of interest due on the Series 2021 Bonds on the next Interest Payment Date (after first applying as a credit any excess amounts transferred to the Interest Account under Sections 504 or 604) less any amount requisitioned from the Construction Fund continuing until up to 12 months after completion of the New Money Project under Section 502(f) and directed by the requisition to be deposited in the Bond Fund, or such lesser amount that, together with amounts already on deposit in the Interest Account, but subject to the provisions of Section 603(a), will be sufficient to pay interest on the Series 2021 Bonds to become due on the next Interest Payment Date.

(2) To the Principal Account of the Bond Fund, commencing on _____ 10, 20____, and continuing on the tenth day of each subsequent month, an amount equal to one-twelfth of the amount of principal that will be due on the Series 2021 Bonds on the following _____ 1 or will be payable on such _____ 1 under Section 303 or such lesser amount that, together with amounts already on deposit in the Principal Account, will be sufficient to pay principal of the Series 2021 Bonds to become due or be paid at redemption on such _____ 1.

(b) If on the tenth day of any month sufficient funds are not received by the Bond Trustee to make the deposits to the Bond Fund required on such date, the Bond Trustee shall within three Business Days notify the LifeSpire Borrower, the Master Trustee and the Authority of such by telephone or facsimile with receipt confirmed in writing, by first class registered or

certified mail. If by the 20th day of such month the Bond Fund still does not contain the required funds, the Bond Trustee shall immediately send notice to the LifeSpire Borrower by Electronic Means with receipt confirmed by telephone that an Event of Default has occurred.

Section 603. Bond Fund.

(a) Interest Account. The Bond Trustee shall use moneys in the Interest Account solely to pay interest on the Series 2021 Bonds as the same becomes due. The Bond Trustee shall use amounts deposited in the Interest Account as funded interest on the Series 2021 Bonds to pay each interest payment thereon until such amount is depleted. If the Bond Trustee is purchasing Series 2021 Bonds under Section 603(b)(1), amounts in the Interest Account may be used to pay the portion of the purchase price consisting of accrued interest to the date of purchase.

In the event the balance in the Interest Account on the tenth day of the month next preceding an Interest Payment Date or date upon which the Series 2021 Bonds are to be redeemed is insufficient for the payment of interest becoming due on the Series 2021 Bonds on the next ensuing Interest Payment Date or date upon which the Series 2021 Bonds are to be redeemed, the Bond Trustee shall within three Business Days notify the Borrowers of the amount of the deficiency. Upon notification, the Borrowers shall immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Interest Account, the Bond Trustee shall, not later than the Business Day next preceding the Interest Payment Date, deliver a written notice to the Master Trustee to the effect that the amount available to the Bond Trustee to pay interest on the Series 2021 Bonds is less than the amount of interest becoming due, specifying the amount of such deficiency and requesting the transfer of such amount necessary to cure such deficiency from Reserve Fund No. 1. The Bond Trustee shall deposit into the Interest Account all amounts received from Reserve Fund No. 1 to cure such deficiency.

(b) Principal Account. The Bond Trustee shall use moneys in the Principal Account solely to pay the principal of and premium, if any, on the Series 2021 Bonds whether at maturity, by acceleration, call for redemption or otherwise. The Bond Trustee shall provide for redemption of Series 2021 Bonds in accordance with the mandatory sinking fund redemption schedule set forth in Section 303; provided, however, that on or before the 70th day next preceding any such sinking fund payment date the Authority, or the Authorized Representative of the Borrowers on behalf of the Authority, may:

(1) pay to the Bond Trustee for deposit in the Principal Account as an advance payment on Obligation No. 11 such amount as the Borrowers may determine, accompanied by a certificate signed by an Authorized Representative of the Borrowers directing the Bond Trustee to apply such amount on or before such 70th day to the purchase of Series 2021 Bonds required to be redeemed on such sinking fund payment date, and the Bond Trustee shall thereupon use all reasonable efforts to expend such funds as nearly as may be practicable in the purchase of such Series 2021 Bonds at a price (including accrued interest to the date of settlement) not exceeding the principal amount thereof plus accrued interest to such sinking fund redemption date;

(2) deliver to the Bond Trustee for cancellation Series 2021 Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(3) instruct the Bond Trustee to apply a credit against the Authority's sinking fund redemption obligation for any such Series 2021 Bonds that previously have been redeemed (other than through the operation of the sinking fund) and cancelled by the Bond Trustee and not previously applied as a credit against any sinking fund redemption obligation.

Each Series 2021 Bond so purchased, delivered or previously redeemed shall be credited by the Bond Trustee at 100% of the principal amount thereof against amounts required to be transferred to the Principal Account on account of such Series 2021 Bonds and the principal amount of Series 2021 Bonds to be redeemed on such sinking fund payment date shall be reduced by the amount of Series 2021 Bonds so purchased, delivered or previously redeemed. Any principal amount of such Series 2021 Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in chronological order against future transfers to the Principal Account and shall similarly reduce the principal amount of Series 2021 Bonds to be redeemed on the next sinking fund payment date. In the event the balance in the Principal Account on any _____ 1, the Bond Trustee shall within three Business Days notify the Borrowers of the amount of the deficiency. Upon notification, the Borrowers shall immediately deliver to the Bond Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the Principal Account, the Bond Trustee shall, not later than the Business Day next preceding _____ 10, deliver a written notice to the Master Trustee to the effect that the amount available to the Bond Trustee to pay principal on the Series 2021 Bonds is less than the amount of principal becoming due, specifying the amount of such deficiency and requesting the transfer of such amount necessary to cure such deficiency from Reserve Fund No. 1. The Bond Trustee shall deposit into the Principal Account all amounts received from Reserve Fund No. 1 to cure such deficiency.

(c) Investment earnings on amounts in the Interest Account shall be retained in the Interest Account, except that, prior to the Bond Trustee's receipt of certification of completion of the New Money Project under Section 504 of this Bond Indenture, such earnings shall be transferred to the Construction Fund to be used to pay the Costs of the Project. If the balance in the Interest Account on any Interest Payment Date (before the transfers to be made to such account on such date) shall exceed the amount payable on account of interest payable on the Series 2021 Bonds on such date, the excess shall be retained in the Interest Account and used as a credit against required transfers to the Interest Account during the following months preceding the next Interest Payment Date. Investment earnings on amounts in the Principal Account shall be credited thereto as earned. In the event the balance in the Principal Account on any _____ 1 (prior to the transfers to be made to such account on such date) shall exceed the amount necessary on such date to pay principal of the Series 2021 Bonds at maturity, the excess shall be retained therein and used to pay principal of the Series 2021 Bonds due and to the extent not so used, credited against required transfers thereto.

(d) When the balances in the Interest and Principal Accounts of the Bond Fund and the Reserve Fund No. 1 are sufficient to redeem or pay at maturity all Series 2021 Bonds then Outstanding and to pay all interest to accrue thereon prior to redemption or maturity, at the request of the Borrowers the balance in the Bond Fund shall be held for redemption or payment of the Series 2021 Bonds at the earliest practicable date and the payment of interest thereon and for no other purpose.

Section 604. Application of Money From Reserve Fund No. 1. Whenever and to the extent that the money on deposit in the Interest Account and the Principal Account is insufficient to pay interest on or principal of (whether at maturity or by acceleration) the Series 2021 Bonds, the Bond Trustee shall attempt to obtain funds from Reserve Fund No. 1 by delivering written notice to the Master Trustee to the effect that the amount available to the Bond Trustee to pay interest on or principal of the Series 2021 Bonds is less than the interest or principal coming due, specifying the amount of such deficiency, and directing the transfer of the amount necessary to cure such deficiency from Reserve Fund No. 1. The Bond Trustee shall deposit into the Interest Account and the Principal Account, as the case may be, all amounts received from Reserve Fund No. 1 to cure such deficiency.

The Bond Trustee shall deposit any amounts received from Reserve Fund No. 1 under Section 3.14(g) of the Master Indenture that are not needed to cure any deficiency, as described in the preceding paragraph of this Section 604 to the Interest Account or the Principal Account, as directed in writing by an Authorized Representative of the Borrowers. Any deposit to the Interest Account and the Principal Account not needed to cure a deficiency shall be credited by the Bond Trustee against future transfers thereto.

Section 605. Accounts within Funds. The Bond Trustee shall at the direction of the Borrowers create accounts within any fund established by this Bond Indenture and shall deposit amounts transferred to such fund in accounts therein and invest the same as directed by the Borrowers. In making transfers from any such fund, the Bond Trustee shall draw on accounts therein as directed by the Borrowers so long as required transfers can be made consistent with such directions.

Section 606. Non-Presentation of Bonds. If any Series 2021 Bond is not presented for payment when the principal thereof becomes due (whether at maturity, upon acceleration or call for redemption or otherwise), all liability of the Authority to the holder thereof for the payment of such Series 2021 Bond shall forthwith cease, determine and be completely discharged if funds sufficient to pay such Series 2021 Bond and interest due thereon shall be held by the Bond Trustee for the benefit of the holder thereof, and thereupon it shall be the duty of the Bond Trustee to hold such funds, without liability for interest thereon, for the benefit of the holder of such Series 2021 Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Indenture or on, or with respect to, such Series 2021 Bond.

Any moneys that have been set aside by the Bond Trustee for the payment of the principal of and premium, if any, and interest on the Series 2021 Bonds and that shall remain unclaimed by the registered owner of any of the Series 2021 Bonds for a period of five years after the date on which such principal and interest on the Series 2021 Bonds shall have become payable, shall be disposed of by the Bond Trustee in accordance with Chapter 11.1 of Title 55 of the Code of

Virginia of 1950, as amended, or any successor provision of law. Holders of such Series 2021 Bonds shall thereafter be entitled to look only to their remedies under Chapter 11.1, Title 55 of the Code of Virginia of 1950, as amended, or successor provision and all liability of the Authority and the Bond Trustee with respect to such moneys shall cease, and the Authority and the Bond Trustee shall have no responsibility with respect to such moneys.

Section 607. Bond Trustee's and Authority's Fees, Costs and Expenses. The initial administrative and acceptance fees and expenses of the Bond Trustee relating to the Series 2021 Bonds shall be paid from the Cost of Issuance Fund as and when the same shall become due, unless such payment would, together with other Costs of Issuance paid from the proceeds of the Series 2021 Bonds, exceed 2% of the proceeds of the Series 2021 Bonds. In such case such fees and expenses shall be paid by the LifeSpire Borrower from its own funds. All other reasonable fees and expenses of the Bond Trustee (including such reasonable fees and expenses not incurred in the ordinary course of business) and the fees, if any, and reasonable costs and expenses of the Authority directly related to the Series 2021 Bonds and the issuance of the Series 2021 Bonds are to be paid by the Borrowers from payments made under Section 4.1(b) of the Loan Agreement.

Section 608. Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Bond Trustee for the account of any of the funds created by this Bond Indenture shall be held by the Bond Trustee in trust, and except for moneys deposited with or paid to the Bond Trustee for the redemption of Series 2021 Bonds, notice of the redemption of which has been duly given, shall, while held by the Bond Trustee, constitute part of the trust estate and be subject to the lien hereof.

Section 609. Repayment to the Borrowers from Funds. All amounts remaining in any of the funds created by this Bond Indenture shall be paid to the LifeSpire Borrower after payment in full of the Series 2021 Bonds and the fees, charges and expenses of the Bond Trustee and its agents and counsel, any other paying agent and the Deed of Trust Trustee and other amounts required to be paid hereunder, and the fees, charges and expenses of the Authority and any other amounts required to be paid by the Borrowers under Obligation No. 11 or the Loan Agreement.

ARTICLE VII

INVESTMENTS

Section 701. Investment of Funds. The Bond Trustee shall separately invest and reinvest any moneys held in the funds at the written direction of an Authorized Representative of the Borrowers in:

- (a) Government Obligations;
- (b) Obligations of the Federal National Mortgage Association, Governmental National Mortgage Association, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks and Federal Home Loan Banks;

(c) Bonds, notes and other evidences of indebtedness unconditionally guaranteed as to payment of principal and interest by the Commonwealth of Virginia or any city, county or town therein;

(d) Savings accounts, time deposits and certificates of deposit in any bank, including the Bond Trustee, or any affiliate thereof, (1) within the Commonwealth of Virginia, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, or (2) within or without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than \$50,000,000;

(e) Savings accounts and certificates of

(1) savings and loan associations that are under supervision of the Commonwealth of Virginia; and

(2) Federal associations organized under the laws of the United States of America and under federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Deposit Insurance Corporation or any successor federal agency;

(f) "Prime quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by Moody's within its ratings of P-1 or P-2 or by S&P within its ratings of A-1 or A-2;

(g) Bankers' acceptances guaranteed by any bank having a combined capital, surplus and undivided profits of not less than \$50,000,000;

(h) Investments in money market funds restricted to Government Obligations and funds rated in the highest rating category by either Moody's, S&P or Fitch including any such fund administered by the Bond Trustee or for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(i) Investment Agreements with any bank, registered broker/dealer, insurance company or any other financial institution or corporation, or any subsidiary thereof, with a senior unsecured credit rating of, or claims paying ability of, at least "Aa3" by Moody's or "AA-" by S&P or "AA-" by Fitch. The credit rating may be at either the parent or subsidiary level; and

(j) Such other investments as may be directed by an Authorized Representative of the Borrowers that are permitted by law.

Any bonds, notes or other evidences of indebtedness listed in subsections (a), (b) and (c) above may be purchased by the Bond Trustee under a repurchase agreement with any bank or investment bank, including an affiliate of the Bond Trustee, within or without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than \$50,000,000, provided the obligation of the bank or investment bank to repurchase is within the time limitation established for investments as set forth below. A repurchase agreement for securities described in subsections (a), (b) and (c) above shall be considered a purchase of such securities even if title

and/or possession of such securities is not transferred to the Bond Trustee so long as (i) the repurchase obligation of the bank or investment bank is collateralized by the securities themselves, (ii) the securities have on the date of the repurchase agreement a fair market value equal to at least 100% of the amount of the repurchase obligation of the bank or investment bank, (iii) the securities are held by a third party and segregated from securities owned generally by the bank or investment bank, (iv) a perfected security interest in such securities is created for the benefit of the holders of the Series 2021 Bonds, under the Uniform Commercial Code of Virginia or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq., and (v) if the repurchase agreement is with the bank serving as Bond Trustee or any related party, the third party holding such securities holds them as agent for the Bond Trustee as fiduciary for the holders of the Series 2021 Bonds and not as agent for the bank serving as Bond Trustee in its commercial capacity or any other party.

All such investments shall be held by or under the control of the Bond Trustee and while so held shall be deemed a part of the fund in which such moneys were originally held, except as otherwise provided herein. The interest accruing from such investment and any profit realized therefrom shall be credited to such funds and any loss resulting from such investments shall be charged to such funds, except as otherwise provided herein. The Borrowers shall file with the Bond Trustee and amend as appropriate a statement of when amounts in the Construction Fund are expected to be requisitioned. The Bond Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient for the purposes thereof. So long as all investment restrictions applicable to each fund or account created hereunder are complied with, the Bond Trustee may commingle the funds and accounts held by it hereunder for purposes of investing amounts held therein.

The Bond Trustee shall, to the extent consistent with other provisions of this section, make any investment requested by the Borrowers. At the request of the Borrowers, but no more than monthly, the Bond Trustee shall provide the Borrowers with reports in reasonable detail regarding the investment of the funds held by the Bond Trustee. Confirmations of investments made in accordance with this Section are not required to be issued by the Bond Trustee for each month for which a monthly statement is issued, and no statement need be received for any fund or account in no activity occurred in such fund or account during such month.

Moneys held in the following funds shall be invested in securities and obligations maturing not later than the following dates:

(A) Construction Fund -- not later than the dates on which such moneys are expected to be needed to pay the Costs of the Project.

(B) Bond Fund -- not later than the dates on which such moneys will be needed to pay principal of (whether at maturity or by mandatory sinking fund redemption) or interest on the Series 2021 Bonds.

For the purposes of this section investments shall be considered as maturing on the date on which they are redeemable without penalty at the option of the holder or the date on which the Bond Trustee may require their repurchase, under a repurchase agreement qualifying as described above.

For the purpose of determining the amount on deposit to the credit of any such fund or account, as reflected by annual accounting statements, obligations purchased as an investment of moneys therein shall be valued at least annually at the cost or market price thereof, whichever is lower, inclusive of accrued interest. Except as provided in Section 603(c), the Bond Trustee shall not be required to calculate the value of investments more frequently than annually.

Section 702. Investments through Bond Trustee's Bond Department. The Bond Trustee may make investments permitted by Section 701 through its own bond department.

ARTICLE VIII

DISCHARGE OF INDENTURE

Section 801. Discharge of Indenture. Series 2021 Bonds shall be deemed paid for all purposes of this Bond Indenture when (a) payment of the principal of and the maximum amount of interest that may become due on such Series 2021 Bonds to the due date of such principal and interest (whether at maturity, upon redemption, acceleration or otherwise) either (i) has been made in accordance with the terms of Article III or (ii) has been provided for by depositing with the Bond Trustee (A) moneys sufficient to make such payment which otherwise meet the definition of Defeasance Obligations or (B) noncallable Defeasance Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment without regard to the reinvestment thereof; and (b) all compensation and expenses of the Authority and the Bond Trustee (as well as the fees and expenses of their Counsel) pertaining to each such Series 2021 Bond in respect of which such payment or deposit is made have been paid or provided for to their respective satisfaction. When a Series 2021 Bond is deemed paid, it shall no longer be secured by or entitled to the benefits of this Bond Indenture, except for payment from moneys or Defeasance Obligations under subsection (a) above and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in Article II.

Notwithstanding the foregoing, no deposit under subsection (a) above made for the purpose of paying the redemption price of such Series 2021 Bond (as opposed to the final payment thereof upon maturity) will be deemed a payment of such Series 2021 Bond as aforesaid until (x) notice of redemption of such Series 2021 Bond is given in accordance with Article III or, if such Series 2021 Bond is not to be redeemed within the next 60 days, until the Borrowers has given the Bond Trustee, in form satisfactory to the Bond Trustee, irrevocable instructions to notify, as soon as practicable, the holder of such Series 2021 Bond, in accordance with Article III, that the deposit required by subsection (a) above has been made with the Bond Trustee and that such Series 2021 Bond is deemed to be paid under this Article and stating the redemption date upon which moneys are to be available for the payment of the principal of such Series 2021 Bond or (y) the maturity of such Series 2021 Bond. Additionally, and while the deposit under subsection (a) above made for the purpose of paying the final payment of a Series 2021 Bond upon its maturity shall be deemed a payment of such Series 2021 Bond as aforesaid, the Bond Trustee shall mail notice to the Bondholder of such Series 2021 Bond, as soon as practicable stating that the deposit required by subsection (a) above has been made with the Bond Trustee and that such Series 2021 Bond is deemed to be paid under this Article.

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When Series 2021 Bonds are deemed paid under the foregoing provisions of this Section and other sums due hereunder and under the Loan Agreement are paid, the Bond Trustee shall, upon request, acknowledge the discharge of this Bond Indenture with respect to such Series 2021 Bonds, except for obligations under Article II in respect of the transfer, exchange, registration, discharge from registration and replacement of Series 2021 Bonds, and obligations under Section 1002 hereof with respect to the Bond Trustee's compensation and indemnification. Series 2021 Bonds delivered to the Bond Trustee for payment shall be cancelled under Section 211.

An Authorized Representative of the Borrowers shall direct the deposit, investment and use of the moneys and securities described in this Section such that no deposit will be made and no use made of any such deposit that would cause any Series 2021 Bonds (including Series 2021 Bonds deemed paid under this section) to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. Before accepting or using any such deposit, the Bond Trustee may request an Opinion of Bond Counsel as to whether such use or acceptance would cause the Series 2021 Bonds (including Series 2021 Bonds deemed paid under this section) to be so treated and, that all conditions hereunder have been satisfied, and the Bond Trustee may conclusively rely on such Opinion with regard thereto.

The Bond Trustee may request and shall be fully protected in relying upon a certificate of an independent certified public accountant or independent verification agent to the effect that a deposit will be sufficient to defease such Series 2021 Bonds as provided in this Section 801.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 901. Events of Default. Each of the following events shall be an Event of Default:

- (a) Default in the due and punctual payment of any interest on any Series 2021 Bond;
- (b) Default in the due and punctual payment of the principal of any Series 2021 Bond (whether at maturity, upon acceleration or call for redemption or otherwise);
- (c) An "Event of Default" under the Loan Agreement or the Master Indenture, and such "Event of Default" shall not have been remedied or waived; or
- (d) Subject to the provisions of Section 911, default in the observance or performance of any other covenant, condition or agreement on the part of the Authority under this Bond Indenture or in the Series 2021 Bonds.

Section 902. Acceleration. If an Event of Default occurs and is continuing, the Bond Trustee shall, if requested by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding, by notice to the Authority, declare the entire unpaid principal of and interest on the Series 2021 Bonds due and payable and, thereupon, the entire unpaid principal of and interest on the Series 2021 Bonds shall forthwith become due and payable. Upon any such

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declaration the Authority shall forthwith pay to the holders of the Series 2021 Bonds the entire unpaid principal of and accrued interest on the Series 2021 Bonds, but only from the revenues and receipts herein specifically pledged for such purpose. Upon the occurrence of an Event of Default and a declaration of acceleration hereunder the Bond Trustee as assignee of the Authority shall immediately exercise its option under Section 6.2(a) of the Loan Agreement to declare all payments on Obligation No. 11 to be immediately due and payable.

Section 903. Other Remedies: Rights of Bondholders. (a) Upon the occurrence of an Event of Default, the Bond Trustee shall, if requested to do so by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding, proceed to protect and enforce its rights as the holder of Obligation No. 11 and the rights of the bondholders by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement herein contained.

(b) Upon the occurrence of an Event of Default, if requested to do so by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding and if indemnified as provided in Section 1001(k), the Bond Trustee shall exercise such one or more of the rights and powers conferred by this article as the Bond Trustee may be directed by the holders requesting such action, or if no such direction has been provided, as the Bond Trustee, at the direction of counsel, shall deem most expedient in the interests of the bondholders.

(c) No remedy conferred by this Bond Indenture upon or reserved to the Bond Trustee or to the bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Bond Trustee or to the bondholders hereunder or now or hereafter existing at law or in equity or by statute.

(d) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(e) No waiver of any default or Event of Default hereunder, whether by the Bond Trustee under Section 910 or by the bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

(f) Upon the occurrence of an Event of Default, the Bond Trustee shall notify the Master Trustee and request that the Master Trustee direct all Members (as defined in the Master Indenture), to deliver to the Master Trustee all Pledged Assets (as defined in the Master Indenture).

Section 904. Right of Bondholders To Direct Proceeding. Anything in this Bond Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Bond Indenture or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Bond Indenture.

Section 905. Application of Moneys. All moneys received by the Bond Trustee under any right given or action taken under the provisions of this article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Bond Trustee and the Deed of Trust Trustee, the fees of the Bond Trustee and the Deed of Trust Trustee and the expenses of the Authority in carrying out this Bond Indenture or the Loan Agreement, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal of all the Series 2021 Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Series 2021 Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2021 Bonds;

Second - To the payment to the persons entitled thereto of the unpaid principal of any of the Series 2021 Bonds which shall have become due (other than Series 2021 Bonds called for redemption for the payment of which moneys are held under the provisions of this Bond Indenture), in the order of their due dates, with interest on such Series 2021 Bonds at the respective rates specified therein from the respective dates on which they became due and, if the amount available shall not be sufficient to pay in full Series 2021 Bonds due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2021 Bonds; and

Third - To the extent permitted by law, to the payment to persons entitled thereto of the unpaid interest on overdue installments of interest ratably, according to the amount of such interest due on such date, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2021 Bonds.

(b) If the principal of all the Series 2021 Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Series 2021 Bonds, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2021 Bond over any other Series 2021 Bond, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2021 Bonds.

(c) If the principal of all the Series 2021 Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this article, then, subject to the provisions of subsection (b) of this section in the event that the principal of all the Series 2021 Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this section.

Whenever moneys are to be applied under the provisions of this section, such moneys shall be applied at such times and from time to time as the holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding may direct, or if no such direction is provided, as the Bond Trustee shall determine, upon being advised by counsel, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice to the registered holders of the Series 2021 Bonds by first class mail as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Series 2021 Bond until such Series 2021 Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Section 906. Remedies Vested in Bond Trustee. All rights of action (including the right to file proof of claims) under this Bond Indenture or under any of the Series 2021 Bonds may be enforced by the Bond Trustee without the possession of any of the Series 2021 Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Bond Trustee may be brought in its name as Bond Trustee without the necessity of joining as plaintiffs or defendants any holders of the Series 2021 Bonds, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Series 2021 Bonds.

Section 907. Limitation on Suits. Except to enforce the rights given under Sections 902 and 908, no holder of any Series 2021 Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Bond Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Bond Trustee has been notified as provided in Section 1001(h), or of which by such section it is deemed to have notice, (b) such default has become an Event of Default and the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding have made written request to the Bond Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) they have offered to the Bond Trustee indemnity as provided in Section 1001(k), (d) the Bond Trustee has for 30 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names, (e) no direction inconsistent with such written request has been given to the Bond Trustee during such 30 day period by the holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding, and (f) notice of such action, suit or proceeding is given to the Bond Trustee; it being understood and intended that no one or more holders of the Series 2021 Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice this Bond Indenture by its, his or their action or to enforce any right hereunder except in the manner herein

provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the holders of all Series 2021 Bonds then Outstanding. The notification, request and offer of indemnity set forth above, at the option of the Bond Trustee, shall be conditions precedent to the execution of the powers and trusts of this Bond Indenture and to any action or cause of action for the enforcement of this Bond Indenture or for any other remedy hereunder.

Section 908. Unconditional Right To Receive Principal, Premium and Interest. Nothing in this Bond Indenture shall, however, affect or impair the right of any bondholder to enforce, by action at law, payment of the principal of, premium, if any, or interest on any Series 2021 Bond at and after the maturity thereof, or on the date fixed for redemption or (subject to the provisions of Section 902) upon the same being declared due prior to maturity as herein provided, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Series 2021 Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner expressed herein and in the Series 2021 Bonds.

Section 909. Termination of Proceedings. In case the Bond Trustee shall have proceeded to enforce any right under this Bond Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee, then and in every such case the Authority, the Borrowers and the Bond Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Trustee shall continue as if no such proceedings had been taken.

Section 910. Waiver of Events of Default. The Bond Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Series 2021 Bonds on the written request of the holders of (a) a majority in aggregate principal amount of Series 2021 Bonds then Outstanding in respect of which default in the payment of principal and/or interest exists, or (b) a majority in aggregate principal amount of Series 2021 Bonds then Outstanding in the case of any other default; provided, however, that

(1) there shall not be waived without the consent of the holders of all Series 2021 Bonds then Outstanding (A) any Event of Default in the payment of the principal of any Outstanding Series 2021 Bonds (whether at maturity or by sinking fund redemption) or (B) any default in the payment when due of the interest on any such Series 2021 Bonds unless, prior to such waiver or rescission,

(i) there shall have been paid or provided for all arrears of interest with interest (to the extent permitted by law) at the rate borne by the Series 2021 Bonds on overdue installments of interest, all arrears of principal and all expenses of the Bond Trustee in connection with such default, and

(ii) in case of any such waiver or rescission or in case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Bond Trustee on account of any such default, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, and

(2) no declaration of maturity under Section 902 made at the request of the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding shall be rescinded unless requested by the holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding.

No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 911. Notice of Default; Opportunity of the Borrowers To Cure Defaults.
The Bond Trustee shall notify the Authority immediately of the occurrence of any default specified in Section 901(a)-(c). Anything herein to the contrary notwithstanding, no default specified in Section 901(d) on the part of the Authority shall constitute an Event of Default until (a) notice of such default shall be given (1) by the Bond Trustee to the Authority and the LifeSpire Borrower or (2) by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding to the Bond Trustee, the Authority and the Borrowers, and (b) the Authority and the Borrowers shall have had 30 days after such notice to correct such default or cause such default to be corrected, and shall not have corrected such default or caused such default to be corrected within such period; provided, however, that if any default specified in Section 901(d) shall be such that it can be corrected but cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or any Borrower within such period and diligently pursued until such default is corrected, as long as such default is corrected within 90 days.

With regard to any alleged default concerning which notice is given to the LifeSpire Borrower under this section, any Borrower may perform any covenant, condition or agreement the nonperformance of which is alleged in such notice to constitute a default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts with power of substitution.

ARTICLE X

THE BOND TRUSTEE

Section 1001. Acceptance of Trusts and Obligations. The Bond Trustee hereby accepts the trusts and obligations imposed upon it by this Bond Indenture and the Loan Agreement and agrees to perform such trusts and obligations, but only upon and subject to the following express terms and conditions and no implied covenants or obligations shall be read into this Bond Indenture or the Loan Agreement against the Bond Trustee:

(a) The Bond Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Bond Indenture and the Loan Agreement and as a corporate Bond Trustee ordinarily would perform such duties under a corporate indenture. In case an Event of Default has occurred (which has not been cured or waived) the Bond Trustee shall exercise such rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent man ordinarily would exercise and use under the circumstances in the conduct of his own affairs.

(b) The Bond Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees and shall not be answerable for the conduct of the same if appointed with reasonable care, and shall be entitled to act on the opinion or advice of its counsel concerning all matters of trust hereof and the duties hereunder, and shall be fully protected in acting upon such advice and may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. As a condition to the taking, suffering or omission of any action hereunder, the Bond Trustee may demand and act on an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance on such Opinion of Counsel.

(c) The Bond Trustee shall not be responsible for any recital herein or in the Series 2021 Bonds (except in respect to the certificate of the Bond Trustee endorsed on the Series 2021 Bonds) or for the recording, re-recording, other filing or re-filing of any financing or continuation statement or any other document or instrument, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Authority of this Bond Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Series 2021 Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Mortgaged Property or otherwise as to the maintenance of the security hereof; except that in the event the Bond Trustee takes possession of any part of the Mortgaged Property under any provision of this Bond Indenture, the Loan Agreement or the Deed of Trust it shall use due diligence in preserving such part, and the Bond Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority or on the part of the Borrowers under the Loan Agreement or the Deed of Trust, except as hereinafter set forth. The Bond Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Section 701.

(d) The Bond Trustee shall not be accountable for the use of any Series 2021 Bonds authenticated or delivered hereunder. The bank or trust company acting as Bond Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in the Series 2021 Bonds and may join in any action which any bondholder may be entitled to take with like effect as if such bank or trust company were not the Bond Trustee. To the extent permitted by law, such bank or trust company may also receive tenders and purchase in good faith Series 2021 Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Bond Trustee.

(e) The Bond Trustee shall be protected in acting on any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Bond Trustee under this Bond Indenture on the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Series 2021 Bond shall be conclusive and binding on all future owners of the same Series 2021 Bond and on Series 2021 Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Bond Trustee shall be entitled to rely on a certificate signed on behalf of the Authority by its Chair or Vice Chair and attested by its Secretary or Assistant Secretary under its seal, or such other person or persons as may be designated for such purposes by resolution of the Authority, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Bond Trustee has been notified as provided in subsection (h) of this section, or of which by said subsection it is deemed to have notice, may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Bond Trustee may accept a certificate of the Secretary or Assistant Secretary of the Authority under its seal to the effect that a resolution in the form therein set forth has been adopted by the Authority as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty, and the Bond Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(h) The Bond Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except failure by the Authority to cause to be made any of the payments to the Bond Trustee required to be made by Article VI or failure by the Authority or the Borrowers to file with the Bond Trustee any document required by this Bond Indenture, the Loan Agreement or the Deed of Trust to be so filed, unless the Bond Trustee shall be notified in writing of such default by the Authority or by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding.

(i) The Bond Trustee shall not be required to give any bond or surety with respect to the execution of its rights and obligations hereunder.

(j) Notwithstanding any other provision of this Bond Indenture, the Bond Trustee shall have the right, but shall not be required, to demand, as a condition of any action by the Bond Trustee in respect of the authentication of any Series 2021 Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Bond Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof.

(k) Before taking any action under this Bond Indenture or the Loan Agreement, the Bond Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its gross negligence or willful misconduct. Notwithstanding anything in this Bond Indenture or the Deed of Trust to the contrary, before taking any enforcement action under the Deed of Trust or any other instrument or agreement that may subject the Bond Trustee to liability under any environmental law, statute, regulation of similar requirement relating to the environment, the Bond Trustee may require that a satisfactory indemnity bond, and/or indemnity or environmental impairment insurance be furnished for the payment of all costs and expense to which the Bond Trustee may be put (including reasonable attorney's fees, costs and expenses) and to protect the Bond Trustee against all liability resulting

from any claims, judgments, damages, losses, penalties, fines, liabilities (including without limitation strict liability) and costs and expenses which may result from such foreclosure or other action (including in each case reasonable attorney's fees, costs and expenses).

(l) All moneys received by the Bond Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Bond Indenture or law. The Bond Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(m) The Bond Trustee shall cooperate with the Borrowers in the contest, at the expense of the Borrowers, of any condemnation proceeding or contest over title with respect to the Mortgaged Property and shall, to the extent it may lawfully do so, permit the Borrowers to litigate in any such proceeding or contest in the name and on behalf of the Bond Trustee. In no event shall the Bond Trustee voluntarily settle, or consent to the settlement of, any condemnation proceeding or contest over title with respect to the Mortgaged Property without the consent of the Borrowers.

(n) The Bond Trustee shall not be responsible for the maintenance or preservation of the tax-exempt status of the Series 2021 Bonds, including without limitation any matters or computations related to arbitrage and rebate on or for the Series 2021 Bonds.

(o) (1) Notwithstanding the provisions of Section 1304 of this Bond Indenture, the Bond Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given under this Bond Indenture and related financing documents and delivered using Electronic Means, and/or in the form of a document signed manually or by way of a digital signature provided via DocuSign (or such other digital signature provider as specified in writing by an Authorized Representative of the Borrower), in English (herein, "Digital Signatures") except that the Bond Trustee shall only accept Instructions from an authorized representative of the Authority or an Authorized Representative of the Borrowers (as applicable).

(2) If the Bond Trustee receives Instructions using Electronic Means or with Digital Signatures, and the Bond Trustee in its discretion elects to act upon such Instructions, the Bond Trustee's understanding of such Instructions shall be deemed controlling.

(3) The Authority and the Borrowers understand and agree that the Bond Trustee cannot determine the identity of the actual sender of such Instructions and that the Bond Trustee shall conclusively presume that directions that purport to have been sent by an authorized representative of the Authority or an Authorized Representative of the Borrowers (as applicable).

(4) The Authority and the Borrowers shall be responsible for ensuring that only an authorized representative of the Authority or an Authorized Representative of the Borrowers (as applicable) transmits Instructions to the Bond Trustee and that the Authority and the Borrowers are solely responsible to safeguard the use and confidentiality

of applicable user and authorization codes, passwords and/or authentication keys upon receipt.

(5) The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction.

(6) The Authority and the Borrowers agree: (i) to assume all risks arising out of the use of Electronic Means and/or Digital Signatures to submit Instructions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Bond Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority or the Borrowers (as applicable); (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Bond Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(7) The Bond Trustee will perform callbacks regarding any Instructions consistent with the Bond Trustee's internal policies and procedures.

(p) The Bond Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Bond Indenture, the Loan Agreement or any other document or instrument executed by the Bond Trustee in connection with the issuance of the Series 2021 Bonds arising or caused, directly or indirectly, by circumstances beyond its reasonable control, including by way of example and without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities or communications services; accidents; labor disputes; and acts of civil protest or military authority or other governmental action; it being understood that the Bond Trustee shall use commercially reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under any such circumstances.

Section 1002. Fees, Charges and Expenses of Bond Trustee. Absent a specific agreement as to payment of the Bond Trustee's fees, charges and expenses, the Bond Trustee and any payment agents shall be entitled to payment and reimbursement for reasonable fees for services rendered hereunder and all advances, counsel fees and disbursements and other expenses reasonably made or incurred by the Bond Trustee in connection with such services, provided that the trust estate shall not be liable for costs or expenses of the Bond Trustee other than reasonable costs and expenses. Upon an Event of Default, but only upon an Event of Default, the Bond Trustee shall have a first lien with right of payment prior to payment on account of principal of, or premium, if any, and interest on any Series 2021 Bond upon the trust estate created by this Bond Indenture for the foregoing fees, charges and expenses incurred by the Bond Trustee. When the Bond Trustee incurs expenses or renders services after the occurrence of an Event of Default

hereunder caused by the occurrence of an "Event of Default" specified in subsections 4.01(e) or 4.01(f) of the Master Indenture, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 1003. Notice Required of Bond Trustee. If the Borrowers fail to make any payment on Obligation No. 11 on the day such payment is due and payable, the Bond Trustee shall give notice thereof by telephone or facsimile to the LifeSpire Borrower and the Authority on the next succeeding Business Day and shall confirm such notice in writing by first class registered or certified mail. In the event of (a) the continuance of any such failure to make payment for 30 days after such payment was due, (b) failure of the Authority to cause any of the payments to be made to the Bond Trustee as required by Article VI, or (c) notification to the Bond Trustee by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding, of any default hereunder, the Bond Trustee shall give notice thereof to the owner of each Series 2021 Bond then outstanding with a copy to the Authority.

Section 1004. Intervention by Bond Trustee. In any judicial proceeding to which the Authority is a party and which in the opinion of the Bond Trustee has a substantial bearing on the interests of the bondholders, the Bond Trustee shall intervene on behalf of the bondholders, subject to Section 1001(k), if requested by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then outstanding.

Section 1005. Merger or Consolidation of Bond Trustee. Any corporation or association into which the Bond Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall be and become successor Bond Trustee hereunder and vested with all the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 1006. Resignation by Bond Trustee. The Bond Trustee may at any time resign from the trusts hereby created by giving 30 days' notice to the Authority, the LifeSpire Borrower (on behalf of the Borrowers) and each registered owner of Series 2021 Bonds then Outstanding. Such resignation shall take effect upon the appointment of a successor or temporary Bond Trustee by the Bondholders or the Authority. In the event that no successor or temporary Bond Trustee is appointed within 30 days of the Bond Trustee's giving of notice of its resignation, the Bond Trustee shall have the right to petition any court of competent jurisdiction for such court's appointment of a temporary Bond Trustee provided, however, that nothing in this sentence shall be deemed to authorize appointment of any Bond Trustee other than in accordance with the requirements of Section 1008 hereof.

Section 1007. Removal of Bond Trustee. The Bond Trustee may be removed at any time (i) by an instrument or concurrent instruments in writing delivered to the Bond Trustee and to the Authority and signed by the owners of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding, or (ii) by any instrument signed by an Authorized Representative

of the Borrowers provided no Event of Default has occurred and is continuing. The removal shall take effect upon the appointment of a temporary or successor Bond Trustee by the Bondholders, the Borrowers or a court of competent jurisdiction.

Section 1008. Appointment of Successor Bond Trustee; Temporary Bond Trustee. In case the Bond Trustee hereunder shall resign, be removed, be dissolved, be in course of dissolution or liquidation or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor may be appointed by (a) the owners of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners or (b) so long as no Event of Default has occurred and is continuing, the Borrowers by an instrument signed by an Authorized Representative of the Borrowers; provided, however, that in case of such vacancy the Authority by an instrument signed by its Chair or Vice Chair may appoint a temporary Bond Trustee to fill such vacancy until a successor Bond Trustee shall be appointed by the bondholders or the Borrowers in the manner provided above; and any such temporary Bond Trustee so appointed shall immediately and without further act be superseded by the Bond Trustee so appointed by such Bondholders or the Borrowers. Every such Bond Trustee appointed under this section shall be, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, (a) a bank or trust company, organized under the laws of the Commonwealth of Virginia or the United States of America, in good standing and having a combined capital, surplus and undivided profits of not less than \$50,000,000, or (b) a subsidiary trust company under the Trust Subsidiary Act, Article 3, Chapter 10, Title 6.2, Code of Virginia of 1950, as amended, whose parent Virginia bank or bank holding company has undertaken to be responsible for the acts of such subsidiary trust company under the provisions of Section 6.2-1056 of the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus and undivided profits, together with that of its parent Virginia bank or bank holding company, as the case may be, is not less than \$50,000,000.

Section 1009. Concerning any Successor Bond Trustee. Every successor Bond Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder, and thereafter such successor, without any further act, deed or conveyance, shall become fully vested with all the properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority or its successor, execute and deliver an instrument transferring to such successor Bond Trustee all the properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Bond Trustee shall deliver all securities and moneys held by it as Bond Trustee hereunder to its successor. Should any instrument in writing from the Authority be reasonably required by any successor Bond Trustee for more fully and certainly vesting in such successor the properties, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Bond Trustee and the instrument or instruments removing any Bond Trustee and appointing a successor hereunder, together with all other instruments provided for in this article, shall be filed and/or recorded by the successor Bond Trustee in each recording office where this Bond Indenture may have been filed and/or recorded.

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Section 1010. Right of Bond Trustee To Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge on any part of the property conveyed under the Loan Agreement is not paid as required herein, the Bond Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Bond Trustee or the bondholders hereunder arising in consequence of such failure. Any amount at any time so paid under this section, with interest thereon from the date of payment at the Prime Rate, shall become additional indebtedness secured by this Bond Indenture, and such indebtedness shall be given a preference in payment over any of the Series 2021 Bonds, and shall be paid out of the proceeds of revenues and receipts collected from the property herein conveyed, if not otherwise caused to be paid; but the Bond Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least 25% in aggregate principal amount of Series 2021 Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 1011. Bond Trustee Protected in Relying on Resolutions, Etc. The resolutions, opinions, certificates and other instruments provided for in this Bond Indenture may be accepted by the Bond Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Bond Trustee for the release of property, the withdrawal of cash hereunder or the taking of any other action by the Bond Trustee as provided hereunder.

Section 1012. Successor Bond Trustee as Bond Registrar, Custodian of Funds and Paying Agent. In the event of a change in the office of Bond Trustee the predecessor Bond Trustee which has resigned or been removed shall cease to be bond registrar, custodian of the several funds created under this Bond Indenture and paying agent for principal of and interest on the Series 2021 Bonds and the successor Bond Trustee shall become such bond registrar, custodian and paying agent.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 1101. Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of, or notice to, any of the Bondholders, enter into such indenture or indentures supplemental to this Bond Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Bond Indenture;
- (b) To grant to or confer on the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Bondholders or the Bond Trustee or either of them;
- (c) To subject to this Bond Indenture additional revenues, properties or collateral;

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(d) To modify, amend or supplement this Bond Indenture in such manner as required to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or any state securities (Blue Sky) law, and, if they so determine, to add to this Bond Indenture such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939, as amended, or similar federal statute or state securities law;

(e) To modify, amend or supplement this Bond Indenture in such manner as required to prevent this Bond Indenture or any fund, account or deposit created, established or made pursuant hereto from being deemed an "investment company" as such term is defined in Section 3 of the Investment Company Act of 1940, as amended, or otherwise subject to registration under Section 8 of such Act; or

(f) To make any other change herein that, in the opinion of the Bond Trustee, which may be based upon an Opinion of Counsel, shall not prejudice in any material respect the rights of the holders of the Series 2021 Bonds then Outstanding.

Section 1102. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 1101 and subject to the terms and provisions contained in this section, the Holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Bond Indenture, to consent to and approve the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Bond Indenture or in any supplemental indenture; provided, however, that nothing in this Bond Indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Series 2021 Bond, or (b) a reduction in the principal amount of any Series 2021 Bond or the rate of interest thereon, or (c) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Series 2021 Bond, or (d) a privilege or priority of any Series 2021 Bond or Series 2021 Bonds over any other Series 2021 Bond or Series 2021 Bonds, or (e) a reduction in the aggregate principal amount of Series 2021 Bonds required for consent to such supplemental indenture.

If at any time the Authority shall request the Bond Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be sent to each registered owner of Series 2021 Bonds then outstanding by registered or certified mail to the address of such bondholder as it appears on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings pursuant hereto. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Bond Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority following the giving of such notice, the Holders of a majority in aggregate principal amount of Series 2021 Bonds then Outstanding shall have consented to and approved the execution thereof as herein provided, no Holder of any Series 2021 Bond shall have any right to object to any of the terms and provisions

contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing such supplemental indenture or from taking any action under the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, this Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

Series 2021 Bonds owned or held by or for the account of the Authority or the Borrowers or any person controlling, controlled by or under common control with either of them shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Series 2021 Bonds provided for in this Article XI or in Article XII. At the time of any such calculation, the Borrowers shall furnish the Bond Trustee a certificate of an Authorized Representative of the Borrowers, upon which the Bond Trustee may rely, describing all Series 2021 Bonds so to be excluded.

Section 1103. Consent of the Borrowers Required. Notwithstanding any other provision of this Bond Indenture, a supplemental indenture under this article that affects any rights of the Borrowers shall not become effective until the Borrowers shall have consented to the execution and delivery of such supplemental indenture.

Section 1104. Amendment by Unanimous Consent. Notwithstanding any other provision in this Bond Indenture, the Authority and the Bond Trustee shall enter into any indenture supplemental to this Bond Indenture upon receipt of the consent of the Holders of all Series 2021 Bonds then outstanding, the Opinion of Counsel required by Section 1106 and, if required by Section 1103, the consent of the Borrowers.

Section 1105. Amendment without Consent of Authority. In the event the Authority is unwilling or unable to enter into any supplemental indenture permitted by this Article XI the Bond Trustee may, without the consent of the Authority, amend or supplement this Bond Indenture in any manner otherwise permitted by this Article XI so long as such amendment or supplement does not adversely affect the rights of the Authority.

Section 1106. Opinion of Counsel Required. Notwithstanding any other provision of this Bond Indenture, the Bond Trustee (a) shall not execute any supplemental indenture to this Bond Indenture unless there shall have been filed with the Bond Trustee an Opinion of Bond Counsel stating (i) that such supplemental indenture is authorized or permitted by this Bond Indenture and complies with its terms and that upon execution it will be valid and binding on the Authority in accordance with its terms, and (ii) that such supplemental indenture will not have an adverse effect on the exemption of interest on the Series 2021 Bonds from gross income for Federal income tax purposes, and (b) shall not, without the consent of the Borrowers, execute any supplemental indenture to this Bond Indenture that will adversely affect any rights of the Borrowers and shall in all events give the Borrowers at least 15 days' prior notice (which may be waived) of any proposed supplemental indenture.

Section 1107. Trustee's Obligation Regarding Supplemental Indentures and Amendments of Obligation No. 11, Agreement and Deed of Trust. The Bond Trustee shall not unreasonably (a) refuse to enter into any supplemental indenture permitted by this Article or (b) withhold its consent to any amendment, change or modification of the Loan Agreement, the Master

Indenture, Obligation No. 11, or the Deed of Trust permitted by Article XII; provided, however, that any such refusal or withholding shall not be unreasonable if the Bond Trustee reasonably believes that such supplemental indenture or amendment, change or modification does or may prejudice any right of the holders of Series 2021 Bonds then outstanding or affect adversely the rights and immunities of, or increase the duties of, the Bond Trustee.

Section 1108. Amendments to the Letter of Representations. Notwithstanding any provision of this Bond Indenture including Article XI regarding amendments, the Bond Trustee may enter into any amendment to the Letter of Representations or successor agreement with another securities depository without the consent of Bondholders.

ARTICLE XII

AMENDMENTS OF AGREEMENT, MASTER INDENTURE, OBLIGATION NO. 11 AND DEED OF TRUST

Section 1201. Amendments of Agreement, Master Indenture, Obligation No. 11 and Deed of Trust Not Requiring Consent of Bondholders. The Authority and the Bond Trustee shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement, Master Indenture, Obligation No. 11, or the Deed of Trust as may be required:

- (a) by the provisions of the Loan Agreement, Master Indenture, Obligation No. 11, the Deed of Trust, or this Bond Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission therein;
- (c) in connection with additional real estate, furnishings, machinery or equipment that is to become part of the Facilities under the Loan Agreement so as to identify the same more precisely; or
- (d) in connection with any other change therein that, in the opinion of the Bond Trustee, which may be based upon an Opinion of Counsel, will not prejudice in any material respect the rights of the Holders of the Series 2021 Bonds then outstanding.

The Authority and the Bond Trustee shall, without the consent of or notice to the bondholders, consent to any such amendment, change or modification made in connection with any modification or amendment of, or supplement to, this Bond Indenture under Section 1101(e).

Section 1202. Amendments of Agreement, Master Indenture, Obligation No. 11 and Deed of Trust Requiring Consent of Bondholders. Except for amendments, changes or modifications as provided in Section 1201 and subject to Section 1206, neither the Authority nor the Bond Trustee shall consent to any amendment, change or modification of the Loan Agreement, the Master Indenture, Obligation No. 11, or the Deed of Trust without the written approval or consent of the Holders of a majority in aggregate principal amount of Series 2021 Bonds then outstanding given and procured as provided in Section 1102. If at any time the Authority and the Borrowers shall request the consent of the Bond Trustee to any such proposed amendment, change

or modification, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 1102 with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that a copy of the instrument embodying the same is on file at the designated corporate trust office of the Bond Trustee for inspection by all Bondholders.

Section 1203. Limitation on Amendments. No amendment, change or modification may decrease the obligation of the Borrowers under the Loan Agreement, the Master Indenture, Obligation No. 11 and the Deed of Trust to pay amounts sufficient to pay principal of, premium, if any, and interest on the Series 2021 Bonds as the same become due.

Section 1204. Amendment by Unanimous Consent. Notwithstanding any other provision of this Bond Indenture, the Authority and the Bond Trustee shall consent to any amendment, change or modification of the Loan Agreement, the Master Indenture, Obligation No. 11, or the Deed of Trust upon receipt of the consent of the Holders of all Series 2021 Bonds then outstanding.

Section 1205. Opinion of Counsel Required. The Bond Trustee shall not consent to any amendment, change or modification of the Loan Agreement, the Master Indenture, Obligation No. 11 or the Deed of Trust unless there shall have been filed with the Bond Trustee and the Authority an Opinion of Counsel that such amendment, change or modification is authorized or permitted by this Bond Indenture and complies with its terms and that on execution it will be valid and binding on the party or parties executing it in accordance with its terms, and an Opinion of Bond Counsel stating that such amendment, change or modification will not have an adverse effect on the exemption of interest on the Series 2021 Bonds from gross income for federal income tax purposes.

Section 1206. Partial Consent to Amendment of Master Indenture. Notwithstanding the provisions of Section 1202, if the Bond Trustee, as "Holder" of Obligation No. 11 under the Master Indenture, is requested to make or give any request, direction or consent with respect to the Master Indenture that the Bond Trustee cannot make or give under Section 1201 above and the approval or consent of the Holders of a majority in aggregate principal amount of Series 2021 Bonds then outstanding is not obtained, then at the Borrowers' request the Bond Trustee shall inform the Master Trustee of the principal amount of Series 2021 Bonds held by Holders giving such approval or consent so that the provisions of Section 8.01 of the Master Indenture may be given effect.

ARTICLE XIII

MISCELLANEOUS

Section 1301. Consents of Bondholders. (a) Any consent, request, direction, approval, objection or other instrument required by this Bond Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument, or of

the writing appointing any such agent shall be sufficient for any of the purposes of this Bond Indenture, and shall be conclusive in favor of the Bond Trustee with regard to any action taken under such request or other instrument, if the fact and date of the execution by any person of any such writing is proved by the certification of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

For all purposes of this Bond Indenture and of the proceedings for its enforcement, such person shall be deemed to continue to be the Holder of such Series 2021 Bond until the Bond Trustee shall have received notice in writing to the contrary.

(b) Any consent, request, direction, approval, objection or other instrument required by this Bond Indenture to be signed and executed by the Bondholders may be provided by any broker, dealer or municipal securities dealer acting as an underwriter for the Series 2021 Bonds during any period that such broker, dealer or municipal securities dealer holds the Series 2021 Bonds. Proof of the execution of any consent, request, direction, approval, objection or other instrument will be sufficient for any of the purposes of this Bond Indenture, and will be conclusive in favor of the Bond Trustee with regard to any action taken under the request or other instrument, if the fact and date of the execution by any person of any writing is proved by the certification of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing the writing acknowledged before him or her its execution, or by affidavit of any witness to such execution.

Section 1302. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Indenture or the Series 2021 Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the Holders of the Series 2021 Bonds any legal or equitable right, remedy or claim under or in respect to this Bond Indenture or any covenants, conditions and agreements herein contained; this Bond Indenture and all of the covenants, conditions and agreements hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Holders of the Series 2021 Bonds as herein provided.

Section 1303. Limitation of Liability of Directors, etc. of Authority. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Authority in his individual capacity, and neither the directors of the Authority nor any officer thereof executing the Series 2021 Bonds shall be liable personally on the Series 2021 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, agent or adviser of the Authority shall incur any personal liability with respect to any other action taken by him under this Bond Indenture or the Act, provided such director, officer, employee, agent or adviser does not act in bad faith.

Section 1304. Notices. Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid or by facsimile, and if sent by facsimile confirmed by telephone, addressed

(a) if to any Member of the Obligated Group, addressed to c/o Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, 3961 Stillman Parkway, Glen Allen, Virginia 23060 (Attention: Chief Financial Officer);

(b) if to the Authority, at Virginia Small Business Financing Authority, 101 N. 14th Street, 11th Floor, Richmond, Virginia 23218 (Attention: Executive Director); and

(c) if to the Bond Trustee, at 1051 East Cary Street, Suite 600, Richmond, Virginia 23219 (Attention: Corporate Trust Department).

A duplicate copy of each demand, notice, approval, request, consent, opinion or other communication given hereunder by either the Authority or the Bond Trustee to the other shall also be given to the Borrowers. The Authority, the Borrowers and the Bond Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed. Until so changed, the address for the Bond Trustee provided above will be its designated corporate trust office.

Section 1305. Payments/Actions Due on Holidays, Etc. If any date specified herein for the payment of the Series 2021 Bonds or the performance of any act shall not be a Business Day, such payment or performance shall be made on the next succeeding Business Day with the same effect as if made on such date, and in case any payment of the principal or redemption price of or interest on the Series 2021 Bonds shall be due on a date that is not a Business Day, interest on such principal amount shall cease to accrue on the date on which such payment was due if such payment is made on the immediately succeeding Business Day.

Section 1306. Successors and Assigns. This Bond Indenture shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 1307. Severability. If any provision of this Bond Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 1308. Applicable Law. This Bond Indenture shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 1309. Counterparts. This Bond Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 1310. USA Patriot and Freedom Act Requirements of the Bond Trustee. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Bond Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity verifying its formation as a legal entity. The Bond Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[Signature Page Follows]

IN WITNESS WHEREOF, the Authority and the Bond Trustee have caused this Bond Indenture to be executed in their respective corporate names as of the date first above written.

**VIRGINIA SMALL BUSINESS FINANCING
AUTHORITY**

By: _____
Chair

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

By: _____
Authorized Agent

EXHIBIT A

FORM OF SERIES 2021 BONDS

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

NUMBER DOLLARS
R- \$

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY
RESIDENTIAL CARE FACILITIES REVENUE AND REFUNDING BOND
(LIFESPIRE OF VIRGINIA)
SERIES 2021

INTEREST RATE MATURITY DATE DATED DATE CUSIP
% 1, 20 July 2021 -

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: AND 00/100 DOLLARS (\$)

The VIRGINIA SMALL BUSINESS FINANCING AUTHORITY, a political subdivision of the Commonwealth of Virginia (the "Authority"), for value received, hereby promises to pay, upon presentation and surrender hereof at the designated corporate trust office of U.S. Bank National Association, as trustee, or its successor in trust (the "Bond Trustee"), solely from the sources and as hereinafter provided, to the registered owner hereof, or registered assigns or legal representative, the principal sum set forth above on the maturity date set forth above, subject to

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prior redemption as described below, and to pay, solely from such sources, on 1, 20, and on each 1 and 1 thereafter (each, an "Interest Payment Date"), interest hereon at the interest rate per year specified above, from the Interest Payment Date next preceding the date on which this Bond is authenticated, unless this Bond is (a) authenticated before the first Interest Payment Date following the initial delivery of the Bonds, in which case it shall bear interest from its date, or (b) authenticated upon an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date (unless interest on this Bond is in default at the time of authentication, in which case this Bond shall bear interest from the date to which interest has been paid). Interest hereon shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the month next preceding an Interest Payment Date by check or draft mailed to such person at his address as it appears on the registration books kept by the Bond Trustee. Notwithstanding the foregoing, if and for so long as Cede & Co. or any other nominee of The Depository Trust Company is registered owner of all of the Bonds, the principal of and premium, if any, on this Bond shall be paid to Cede & Co. or such other nominee as provided under the Bond Indenture. Principal, premium, if any, and interest are payable in lawful money of the United States of America.

This Bond and the issue of which it is a part and the premium, if any, and the interest thereon are limited obligations of the Authority and (except to the extent payment with respect to the Series 2021 Bonds shall be made from the proceeds from the sale of the Series 2021 Bonds or the income, if any, derived from the investment thereof) are payable from the revenues and receipts derived from the trust estate which has been pledged and assigned to the Bond Trustee to secure payment of the Series 2021 Bonds.

THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND MONIES PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO.

This Bond is one of a series of \$ Virginia Small Business Financing Authority, Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 (the "Series 2021 Bonds"), of like date and tenor, except as to number, denomination, rate of interest, maturity and privilege of redemption, authorized and issued pursuant to the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended. The Series 2021 Bonds are issued under and are equally and ratably secured by a Bond Trust Indenture dated as of August 1, 2021 (as altered, amended, modified, or supplemented, from time to time, the "Bond Indenture"), between the Authority and the Bond Trustee.

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The Authority will issue the Series 2021 Bonds and loan the proceeds of the Series 2021 Bonds to Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, Culpeper Baptist Retirement Community, Inc., d/b/a The Culpeper, Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake, The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC (collectively, the "Borrowers") under the terms of a Loan Agreement dated as of August 1, 2021 (as altered, amended, modified, or supplemented, from time to time, the "Loan Agreement"), between the Authority and the Borrowers.

The Borrowers will use the proceeds of the Series 2021 Bonds:

- (1) to finance and refinance the construction of approximately 36 independent living dwellings, site work, infrastructure and connectivity improvements and other related facilities at the Borrowers' community known as The Culpeper, located in and around 12425 Village Loop, Culpeper, Virginia and to finance various capital projects at The Culpeper in and around the existing structures;
- (2) to refinance the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bonds, Series 2017A and Series 2017B (and associated swap termination payments), which financed and refinanced a replacement facility and related improvements at The Culpeper;
- (3) to finance and refinance the construction of approximately 19 independent living dwellings, site work, infrastructure and connectivity improvements and other related facilities at the Borrowers' community known as Lakewood, located in and around 1900 Lauderdale Drive, Henrico, Virginia and to finance various capital projects at Lakewood in and around the existing structures;
- (4) to finance and refinance the acquisition of certain existing independent living and assisted living facilities and vacant land in and around 1400 Enterprise Drive, Lynchburg, Virginia 24502 at a life plan community currently known as The Summit and to finance various capital projects at these facilities in and around the existing structures; and
- (5) to finance, if and as needed, amounts required for reserves, working capital, capitalized interest, costs of issuance and other financing expenses related to the issuance of the Series 2021 Bonds (collectively (1), (2), (3), (4) and (5) constitute the "Plan of Finance" and (1), (3), (4) and (5) above constitute the "New Money Project").

Under the Bond Indenture, the Authority has assigned to the Bond Trustee, as security for the Series 2021 Bonds, the promissory note of the Borrowers constituting Obligation No. 11 in the principal amount of \$_____, dated the date of delivery (as altered, amended, modified, or supplemented, from time to time, "Obligation No. 11"), and certain rights of the Authority under the Loan Agreement. In the Loan Agreement, the Borrowers agree to pay amounts sufficient to pay the principal of and premium, if any, and interest on the Series 2021 Bonds as the same become due. Obligation No. 11 is issued as an obligation of the Obligated Group under the Amended and Restated Master Trust Indenture dated as of October 1, 2016 (as altered, amended, modified, or supplemented, from time to time, the "Master Indenture"), among the Borrowers and U.S. Bank

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National Association, as the master trustee (the "Master Trustee"), and a Supplemental Indenture for Obligation No. 11 dated as of August 1, 2021, among the Borrowers and the Master Trustee.

The Borrowers have previously issued other Obligations under the Master Indenture and additional Obligations (as defined in the Master Indenture) of the Borrowers and future Members of the Obligated Group may be issued on the terms provided in the Master Indenture. All Obligations of the Obligated Group, including Obligation No. 11, will be equally and ratably secured by the provisions of the Master Indenture. All Obligations of the Obligated Group, including Obligation No. 11, other than those evidencing unsecured indebtedness, are equally and ratably secured by the Deed of Trust (as defined in the Bond Indenture), which creates a lien on and a security interest in the Mortgaged Property (as defined in the Master Indenture), which lien and security interest are more fully described in the Deed of Trust.

Reference is hereby made to the Bond Indenture, the Loan Agreement, the Master Indenture and the Deed of Trust, and to all amendments and supplements thereto, for a description of the provisions, among others, with respect to the terms on which the Series 2021 Bonds are issued, the nature and extent of the security for the Series 2021 Bonds, the rights, duties and obligations of the Authority, the Bond Trustee and the Master Trustee, the rights of the holders of the Series 2021 Bonds and the provisions for defeasance of such rights.

The Series 2021 Bonds may not be called for redemption by the Authority except as provided in the Bond Indenture and as provided below.

As more fully described in the Bond Indenture and the Loan Agreement, the Series 2021 Bonds are required to be redeemed by the Authority, at the direction of the Borrowers, in whole or in part at any time at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date in the event the Borrowers exercise its option to prepay Obligation No. 11, in whole or in part, upon damage to, condemnation of or failure of title to the Mortgaged Property or certain other extraordinary events.

The Series 2021 Bonds maturing on or after _____ 1, 20____, will be subject to redemption by the Authority, at the direction of the Borrowers, prior to maturity in whole, or in part by lot, at any time, on and after _____ 1, 20____, at a redemption price equal to 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon, if any, to the redemption date in the event the Borrowers exercise its option to prepay all or a portion of the amounts available under Obligation No. 11 under Sections 7.2 or 7.3 of the Loan Agreement.

As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20____ (in the aggregate principal amount of \$_____ and bearing interest at _____%), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
	\$

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redemption, a new Bond in the principal amount equal to the unredeemed portion thereof will be authenticated and delivered to the registered owner upon the surrender hereof.

If any of the Series 2021 Bonds or portions thereof are called for redemption, the Bond Trustee shall send to the registered owner of each Bond to be redeemed notification thereof by first class mail not less than 30 nor more than 60 days prior to the redemption date, at his address as it appears on the registration books; provided, however, that failure to give any such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2021 Bonds with respect to which no such failure or defect has occurred. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Series 2021 Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Bond Indenture and shall not be deemed to be outstanding under the provisions of the Bond Indenture.

The owner of this Bond shall have no right to enforce the provisions of the Bond Indenture or to institute action to enforce the covenants therein or to take any action with respect to any Event of Default under the Bond Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Bond Indenture. In certain events, on conditions, in the manner and with the effect set forth in the Bond Indenture, the principal of all the Bonds issued under the Bond Indenture and then outstanding may become or may be declared due and payable before their stated maturities, together with accrued interest thereon. Modifications or alterations of the Bond Indenture, the Loan Agreement or Obligation No. 11 or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Bond Indenture.

The Series 2021 Bonds are issuable only as registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. At the designated corporate trust office of the Bond Trustee, in the manner and subject to the limitations and conditions and upon payment of charges provided in the Bond Indenture, Series 2021 Bonds may be exchanged for an equal aggregate principal amount of Series 2021 Bonds of different authorized denominations as requested by the owner hereof or his duly authorized attorney or legal representative.

The transfer of this Bond may be registered by the registered owner thereof in person or by his duly authorized attorney or legal representative at the designated corporate trust office of the Bond Trustee, but only in the manner and subject to the limitations and conditions provided in the Bond Indenture and upon surrender and cancellation of the Bond. Upon any such registration of transfer the Authority shall execute and the Bond Trustee shall authenticate and deliver in exchange for this Bond a new Bond, registered in the name of the transferee, of authorized denominations. The Bond Trustee, the Authority and the Borrowers shall, prior to due presentment for registration of transfer, treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that all payments of interest shall be made to the registered owner as of the fifteenth day of the month preceding each Interest Payment Date.

Any exchange or registration of transfer shall be without charge except that the Bond Trustee shall make a charge to any bondholder requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto.

(maturity)

As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20__ (in the aggregate principal amount of \$_____ and bearing interest at _____%), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
	\$

(maturity)

As a sinking fund, the Bond Trustee shall redeem Series 2021 Bonds maturing on _____ 1, 20__ (in the aggregate principal amount of \$_____ and bearing interest at _____%), on _____ 1 in years and in principal amounts and at a price of 100% of the principal amount of the Series 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
	\$

(maturity)

The Bond Indenture provides for a credit against the sinking fund requirements of the Series 2021 Bonds of the same series and maturity, to the extent the Series 2021 Bonds of such maturity previously have been purchased or redeemed (other than through the operation of the sinking fund) and cancelled or surrendered for cancellation and have not been applied previously as such a credit.

If less than all the Series 2021 Bonds of any maturity are called for redemption, the Series 2021 Bonds to be redeemed shall be selected by lot in such manner as the Bond Trustee in its discretion shall determine, or if the Series 2021 Bonds are held in a book-entry system by The Depository Trust Company in accordance with its procedures, each portion of \$5,000 principal amount being counted as one Bond for this purpose. If a portion of this Bond shall be called for

All acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed.

This Bond shall not become obligatory for any purpose or be entitled to any security or benefit under the Bond Indenture or be valid until the Bond Trustee shall have executed the Certificate of Authentication appearing hereon.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Virginia Small Business Financing Authority, has caused this Bond to be signed by the signature of its Chair, its seal to be printed hereon and attested by the signature of its Secretary, and this Bond to be dated the date first written above.

**VIRGINIA SMALL BUSINESS FINANCING
AUTHORITY**

By: _____
Chair

[SEAL]

ATTEST:

Secretary

Date of Authentication: August __, 2021

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2021 Bonds described in the within-mentioned Bond Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Bond Trustee

By: _____
Authorized Agent

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto _____

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney to transfer said Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

(Signature of Registered Owner)
NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alternation or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Borrowers, Securities Broker/Dealer, Credit Union or Savings Association, who is a member of a medallion program approved by the Securities Transfer Association, Inc.

EXHIBIT B
FORM OF REQUISITION

Requisition No. _____

_____, 20__

U.S. Bank National Association, as trustee

Re: Virginia Baptist Homes, Inc. d/b/a LifeSpire of Virginia (the "LifeSpire Borrower"), relating to Bond Trust Indenture dated as of August 1, 2021 (the "Bond Indenture"), between the Virginia Small Business Financing Authority (the "Authority") and U.S. Bank National Association, as bond trustee (the "Trustee")

Requisition No. _____

Under Sections 503 and 506 of the Bond Indenture, the undersigned, as an Authorized Representative of the Borrowers (as defined in the Bond Indenture), hereby requests that you make the disbursements described below from funds indicated below and held by you, as Trustee. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Indenture. Such disbursements shall be made to pay the invoices attached to this Requisition.

In connection with the above request, the Borrowers hereby certify as follows:

- (a) this Requisition is being used to pay _____ Cost of the Project and/or _____ Cost of Issuance; [check all that apply]
- (b) the payment of this Requisition will not result in an amount greater than 2% of the proceeds of the Bond being expended for "issuance costs" within the meaning of Section 147(g) of the Code, including, without limitation, any counsel fees, financial advisor fees, rating agency fees, trustee fees, paying agent and certifying and authenticating agent fees, accountant fees, printing costs and costs incurred in connection with the required public approval of the Bond;
- (c) the payment of this Requisition will not result in any of the proceeds of the Bond expended or to be expended under such requisition and all prior requisitions being used directly or indirectly in the trade or business carried on by a related person within the meaning of Section 144(a) or Section 145(b)(3) of the Code, or by any person who is not a "501(c)(3) corporation" within the meaning of Section 145 of the Code;
- (d) the obligation stated on this Requisition is a proper charge against the funds in the Construction Fund or the Cost of Issuance Fund (as applicable) and the obligation has not been the basis for a prior requisition that has been paid;

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- (e) as of the date of this certification no event or condition has happened or existed or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is happening or exists, specifying the nature and period of the event or condition and what action the Borrower has taken, is taking or proposes to take with respect to it; and
- (f) if this Requisition is for the final disbursement for payment to any contractor on any contract with respect to the New Money Project (i) the work due under such contract has been completed, (ii) all labor and materials supplied to the Mortgaged Property have been or will with this disbursement be fully paid for, and (iii) no right exists on the part of any party to a claim against the Mortgaged Property, or any portion thereof.

Executed and certified as of the date first above written.

VIRGINIA BAPTIST HOMES, INC. D/B/A
LIFESPIRE OF VIRGINIA

By: _____
Authorized Representative of the Borrowers

Attach Copies of All Invoices to be Paid

(Invoices Should Include Call-Back Instructions)

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LOAN AGREEMENT

between

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

and

VIRGINIA BAPTIST HOMES, INC. (D/B/A LIFESPHERE OF VIRGINIA),

CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. (D/B/A THE CULPEPER)

LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.,

NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC. (D/B/A THE
CHESAPEAKE),

THE GLEBE, INC.

and

LYNCHBURG BAPTIST RETIREMENT COMMUNITY, INC.

August 1, 2021

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This **LOAN AGREEMENT** is dated as of August 1, 2021, and is between the **VIRGINIA SMALL BUSINESS FINANCING AUTHORITY**, a political subdivision of the Commonwealth of Virginia (as more particularly defined below, the "Authority"), and **VIRGINIA BAPTIST HOMES, INC. (d/b/a LifeSpire of Virginia)**, a Virginia nonstock corporation, **CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. (d/b/a The Culpeper)**, a Virginia nonstock corporation, **LAKEWOOD MANOR BAPTIST RETIREMENT COMMUNITY, INC.**, a Virginia nonstock corporation, **NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC. (d/b/a The Chesapeake)**, a Virginia nonstock corporation **THE GLEBE, INC.**, a Virginia nonstock corporation and **LYNCHBURG BAPTIST RETIREMENT COMMUNITY, LLC**, a Virginia limited liability company (collectively, the "Borrowers").

WITNESSETH:

WHEREAS, the Authority is empowered by the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended (the "Act"), to issue its revenue bonds for the purpose of lending the proceeds of the sale of such bonds to eligible businesses in order to promote and develop industrial development and to further the long-term economic development of the Commonwealth of Virginia through the improvement of its tax base and the promotion of employment;

WHEREAS, to further the purposes of the Act, the Authority has determined to issue its Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia) Series 2021 (as altered, amended, modified, or supplemented, from time to time, the "Series 2021 Bonds") under a Bond Trust Indenture dated as of the date hereof (as altered, amended, modified, or supplemented, from time to time, the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee and in an aggregate principal amount of \$_____ and use the proceeds thereof to make a loan to Borrowers;

WHEREAS, the Borrowers will use the proceeds of the Series 2021 Bonds:

- (1) to finance and refinance the construction of approximately 36 independent living dwellings, site work, infrastructure and connectively improvements and other related facilities at the Borrowers' community known as The Culpeper, located in and around 12425 Village Loop, Culpeper, Virginia and to finance various capital projects at The Culpeper in and around the existing structures;
- (2) to refinance the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bonds, Series 2017A and Series 2017B (and associated swap termination payments), which financed and refinanced a replacement facility and related improvements at The Culpeper;
- (3) to finance and refinance the construction of approximately 19 independent living dwellings, site work, infrastructure and connectively improvements and other related facilities at the Borrowers' community known as Lakewood, located in and around 1900 Lauderdale Drive, Henrico, Virginia and to finance various capital projects at Lakewood in and around the existing structures;

- (4) to finance and refinance the acquisition of certain existing independent living and assisted living facilities and vacant land in and around 1400 Enterprise Drive, Lynchburg, Virginia 24502 at a life plan community currently known as The Summit and to finance various capital projects at these facilities in and around the existing structures; and
- (5) to finance, if and as needed, amounts required for reserves, working capital, capitalized interest, costs of issuance and other financing expenses related to the issuance of the Series 2021 Bonds (collectively (1), (2), (3), (4) and (5) constitute the "Plan of Finance" and (1), (3), (4) and (5) above constitute the "New Money Project");

WHEREAS, the Authority proposes to loan the proceeds of the sale of the Series 2021 Bonds to the Borrowers under this Loan Agreement, and the Borrowers agrees to repay such loan on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. Except as set forth below or unless the context otherwise requires, all undefined capitalized terms shall have the meanings assigned to them in the Master Indenture or the Bond Indenture. The following words and terms shall have the following meanings unless the context otherwise requires:

"Act" means the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended.

"Authority" means the Virginia Small Business Financing Authority, a political subdivision of the Commonwealth of Virginia and its successor.

"Authorized Representative of the Borrowers" means the Chief Executive Officer or the Chief Financial Officer of the LifeSpire Borrower or any other person or persons designated to act on behalf of the Borrowers by certificate signed by the Chief Executive Officer or the Chief Financial Officer of the LifeSpire Borrower and filed with the Authority and the Bond Trustee.

"Bond Indenture" has the meaning assigned to it in the Recitals.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated August ___, 2021, among the Authority, the Borrowers and the Underwriter regarding the sale of the Series 2021 Bonds.

"Bond Trustee" means the bond trustee at the time serving as such under the Bond Indenture, whether the original or a successor trustee.

"Book Value" has the meaning assigned to it in the Master Indenture.

"Borrowers" has the meaning assigned to it in the Preamble.

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"Code" means the Internal Revenue Code of 1986, as amended.

"Culpeper Borrower" means Culpeper Baptist Retirement Community, Inc., d/b/a The Culpeper, a Virginia nonstock corporation.

"Debt Service Reserve Fund Requirement" has the meaning assigned to it in Supplemental Indenture for Obligation No. 11.

"Disclosure Dissemination Agent Agreement" means the Disclosure Dissemination Agent Agreement dated as of August 1, 2021, between the Borrowers and Digital Assurance Certification, L.L.C., as dissemination agent.

"Event of Default" means the occurrence of any of the events listed in Section 6.1(a).

"Facilities" has meaning assigned to it in Master Indenture.

"Financial Statements" has meaning assigned to it in Master Indenture.

"Financing Instruments" means the Master Indenture, the Bond Indenture, the Note, the Deed of Trust, the Disclosure Dissemination Agent Agreement, the Tax Agreement, the Bond Purchase Agreement, and this Loan Agreement.

"Henrico Borrower" means Lakewood Manor Baptist Retirement Community, Inc., a Virginia nonstock corporation.

"LifeSpire Borrower" means Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia, a Virginia nonstock corporation.

"Loan" means the loan to the Borrowers under this Loan Agreement.

"Lynchburg Borrower" means Lynchburg Baptist Retirement Community, LLC, a Virginia limited liability company.

"Master Indenture" has the meaning assigned to it in the Bond Indenture.

"Master Trustee" means the master trustee at the time serving as such under the Master Indenture, whether the original or a successor trustee.

"Mortgaged Property" has the meaning assigned to it in the Master Indenture.

"Net Insurance Proceeds" means the gross proceeds from any insurance recovery or condemnation award remaining after payment of reasonable attorneys' fees, reasonable fees and expenses of the Bond Trustee and all other reasonable expenses incurred in the collection of such gross proceeds.

"New Money Project" has the meaning assigned to it in the Recitals.

"Newport News Borrower" means Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake, a Virginia nonstock corporation.

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"Note" means the promissory note of the Borrowers in the aggregate principal amount of the Series 2021 Bonds, dated the date hereof, issued as Obligation No. 11 under the Master Indenture, secured by the Deed of Trust and delivered to the Authority to evidence the Borrowers' obligations hereunder, as altered, amended, modified, or supplemented, from time to time.

"Officer's Certificate" has the meaning assigned to it in the Master Indenture.

"Outstanding" has the meaning assigned to it in the Bond Indenture.

"Permitted Liens" has the meaning assigned to it in the Master Indenture.

"Person" has the meaning assigned to it in the Master Indenture.

"Plan of Finance" has the meaning assigned to it in the Recitals.

"Prime Rate" means the rate per year announced from time to time by the Bond Trustee, as its prime rate, with any change in the Prime Rate being effective as of the date such announced prime rate is changed.

"Reserve Fund No. 1" has the meaning assigned to it in the Supplemental Indenture for Obligation No. 11.

"Series 2017A Bond" means the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bond, Series 2017A.

"Series 2017B Bond" means the Economic Development Authority of the County of Culpeper, Virginia's Residential Care Facilities Revenue Bond, Series 2017B.

"Series 2021 Bonds" means the Authority's Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021, issued under the Bond Indenture.

"Supplemental Indenture for Obligation No. 11" means the Supplemental Indenture for Obligation No. 11 dated as of August 1, 2021, among the Borrowers and the Master Trustee, supplementing the Master Indenture.

"Tax Agreement" means the Tax Certificate dated August __, 2021, between the Borrower and the Authority, as altered, amended, modified, or supplemented, from time to time.

"Underwriter" means Herbert J. Sims & Co., Inc., as the lead underwriter for the Series 2021 Bonds.

Section 1.2 Rules of Construction. The following rules shall apply to the construction of this Loan Agreement unless the context otherwise requires:

(a) Singular words shall connote the plural number as well as the singular and vice versa.

(b) Words importing the redemption or calling for redemption of Series 2021 Bonds shall not be deemed to refer to or connote the payment of Series 2021 Bonds at their stated maturity.

(c) All references herein to particular articles or sections are references to articles or sections of this Loan Agreement unless otherwise indicated.

(d) The headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Loan Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by Authority. The Authority makes the following representations:

(a) The Authority is duly organized under the Act and has the power to (1) enter into this Loan Agreement and the Bond Indenture, (2) assign the Note to the Bond Trustee, (3) issue the Series 2021 Bonds to refund the Series 2017A Bond and the Series 2017B Bond (and finance associated swap termination payments) and to finance costs to be incurred in connection with the New Money Project and (4) carry out its other obligations in connection therewith under this Loan Agreement. The facilities to be financed and refinanced with the proceeds of the Series 2021 Bonds constitute facilities authorized to be financed under the Act and in furtherance of the purposes for which the Authority was organized.

(b) The Authority (1) has duly authorized (i) the execution and delivery of the Bond Indenture, this Loan Agreement, the assignment of the Note, (ii) the performance of its obligations hereunder and thereunder, (iii) the issuance of the Series 2021 Bonds and (iv) the sale of the Series 2021 Bonds, and (2) simultaneously with the execution and delivery of this Loan Agreement, has duly executed and delivered the Bond Indenture and issued and sold the Series 2021 Bonds.

(c) The Authority is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under or subject to which any indebtedness for borrowed money has been incurred and no event has occurred and is continuing under the provisions of any such instrument that with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(d) The Authority is not (1) in violation of the Act or any other existing federal or Virginia law, rule or regulation applicable to it or (2) in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which any of its assets are subject. The execution and delivery by the Authority of the Bond Indenture, this Loan Agreement, the Series 2021 Bonds and the assignment of the Note and the compliance with the terms and conditions thereof will not conflict with or result in the breach of or constitute a default under any of the above described documents or other restrictions.

(e) No further approval, consent or withholding of objection on the part of any regulatory body, federal, state or local, is required in connection with (1) the issuance and delivery of the Series 2021 Bonds by the Authority, (2) the execution or delivery of or compliance by the Authority with the terms and conditions of this Loan Agreement, the Bond Indenture or the Series 2021 Bonds or (3) the assignment and pledge by the Authority under the Bond Indenture of its rights under this Loan Agreement and the Note and the payments thereon by the Borrowers, as security for payment of the principal of and premium, if any, and interest on the Series 2021 Bonds. The consummation by the Authority of the transactions set forth in the manner and under the terms and conditions as provided herein complies with all state, local or federal laws and any rules and regulations promulgated thereunder.

(f) Notwithstanding anything herein to the contrary, any obligation the Authority may incur hereunder in connection with the issuance of the Series 2021 Bonds shall not be deemed to constitute a general obligation of the Authority but shall be payable solely from the payments received hereunder and under the Note and the security therefor. Neither the Financing Instruments nor any payments to be received by the Authority under the Note have been pledged or mortgaged other than as provided in the Bond Indenture.

(g) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to its knowledge, threatened against the Authority with respect to (1) the organization and existence of the Authority, (2) its authority to execute or deliver this Loan Agreement, the Bond Indenture, the Series 2021 Bonds or the assignment of the Note, to refund the Series 2017A Bond and the Series 2017B Bond, to sell the Series 2021 Bonds to the Underwriter under the Bond Purchase Agreement or to finance the Plan of Finance, (3) the validity or enforceability of any of such instruments or the transactions contemplated hereby or thereby, (4) the title of any officer of the Authority who executed such instruments, or (5) any authority or proceedings related to the execution and delivery of such instruments on behalf of the Authority. No such authority or proceedings have been repealed, revoked, rescinded or amended and all are in full force and effect.

(h) The Authority hereby finds that the refunding of the Series 2017A Bond and the Series 2017B Bond and the financing of the New Money Project, are advisable and in furtherance of the purposes for which the Authority was organized and will serve the purposes of the Act.

Section 2.2 **Representations by the Borrowers.** The Borrowers make the following representations:

(a) Each of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower is a Virginia nonstock corporation, validly existing and in good standing under the laws of the Commonwealth of Virginia, has the power to enter into the Financing Instruments to which it is a party and the transactions contemplated thereunder and, by proper corporate action, has duly authorized the execution and delivery of the Financing Instruments and the performance of its obligations thereunder. The Lynchburg Borrower is a Virginia limited liability company, validly existing under the laws of the Commonwealth of Virginia, has the power to enter into the Financing Instruments to which it is a party and the transactions contemplated thereunder and, by proper corporate action, has duly authorized the

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execution and delivery of the Financing Instruments and the performance of its obligations thereunder.

(b) Each of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower is an organization described in Section 501(c)(3) of the Code, each of which has received a determination letter from the Internal Revenue Service classifying it as an organization (a) described in Section 501(c)(3) of the Code which is exempt from federal income taxation under Section 501(a) of the Code (except with respect to "unrelated business taxable income" within the meaning of Section 512(a) of the Code) and (b) which is not a "private foundation" as defined in Section 509(a) of the Code. Such determination letters have not been modified, limited, revoked or suspended. None of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower has received any indication or notice, written or oral, from representatives of the Internal Revenue Service to the effect that its exemption under Section 501(c)(3) of the Code has been modified, limited, revoked, or superseded, or that the Internal Revenue Service is considering modifying, limiting, revoking or superseding such exemption. Each of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower is in compliance with all of the terms, conditions and limitations, if any, contained in its applicable determination letter. There has been no change in the facts and circumstances represented to the Internal Revenue Service as a basis for receiving, and which formed the basis on which the Internal Revenue Service issued, the determination letter relating to the status of any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower as an organization described in Section 501(c)(3) of the Code and as an organization which is not a "private foundation" as defined in Section 509 of the Code of a nature or to a degree as would warrant any action by the Internal Revenue Service to modify, limit, revoke or supersede such determination letter as it applies to any such Borrower. No administrative or judicial proceedings are pending or threatened which may, in any way, adversely affect the classification of any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower as an organization (a) described in Section 501(c)(3) of the Code which is exempt from federal income taxation under Section 501(a) of the Code and (b) which is not a "private foundation" as defined in Section 509 of the Code. None of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower has received a notice or communication of any kind from the Internal Revenue Service directly or indirectly questioning its status described in the first sentence of this subsection or the tax-exempt status of any bonds issued on its behalf, or indicating that any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower or any such bonds specifically are being or will be audited with respect to such status. Each of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower is an organization organized and operated exclusively for charitable purposes and not for pecuniary profit, within the meaning of the Securities Act of 1933, as amended, and no part of the net earnings of any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower inures to the benefit of any person, private stockholder or individual, within the meaning of Section 3(a)(4) of the Securities Act of 1933, as amended.

(c) The LifeSpire Borrower is the sole member of the Lynchburg Borrower. The Lynchburg Borrower is disregarded for federal income tax purposes.

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(d) No Borrower is in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness has been incurred, and no event has occurred and is continuing under the provisions of any such agreement that with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(e) There is no litigation at law or in equity or any proceeding before any governmental agency involving any Borrower pending or, to the knowledge of any Borrower, threatened in which any liability of any Borrower is not adequately covered by insurance or for which adequate reserves are not provided or for which any judgment or order would have a material adverse effect upon the business or assets of any Borrower or affect their existence or authority to do business, the operation of the Facilities, the Plan of Finance, the validity of the Financing Instruments or the performance of any Borrower's obligations thereunder.

(f) The execution and delivery of the Financing Instruments, the performance by any Borrower of its obligations thereunder and the consummation of the transactions therein contemplated do not and will not conflict with, or constitute a breach or result in a violation of, articles of incorporation or bylaws of any Borrower, any agreement or other instrument to which any Borrower is a party or by which it is bound or any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over any Borrower or its property.

(g) The Borrowers have obtained all consents, approvals, authorizations and orders of any governmental or regulatory authority ("Consents") that are required to be obtained by the Borrowers as a condition precedent to the issuance of the Series 2021 Bonds and the execution and delivery of the Financing Instruments. The Borrowers have obtained all Consents obtainable to date for the performance by the Borrowers of their obligations hereunder and thereunder, or required as of the date hereof for the acquisition, construction, renovation and equipping of the New Money Project and the operation of the Facilities. The Borrowers will obtain when needed all other Consents required for the performance of its obligations under the Financing Instruments, and for the operation of the Facilities and the undertaking of the New Money Project and has no reason to believe that all such Consents cannot be promptly obtained when needed.

ARTICLE III

FINANCING OF THE PLAN OF FINANCE

Section 3.1 Loan by the Authority. Upon the terms and conditions of this Loan Agreement and the Bond Indenture, the Authority shall lend to the Borrowers the proceeds of the sale of the Series 2021 Bonds. The Loan shall be made by depositing proceeds of such sale in accordance with Section 206 of the Bond Indenture. The Loan shall be disbursed to the Borrowers as provided in Article V of the Bond Indenture.

Section 3.2 Agreement To Undertake the Plan of Finance. (a) The Borrowers shall use a portion of the proceeds of the Loan to undertake the Plan of Finance.

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(b) If requested by the Bond Trustee after an Event of Default hereunder, the Borrowers shall assign to the Authority or the Master Trustee any contract relating to construction of the New Money Project.

(c) The Borrowers shall, in carrying out such obligations:

(1) obtain all licenses, permits and consents required for the construction and operation of the New Money Project, including all required certificates of public need, if any, for the New Money Project, and

(2) bring any action or proceeding against any person with respect to the New Money Project as the Borrowers shall deem proper.

(d) Other than the making of the Loan under this Loan Agreement, no contract with respect to the New Money Project shall obligate the Authority in any way.

Section 3.3 Repayment of Loan. Prior to or simultaneously with the issuance of the Series 2021 Bonds, to evidence its obligations to repay the Loan, the Borrowers shall deliver the Note to the Authority for assignment to the Bond Trustee as security for the payment of the Series 2021 Bonds.

Section 3.4 Borrowers To Provide Funds To Complete the New Money Project and To Complete the Refunding of the Series 2017 Bonds. If the proceeds derived from the Loan are not sufficient to pay in full the costs of the Plan of Finance, the Borrowers shall pay such moneys as are necessary to provide for payment in full of such costs of the Plan of Finance, provided that, if all proceeds of the Series 2021 Bonds available thereafter have been spent on the Plan of Finance, the Borrowers shall not be obligated hereunder to undertake additional costs if (a) such expenditures are not related to a portion of the New Money Project expected to have a material effect on the revenues of the Borrowers or (b) such expenditures are not required to comply with the covenants of Section 5.5. The Borrowers shall not be entitled to any reimbursement therefor from the Authority or the Bond Trustee nor shall it be entitled to any abatement, diminution or postponement of its payments hereunder or under the Note. Notwithstanding the foregoing, subject to its obligations under Section 5.7, the Borrowers may alter the New Money Project or suspend the acquisition, construction, renovation or equipping of any part of the New Money Project.

Section 3.5 Limitation of Authority's Liability. Notwithstanding anything herein to the contrary, any obligation the Authority may incur hereunder in connection with the financing of the Plan of Finance shall not be deemed to constitute a general obligation of the Authority but shall be payable solely from the revenues and receipts derived by it from or in connection with this Loan Agreement, including payments received under the Note.

ARTICLE IV

PAYMENTS ON NOTE

Section 4.1 Amounts Payable. (a) The Borrowers shall make all payments required by the Note, the Bond Indenture and the Master Indenture as and when they become due and shall

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promptly pay all other amounts necessary to enable the Bond Trustee to make the transfers required by Article VI of the Bond Indenture and all other payments required of the Authority under the Bond Indenture. On or before the tenth day of each month, the Borrowers shall transfer to the Bond Trustee, for use under Section 602 of the Bond Indenture, the amount necessary to permit the Bond Trustee to provide in all funds held by the Bond Trustee the full amounts required by Section 602. The Borrowers immediately shall pay to the Bond Trustee any amounts necessary (i) under the Bond Indenture to provide for payment of principal and interest on the Series 2021 Bonds when due at maturity or subject to mandatory sinking fund redemption and (ii) under the Master Indenture to provide the full amount of Debt Service Reserve Fund Requirement in Reserve Fund No. 1 if such fund does not contain the full amount of the Debt Service Reserve Fund Requirement.

(b) The Borrowers shall also pay or cause to be paid, as and when the same become due:

(1) To the Authority (i) its reasonable expenses, including the reasonable fees of its counsel, directly related to the Series 2021 Bonds, (ii) a reasonable share of the cost of any audit of the funds of the Authority directly related to the Series 2021 Bonds, and (iii) on each anniversary date of the issuance of the Series 2021 Bonds until the Series 2021 Bonds are retired, an annual fee equal the lesser of 0.001 times the outstanding principal amount of the Series 2021 Bonds and \$125,000, subject to and in accordance with applicable law and the requirements of the Authority (provided, however, that such amounts, together with any other amounts paid to the Authority, shall not equal or exceed an amount which would cause the "yield" on the Note, this Agreement or any other "acquired purpose obligation" to be "materially higher" than the "yield" on the Series 2021 Bonds, as such terms are defined in the Code). The obligations of the Borrowers under clauses (i) and (ii) of this subsection shall survive the retirement of the Series 2021 Bonds.

(2) An amount equal to (a) the fees and charges of the Bond Trustee incurred in connection with the rendering of its ordinary and extraordinary services as Bond Trustee under the Bond Indenture, including the reasonable fees and expenses of its counsel, (b) the fees and expenses of the rating agencies, if any, for issuing and maintaining their securities rating on the Series 2021 Bonds, and (c) the out-of-pocket expenses, administrative expenses and counsel fees of the Authority. The Borrowers may, without constituting grounds for an Event of Default hereunder, withhold payment of any such fees and charges of the Bond Trustee, to contest in good faith the necessity for any extraordinary services of the Bond Trustee and the reasonableness of any extraordinary expenses of the Bond Trustee. If the Borrowers should fail to make any of the payments required in this Section, the item or installment which the Borrowers has failed to make shall continue as an obligation of the Borrowers until the same shall have been fully paid, with interest thereon at the rate per annum borne by the Series 2021 Bonds until paid in full (provided that any amounts in this Section required to be paid by the Borrowers shall not equal or exceed an amount that would cause the "yield" on the Note or any other "acquired purpose obligation" to be "materially higher" than the "yield" on the Series 2021 Bonds, as such terms are defined under Section 148 of the Code).

(3) Amounts described in Section 4.7.

(4) All other amounts that the Borrowers agrees to pay under the terms of this Loan Agreement.

Section 4.2 Payments Assigned. The Borrowers consent to the assignment made by the Bond Indenture of the Note and of rights of the Authority under this Loan Agreement to the Bond Trustee. The Borrowers shall pay to the Bond Trustee all amounts payable by the Borrowers under the Note and this Loan Agreement, except for payments made to the Authority under Sections 4.1(b)(2) and 5.5.

Section 4.3 Default in Payments. If the Borrowers fail to make any payments required by the Note or this Loan Agreement when due, the Borrowers shall pay to the Bond Trustee (or the Authority, if the failure relates to payments owed to the Authority) interest thereon until paid at the rate equal to the highest rate on any Series 2021 Bonds then Outstanding or, in case of the payment of any amounts not to be used to pay principal of or interest on Series 2021 Bonds at the rate equal to the Prime Rate plus one percent per year.

Section 4.4 Obligations of Borrowers Unconditional. The obligation of the Borrowers to make the payments on the Note and to observe and perform all other covenants, conditions and agreements hereunder shall be absolute and unconditional, irrespective of any rights of setoff, recoupment or counterclaim it might otherwise have against the Authority or the Bond Trustee. Subject to the prepayment of the Note as provided therein, the Borrowers shall not suspend or discontinue any payment on the Note or hereunder or fail to observe and perform any of its other covenants, conditions or agreements hereunder for any cause, including without limitation, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title to any part or all of the Facilities or commercial frustration of purpose, or any damage to or destruction or condemnation of all or any part of the Facilities, or any change in the tax or other laws of the United States of America, Commonwealth of Virginia or any political subdivision of either, or any failure of the Authority or the Bond Trustee to observe and perform any covenant, condition or agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Bond Indenture or this Loan Agreement. The Borrowers may, after giving to the Authority and the Bond Trustee ten days' notice of its intention to do so, at their own expense and in their own name, or in the name of the Authority if procedurally required, prosecute or defend any action or proceeding or take any other action involving third persons that the Borrowers reasonably deem necessary to secure or protect any of its rights hereunder. In the event the Borrowers takes any such action, the Authority shall, solely at the Borrowers' expense, reasonably cooperate with the Borrowers and take necessary action to substitute the Borrowers for the Authority in such action or proceeding if the Borrowers shall reasonably request.

Section 4.5 Advances by Authority. If the Borrowers fails to make any payment or perform any act required of it hereunder, the Authority, without prior notice or demand on the Borrowers and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Authority and all costs, fees and expenses so incurred shall be payable by the Borrowers on demand as an

additional obligation under the Note, together with interest thereon at the Prime Rate plus one percent per year until paid.

Section 4.6 Agreement of Authority. At the request of the Borrowers, the Authority shall (a) at any time moneys held under the Bond Indenture are sufficient to effect redemption of any Series 2021 Bonds and if the same are then redeemable under the Bond Indenture, take all steps that may be necessary to effect redemption thereunder and (b) take any other action required by the Bond Indenture or as directed by the Borrowers under the provisions of the Bond Indenture or this Loan Agreement.

Section 4.7 Rebate Requirement. (a) Except with respect to earnings on funds covered by the exceptions provided by Section 148(f)(4)(B) of the Code, at its sole expense on behalf of the Authority, the Borrowers shall determine and pay to the United States the rebate amount, as provided in the Tax Agreement, as and when due in accordance with the "rebate requirement" described in Section 148(f) of the Code and Treasury Regulations thereunder, including without limitation, Treasury Regulations Section 1.148. The Borrowers shall retain records of all such determinations until six years after all of the Series 2021 Bonds have been retired.

(b) The Authority shall not be liable to the Borrowers by way of contribution, indemnification, counterclaim, set-off or otherwise for any payment made or expense incurred by the Borrowers under this section or the Bond Indenture.

ARTICLE V

SPECIAL COVENANTS

Section 5.1 Compliance with Covenants, Conditions and Agreements in Master Indenture. So long as the Series 2021 Bonds are Outstanding, the Borrowers shall comply with, and with respect to the other members of the Obligated Group (as defined in the Master Indenture), covenant to cause each such member to comply with, each and every covenant, condition and agreement in the Master Indenture. Each such covenant, condition and agreement in the Master Indenture is hereby incorporated by reference and made a part of this Loan Agreement with the same effect intended as though the text of each such covenant, condition and agreement were set forth in this Loan Agreement as express covenants, conditions and agreements of the Borrowers.

Section 5.2 Merger, Sale and Transfer. Except as provided in Section 3.09 of the Master Indenture, the Borrowers shall not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or to merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets and thereafter dissolve.

Section 5.3 Examination of Books and Records; Information to the Authority. The Bond Trustee and the Authority shall be permitted, during normal business hours and upon reasonable notice, to examine the books and records (other than confidential resident records) of the Borrowers with respect to the Borrowers' financial standing or its compliance with its obligations hereunder and under the Master Indenture.

Section 5.4 Damage, Destruction, Condemnation and Loss of Title. (a) The Borrowers shall give prompt notice to the Bond Trustee and the Authority of (1) any material damage to or destruction of any part of the Facilities, (2) a taking of all or any part of the Facilities or any right therein under the exercise of the power of eminent domain, (3) any loss of any part of the Facilities because of failure of title thereto, or (4) the commencement of any proceedings or negotiations that might result in such a taking or loss. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

(b) The Borrowers shall apply any Net Insurance Proceeds consistent with the provisions of Section 3.04 of the Master Indenture. The Borrowers shall simultaneously provide to the Bond Trustee the Officer's Certificates and consultant reports required to be delivered to the Master Trustee under Section 3.04 of the Master Indenture.

The Borrowers shall not by reason of the payment of the cost of replacement, repair, rebuilding or restoration be entitled to any reimbursement from the Authority or the Bond Trustee or to any abatement or diminution of the amount payable under the Note. All real and personal property acquired with Net Insurance Proceeds derived from Mortgaged Property shall be free and clear of all liens and encumbrances of any kind except Permitted Liens and become part of the Mortgaged Property and the Borrowers shall take all steps necessary to subject such property to the lien and security interest of the Deed of Trust and to obtain an amendment to the mortgage title policy required by the Master Indenture to insure title to all such real property acquired. Prepayments of the Note shall be used to redeem Bonds under Section 301 of the Bond Indenture.

Section 5.5 Indemnification. (a) The Borrowers shall at all times protect, indemnify and save harmless the Authority and the Bond Trustee (together, the "Indemnitees") from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (hereinafter referred to as "Damages"), including without limitation (1) all amounts paid in settlement of any litigation commenced or threatened against the Indemnitees, if such settlement is effected with the written consent of the Borrowers, (2) all expenses reasonably incurred in the investigation of, preparation for or defense of any litigation, proceeding or investigation of any nature whatsoever, commenced or threatened against the Borrowers, the Facilities or the Indemnitees, (3) any judgments, penalties, fines, damages, assessments, indemnities or contributions, and (4) the reasonable fees of attorneys, auditors, and consultants, provided that the Damages arise out of:

(1) failure by the Borrowers or its officers, employees or agents, to comply with the terms of the Financing Instruments or the Bond Indenture, and any agreements, covenants, obligations, or prohibitions set forth therein;

(2) any action, suit, claim or demand contesting or affecting the title of the Facilities;

(3) any breach of any representation or warranty set forth in the Financing Instruments or the Bond Indenture or any certificate delivered pursuant thereto, and any claim that any representation or warranty of the Borrowers contains or contained any untrue or misleading statement of fact or omits or omitted to state any material facts

necessary to make the statements made therein not misleading in light of the circumstances under which they were made;

(4) any action, suit, claim, proceeding or investigation of a judicial, legislative, administrative or regulatory nature arising from or in connection with the construction, acquisition, ownership, operation, occupation or use of the Facilities or the New Money Project;

(5) any suit, action, administrative proceeding, audit, enforcement action, or governmental or private action of any kind whatsoever commenced against any Borrower, the Facilities, the New Money Project or the Indemnitees that might adversely affect the validity, enforceability or tax-exempt status of the Series 2021 Bonds, the Financing Instruments or the Bond Indenture, or the performance by the Borrowers or any Indemnitee of any of their respective obligations thereunder; or

(6) the acceptance or administration of this Loan Agreement, the Bond Indenture, the Master Indenture or any related documents to which the Bond Trustee or the Authority are a party;

provided that such indemnity shall be effective only to the extent of any loss that may be sustained by the Indemnitees in excess of the proceeds net of any expenses of collection, received by them or from any insurance carried with respect to such loss and provided further that the benefits of this section shall not inure to any person other than the Indemnitees.

(b) If any action, suit or proceeding is brought against the Indemnitees for any loss or damage for which any Borrower is required to provide indemnification under this section, the Borrowers, upon request, shall at their expense resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by the Borrowers and approved by the Indemnitees, which approval shall not be unreasonably withheld, provided that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. The obligations of the Borrowers under this section shall survive any termination of this Loan Agreement, including prepayment of the Note and the resignation or removal of the Bond Trustee.

(c) Nothing contained herein shall require the Borrowers to indemnify the Authority for any claim or liability resulting from the Authority's willful wrongful acts or the Bond Trustee for any claim or liability resulting from the Bond Trustee's gross negligence (under the standard of care set forth in Article X of the Bond Indenture) or the Bond Trustee's willful, wrongful acts.

(d) All references in this section to the Authority and the Bond Trustee, including references to Indemnitees, shall include their directors, commissioners, officers, employees and agents.

Section 5.6 Maintenance of 501(c)(3) Status; Prohibited Activities. Each of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower and the Newport News Borrower shall file all required reports and documents with the Internal Revenue Service so as to maintain its status as an organization described in Section 501(c)(3) of the Code, and the Borrowers

shall not operate the Facilities, including the New Money Project and the facilities financed or refinanced with the proceeds of the Series 2017A Bonds and the Series 2017B Bonds, in any manner and shall not engage in any activities or take any action that might reasonably be expected to result in any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower ceasing to be a "501(c)(3) organization" within the meaning of Section 145 of the Code. The Borrowers shall promptly notify the Bond Trustee and the Authority of any loss of the status of any of the LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower or the Newport News Borrower as a "501(c)(3) organization" or of any investigation, proceeding or ruling that might result in such loss of status.

Section 5.7 Tax Covenants; Compliance with Indenture. The Borrowers agree that they will not directly or indirectly use or permit the use of any of the proceeds of the Series 2021 Bonds or any other of its funds, or direct the Bond Trustee to invest any funds held by the Bond Trustee under the Bond Indenture or this Agreement, in such manner as would, or enter into, or allow any other Person to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause any Series 2021 Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The Borrowers acknowledge having read the Bond Indenture and agree to perform all duties imposed upon them by the Bond Indenture and by the Tax Agreement. Insofar as the Bond Indenture and the Tax Agreement impose duties and responsibilities on the Borrowers, they are specifically incorporated by reference into this Agreement.

Section 5.8 Investment and Use of Trust Funds. An Authorized Representative of the Borrowers shall provide instructions for the investment, in accordance with Article VII of the Bond Indenture, of all funds held by the Bond Trustee under the Bond Indenture.

Section 5.9 Operation of the Facilities. The Borrowers will operate the Facilities, or cause such Facilities to be operated, as facilities for the residence and care of the aged until payment of the Note in full.

Section 5.10 Continuing Disclosure. Each Borrower covenants and agrees to comply with the continuing disclosure requirements under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), as they may from time to time hereafter be amended or supplemented, and to incur all costs associated with such continuing disclosure requirements to the extent the Series 2021 Bonds are subject to the Rule, however, failure to comply with such requirements shall not constitute an Event of Default hereunder or any other Financing Documents. The Borrowers' continuing disclosure obligations are further set out in the Disclosure Dissemination Agent Agreement.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Event of Default Defined. Each of the following events shall be an Event of Default:

- (a) Failure of the Borrowers to make any payment on the Note when the same becomes due and payable, whether at maturity, redemption, acceleration or otherwise under the terms thereof or this Loan Agreement.
- (b) Failure of the Borrowers, or any of them, to observe or perform any other covenant, condition or agreement hereunder, including covenants applicable to other Members of the Obligated Group under Section 5.1, for a period of 30 days after notice in writing (unless the Borrowers and the Bond Trustee shall agree in writing to an extension of such time prior to its expiration), specifying such failure and requesting that it be remedied, given by the Authority or the Bond Trustee to the Borrowers, or in the case of any default which can be cured, but cannot with due diligence be cured within such 30 day period, failure by the Borrowers to proceed promptly to prosecute the curing of the same with due diligence and to cure such within 90 days.
- (c) An Event of Default under the Master Indenture, the Deed of Trust or the Bond Indenture.
- (d) The Master Trustee shall have declared the aggregate principal amount of any Obligation (as defined in the Master Indenture) issued under the Master Indenture and all interest due thereon immediately due and payable in accordance with Section 4.02(a) of the Master Indenture.

Section 6.2 Remedies on Default. Whenever an Event of Default shall have happened and be continuing, the Bond Trustee, as the assignee of the Authority, but subject to the provisions of the Bond Indenture, or the Authority (in the case of the Authority's Unassigned Rights (as defined in the Bond Indenture) in the event the Bond Trustee fails to act under this section) may:

- (a) Declare all amounts due under this Loan Agreement and the Note to be immediately due and payable, whereupon all such payments shall become and shall be immediately due and payable; and
- (b) Take any action at law or in equity necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Borrowers under the Note or this Loan Agreement.

Notwithstanding any other provision of this Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the Note to be immediately due and payable except in accordance with the provisions of the Master Indenture or at the direction of the Master Trustee in the event the Master Trustee shall have declared the aggregate principal amount of the Notes

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issued under the Master Indenture and all interest due thereon immediately due and payable in accordance with the Master Indenture.

If the Bond Trustee exercises any of its rights or remedies under this section, it shall give notice of such exercise to the Borrowers (1) in writing in the manner provided in Section 8.2 and (2) by telephone or telegram, provided that failure to give such notice by telephone or telegram shall not affect the validity of the exercise of any right or remedy under this section.

Section 6.3 Application of Amounts Realized in Enforcement of Remedies. Any amounts collected under action taken under Section 6.2 hereof shall be applied in accordance with the provisions of Section 905 of the Bond Indenture or, if payment of the Series 2021 Bonds shall have been made, shall be applied according to the provisions of Section 609 of the Bond Indenture.

Section 6.4 No Remedy Exclusive. No remedy herein conferred on or reserved to the Authority or the Bond Trustee or the holder of the Note is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or hereafter existing at law, in equity or by statute. No delay or failure to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, and any such right or power may be exercised from time to time and as often as may be deemed expedient.

Section 6.5 Attorneys' Fees and Other Expenses. Upon an Event of Default, the Borrowers shall on demand pay to the Authority and the Bond Trustee the reasonable fees and expenses of attorneys and other reasonable expenses incurred by them in the collection of payments due on the Note or the enforcement of performance of any other obligations of the Borrowers.

Section 6.6 No Additional Waiver Implied by One Waiver. If either party or its assignee waives a default by the other party under any covenant, condition or agreement herein, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other default hereunder.

ARTICLE VII

PREPAYMENT OF NOTE

Section 7.1 Option To Prepay Note. The Borrowers shall have the option to prepay the Note in full and terminate this Agreement if one of the following has occurred:

- (a) Damage or destruction of all or a portion of the Mortgaged Property by fire or other casualty to such extent that, or loss of title to or use of substantially all of one or more of the specific facilities that comprise the Mortgaged Property as a result of the exercise of the power of eminent domain or failure of title to the extent that, in the written opinion of both the LifeSpire Borrower's Board of Trustees (expressed in a resolution) and an independent architect or engineer, both filed with the Bond Trustee, (1) the applicable portion of the Mortgaged Property cannot be reasonably repaired, rebuilt or restored within a period of 12 months to their condition immediately preceding such damage or destruction, or (2) the Borrowers are prevented from carrying on their normal operations at the applicable portion of the Mortgaged Property for a period of 12 months,

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or (3) the cost of repairs, rebuilding or restoration would exceed, by more than one percent of Book Value, the Net Insurance Proceeds of insurance (including self-insurance) plus the amounts for which the Borrowers are self-insured with respect to deductible amounts.

(b) A change in the Constitution of Virginia or of the United States of America or a legislative or administrative action (whether local, state or federal) or a final decree, judgment or order of any court or administrative body (whether local, state or federal) contested by the Borrowers in good faith which causes this Agreement or the Note to become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein or unreasonable burdens or excessive liabilities to be imposed on the Authority or the Borrowers.

(c) The Borrowers shall have the option to prepay the Note in part without premium following loss of title to or use of a portion of the Mortgaged Property as a result of the exercise of the power of eminent domain or failure of title, or damage to or destruction of the Mortgaged Property if the Borrowers shall have furnished to the Bond Trustee:

(1) an Officer's Certificate certifying that the projected Obligated Group Long-Term Debt Service Coverage Ratio for each of the next two full Fiscal Years is not less than 1.30, as shown by projected financial statements for such period, accompanied by a statement of the relevant assumptions upon which such projected financial statements are based; or

(2) a written forecast, projection or other report of a Consultant (as defined in the Master Indenture) to the effect that, for each of the next two full Fiscal Years, the projected Obligated Group Long-Term Debt Service Coverage Ratio is not less than 1.20.

The principal amount of the Note that may be prepaid in part may not exceed the principal amount of the Series 2021 Bonds permitted to be redeemed as determined in accordance with Section 301(a) of the Bond Indenture.

(d) To exercise any of the above options, the Borrowers shall within 120 days after the event permitting their exercise file the required resolutions and opinions with the Authority and the Bond Trustee and specify a date not more than 60 days thereafter for making such prepayment. In such case the Authority shall cause the Bond Trustee to redeem the Series 2021 Bonds as provided in Section 301(a) of the Bond Indenture.

Section 7.2 Option to Prepay Note in Whole. The Borrowers shall have the option to prepay the Note in whole, with any applicable premium, and terminate this Loan Agreement before payment of the Series 2021 Bonds so long as any such payment allocable to principal of the Note shall be used contemporaneously to discharge a like amount of Series 2021 Bonds; provided, however, that the covenants in Sections 4.7, 5.5, 5.6 and 5.7 shall continue until the final maturity date of all Series 2021 Bonds or the earlier date on which provision for payment for all Series 2021 Bonds has been made and the covenant in Section 4.7 shall continue for six years thereafter. In such case the Authority shall cause the Bond Trustee to redeem the Series 2021 Bonds as provided in Section 301 of the Bond Indenture.

Section 7.3 Option To Prepay Note in Part. The Borrowers shall have the option to prepay the Note in part, with any applicable premium, so long as any such payment allocable to principal of the Note shall be used contemporaneously to discharge a like amount of Series 2021 Bonds. The amount so prepaid shall, so long as all payments then due under the Note have been made (a) if Series 2021 Bonds are then redeemable as provided in Section 301 of the Bond Indenture, be used to redeem Series 2021 Bonds to the extent possible under such section, and (b) if Series 2021 Bonds are not then redeemable, be transferred to the Bond Fund (as defined in the Bond Indenture).

Section 7.4 Amount Required for Prepayment. To prepay the Note in whole or in part under Sections 5.4, 7.1, 7.2 or 7.3, the Borrowers shall pay to the Bond Trustee, for deposit in the Bond Fund of the Bond Indenture, an amount of cash and Defeasance Obligations (as defined in the Bond Indenture), that will be sufficient (1) in the case of prepayment in whole, to discharge the lien of the Bond Indenture under Section 801 thereof, and (2) in the case of prepayment in part, to cause any Series 2021 Bonds that will be paid with the prepayment to be no longer Outstanding under the Bond Indenture. If the Borrowers have prepaid the Note, as provided above, the Borrowers shall not direct the expenditure of any funds from such prepayment in the Bond Fund (as defined in the Bond Indenture) for any purpose other than the payment of principal of or premium, if any, or interest on the Series 2021 Bonds to be paid. The Borrowers shall instruct the Bond Trustee to give the notice of redemption required by Section 302 of the Bond Indenture if any of the Series 2021 Bonds are to be paid other than at maturity.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Term of Loan Agreement. This Loan Agreement shall be effective upon its execution and delivery and, subject to earlier termination upon prepayment in full of the Note and other amounts described in Articles IV, VI and VII, shall expire on the first date upon which the Series 2021 Bonds are no longer Outstanding; provided, however, that the covenants in Sections 5.5, 5.6 and 5.7 shall continue until the final maturity date of all Series 2021 Bonds or the earlier redemption date on which provision for payment for all Series 2021 Bonds has been made and the covenant in Section 4.7 shall continue for six years thereafter. In such case the Authority shall cause the Bond Trustee to redeem the Series 2021 Bonds as provided in Section 301 of the Bond Indenture.

Section 8.2 Notices. Unless otherwise provided herein all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be provided in accordance with Section 1304 of the Bond Indenture.

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given hereunder by either the Authority or the Borrowers to the other shall also be given to the Bond Trustee. The Borrowers, the Bond Trustee or the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention they shall be directed.

Section 8.3 Amendments to Loan Agreement and Note. Neither this Loan Agreement nor the Note shall be amended or supplemented and no substitution shall be made for the Note before payment of the Series 2021 Bonds without the consent of the Bond Trustee and the Authority (except as described in Section 4.7), given in accordance with and subject to Article XII of the Bond Indenture.

Section 8.4 Successors and Assigns. This Loan Agreement shall be binding on, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 8.5 Severability. If any provision of this Loan Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 8.6 Applicable Law; Entire Understanding. This Loan Agreement and the Note shall be governed by the applicable laws of the Commonwealth of Virginia. This Loan Agreement and the Note (including the applicable provisions of the Bond Indenture, the Master Indenture and the Tax Agreement) express the entire understanding and all agreements between the parties and may not be modified except in writing signed by the parties.

Section 8.7 Limitation of Liability of Directors of Authority. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, trustee, officer, employee or agent of the Authority or the Borrowers in his individual capacity so long as he acts in good faith, and no such director, officer, employee or agent shall be subject to any liability under this Loan Agreement or the Note or with respect to any other action taken by him provided that he acts in good faith.

Section 8.8 Counterparts. This Loan Agreement may be executed in several counterparts, each of which together shall be an original and all of which shall constitute one instrument.

Section 8.9 Further Assurances. The Authority and the Borrowers agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Loan Agreement.

Section 8.10 USA Patriot and Freedom Act Requirements of the Bond Trustee. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, the Bond Trustee will require documentation from each non-individual person such as a business entity, a charity, a trust, or other legal entity verifying its formation as a legal entity. The Bond Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Section 8.11 Third Party Beneficiary. The Bond Trustee shall be a third party beneficiary under this Loan Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Authority and the Borrowers have caused this Loan Agreement to be executed in their respective corporate names (it being specifically acknowledged that all Borrowers have the same person serving in the office of President and Chief Executive Officer and each intends to be bound by his single signature below).

**VIRGINIA SMALL BUSINESS FINANCING
AUTHORITY**

By:

Chair

**VIRGINIA BAPTIST HOMES, INC. (d/b/a
LIFESPHERE OF VIRGINIA),**

**CULPEPER BAPTIST RETIREMENT
COMMUNITY, INC. (d/b/a THE CULPEPER),**

**LAKEWOOD MANOR BAPTIST
RETIREMENT COMMUNITY, INC.,**

**NEWPORT NEWS BAPTIST RETIREMENT
COMMUNITY, INC. (d/b/a THE
CHESAPEAKE),**

THE GLEBE, INC. and

**LYNCHBURG BAPTIST RETIREMENT
COMMUNITY, LLC**

Each By:

Jonathan R. Cook, President and Chief
Executive Officer

RECEIPT

Receipt of the foregoing original counterpart of the Loan Agreement dated as of August 1, 2021, between the Virginia Small Business Financing Authority, and Virginia Baptist Homes, Inc. (d/b/a/ LifeSpire of Virginia), Culpeper Baptist Retirement Community, Inc. (d/b/a The Culpeper), Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc. (d/b/a The Chesapeake), The Glebe, Inc. and Lynchburg Baptist Retirement Community, LLC is hereby acknowledged.

U.S. BANK NATIONAL ASSOCIATION, as
Bond Trustee

By: _____
Authorized Agent

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When Recorded Return to:

T. W. Bruno, Esquire
McGuireWoods LLP
Gateway Plaza
800 East Canal Street
Richmond, Virginia 23219

TAX MAP NOS.: [Updated for each individual property]

ATTENTION CIRCUIT COURT CLERK:

[Recording fee exemption language]

NOTICE TO CLERK: THE FOLLOWING IS PROVIDED SOLELY TO COMPLY WITH THE PROVISIONS OF §55-58.2 OF THE CODE:

THIS IS A CREDIT LINE DEED OF TRUST within the meaning of §55-58.2 of the Code. For the purposes of and to the extent required by such Section, (i) the name of the noteholder secured by this Deed of Trust (herein defined) is U.S. Bank National Association, (ii) the address at which communications may be mailed or delivered to such noteholder is 1021 East Cary Street, Suite 1850, Richmond, Virginia 23219 (Attention: Corporate Trust Department), and (iii) the maximum aggregate amount of principal to be secured at any one time by the Deed of Trust, as previously amended and as amended and restated hereby, is \$ _____.

DEED OF TRUST AND SECURITY AGREEMENT AND SUBSTITUTION OF DEED OF TRUST TRUSTEES

THIS SECOND AMENDED AND RESTATED DEED OF TRUST AND SECURITY AGREEMENT AND SUBSTITUTION OF DEED OF TRUST TRUSTEES (as altered, amended, modified, or supplemented from time to time, this "Deed of Trust") is made as of December 1, 2017, among VIRGINIA BAPTIST HOMES, INC. d/b/a LIFESPIRE OF VIRGINIA, a not-for-profit Virginia nonstock corporation organized under the laws of the Commonwealth of Virginia (the "Parent"), [CULPEPER BAPTIST RETIREMENT COMMUNITY, INC. d/b/a THE NEWPORT NEWS BAPTIST RETIREMENT COMMUNITY, INC., d/b/a THE CHESAPEAKE / THE GLEBE, INC.], a not-for-profit Virginia nonstock corporation organized under the laws of the Commonwealth of Virginia (the "Corporation," and together with the Parent, the "Grantors" and both a grantor for indexing purposes), [DEED OF TRUST TRUSTEE NAMES] (the "Trustee" or "Deed of Trust Trustee" and a grantee for indexing purposes), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (in such capacity and as further described below, the "Master Trustee" and a grantee for indexing purposes):

RECITALS

A. The Corporation warrants and covenants that all things necessary to constitute this Deed of Trust as a valid and binding agreement securing the payment of the amounts due on all Obligations issued under the Master Indenture (whether issued previously or in the future) and has

been done and performed and the execution and delivery of this Deed of Trust has in all respects been duly authorized.

NOW, THEREFORE, for valuable consideration, the Parent, the Corporation, the Master Trustee and the Deed of Trust Trustees agree as follows:

Section 1. Conveyance of Real Estate. The Parent grants, bargains, sells and conveys to the Deed of Trust Trustee the real estate and interests therein located in [Culpeper / Henrico / Botetourt County / the City of Newport News], Virginia, and described in Exhibit A attached to this Deed of Trust, together with all improvements thereon and all tenements, hereditaments, easements, appurtenances, rights, privileges and immunities belonging or related thereto (the "Real Estate"), subject however to Permitted Liens (as defined in the Master Indenture), in trust, for the benefit of the Master Trustee to secure the payment of all amounts due under and the performance by the Obligated Group of all of their obligations related to the Obligations under the Master Indenture. The Master Trustee is referred to in this Deed of Trust as the "Beneficiary." The Grantors agree to execute such further assurances as are requisite to affect the conveyance contemplated by this Section.

Section 2. Grant of Security Interest. The Grantors grant to the Master Trustee to secure the Obligations a security interest in all fixtures, machinery, equipment and other personal property now owned or hereafter acquired by the Grantors and used in connection with the Real Estate, including, but not limited to, heating, refrigerating, electrical, gas and lighting equipment and systems, boilers, piping and plumbing fixtures, fire prevention and sprinkling equipment and systems, security systems and other items constituting equipment as defined in the Uniform Commercial Code of Virginia used in connection with the Mortgaged Property, whether such equipment is now owned or hereafter acquired by any Member of the Obligated Group, together with all modifications and substitutions thereof and proceeds therefrom (whether cash or otherwise) (the "Equipment"). The Grantors also grant to the Master Trustee to secure the Obligations a security interest in all modifications and substitutions for, and all proceeds from, the Real Estate and the Equipment, including without limitation, all insurance proceeds and condemnation awards payable as a result of the loss of or damage to, or the taking by eminent domain of, the Real Estate or the Equipment. As each and every part of the Equipment is acquired, constructed or installed by the Grantors, it shall be deemed to be subject to the security interest granted by this Deed of Trust. The Equipment and Real Estate may be removed from the Mortgaged Property, and, upon such removal released from this security interest, as provided for in the Master Indenture.

The Grantors further grant, to the full extent permitted by law, to the Master Trustee to secure all Obligations issued under the Master Indenture, a security interest in means all Accounts (as defined in the Master Indenture), Gross Receipts (as defined in the Master Indenture), general intangibles, inventory, documents, instruments and chattel paper of each Member of the Obligated Group, now owned or hereafter acquired, and all supporting obligations related thereto and all proceeds thereof, including, without limitation all of the Grantors' rights under Residency Agreements (as defined in the Master Indenture) with respect to, or lease of, residential units in the residence and care facilities owned by any Grantor (collectively, the "Pledged Assets"); provided, however, that Pledged Assets shall not include contract rights consisting of charitable

pledges nor any assets derived from Excluded Real Property (as defined in the Master Indenture).

Section 3. Security Agreement. This Deed of Trust, in addition to creating a lien on real estate, is a security agreement granting a security interest in personal property and will support any financing statement filed showing the Master Trustee's interest as a secured party with respect to any property described in such financing statement. In addition to all rights and remedies under this Deed of Trust with respect to real estate, the Beneficiary, with respect to all personal property and fixtures covered by this Deed of Trust, will have all of the rights and remedies of a secured party under the Uniform Commercial Code of Virginia, which rights and remedies may be exercised without application to any court to the extent permitted by such Code. Upon the occurrence of an Event of Default under the Master Indenture, the Master Trustee has the right to take possession of the property covered by the security interest created by this Deed of Trust, and, for that purpose, the Beneficiary, so far as the Grantors can give authority therefor, may enter upon the Mortgaged Property and may remove such property and the Grantors agree to assemble and make such property available to the Master Trustee at a place designated by the Master Trustee which is reasonably convenient to both parties. Unless the property covered by the security interest created by this Deed of Trust is perishable, threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Beneficiary will give the Grantors at least fifteen days' prior written notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of the property is to be made.

Section 4. Recordation of Security Interest. The Grantors authorize the filing and agrees to file or cause to be filed with the State Corporation Commission of Virginia, and in the office of the Clerk of the Circuit Court of [Culpeper / Henrico / Botetourt County / the City of Newport News], Virginia and any other clerks offices as may be required, financing statements meeting the requirements of the Uniform Commercial Code of Virginia with respect to the personal property and fixtures constituting a part of the Mortgaged Property. When it becomes necessary to file additional financing or continuation statements in any jurisdiction in order to preserve, perfect or protect the security interest created by this Deed of Trust, the Grantors agree to cause such statements to be prepared and filed in the necessary jurisdictions.

Section 5. General Covenant. The Parent will perform all covenants, conditions and agreements of the Parent contained in this Deed of Trust. The Corporation and all other members of the Obligated Group becoming obligated hereunder, will pay or cause to be paid all amounts due under the Master Indenture, including without limitation the Obligations, and will perform all covenants, conditions and agreements of the Corporation, and all other members of the Obligated Group becoming obligated hereunder, contained in this Deed of Trust, the Master Indenture and the Obligations.

Section 6. Relationship to Master Indenture and Obligations. (a) This Deed of Trust will be construed and enforced in light of the provisions of the Master Indenture and the Obligations to provide additional security for the carrying out of the obligations and covenants contained in the Master Indenture and the Obligations. The Parent hereby agrees and covenants that the Master Indenture contains certain covenants by the Obligated Group with respect to the Mortgaged Property which are binding on the Parent and successors in interest and which include, without limitation, matters relating to maintenance, repair, insurance, taxes, damage, destruction,

and condemnation. The provisions of the Master Indenture are incorporated by reference into this Deed of Trust.

(b) With respect to the Equipment, Real Estate and any other collateral under this Deed of Trust, the Parent hereby agrees and covenants that it will comply with all covenants of the Corporation and the other Members of the Obligated Group and all other provisions contained in the Master Indenture with respect to the use and disposition of property and, specifically, without limitation, the Parent will not grant, or allow a grant of, any security interest to be created in such collateral except for Permitted Liens or as otherwise permitted in the Master Indenture.

Section 7. Damage, Destruction, Condemnation and Other Loss of Title. In case of any damage, destruction, condemnation or other loss of title as described in Section 3.04 of the Master Indenture, so long as the Master Trustee does not notify the Deed of Trust Trustee of any violation by the Parent, the Corporation, or any other Member of the Obligated Group of any covenants and obligations hereunder or under such Section 3.04 and does not direct the Deed of Trust Trustee to take action by reason of it, the Deed of Trust Trustee will take no action that will interfere with the carrying out of the provisions of such Section 3.04. Any property which becomes part of the Mortgaged Property under the Master Indenture will be mortgaged, pledged and assigned by subsequent instrument satisfactory to the Master Trustee by the Grantors and will be subjected to the terms and conditions of this Deed of Trust.

Section 8. Granting of Easements. At the request of the Obligated Group Representative, if there is no Event of Default occurring, the Master Trustee will direct the Deed of Trust Trustee to execute such easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Mortgaged Property which are Permitted Liens, free from the lien of this Deed of Trust, or release existing easements, licenses, rights-of-way and other rights or privileges, with or without consideration, provided that the Grantors deliver to the Master Trustee the following in form reasonably acceptable to the Master Trustee:

- (a) A copy of the instrument of grant or release;
- (b) A written application signed by the Obligated Group Representative requesting the Master Trustee to direct the Deed of Trust Trustee to execute the instrument;
- (c) An opinion, dated within 30 days of the filing of the application required by subsection (b) above, signed by an independent architect or engineer stating that the grant or release will not impair the effective use or interfere with the operation of the Mortgaged Property for the purpose for which it is then being used or is intended to be used and will not destroy or materially impair the means of ingress and egress to and from the Mortgaged Property; and
- (d) A certificate signed by the Obligated Group Representative concurring in the opinion required by subsection (c) of this Section and stating that the grant or release will not materially weaken, diminish or impair the security intended to be given by or under this Deed of Trust.

Upon receipt of the direction of the Master Trustee to do so, the Deed of Trust Trustee shall promptly execute and deliver any and all instruments necessary or appropriate to confirm and grant any easement, license, right-of-way or other right or privilege and to release them from the lien of this Deed of Trust.

Section 9. Additional Property; Substitution; Disposition of Property. Upon compliance with the provisions of the Master Indenture, any property becoming part of the Mortgaged Property under the Master Indenture will be mortgaged, pledged and assigned by subsequent instrument satisfactory to the Master Trustee to the Deed of Trust Trustee by the Grantors and will be subjected to the terms and conditions of this Deed of Trust. Upon receipt of notice from the Master Trustee, (a) in the case of a substitution under Article III of the Master Indenture, that the property to become part of the Mortgaged Property has been mortgaged, pledged and assigned and has been subjected to the terms and conditions of this Deed of Trust or (b) in the case of a release under Article III of the Master Indenture, that the requirements of the applicable Sections have been met, the Deed of Trust Trustee at the direction of the Master Trustee shall promptly execute and deliver any and all instruments necessary or appropriate to release from the lien of this Deed of Trust the property being removed from the Mortgaged Property. The Grantors will pay the costs associated with any acts taken by the Deed of Trust Trustee under this Section.

Section 10. Event of Default. The occurrence of an Event of Default as defined in the Master Indenture will constitute an "Event of Default" under this Deed of Trust.

Section 11. Remedies on Default. Whenever an Event of Default under the Master Indenture has occurred and is continuing, the Master Trustee may declare all amounts due under the Master Indenture and the Obligations to be immediately due and payable. Whenever an Event of Default under the Master Indenture has occurred and is continuing, the Master Trustee may:

- (a) have access to and inspect, examine and make copies of the Grantors' books, records and accounts pertaining to the Facilities;
- (b) exercise any of the Master Trustee's rights under this Deed of Trust, the Master Indenture and any Obligation; and
- (c) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and to become due or to enforce observance or performance of the Obligations.

Whenever an Event of Default has occurred and is continuing, and in addition if and as directed by the Master Trustee, the Deed of Trust Trustee will execute the trust created by this Deed of Trust and, in doing so, will have all of the rights and may exercise all of the powers set forth in Sections 55-59.1 through 55-59.4 of the Virginia Code. No remedy set forth in this Section is intended to be exclusive of any other remedy, and every remedy will be cumulative and in addition to every other remedy in this Deed of Trust or now or hereafter existing at law, in equity or by statute. No delay or failure to exercise any right or power accruing upon an Event of Default will impair any such right or power or will be construed to be a waiver thereof, and any such right

or power may be exercised from time to time and as often as may be deemed expedient. Any waiver of any Event of Default under this Deed of Trust will be limited to the particular breach so waived and will not be deemed to waive any other breach under this Deed of Trust.

Section 12. Free of Hazardous Materials. The Grantors warrant and represent that, except pursuant to appropriate permits and licenses, if applicable, and in compliance with applicable laws and regulations, the Mortgaged Property are free of waste or debris and of all contamination, including the presence of: (a) any "hazardous waste" as defined by the federal Resource Conservation and Recovery Act, as amended ("RCRA"), and the Virginia Waste Management Act, as amended (the "VWMA"), and as defined by regulations promulgated thereunder; (b) any "hazardous material" as defined by the VWMA; (c) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and as defined by the regulations promulgated thereunder; (d) any petroleum product or fraction thereof, asbestos (except as may be encapsulated, non-fragile and managed in place in compliance with an approved operation and maintenance plan in compliance with applicable ordinances and regulations), or radon; (e) any substance the presence of which on the Mortgaged Property is prohibited by any law similar to those set forth in this section; and (f) except as is required for patient treatment in medical facilities offering services similar to those offered on the Mortgaged Property, any materials that, under federal, state, or local law, statute, ordinance or regulations, court or administrative order or decree or private agreement (hereinafter collectively "Environmental Requirements"), require special handling in collection, storage, treatment or disposal (items (a)-(f) hereinafter collectively "Hazardous Materials").

The Grantors also warrant and represent that (a) it has no knowledge of facts or circumstances that constitute, or are reasonably suspected to constitute, a violation of either RCRA or the VWMA or any other federal, state or local law, rule or ordinance relating to the protection of the environment; (b) it is not and has not been notified that it is a "potentially responsible person" under CERCLA and regulations promulgated thereunder and has no knowledge of facts or circumstances rendering it a potentially responsible person; (c) the Mortgaged Property are not on EPA's "National Priorities List" under CERCLA and regulations promulgated thereunder; or on any state list generated under the Comprehensive Environmental Response, Compensation and Liability Information System or a similar state or local listing; (d) the Mortgaged Property are not encumbered by any lien filed pursuant to Virginia Code Annotated § 10.1-1402, as amended, and as defined by regulations promulgated thereunder; and (e) the Mortgaged Property are not in violation of the federal Toxic Substances Control Act, as amended, or the federal Safe Drinking Water Act, as amended.

Section 13. Hazardous Materials. The Grantors covenant (a) not to place or permit to be placed any Hazardous Materials, including materials required for patient treatment, on the Mortgaged Property in violation of any Environmental Requirements; (b) not to violate any provision of any Environmental Requirements; and (c) to obtain all authorizations, permits or licenses required by the Environmental Requirements.

If, at any time, there are Hazardous Materials, including materials required for patient treatment, located on the Mortgaged Property that, under any Environmental Requirements, require special handling in collection, storage, treatment, or disposal, the Grantors shall take or

cause to be taken, at its sole expense, such actions as may be necessary to comply with all Environmental Requirements. If the Grantors shall fail to take such action, the Master Trustee may make advances or payments towards performance or satisfaction of the same but shall be under no obligation to do so, and all sums so advanced or paid, including all sums advanced or paid in connection with any judicial or administrative investigation or proceeding relating thereto, including, without limitation, reasonable attorneys' fees, costs and expenses, fines, costs of redemption or other penalty payments, shall be paid by the Grantors to the Master Trustee. The Grantors hereby agree to indemnify and hold the Deed of Trust Trustee, the Authority, and the Master Trustee harmless from and against any loss, expense and charge whatsoever, including reasonable attorneys' fees, costs and expenses, if the Deed of Trust Trustee, the Authority or the Master Trustee are made a party to any action or suit brought under any Environmental Requirement, unless as a consequence of actions taken by the Deed of Trust Trustee or the Master Trustee. Such indemnification shall survive the termination of this Deed of Trust and the Master Indenture or the sooner resignation or removal of the Master Trustee.

Section 14. Construction of Deed of Trust. This Deed of Trust shall be construed to impose and confer upon the parties hereto, and the Beneficiary hereunder, all duties, rights and obligations prescribed in Section 55-59 of the Virginia Code. The following provisions of Section 55-60 of the Virginia Code and as may be in effect on the date of this Deed of Trust, are incorporated in this Deed of Trust by short form reference:

Exemptions waived.

Subject to all (call) upon default.

Renewal, extension or reinstatement permitted.

Any Trustee may act.

Section 15. Concerning the Deed of Trust Trustee.

(a) Duties. The Deed of Trust Trustee will be under no duty to (i) take any action except as expressly set forth in this Deed of Trust and no implied obligations will be read into this Deed of Trust, (ii) perform any act that would involve expense or liability or institute or defend any suit under this Deed of Trust unless properly indemnified to the Deed of Trust Trustee's satisfaction, or (iii) account for the use or application of any payments under the Master Indenture or under any Obligation. Absent notification thereof in writing, the Deed of Trust Trustee will not be required to take notice of, nor will the Deed of Trust Trustee be deemed to have knowledge of, any default under this Deed of Trust, the Master Indenture or any Obligation, nor will the Deed of Trust Trustee be required to ascertain or inquire as to the performance of any covenants or agreements contained in this Deed of Trust, the Master Indenture or the Obligations. The Deed of Trust Trustee may conclusively assume that there has been no such default unless and until the Deed of Trust Trustee specifically has been notified in writing of such default by the Parent, the Corporation, or the Master Trustee.

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(b) Compensation, Expenses and Indemnity. The Grantors will pay the Deed of Trust Trustee just compensation for any and all services performed and all expenses, charges, counsel fees, costs and expenses and other disbursements incurred in connection with the Deed of Trust Trustee's administration and execution of the trusts created by and the performance of the Deed of Trust Trustee's duties and powers under this Deed of Trust, which compensation, expenses, fees and disbursements will constitute a part of the indebtedness secured by this Deed of Trust. The Grantors agree to indemnify and save the Deed of Trust Trustee harmless against any loss, liability or expense which the Deed of Trust Trustee may incur in the exercise and performance of the Deed of Trust Trustee's powers and duties under this Deed of Trust or the administration of this trust or as a result of serving as a Trustee under this Deed of Trust and which are not due to the Deed of Trust Trustee's negligence or bad faith. Such indemnification shall survive the termination of this Deed of Trust and the Master Indenture or the sooner resignation or removal of the Master Trustee.

(c) Substitution of Trustee. In the event of the resignation, death, incapacity, disability, removal or absence from Virginia of any Trustee under this Deed of Trust, or for any reason deemed appropriate by the Master Trustee, by instrument executed, acknowledged and recorded in the land records where this Deed of Trust is recorded, the Master Trustee may designate and appoint one or more substitute Deed of Trust Trustees without cause or notice in the place and stead of any Deed of Trust Trustee, such substitute Deed of Trust Trustee or Deed of Trust Trustees to be vested with all the powers, rights, authority and duties vested in the original Trustee under this Deed of Trust.

Section 16. Assignment of Leases and Rents; Intangible Personality. (a) The Grantors assigns to the Master Trustee, and grants a security interest in and to, as additional security for the Obligations (as well as other Obligations issued under the Master Indenture), all leases, rents, income and profits presently existing or hereafter arising out of the Mortgaged Property; provided, however, that until an Event of Default occurs, the Corporation may continue to collect and apply the rents, income and profits to its use. Upon the occurrence of an Event of Default, the Master Trustee at its option may collect and apply the rents, income and profits, less expenses of collection, to the payment of the Obligations (as well as other Obligations issued under the Master Indenture) and to the performance of the Grantors' obligations under this Deed of Trust or to the continued operation of any of the Mortgaged Property, in such manner and amounts as the Master Trustee, in its sole discretion may determine. The curing of an Event of Default will not entitle the Grantors again to collect the rents, income and profits from the Mortgaged Property without the prior written consent of the Master Trustee.

(b) The Grantors do further hereby assign to the Master Trustee and grant to the Master Trustee a security interest in all of the right, title and the interest of the Grantors in and to any and all leases (including equipment leases), rental agreements, management contracts, franchise agreements, construction contracts, architects' contracts, technical services agreements, licenses and permits now or hereafter affecting the Mortgaged Property (the "Intangible Personality") or any part thereof, and the Grantors agree to execute and deliver to the Master Trustee such additional instruments, in form and substance satisfactory to the Master Trustee, as may hereafter be requested by the Master Trustee to evidence and confirm said assignment; provided, however, (i) that to the extent the Grantors have executed a specific separate assignment to the Master Trustee of any Intangible Personality, the Master Trustee's rights and remedies with respect to such

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specific Intangible Personality shall be governed by such separate assignment and (ii) until an Event of Default occurs, the Grantors may continue to perform its obligations and enforce its rights under such Intangible Personality. Upon the occurrence of an Event of Default, the Master Trustee at its option may enforce the Grantors' rights and perform the Grantors' obligations under such Intangible Personality, in such manner as the Master Trustee, in its sole discretion, may determine. The curing of an Event of Default will not entitle the Grantors to perform their obligations and enforce their rights under such Intangible Personality again without the prior written consent of the Master Trustee.

(c) The remedies granted in this Section are in addition to the other remedies provided in this Deed of Trust, in any other instrument securing the Obligations or other Obligations issued under the Master Indenture or as provided by law, and no exercise of such remedies shall prevent a simultaneous or subsequent exercise of any other remedy.

Section 17. Miscellaneous.

(a) Successors and Assigns. This Deed of Trust will be binding on, inure to the benefit of and be enforceable by the parties, the Master Trustee, and their respective successors and assigns.

(b) Severability. If any clause, provision or section of this Deed of Trust is held to be illegal or invalid by any court, the illegality or invalidity of such clause, provision or section will not affect any of the remaining clauses, provisions or sections of this Deed of Trust, and this Deed of Trust will be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in it.

(c) Applicable Law. This Deed of Trust will be governed by the applicable laws of the Commonwealth of Virginia without regard to conflict of law principles.

(d) Release and Discharge. Upon the payment in full of the Obligations under the Master Indenture secured by this Deed of Trust, the Deed of Trust Trustee, at the expense of the Grantors, will cause the lien and security interest created by this Deed of Trust to be released, canceled and discharged, or will execute and deliver to the Grantors instruments necessary to cause such release, cancellation and discharge, and will assign and deliver to the Grantors any property which the Deed of Trust Trustee then may hold under this Deed of Trust.

(e) Notices. All demands, notices, approvals, consents, requests, opinions and other communications under this Deed of Trust will be given in accordance with the Master Indenture.

(f) Acknowledgment. The Deed of Trust Trustee joins in this Deed of Trust for the sole purpose of acknowledging and agreeing to the amendment and restatement of the Deed of Trust. The Master Trustee is the sole beneficiary of the Deed of Trust, holding such Deed of Trust for the equal and proportionate benefit and security of the holders from time to time of all Obligations, without privilege, priority or distinction as to lien or otherwise of any of the Obligations over any of the others, and authorizes and directs the Deed of Trust Trustee to execute this Deed of Trust.

(g) Credit Line Deed of Trust. This Deed of Trust is a Credit Line Deed of Trust within the meaning of §55-58.2 of the Virginia Code.

(h) Amended and Restated. The 2014 Deed of Trust is hereby amended and restated in its entirety by this Deed of Trust.

[To be signed by the appropriate parties]

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

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Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds. It is preliminary and subject to change prior to the delivery of the Bonds.

August __, 2021

Virginia Small Business Financing Authority
Richmond, Virginia

\$ _____
Virginia Small Business Financing Authority
Residential Care Facilities Revenue and Refunding Bonds
(LifeSpire of Virginia),
Series 2021

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the Virginia Small Business Financing Authority (the "Authority") of the Authority's \$ _____ Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia), Series 2021 (the "Bonds") dated the date of their delivery.

The Authority issued the Bonds under a Bond Trust Indenture dated as of August 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"). The Authority loaned the proceeds of the Bonds to Virginia Baptist Homes, Inc., d/b/a LifeSpire of Virginia (the "LifeSpire Borrower"), Culpeper Baptist Retirement Community, Inc., d/b/a The Culpeper (the "Culpeper Borrower"), Lakewood Manor Baptist Retirement Community, Inc. (the "Henrico Borrower"), Newport News Baptist Retirement Community, Inc., d/b/a The Chesapeake (the "Newport News Borrower"), The Glebe, Inc. (the "Daleville Borrower") and Lynchburg Baptist Retirement Community, Inc. (the "Lynchburg Borrower") under a Loan Agreement dated as of August 1, 2021 (the "Loan Agreement"), between the Authority and the foregoing entities. The LifeSpire Borrower, the Culpeper Borrower, the Henrico Borrower, the Newport News Borrower, the Daleville Borrower and the Lynchburg Borrower are each a "Borrower" and collectively, the "Borrowers." The Borrowers issued a promissory note to the Authority in the principal amount of the Bonds (the "Note") to evidence their obligations under the Loan Agreement regarding the Bonds. We refer you to the Bonds, the Indenture and the Loan Agreement for a description of the purposes for which the Bonds have been issued and the security for them.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Virginia Small Business Financing Act, Section 2.2-2279, et. seq., of the Code of Virginia of 1950, as amended (the "Act") and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as

amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the Authority, including the resolutions adopted by the Authority on June 8, 2021, authorizing the issuance of the Bonds, as we have deemed necessary to render the opinions contained herein.

With respect to the organization and 501(c)(3) status of each Borrower, the power of each Borrower to enter into and perform its obligations under the Loan Agreement and certain other documents to which one or more Borrowers are a party, the due authorization, execution and delivery of the Loan Agreement and the other documents to which any Borrower is a party and the validity and enforceability of them against the applicable Borrower, we refer you to our opinion as counsel to the Borrowers, dated the same date as this opinion.

As to questions of fact material to our opinions, we have relied upon and are assuming the accuracy of certifications and representations of the Authority, the Borrowers, officers of the Borrowers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed for purposes of our opinions that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties other than the Authority, and we have further assumed for purposes of our opinions the due organization, existence and powers of such other parties other than the Authority. We have also assumed for purposes of our opinions the status of each Borrower as an organization described in Section 501(c)(3) of the Code.

Based on the foregoing, we are of the opinion that, under current law:

1. The Authority is a validly existing political subdivision of the Commonwealth duly created by the Act and is vested with the rights and powers conferred by the Act.
2. The Authority has all requisite authority and power under the Act to issue the Bonds and to enter into and perform its obligations under the Indenture, the Loan Agreement and the Assignment at the foot of the Note and to apply the proceeds from the issuance of the Bonds as contemplated by the Indenture and the Loan Agreement.
3. The Bonds have been duly authorized and issued in accordance with the Act and the Indenture and, subject to the limitations set forth herein, constitute valid, binding and enforceable limited obligations of the Authority, payable as to principal, premium, if any, and interest solely from the revenues, receipts and payments pledged to such purpose under the Indenture. The Bonds do not create or constitute a pledge of the faith and credit or taxing power of the Commonwealth or any of its political subdivisions. Neither the Commonwealth nor any of its political subdivisions, including the Authority, is obligated to pay the principal of or premium, if any, or interest on the Bonds or other costs incident to them except from the revenues, receipts and payments pledged for such purpose.

4. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and, subject to the limitations set forth herein, constitute valid and binding agreements of the Authority, enforceable against the Authority in accordance with their terms.

5. The Authority's right, title and interest in the Loan Agreement (except for certain rights of the Authority to indemnification and payment of fees and expenses under the Loan Agreement) and in the Note have been assigned to the Trustee and, subject to the limitations set forth herein, such assignment constitutes a valid and binding assignment by the Authority, enforceable against the Authority in accordance with its terms.

6. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax (a "Specific Tax Preference Item"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the Authority and the Borrowers, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, the requirement that each Borrower maintains its status as an organization described in Section 501(c)(3) of the Code, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Indenture, the Loan Agreement, and the tax certificates delivered at closing contain covenants (the "Covenants"), under which each has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. Compliance by the Authority with its applicable Covenants does not require the Authority to make any financial contribution for which it does not receive funds from the Borrowers.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Indenture, the Loan Agreement and the tax certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

7. Under the Act, the income from the Bonds, including any profit made on their sale, is exempt from taxation by the Commonwealth and any of its political subdivisions.

The enforceability of the obligations of the parties under the Bonds, the Indenture and the Loan Agreement and the Authority's assignment of the Loan Agreement and the Note to the Trustee, are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights. The enforceability of such obligations is also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.

Our services as Bond Counsel to the Authority have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them and the enforceability of the Indenture and the Loan Agreement. We express no opinion as to the business or financial resources of the Authority or the Borrowers or the ability of the Authority or the Borrowers to provide for the payment of the Bonds or the accuracy, completeness or sufficiency of any information, including the Authority's Preliminary Official Statement dated _____, 2021, and Official Statement dated _____, 2021, that may have been relied upon by any owner of the Bonds in making the decision to purchase the Bonds. The opinions set forth herein are made as of the date hereof, and we assume no obligation to supplement this opinion letter if any applicable laws change after the date hereof or if we become aware after the date hereof of any facts that might change the opinions expressed herein.

Very truly yours,

APPENDIX G

**PROPOSED FORM OF THE
DISCLOSURE DISSEMINATION AGENT AGREEMENT**

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of August 1, 2021, is executed and delivered by Virginia Baptist Homes, Inc. (the “Corporation”) on its own behalf and on behalf of Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC (collectively with the Corporation, the “Obligated Group”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Obligated Group through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Obligated Group or anyone on the Obligated Group behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

All obligations of the Obligated Group herein shall be fulfilled by the Corporation.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Group for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Quarterly Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Quarterly Report, Notice Event notice, Failure to File Event notice,

Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Group and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Chief Financial Officer of the Corporation, a senior member of the Corporation or his or her designee, or such other person as the Corporation shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Corporation pursuant to Section 9 hereof.

“Failure to File Event” means the Obligated Group’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 5(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Obligated Group, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Obligated Group in connection with the Bonds, as listed on Appendix A.

“Quarterly Report” means a Quarterly Report described in and consistent with Section 4 of this Disclosure Agreement.

“Quarterly Report Filing Date” means the date, set in Section 4(a) by which the Quarterly Report is to be filed with the MSRB.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Group shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than May 31 of each year, commencing with the fiscal year ending December 31, 2021. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Obligated Group of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Obligated Group will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date, a Failure to File Event shall have occurred and the Obligated Group irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Group are prepared but not available prior to the Annual Filing Date, the Obligated Group shall, when the Audited Financial Statements are

available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Obligated Group pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;
 2. Non-Payment related defaults, if material;
 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 5. Substitution of credit or liquidity providers, or their failure to perform;
 6. Adverse tax opinions, IRS notices or events affecting the tax status of the security;
 7. Modifications to rights of securities holders;
 8. Bond calls, if material;
 9. Defeasances;
 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 11. Ratings changes;
 12. Tender offers;
 13. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 14. Merger, consolidation, or acquisition of the obligated person, if material;
- and

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

16. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect securities holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties; and

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c);

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Group pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. amendment to continuing disclosure undertaking;
2. change in obligated person;
3. notice to investors pursuant to bond documents;
4. secondary market purchases;
5. bid for auction rate or other securities;
6. capital or other financing plan;
7. litigation/enforcement action;
8. change of tender agent, remarketing agent, or other on-going party;
9. derivative or other similar transaction; and
10. other event-based disclosures;

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Group pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. quarterly/monthly financial information;
2. change in fiscal year/timing of annual disclosure;
3. change in accounting standard;

4. interim/additional financial information/operating data;
5. budget;
6. investment/debt/financial policy;
7. information provided to rating agency, credit/liquidity provider or other third party;
8. consultant reports; and
9. other financial/operating data.

(viii) provide the Obligated Group evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Group may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that is required to be filed with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business date; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. (a) Each Annual Report shall contain Annual Financial Information with respect to the Obligated Group, including:

(i) the information in the tables provided in Appendix A to the Official Statement under the headings: **“GENERAL CORPORATE STRUCTURE AND HISTORY—BACKGROUND AND ORGANIZATION,” “OCCUPANCY,”** and **“SKILLED NURSING PAYOR MIX;”** and

(ii) (A) Entrance and monthly fee information, (B) the computation of the Days’ Cash on Hand and the Long-Term Debt Service Coverage Ratio and (C) the annual budget of the Obligated Group, (D) an abbreviated narrative of the operating and financial environment of the Obligated Group, (E) the CMS star status of each of the Obligated Group’s communities, if readily available, and (F) the most recent actuarial report for each of the Obligated Group’s communities.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles, as described in the Official Statement will be included in the Annual Report. If the Audited Financial Statements are not available by the time the Annual Filing Date, the Annual Report shall include unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles, as described in the Official Statement. The Audited Financial Statements (if any) then will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Group is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Group will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Provision of Quarterly Reports.

(a) The Obligated Group shall provide, quarterly, commencing with the quarter ending September 30, 2021, an electronic copy of the applicable Quarterly Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee. Promptly upon receipt of an electronic copy of the Quarterly Report and the Certification, the Disclosure Dissemination Agent shall provide a Quarterly Report to the MSRB not later than February 15, May 15, August 15, and November 15, respectively, of each year, commencing with the fiscal quarter ending September 30, 2021. Such dates are the Quarterly Filing Date. The Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Sections 2 and 3 of this Disclosure Agreement.

(b) Each Quarterly Report shall contain the following:

(i) the cumulative unaudited financial statements, including income statement, balance sheet and statement of cash flows, of the Obligated Group for the fiscal year to date, including a comparison of budgeted to actual operations; (ii) occupancy statistics for the Obligated Group for such fiscal quarter; (iii) a schedule of rates and charges in effect for the Obligated Group for such fiscal quarter, including a recap of the entrance fee refund and plan types, in percentages, all as of the last day of such quarter; (iv) computations of the Long-Term Debt Service Coverage Ratio (calculated on an annualized basis for the period beginning on the first day of such fiscal year and ending on the last day of such fiscal quarter then ended) and the number of Days’ Cash on Hand as of the end of such fiscal quarter (such calculations are for informational purposes only); (v) the skilled nursing facility payor mix for each of the Obligated Group’s communities and cumulatively, including a break out of the direct admittances and resident transfers within the private pay category, all as of the last day of such quarter; (vi) an abbreviated narrative of the operating and financial environment of the Obligated Group for such fiscal quarter; (vii) any updates to major construction projects; provided, however, if any future continuing disclosure obligation is undertaken that discloses project updates, such continuing disclosure obligation with respect to project updates shall be deemed to fulfill this subsection (vii); and (viii) if any future parity indebtedness is incurred by the Obligated Group, any change to the cumulative parity debt service schedule for the Obligated Group.

SECTION 5. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of any member of the Obligated Group;

Note to subsection (a)(12) of this Section 5: For purposes of the events described in subsection (a)(12) of this Section 5, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving the Obligated Group or the sale of all or substantially all of the Obligated Group's assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee; if material;

15. Incurrence of a financial obligation of the Obligated Group, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Group, any of which affect securities holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Group, any of which reflect financial difficulties; and

Note to subsections (a)(15) and (a)(16) of this Section 5: For purposes of the events described in subsections (a)(15) and (a)(16) of this Section 5, “financial obligation” means (A) a debt obligation, (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) a guarantee of either clause (A) or (B) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Obligated Group shall in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Group or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Group determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 5, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in subsection (a) or (b)(ii) of this Section 5 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 6. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Quarterly Reports, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures, and Voluntary Financial Disclosures, the Obligated Group shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. Additional Disclosure Obligations. The Obligated Group acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not

extend to providing legal advice regarding such laws. The Obligated Group acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 8. Voluntary Reports.

(a) The Obligated Group may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement, include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in this Section 8(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. The notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Group may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement, include the text of the disclosure that the Obligated Group desires to make, contain the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in this Section 8(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. The notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the Obligated Group is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 8(a) hereof or any Voluntary Financial Disclosure pursuant to Section 8(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Quarterly Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report, Audited Financial Statements, Quarterly Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Quarterly Report, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 9. Termination of Reporting Obligation. The obligations of the Obligated Group and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds of such issue,

when the Obligated Group is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel experienced in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 10. Disclosure Dissemination Agent. The Obligated Group has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Group may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Group or DAC, the Obligated Group agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Group shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Group.

SECTION 11. Remedies in Event of Default. In the event of a failure of the Obligated Group or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 12. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Group has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Obligated Group and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Group failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Obligated Group has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Group at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Group.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel experienced in federal securities laws acceptable to both the Obligated Group and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Obligated Group or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Obligated Group. No such amendment shall become effective if the Obligated Group shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Group, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the Commonwealth of Virginia (other than with respect to conflicts of laws).

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Obligated Group have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

VIRGINIA BAPTIST HOMES, INC. on its own
behalf and on behalf of **CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., LAKEWOOD
MANOR BAPTIST RETIREMENT COMMUNITY,
INC., NEWPORT NEWS BAPTIST RETIREMENT
COMMUNITY, INC., THE GLEBE, INC., and
LYNCHBURG BAPTIST RETIREMENT
COMMUNITY, LLC**

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Virginia Small Business Financing Authority

Obligated Person(s): Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC

Name of Bond Issue: Virginia Small Business Financing Authority, Residential Care Facilities Revenue and Revenue Refunding Bonds (Lifespire of Virginia), Series 2021

Date of Issuance: August __, 2021

Date of Official Statement: August __, 2021

CUSIP Number: _____ CUSIP Number: _____

CUSIP Number: _____ CUSIP Number: _____

CUSIP Number: _____

CUSIP Number: _____

CUSIP Number: _____

CUSIP Number: _____

CUSIP Number: _____

CUSIP Number: _____

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Virginia Small Business Financing Authority

Obligated Person(s): Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC

Name of Bond Issue: Virginia Small Business Financing Authority, Residential Care Facilities Revenue and Revenue Refunding Bonds (Lifespire of Virginia), Series 2021

Date of Issuance: August __, 2021

Date of Official Statement: August __, 2021

NOTICE IS HEREBY GIVEN that the Obligated Persons have not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of August 1, 2021, among Obligated Persons and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Persons notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
AS DISCLOSURE DISSEMINATION AGENT, ON
BEHALF OF VIRGINIA BAPTIST HOMES, INC.,
CULPEPER BAPTIST RETIREMENT
COMMUNITY, INC., LAKEWOOD MANOR
BAPTIST RETIREMENT COMMUNITY, INC.,
NEWPORT NEWS BAPTIST RETIREMENT
COMMUNITY, INC., THE GLEBE, INC., and
LYNCHBURG BAPTIST RETIREMENT
COMMUNITY, LLC**

cc: Virginia Baptist Homes, Inc., as representative of the Obligated Persons

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Obligated Person(s): Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. ____ Principal and interest payment delinquencies
2. ____ Non-Payment related defaults, if material:
3. ____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ____ Substitution of credit or liquidity providers, or their failure to perform
6. ____ Adverse tax opinions, IRS notices or events affecting the tax status of the security
7. ____ Modifications to rights of securities holders, if material
8. ____ Bond calls, if material
9. ____ Defeasances
10. ____ Release, substitution, or sale of property securing repayment of the securities, if material
11. ____ Rating changes
12. ____ Tender offers;
13. ____ Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. ____ Merger, consolidation, or acquisition of the obligated person, if material;
15. ____ Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
16. ____ Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect securities holders, if material;
17. ____ Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties; and
18. ____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligate person or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of August 1, 2021, between the Obligated Persons' (shown below) and DAC.

Obligated Persons' Names: Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC.

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates: _____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1. _____ amendment to continuing disclosure undertaking;
2. _____ change in obligated person;
3. _____ notice to investors pursuant to bond documents;
4. _____ certain communications from the Internal Revenue Service;
5. _____ secondary market purchases;
6. _____ bid for auction rate or other securities;
7. _____ capital or other financing plan;
8. _____ litigation/enforcement action;
9. _____ change of tender agent, remarketing agent, or other on-going party;
10. _____ derivative or other similar transaction; and
11. _____ other event-based disclosures.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of August 1, 2021, between the Obligated Persons’ (shown below) and DAC.

Obligated Persons’ Names: Virginia Baptist Homes, Inc., Culpeper Baptist Retirement Community, Inc., Lakewood Manor Baptist Retirement Community, Inc., Newport News Baptist Retirement Community, Inc., The Glebe, Inc., and Lynchburg Baptist Retirement Community, LLC.

Issuer’s Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates: _____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ quarterly/monthly financial information;
2. _____ change in fiscal year/timing of annual disclosure;
3. _____ change in accounting standard;
4. _____ interim/additional financial information/operating data;
5. _____ budget;
6. _____ investment/debt/financial policy;
7. _____ information provided to rating agency, credit/liquidity provider or other third party;
8. _____ consultant reports; and
9. _____ other financial/operating data.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

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APPENDIX H

DTC BOOK ENTRY SYSTEM

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APPENDIX H

DTC BOOK ENTRY SYSTEM

THE DEPOSITORY TRUST COMPANY A SUBSIDIARY OF THE DEPOSITORY TRUST & CLEARING CORPORATION

Beneficial ownership interests in the 2021 Bonds will be available only in a book-entry system. The actual purchasers of the 2021 Bonds (the “*Beneficial Owners*”) will not receive physical certificates representing their interests in the 2021 Bonds purchased. So long as The Depository Trust Company (“*DTC*”), New York, New York, or its nominee is the registered owner of the 2021 Bonds, references in this Official Statement to the Owners of the 2021 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Trust Agreement contains provisions applicable to periods when DTC or its nominee is not the registered owner.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2021 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE 2021 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2021 BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

1. The Depository Trust Company (“*DTC*”), New York, NY, will act as securities depository for the 2021 Bonds. The 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued in the aggregate principal amount of each maturity of the 2021 Bonds and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2021 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2021 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2021 BONDS.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the 2021 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has Standard & Poor’s rating of AA+. The DTC rules applicable to its

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of the 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2021 Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2021 Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC is treated as the owner of the 2021 Bonds for substantially all purposes under the Trust Agreement, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Obligated Group, to the Issuer, to DTC or to the Bond Trustee, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their

broker or dealer regarding distribution of information regarding the 2021 Bonds that may be transmitted by or through DTC.

8. Redemption proceeds, distributions, and interest payments on the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Issuer or the Obligated Group, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Bond Trustee's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE ISSUER NOR THE OBLIGATED GROUP CAN ASSURE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the Issuer, the Obligated Group and the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Issuer and the Obligated Group believe to be reliable, but neither the Issuer nor the Obligated Group take responsibility for the accuracy thereof.

The Issuer, the Obligated Group and the Bond Trustee have no responsibility or obligation to DTC, the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, or the maintenance of any records; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the 2021 Bonds, or the sending of any transaction statements; (3) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the Trust Agreement to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial prepayment of the 2021 Bonds; or (5) any consent given or other action taken by DTC or its nominee as the registered owner of the 2021 Bonds, including any action taken pursuant to an omnibus proxy.

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Faith. Wellness. Community.