

Industrial Development Authority of the City of Lexington, Virginia

Wednesday, November 29, 2017, 5:00 p.m.

300 East Washington Street

City Hall Community Room (First Floor)

1. Call to Order – John DeVogt, IDA Chairman
2. Approval of October 24, 2017 minutes
3. Public Hearing on the Resolution of the Industrial Development Authority of the City of Lexington, Virginia: Revenue Bonds for Lexington Retirement Community, Inc. d/b/a Kendal at Lexington in an Amount not to Exceed \$44,000,000 – John DeVogt, IDA Chairman.
 - a. Open the Public Hearing – John DeVogt, IDA Chairman
 - b. Consider remarks made to the IDA Board by the public
 - c. Close the Public Hearing – John DeVogt, IDA Chairman
 - d. Discussion and consideration by the Industrial Development Authority of the City of Lexington, Virginia on the request from the Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the “Corporation”), for the Authority to issue revenue bonds, and loan the proceeds thereof to Kendal at Lexington, for the financing of the Project defined in the City Manager’s report.
 - e. Vote on the attached resolution and authorization of the Secretary or Assistant Secretary of the Authority to make reports of the public hearing to the City Council of the City of Lexington and to the Board of Supervisors of Rockbridge County, Virginia.
4. Adjourn – John DeVogt, IDA Chairman

Minutes
Industrial Development Authority (IDA)
Of the City of Lexington, VA
Tuesday, October 24, 2017, 5:00 p.m.

IDA:

Present: John DeVogt, Chair
Buddy Derrick
Anna-Lisa Fitzgerald
Dick Halseth
Bruce Summers

Also present:

Virginia Horse Center: Sandra Thomas

Staff: Gary Swink, Treasurer
Josh Elrod, City Attorney

Absent: James Joyner, Vice-Chair
Nick Charles

The Industrial Development Authority (IDA) met on October 24, 2017 in the Community Meeting Room of City Hall. Chair John DeVogt called the meeting to order at 5:00 p.m.

Minutes from the Tuesday, June 6, 2017 IDA Meeting

The minutes from the June 6, 2017 Industrial Development Authority meeting were approved unanimously as submitted (5/0).

Consideration of the Horse Center's loan with Cornerstone Bank

Buddy Derrick recused himself due to his role as a representative for the Virginia Horse Center.

Finance Director Swink spoke briefly on the request submitted by the Virginia Horse Center. The Virginia Horse Center (VHC), in cooperation with the County and City of Lexington, has been working with the USDA for well over a year in an effort to refinance a portion of its debt and obtain additional funding to complete necessary capital maintenance projects. Ultimately, the USDA ran out of funds in the last federal fiscal year which ended on September 30. The next potential opportunity for such an option will not be until Congress passes a budget, which could be as late as approximately June of 2018. In the meantime, the VHC must address the need to retire a loan from New River Bank (NRB) prior to its date of maturity in January 2018. To recap, the outstanding loans are:

- 1) USDA* - \$10,307,061 remaining. Interest Rate: 4.125%; Maturity date: 2/15/47.
* (actually two loans which are generally combined for discussion purposes)
- 2) New River Bank - \$741,900 principal remaining, plus interest from July through payoff date. Interest Rate: 5.5%; Maturity date: January 15, 2018
- 3) Cornerstone Bank - \$250,000 remaining. Interest Rate: 6%. Maturity Date 7/15/19.
Fund Source – Extra 1% lodging tax from localities

Multiple options for retiring the NRB loan have been explored. The VHC Board has determined that the most advantageous course of action would be to refinance the debt locally through Cornerstone Bank from which the VHC has received favorable terms: 5% interest rate

payable monthly; Maturity – 12 months from closing with an option to extend for an additional year. The complete terms of the loan offer are attached. The goal of this short term loan is to bridge the VHC debt service until the USDA loan, or a similar financing from the open market can be obtained, with a target date of June, 2018. The VHC's goal is to close on the loan by mid-November. Please also bear in mind that there is an outstanding life insurance policy in the amount of \$500,000 which the VHC plans to use as working capital to pay accumulated accounts payable.

Additionally, the VHC has determined that it could liquidate one of two homes that are situated on the Oak Hill Farm property, east of Maury River Road. Known as the Pultz house, the home is over 100 years old and requires extensive maintenance. The interested buyer is the current tenant, and the sales price is the \$137,600 based upon an independent residential appraisal that the Virginia Horse Center received in late September. Proceeds from the proposed sale would be held in escrow as part of the collateral to secure the proposed Cornerstone Bank loan.

Should the VHC refinance the New River Bank debt with Cornerstone Bank, the property off Alphin Lane which has been designated as a potential site for athletic fields could be removed as collateral, if the County were to pledge collateral equal to the value of that land, allowing a path forward for development and a no cost lease of the property. Details for such an arrangement, to include development of a draft lease agreement and draft site design are still being discussed.

In 2014, the Board of Supervisors, County EDA, Lexington City Council and Lexington IDA all approved an agreement which provided the Virginia Horse Center with an additional 1% of lodging tax revenue to support its debt service requirements. The agreement was amended and extended in 2016. A condition of the agreement requires that any restructuring of debt must be approved by the four bodies. The County has already approved the refinancing.

Many questions about the refinancing had been raised by City staff and members of City Council. VHC's answers to those questions, as well as last year's VHC's audit report and September 2017 financials were submitted to the IDA.

B. Derrick provided additional information and explained that what the VHC is doing does not require additional debt, they are only transferring debt in order to get life insurance funds. He also shared that this request will go before City Council at the regularly scheduled meeting on November 2, 2017. D. Halseth questioned who would be paying for the development of the land, to which G. Swink stated that the County has arranged a contractor to work gratis during the slow months. D. Halseth also asked what collateral Cornerstone Bank was looking for. D. Halseth and G. Swink confirmed that the collateral would be the first lean deed of trust on six parcels of land of thirty acres of developable land. D. Halseth also asked if the cash flow from the VHC would be sufficient enough to pay the interest loan monthly payment. B. Derrick explained that through donations and operations, the VHC has been able to pay their debts.

IDA member Dick Halseth moved to approve the Virginia Horse Center's request to refinance the New River Bank's loan with a loan from Cornerstone Bank. Anna-Lisa Fitzgerald

seconded. Dick Halseth amended the motion to include that the IDA recommends the same action to City Council. The motion carried unanimously (4/0).

Adjournment

Jim Joyner made a motion to adjourn the meeting at 5:29 p.m. Motion carried unanimously.

John DeVogt, IDA Chair

Noah A. Simon, Secretary



IDA Agenda Item November 29, 2017

TOPIC:

Consideration of Lexington Retirement Community, Inc. d/b/a Kendal at Lexington request to issue revenue bonds to finance an expansion and renovation of its existing Facility.

BACKGROUND:

Kendal at Lexington has been planning for some time now an addition to and renovation of its Facility.

The "Project" will consist of the acquisition, construction and equipping of an expansion and renovation to the residential and health care facilities of the continuing care retirement community known as "Kendal at Lexington" (collectively, the "Facility") including, but not limited to, (a) 30 new independent living cottages (approximately 76,995 total square feet) consisting of 20 single-family homes and 5 duplex homes and including related covered porches and garages, (b) an expansion (of approximately 2,691 total square feet) and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion (of approximately 11,305 total square feet) and renovation to the existing Benjamin Borden Health Center, (d) an expansion (of approximately 4,649 total square feet) and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new emergency road access to the Facility, (f) the construction of a new maintenance facility (of approximately 1,538 total square feet) and (g) the lowering of the road at the main entrance.

The Project will be located on the site of the Facility, which is owned by Kendal and located on an 84-acre tract that is generally situated between Enfield Road and Ross Road. The portion of the Facility that consists of the Benjamin Borden Health Center has the address of 170 Kendal Drive, Lexington, Virginia 24450, and is located in Rockbridge County, Virginia ("Rockbridge County"). The remaining portion of the Facility has the address of 160 Kendal Drive, Lexington, Virginia 24450, and is located partially in Rockbridge County and partially in the City of Lexington, Virginia ("City of Lexington"). Kendal's principal place of business is 160 Kendal Drive, Lexington, Virginia 24450.

Kendal's underwriters have advised that the transaction be done before the end of this calendar year, and Kendal has advertised a public hearing before the IDA as required by state and federal law. The IDA is conducting the public hearing, and will make a report of the public comments and a recommendation to both the City Council of the City of Lexington and the Board of Supervisors of Rockbridge County, which will take the matter up on December 7 and December

11, respectively. The schedule calls for a publication of a Preliminary Official Statement on December 1 and a sale of the bonds on December 14, 2017.

The Authority is being asked to issue revenue bonds in an aggregate principal amount currently expected not to exceed \$44,000,000 (the “Bonds”), in one or more series. Proceeds of the Bonds are to be used to (1) pay costs of the Project, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Bonds, (3) fund interest on the Bonds prior to, during and up to one year after completion of the Project, (4) fund a debt service reserve fund for the Bonds, and (5) pay working capital and other routine capital expenditures.

As usual in transactions of this nature, the Bonds will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia, the City of Lexington or Rockbridge County.

COST(S)/ACCOUNT NUMBER(S):

There will be no costs for either the IDA or the City related to this action.

MANAGER’S RECOMMENDATION:

Approve Kendal’s request to issue the Bonds to finance the Project, and recommend approval of the same to City Council.

BOOK ENTRY ONLY

RATING: Fitch: [____]
See ("Rating" herein)

In the opinion of Bond Counsel, under current law and subject to conditions described in "TAX EXEMPTION" herein, interest on the Series 2017A Bonds (1) will not be included in gross income of the owners thereof for Federal income tax purposes, (2) will not be an item of tax preference for purposes of the federal alternative minimum income tax, and (3) will be exempt from income taxation by the Commonwealth of Virginia. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and a holder may be subject to other Federal tax consequences as described in "TAX EXEMPTION" herein.

\$ _____*
**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA
RESIDENTIAL CARE FACILITY
REVENUE BONDS
(KENDAL AT LEXINGTON)
SERIES 2017A**



Dated: Date of Delivery

Due: As shown on the inside cover

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 Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), is issuing the above-referenced bonds (the "Series 2017A Bonds") under a Bond Trust Indenture dated as of [____], 2017 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee"). The Series 2017A Bonds are limited obligations of the Authority payable solely from the revenues received by the Authority under a promissory note (the "Series 2017A Obligation") issued by Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation"). The Corporation is issuing the Series 2017A Obligation under a Master Trust Indenture dated as of October 1, 2016 (the "Original Master Indenture"), as supplemented by a Supplemental Indenture for Series 2017A Obligation dated as of [____], 2017 (the "Supplement"), both between U.S. Bank National Association, as master trustee (the "Master Trustee"), and the Corporation.

The Authority is loaning the proceeds of the Series 2017A Bonds to the Corporation pursuant to a Loan Agreement dated as of [____], 2017 (the "Loan Agreement"), between the Authority and the Corporation. The Corporation is using the proceeds of the Series 2017A Bonds, together with other available funds, to (1) pay the costs of improvements to the continuing care retirement community known as "Kendal at Lexington" (collectively, the "Community") including, but not limited to, (a) 30 new independent living cottages, (b) an expansion and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion and renovation to the existing Benjamin Borden Health Center, (d) an expansion and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new or improved road access to the Community, (f) the construction of a new maintenance facility and (g) the lowering of the road at the main entrance, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures (collectively, the "Project"). The Corporation's obligation to repay the loan will be evidenced by the Series 2017A Obligation.

The Authority is issuing the Series 2017A Bonds in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2017A Bonds. Individual purchases of beneficial ownership interest in the Series 2017A Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of bond certificates. The Series 2017A Bonds will be issued in authorized denominations of \$5,000 and multiples thereof.

Interest on the Series 2017A Bonds will be payable on [____], 20__, and thereafter semi-annually on each [____] and [____]. Payments of principal of and interest on the Series 2017A 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 Series 2017A Bonds. The Series 2017A Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described in "THE SERIES 2017A BONDS" herein.

The Series 2017A Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia (the "Commonwealth"), or any political subdivision thereof, including the Authority and the City of Lexington, Virginia (the "City"). Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay principal of or premium, if any, or interest on the Series 2017A 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 or any political subdivision thereof, including the Authority and the City is pledged to the payment of the principal, premium, if any, or interest on the Series 2017A Bonds, or other costs incident thereto.

An investment in the Series 2017A Bonds involves risk. Prospective investors are advised to read this entire Official Statement, including the appendices hereto. Special reference is made to sections titled "SECURITY OF THE SERIES 2017A BONDS" and "BONDHOLDERS' RISKS" for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2017A Bonds.

The Series 2017A Bonds are offered when, as, and if issued by the Authority and received by B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, the "Underwriters"), subject to the approval of their validity by Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the Authority by Mann, Vita & Elrod, P.L.L.C., Lexington, Virginia; for the Corporation by Glenn, Feldmann, Darby & Goodlatte, Roanoke, Virginia; and for the Underwriters by McGuireWoods LLP, Richmond, Virginia. Delivery of the Series 2017A Bonds is expected on or about [____], 2017* through the facilities of DTC against payment therefor.

[ZIEGLER LOGO]

DAVENPORT & COMPANY LLC

Dated: _____, 2017

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITIES, INTEREST RATES, PRICES, YIELDS AND CUSIPS[®]

SERIES 2017A BONDS

\$_____ Serial Bonds

Due [_____]*	<u>Amount</u> *	Interest <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIPS</u> [®]
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\$_____ % Term Bonds due [_____], 20__ priced at _____% to yield _____% CUSIP[®] _____

* Preliminary, subject to change.

[Photos]

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 Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation") or B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, 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 Corporation since the date hereof.

In making an investment decision, investors must rely on their own examination of the Series 2017A Bonds, the Corporation, the Community (as hereinafter defined) and the terms of the offering, including the merits and risks involved. The Series 2017A 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.

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, their 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 Corporation, the Authority, 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 Authority assumes no responsibility as to the accuracy or completeness of any information herein other than the information set forth in "**THE AUTHORITY**" and "**LITIGATION - The Authority**" herein, and, except for the provision of that information, has not otherwise participated in the preparation of this Official Statement. 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. U.S. Bank National Association, as Master Trustee and Bond Trustee, has neither reviewed nor participated in the preparation of this Official Statement.

The Series 2017A Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. The registration or qualification of the Series 2017A Bonds in accordance with application provisions of laws of the states in which Series 2017A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2017A 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 Series 2017A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2017A 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.

This Preliminary Official Statement has been deemed final by the Authority and the Corporation for purposes of Securities Exchange Act of 1934, except for the permitted omissions described in paragraph (b)(1) of Rule 15c2-12.

Cautionary Statements Regarding Forward-Looking Statements

This Official Statement contains statements that 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 achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Certain of the risks affecting future results are described in "Bondholders' Risks" herein. The Corporation does not expect or intent to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

\$ _____
INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA
Residential Care Facility Revenue Bonds
(Kendal at Lexington)
Series 2017A

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided to furnish information regarding the \$ _____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds are being issued by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia, as amended (the "Act"), and a Bond Trust Indenture dated as of December 1, 2017 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee").

Concurrently with the issuance of the Series 2017A Bonds, the Authority will enter into a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement") with Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation ("Kendal at Lexington" or the "Corporation"). Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2017A Bonds to the Corporation to be used, together with other available funds, to (1) pay the costs of improvement to the continuing care retirement community known as "Kendal at Lexington" (collectively, the "Community") including, but not limited to, (a) 30 new independent living cottages, (b) an expansion and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion and renovation to the existing Benjamin Borden Health Center, (d) an expansion and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new or improved road access to the Community, (f) the construction of a new maintenance facility (of approximately 1,538 total square feet) and (g) the lowering of the road at the main entrance (collectively, the "Project"), (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures (collectively, the "Project"). A more detailed description of the use of proceeds of the Series 2017A Bonds is set forth in "**THE PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein. Certain terms used herein are defined in the financing documents, proposed forms of which are attached in Appendix C hereto.

The Series 2017A Bonds are limited obligations of the Authority payable solely from payments made by Kendal at Lexington under the Loan Agreement and a promissory note (the "Series 2017A Obligation"), executed and delivered by Kendal at Lexington. The Series 2017A Obligation is being issued pursuant to a Master Trust Indenture dated as of October 1, 2016 as previously supplemented and as supplemented by a Supplemental Indenture for Series 2017A Obligation dated as of December 1, 2017 (collectively, the "Master Indenture"), each between U.S. Bank National Association, as master trustee (the "Master Trustee") and the Corporation. Under the Series 2017A Obligation, Kendal at Lexington agrees to pay to the Bond Trustee amounts that will be sufficient to pay the principal, premium, if any, and interest on the Series 2017A Bonds as they become due and payable. The Series 2017A Obligation will be the joint and several general obligation of each Member of the Obligated Group. As of the date of issuance of the Series 2017A Bonds, the Corporation is the sole member of the obligated group under the Master Indenture. References in this Official Statement to the "Member" and the "Obligated Group" mean the Corporation and any other entities that subsequently become members of the obligated group under the Master Indenture.

Depending on market conditions after the issuance of this Preliminary Official Statement, Kendal at Lexington may decide to change the structure of the Series 2017A Bonds, including, without limitation, modifying provisions related thereto such as redemption, payment and interest rate terms. Investors should review the final Official Statement with respect to such possible revisions to the Series 2017A Bonds and the Project.

As security for the Series 2017A Obligation and any other Obligations entered into under the Master Indenture, the Corporation will enter into a Modification to Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of December 1, 2017 which modifies the Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of October 1, 2016 (collectively, the "Deed of Trust"), pursuant to which the Corporation will (1) convey a first mortgage lien on the real estate portion of the Community, together with all buildings, improvements and fixtures thereon, subject to Permitted Encumbrances, and (2) grant a security interest in the equipment located at the Community (the "Equipment"), subject to the right of the Obligated Group to transfer certain Equipment free of the security interest created in the Equipment under certain circumstances. The Community and all facilities subsequently subjected to such lien are referred to herein as the "Mortgaged Premises." In addition, under the Master Indenture, each Member of the Obligated Group will pledge and assign all Pledged Assets to the Master Trustee as security for all Obligations issued thereunder, including the Series 2017A Obligation, and will grant a security interest in all of the foregoing, subject to Permitted Encumbrances 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.

The Master Indenture permits each Member of the Obligated Group, subject to compliance with certain covenants, to incur Additional Indebtedness evidenced by Obligations issued under the Master Indenture that will be secured pari passu with the Series 2017A Obligation by the lien on the Mortgaged Premises and the security interests in the Pledged Assets and Equipment. The Members of the Obligated Group will also be subject to certain covenants under the Master Indenture restricting, among other things, incurrence of Indebtedness, existence of Permitted Encumbrances, consolidation or merger and disposition of assets.

The Master Indenture permits Persons that are not Members of the Obligated Group and other corporations that are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture to become Members of the Obligated Group upon compliance with certain financial and other requirements. Upon compliance with certain requirements, future Members of the Obligated Group may withdraw from the Obligated Group, except for the Corporation, which has covenanted to remain a Member of the Obligated Group so long as any of the Series 2017A Bonds are outstanding.

In connection with the issuance of the Series 2017A Bonds, the Authority also expects to issue its Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B in the principal amount of \$_____ (the "Series 2017B Bond"). The Authority expects to sell the Series 2017B Bond directly to STI Institutional & Government, Inc. (an affiliate of SunTrust Bank) (the "2017B Lender") pursuant to a Bond Purchase and Loan Agreement dated as of December 1, 2017, between the Authority, the 2017B Lender and the Corporation (the "2017B Bond Purchase and Loan Agreement").

See "**PLAN OF FINANCE**" and "**ANNUAL DEBT SERVICE REQUIREMENTS.**"

Certain information concerning Kendal at Lexington and the Community is contained in Appendix A hereto. Certain financial statements of the Corporation audited by CliftonLarsonAllen LLP, independent certified public accountants, are contained in Appendix B hereto. See "**FINANCIAL STATEMENTS**" herein.

Payment of the Series 2017A Bonds is primarily dependent on revenues to be generated by the Corporation from its operations at the Community. A description of certain risks affecting the Corporation's ability to generate revenues is set forth in "**BONDHOLDERS' RISKS**" herein. The Corporation has undertaken to provide certain limited continuing disclosure as described further in "**CONTINUING DISCLOSURE**" herein and in Appendix E hereto.

All capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings ascribed to them in the financing documents, proposed forms of which are attached in Appendix C hereto, unless the context or use clearly indicates otherwise.

THE AUTHORITY

The Authority was created under the Act by an ordinance of the City Council of the City of Lexington, Virginia (the "City Council"), and is governed by seven directors appointed by the City Council. The Authority is empowered, among other things, to finance and refinance facilities, including facilities for the residence and care of the aged, by the issuance of its revenue bonds. The Series 2017A Bonds will be limited obligations of the Authority. The Authority has no taxing power.

The Series 2017A Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the Authority and the City of Lexington, Virginia (the "City of Lexington"). Neither the Commonwealth, nor any political subdivision thereof, including the Authority and the City of Lexington, shall be obligated to pay principal of or premium, if any, or interest on the Series 2017A Bonds 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 or any political subdivision thereof, including the Authority and the City of Lexington, is pledged to the payment of principal of the Series 2017A Bonds or interest thereon or other costs incident thereto.

THE SERIES 2017A BONDS

General Description

The Series 2017A Bonds (1) will be issued in one series designated "Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A," (2) will be dated the date of their delivery, and (3) will bear interest from their date at rates set forth on the inside cover of this Official Statement payable on [____], 20__, and on each [____], and [____] thereafter (each, an "Interest Payment Date"). The Series 2017A Bonds will mature on [____] in the years and amounts as set forth on the inside cover of this Official Statement. See "**ANNUAL DEBT SERVICE REQUIREMENTS**" herein. The Series 2017A Bonds will be limited obligations of the Authority. See "**THE AUTHORITY**" herein. Interest on the Series 2017A Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months. The record dates for the Series 2017A Bonds are [____] for the ([____] payment date) and [____] (for the [____] payment date).

The Series 2017A 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 Series 2017A Bonds will be made only in book-entry form and purchasers will not receive certificates representing their interests in the Series 2017A 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. See Appendix F hereto for a description of the DTC Book-Entry Only System.

The Series 2017A Bonds will be issued as registered bonds in denominations of \$5,000 or multiples thereof. As long as the Series 2017A 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 Series 2017A Bonds will be payable by check or draft mailed to the registered owner. Principal will be payable at the designated corporate trust office of the Bond Trustee.

Exchange of Bonds

As long as the Series 2017A Bonds are held by DTC or its nominee, Beneficial Owners may transfer their interest in the Series 2017A Bonds through the facilities of DTC as described in Appendix F hereto. If the book-entry system is discontinued, exchanges of Series 2017A Bonds may be made at the designated corporate trust office of the Bond Trustee for an equal aggregate principal amount of other Series 2017A Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

Upon receipt by the Authority and the Bond Trustee of evidence satisfactory to them that any Series 2017A Bond has been mutilated, lost or destroyed, the Authority may execute and the Bond Trustee may authenticate and

deliver a new Series 2017A Bond upon receipt of payment of the reasonable expenses and charges of the Authority and the Bond Trustee and indemnity satisfactory to them.

Mandatory Sinking Fund Redemption

The \$_____ Series 2017A Bonds maturing on [____], 20__ are required to be redeemed on [____], in principal amounts and at a price of 100% of the principal amount of the Series 2017A 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 sinking fund redemption requirements for Series 2017A Bonds of the same series and maturity that, prior to any sinking fund redemption date, have been purchased and cancelled or surrendered for cancellation and which have not previously been applied as a credit against any sinking fund redemption requirement.

Optional Redemption

The Series 2017A Bonds maturing on or after [____], 20__, will be subject to redemption by the Authority, at the direction of the Corporation, prior to maturity in whole, or in part by lot, at any time, on and after [____], 20__ at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest thereon, if any, to the redemption date.

<u>Redemption Period:</u>	<u>Price</u>
[____], 20__, through [____], 20__	102%
[____], 20__, through [____], 20__	101
[____], and thereafter	100

Extraordinary Redemption

The Series 2017A Bonds are subject to redemption 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 Corporation exercises its option to prepay the Series 2017A Obligation upon occurrence of any of the following:

- (1) Damage or destruction of the Mortgaged Premises by fire or other casualty to such extent that, or loss of title to or use of substantially all of the Mortgaged Premises as a result of the exercise of the power of eminent domain or failure of title to the extent that, in the opinion of both the Corporation's board of directors (expressed in a resolution) and an independent architect or engineer, both filed with the Bond Trustee, (a) the Mortgaged Premises 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 Corporation is prevented from carrying on its normal operations at the Mortgaged Premises 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 Corporation 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 Corporation in good faith that causes the Loan Agreement or the Series 2017A Obligation 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 or unreasonable burdens or excessive liabilities to be imposed on the Authority or the Corporation.

The Series 2017A Bonds are subject to redemption in part by the Authority, at the direction of the Corporation, 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 Premises as a result of the exercise of the power of eminent domain or failure of title or damage or destruction of the Mortgaged Premises. See the proposed form of the Loan Agreement attached in Appendix C hereto.

Notice of Redemption

Whenever Series 2017A Bonds are redeemed, whether by mandatory sinking fund redemption, optional redemption, extraordinary redemption, or otherwise, the Bond Trustee shall cause notice of the call for redemption identifying the Series 2017A Bonds to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery not less than 30 nor more than 60 days prior to the redemption date to the registered owner of each Series 2017A Bond to be redeemed at his address as it appears on the registration books of the Bond Trustee, which is registrar and paying agent for the Series 2017A Bonds. Such notice may be conditioned upon the occurrence of certain events such as the availability of funds to effect such redemption. During the period that DTC or its nominee is the registered holder of the Series 2017A Bonds the Bond Trustee will not be responsible for mailing notices of redemption to the Beneficial Owners of the Series 2017A Bonds. See Appendix F hereto.

Manner of Redemption

If less than all the Series 2017A Bonds of any series or any maturity of the same series are called for redemption, the Series 2017A 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 shall determine, except that if the Series 2017A Bonds are to be redeemed in part because of loss of title or use of a portion of the Mortgaged Premises due to the exercise of eminent domain or material damage to or destruction of the Mortgaged Premises, the Corporation may direct the Bond Trustee to redeem the Series 2017A Bonds from each maturity then outstanding, to the extent practicable, in the proportion that the principal amount of Series 2017A Bonds of such maturity bears to the total principal amount of all Series 2017A Bonds then outstanding or in inverse order of maturity. If funds have been deposited with the Bond Trustee for such purpose, each Series 2017A Bond duly called for redemption will cease to bear interest on its redemption date.

Additional Bonds, Additional Obligations and Parity Indebtedness

The Bond Indenture permits the issuance of Additional Bonds secured thereby, including secured by amounts in the Debt Service Reserve Fund, and the Master Indenture permits the Corporation or any other Members of the Obligated Group, if any, to issue, incur, guarantee and assume additional Obligations, which may be secured on a parity basis with the Outstanding Obligations. Such additional Obligations would also be secured on a parity with the Series 2017A Bonds by the lien on the Obligated Group's Pledged Assets. At the option of the Obligated Group, additional Obligations under the Master Indenture may be secured on a parity basis with the Outstanding Obligations by the lien and mortgage created by the Deed of Trust. See "**SECURITY FOR THE SERIES 2017A BONDS – The Master Indenture and the Obligated Group**" herein and the proposed forms of the Master Indenture and Bond Indenture attached in Appendix C hereto.

Acceleration Upon Default; Other Remedies

All principal and accrued interest on the Series 2017A Bonds may become immediately due and payable, without premium, upon an Event of Default under the Bond Indenture if the Bond Trustee (1) exercises its option to so declare or (2) is directed to so declare by the holders of at least 25% in aggregate principal amount of Series 2017A 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 proposed form of the Bond Indenture in Appendix C hereto. Required payments under the Series 2017A Obligation 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 the

Series 2017A Obligation 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.

Defeasance

When the interest on, and the principal and redemption premium (as the case may be) of all Series 2017A 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 Series 2017A Bonds on or prior to the redemption date or maturity date thereof, such Series 2017A Bonds shall be no longer deemed outstanding under the Bond Indenture and the Bond Trustee shall cancel the obligations of the Authority to the holders of the Series 2017A Bonds. See the proposed form of the Bond Indenture attached in Appendix C hereto.

SECURITY FOR THE SERIES 2017A BONDS

General

The principal of, premium, if any, and interest on the Series 2017A Bonds will be payable solely from moneys paid by the Obligated Group pursuant to the Loan Agreement and the Series 2017A Obligation or derived from the security for such payment. The Series 2017A Obligation will be the joint and several obligations of the Corporation and each future Member of the Obligated Group. As of the date of issuance of the Series 2017A Bonds, the Corporation is the sole Member of the Obligated Group.

The Series 2017A Bonds will be issued pursuant to the Bond Indenture and will be secured thereunder. Pursuant to the Bond Indenture, the Authority will assign to the Bond Trustee (1) the right, title and interest of the Authority in and to the Series 2017A Obligation, (2) any of the rights of the Authority under the Master Indenture and the Deed of Trust and (3) the right, title and interest of the Authority in and to the Loan Agreement, including the right to receive loan payments thereunder (except for certain reserved rights, including its rights to indemnification and the payment of certain expenses, its rights to give certain approvals and consents and its right to receive certain documents, information and notices). The Series 2017A Bonds will further be secured by the moneys and securities held by the Bond Trustee in certain funds and accounts created under the Bond Indenture, including a Debt Service Reserve Fund.

Limited Obligations

The Series 2017A Bonds and the interest thereon are limited obligations of the Authority, payable solely from the funds pledged therefor, and not from any other fund or source of the Authority, and are secured under the Bond Indenture and the Master Indenture as described herein. The Authority has no taxing power.

The Series 2017A Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the Authority and the City of Lexington. Neither the Commonwealth, nor any political subdivision thereof, including the Authority and the City of Lexington, shall be obligated to pay principal of or premium, if any, or interest on the Series 2017A Bonds 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 or any political subdivision thereof, including the Authority and the City of Lexington, is pledged to the payment of principal of the Series 2017A Bonds or interest thereon or other costs incident thereto.

The Master Indenture and the Obligated Group

The Series 2017A Obligation will be the second Obligation issued under the Master Indenture. The Series 2017A Obligation 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. All Obligations will rank on a parity basis with each other and will be equally and ratably secured by the Master Indenture. The Master Indenture requires all Members to make payments sufficient to pay all Obligations when due. Upon the issuance of the Series 2017A

Bonds, \$28,210,000 Kendal at Lexington Promissory Note Constituting the Series 2016 Obligation dated October 5, 2016, by the Corporation (the "Series 2016 Obligation"), the Series 2017A Obligation and the Series 2017B Obligation will be the only Outstanding Obligations.

The Corporation is currently the only Member of the Obligated Group. The Master Indenture provides that affiliates of any Member of the Obligated Group and other entities approved by 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. The owner of the Mortgaged Premises, currently the Corporation, however, will covenant not to withdraw from the Obligated Group so long as any Series 2017A Bonds remain outstanding. See the proposed form of the Master Indenture attached in Appendix C hereto. The enforceability of the obligations of Members of the Obligated Group may be limited in certain circumstances. See "**BONDHOLDERS' RISKS – Bankruptcy,**" and "**- 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 Permitted Liens. Any lien so created, although not a Permitted Encumbrance, 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. Full drafts of the covenants of the Members under the Master Indenture are contained in the proposed form of the Master Indenture attached in Appendix C hereto.

Debt Service Payments

The Corporation will be required to deposit with the Bond Trustee (subject to credit for certain amounts on deposit in the Interest Account) each month an amount equal to one-sixth of the next payment of interest and one-twelfth of the next payment of principal on the Series 2017A Bonds, due either at maturity or subject to mandatory sinking fund redemption. Such payments and the required amounts thereof are set forth more fully in the proposed form of the Loan Agreement attached in Appendix C hereto.

Covenants; Additional Indebtedness

The Members 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 Permitted Liens on Property, consolidation and merger, disposition of assets, addition of Members to the Obligated Group and withdrawal of Members from the Obligated Group. See "**FINANCING DOCUMENTS AND SELECTED COVENANTS**" herein and the proposed form of the Master Indenture attached in Appendix C 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 the Series 2017A Obligation in the Pledged Assets on a parity basis with 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, including the Debt Service Reserve Fund, as security for the Series 2017A Bonds unless issued as additional bonds under the Bond Indenture.

Debt Service Reserve Fund

Upon the issuance of the Series 2017A Bonds, there will be deposited in the Debt Service Reserve Fund created under the Bond Indenture, as security for the Series 2017A Bonds, an amount equal to the Debt Service Reserve Fund Requirement, which is the maximum amount required to be paid by the Corporation in the then current

or any subsequent Bond Year taking into account principal and interest on the Series 2017A Bonds and certain Additional Bonds, assuming certain redemptions, sinking fund payment and interest payments, and excluding the final year of debt service payments related to the Series 2017A Bonds. The Corporation will be required to maintain the amount of the Debt Service Reserve Fund Requirement in the Debt Service Reserve Fund. The initial Debt Service Reserve Fund Requirement will be equal to \$_____. See the proposed form of the Bond Indenture attached in Appendix C hereto. Subject to satisfying the provisions in the Master Indenture related to additional indebtedness, the Corporation may issue Additional Bonds under the Bond Indenture, which would be secured by amounts in the Debt Service Reserve Fund. The Series 2017B Bond will not be secured by the Debt Service Reserve Fund.

The Debt Service Reserve Fund will be used to make transfers to the Bond Fund to the extent amounts in the Bond Fund are insufficient to make required payments of principal of and interest on the Series 2017A Bonds. The Debt Service Reserve Fund will not be pledged as security for any bonds or Obligations other than the Series 2017A Bonds and any Additional Bonds issued under the Bond Indenture.

Other Covenants of the Obligated Group

In the Master Indenture, each Member of the Obligated Group will make certain additional covenants with respect to maintenance of the Mortgaged Premises, use of bond proceeds and maintenance of its existence as a tax-exempt, nonprofit corporation. See the proposed form of the Master Indenture attached in Appendix C hereto.

Pledged Assets

Under the Master Indenture, 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 are required to be transferred to the Master Trustee and applied as required in the Master Indenture. See the proposed form of the Master Indenture attached in Appendix C hereto.

"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. The security interest will extend to those Pledged Assets 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 such security interest.

Cash held by the Corporation may not be subject to any perfectible security interest under the UCC. The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and the security interest in any Equipment will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with such Equipment. 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 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.

Mortgage; Equipment

Pursuant to the Deed of Trust, as security for the payment of amounts due on certain Obligations issued under the Master Indenture, including the Series 2017A Obligation, the Corporation has conveyed a first mortgage lien on the Community, together with all buildings, improvements and fixtures thereon constituting the Mortgaged Premises, defined below, subject to Permitted Liens. Contemporaneously with the delivery of the Series 2017A Bonds, the Corporation will deliver to the Master Trustee a new mortgagee title insurance policy on the Mortgaged Premises or an endorsement to the existing mortgagee title insurance policy on the Mortgaged Premises in an amount necessary to make the total amount of the title insurance policy on the Mortgaged Premises equal to the full principal amount of the secured Obligations outstanding under the Master Indenture, including the Series 2017A Obligation. Payments under the title policy may be limited by certain factors, including the market value of the Mortgaged Premises.

In addition, pursuant to the Deed of Trust, the Corporation has pledged, assigned and granted to the Master Trustee a security interest in the Equipment on the Mortgaged Premises as security for the payment of amounts due on the Series 2017A Obligation and certain other Obligations issued under the Master Indenture in the future at the option of the Obligated Group. The security interest in such Equipment on the Mortgaged Premises will be perfected to the extent and only to the extent that such security interest may be perfected by filing 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 Equipment free of the security interest created therein under certain circumstances.

Under certain circumstances, if additional parity indebtedness is incurred by the Obligated Group to finance new facilities or improvements to existing facilities, the Obligated Group will be required to extend the lien and security interest of the Deed of Trust to cover such facilities. See the proposed form of the Master Indenture attached in Appendix C hereto. The Community and all facilities subsequently subjected to such lien are referred to herein as the "Mortgaged Premises." The Community includes all facilities owned and operated by the Corporation, including the Mortgaged Premises, but excluding the Excluded Real Property. For the circumstances in which any portion of the Community may be transferred from the Obligated Group, see the proposed form of the Master Indenture attached in Appendix C hereto.

Amendments to Covenants and Security Provisions

Subject to certain exceptions, the covenants and other security provisions of the Master Indenture and the Deed 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 proposed form of the Master Indenture attached in Appendix C hereto.

KENDAL AT LEXINGTON

Kendal at Lexington is a not-for-profit nonstock corporation organized and existing under the laws of the Commonwealth that is exempt from federal income taxation under Section 501(c)(3) of the Code. Appendix A to this Official Statement includes a description of the Corporation, its operations and the Community. Appendix B to this Official Statement includes audited financial statements of the Corporation for the Fiscal Year ended December 31, 2016 and 2015, which statements have been audited by CliftonLarsonAllen LLP, independent certified public accountants.

PLAN OF FINANCE

The proceeds of the Series 2017A Bonds and the Series 2017B Bond, together with other available funds, will be used by the Authority, at the direction of the Corporation, to undertake the Project.

Upon delivery of the Series 2017A Bonds, a portion of the net proceeds thereof will be deposited in [Add Flow of Funds]. See "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

Upon delivery of the Series 2017B Bond, a portion of the net proceeds thereof will be deposited in [Add Flow of Funds]. See "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

In connection with the issuance of the Series 2017A Bond, the Authority also expects to issue the Series 2017B Bond. The Authority expects to sell the Series 2017B Bond directly to the 2017B Lender pursuant to the 2017B Bond Purchase and Loan Agreement. The 2017B Loan Agreement is expected to contain financial covenants that are the same as those contained in the Master Indenture. However, the 2017B Loan Agreement is expected to require [Differences from Master Indenture].

The obligation of the Corporation to pay the Series 2017B Bond will be evidenced by a promissory note in the principal amount of the Series 2017B Bond (the "Series 2017B Obligation"), which will be issued as an obligation under the Master Indenture. It is expected that the Series 2017B Bond will (1) bear interest at [_____] and (2) fully amortize over a [__]-year term. See "**ANNUAL DEBT SERVICE REQUIREMENTS**."

Depending on market conditions after the issuance of this Preliminary Official Statement, the Corporation may decide to change the structure of the Series 2017A Bonds, including, without limitation, modifying provisions related thereto such as redemption, payment and interest rate terms. Investors should review the final Official Statement with respect to such possible revisions to the Series 2017A Bonds and the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The Corporation's estimates of sources and uses of funds in connection with the issuance of the Series 2017A Bonds are provided below.

SOURCES OF FUNDS

Par Amount of the Series 2017A Bonds	\$
Plus Net Original Issue Premium	
Par Amount of the Series 2017B Bond	
TOTAL SOURCES OF FUNDS	\$

USES OF FUNDS

Deposit to [Construction / Project]	\$
Debt Service Reserve Fund ¹	
Costs of Issuance ²	
TOTAL USES OF FUNDS	\$

¹ Contains the amount of the initial Debt Service Reserve Fund Requirement, as described in "**SECURITY FOR THE SERIES 2017A BONDS - Debt Service Reserve Fund**" herein. See also the proposed form of Bond Indenture in Appendix C hereto.

² Includes Underwriters' discount, accounting, title, Authority and legal fees. See "**UNDERWRITING**" herein.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each 12-month period ending on January, the amounts payable to holders of the Series 2017A Bonds and the Series 2017B Bonds. Figures may not add due to rounding.

Year Ending	<u>Series 2017A Bonds Debt Service</u>			<u>Series 2017B Bond Debt Service⁽¹⁾</u>			Series 2016 Bond Debt Service	Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>	
2018	\$	\$	\$	\$	\$	\$	\$	\$
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
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2039								
2040								
2041								
2042								
2043								
2044								
2045								
2046								
2047								
2048								
TOTAL	\$	\$	\$	\$	\$	\$	\$	\$

BONDHOLDERS' RISKS

General

The Series 2017A Bonds are limited obligations of the Authority, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Corporation under the Loan Agreement and the Series 2017A Obligation. Certain risks are inherent in the successful operation of the Community. Such risks should be considered in evaluating the Community's ability to generate sufficient revenues to pay principal or redemption price of, and interest on the Series 2017A 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 operation of the Community and the payment of the Series 2017A 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.

There are many diverse factors that may have a substantial bearing on the risks generally incident to the operation of the Community. Such factors include generally imposed fiscal policies, adverse use of adjacent or neighboring real estate, the ability to maintain the Community, local community acceptance of the Community, changes in demand for the Community, changes in the number of competing facilities, changes in the costs of operation of the Community, changes in the laws of the Commonwealth 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 Corporation'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 the Corporation will not experience one or more of the adverse factors that caused other facilities to struggle or fail. Many other factors may adversely affect the operation of facilities like the Community and cannot be determined at this time.

A prospective investor is advised to read this entire Official Statement, including the appendices hereto, including the section titled "SECURITY FOR THE SERIES 2017A BONDS" and this section for a discussion of certain risks related to an investment in the Series 2017A Bonds.

Limited Obligations

The Series 2017A Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the Authority and the City of Lexington. Neither the Commonwealth, nor any political subdivision thereof, including the Authority and the City of Lexington, shall be obligated to pay principal of or premium, if any, or interest on the Series 2017A Bonds or other costs incident thereto except from the revenues and receipts pledged thereof, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof, including the Authority and the City of Lexington, is pledged to the payment of principal of the Series 2017A Bonds or interest thereon or other costs incident thereto.

The Project

As described in "**THE PROJECT**" in Appendix A, Kendal at Lexington is in the construction document phase of the Project, and a portion of the proceeds of the Series 2017A Bonds will be used for the design and construction of the Project. See "**ESTIMATED SOURCES AND USES OF FUNDS.**"

The occurrence of certain events, such as those described below, could prevent Kendal at Lexington from completing all or a portion of the Project. In the event the Corporation is not able to complete all or a portion of the Project, any Series 2017A Bond proceeds not used to finance the Project are expected to be used to finance routine capital improvements and equipment.

Construction Costs

No Guaranteed Maximum Price Contract. Kendal at Lexington has not yet executed a guaranteed maximum price contract with respect to the Project. While management has worked with members of its Project team to estimate the costs of the various components of the Project, as described in "**THE PROJECT – Contractor**" in Appendix A, actual Project costs may exceed the Project budget.

Costs Overruns. Construction of the Project is subject to the usual risks associated with construction projects including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, labor disputes, shortages of materials and/or labor, transportation delays, restrictions related to endangered species, adverse weather conditions, fire, casualties, acts of God, war, acts of public enemies, terrorism, orders of any kind of federal, state, county, city or local government, insurrections, riots, adverse conditions not reasonably anticipated or other causes beyond the control of Kendal at Lexington or its contractors. Such events may result in increases in the costs of the Project. Further such events could result in delayed marketing, substantial completion, and/or occupancy of the Project and thus the revenue flow from certain components of the Project and could negatively affect marketing and occupancy of the Corporation's existing residences.

Sufficiency of Series 2017 Bond Proceeds. It is anticipated that the proceeds from the sale of the Series 2017 Bonds, along with Kendal at Lexington's approximate \$2.6 million of expended funds, will be sufficient to complete the Project. In the event the proceeds of the Series 2017 Bonds are not sufficient to complete the Project, Kendal at Lexington would have to (i) complete the Project with its own funds, thereby using its cash and investments, (ii) obtain alternative financing from other sources that may not be available at favorable terms, or (iii) change the design of the Project or not complete certain components of the Project, which may have an adverse impact on the marketing and occupancy of the Project and could negatively affect marketing and occupancy of Kendal at Lexington 's existing residences. If Kendal at Lexington uses its own funds or obtains additional financing to complete the Project such actions could materially affect Kendal at Lexington 's ability to pay debt service on the Series 2017A Bonds or the financial position of Kendal at Lexington.

Zoning Approvals and Building Permits. Management of Kendal at Lexington believes that all required zoning approvals and building permits will be obtained in due course. See "**THE PROJECT – Zoning Approvals**" in Appendix A hereto for a status and timing of the various approvals and permits. Although construction work will be inspected periodically by the Project architect, there can be no assurance that the Project will conform to construction specifications or state or local regulations. Any delays in obtaining, or the inability to obtain, the requisite zoning approvals and building permits could result in the escalation of the costs of the Project, considerable delays in the completion of the Project or the impossibility of completion of all or a portion of the Project.

Actual Results May Differ from Historical and Projected Results

Certain audited and unaudited historical financial information regarding the Corporation 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 Corporation will be able to fulfill its obligations under the Loan Agreement, the Master Indenture and the Series 2017A Obligation, respectively.

Uncertainty of Fee Collection

The Series 2017A Bonds will be payable solely from payments or prepayments to be made by Corporation under the Loan Agreement and by the Obligated Group on the Series 2017A Obligation. Except to the extent that the holders receive, under certain circumstances, proceeds of insurance, sale or condemnation awards, the ability of Corporation to make payments under the Loan Agreement and the ability of the Obligated Group to make payments on the Series 2017A Obligation is dependent upon the generation by the Obligated Group of revenues in the amounts necessary for the Obligated Group to pay the principal or redemption price of and interest on the Series 2017A Bonds as well as other operating and capital expenses. In particular, payment of the Series 2017A Bonds is dependent on the continuing ability of the Corporation to fill the Community and any additions thereto with residents who purchase the right to live there by paying an Entrance Fee, to collect new Entrance Fees from residents occupying independent living units vacated by deceased residents and permanent transfers to the nursing beds or assisted living units, and to

keep the Community substantially occupied by residents who can pay the full amount of such Entrance Fees and the monthly maintenance fees.

The Corporation's policy is to increase both Entrance Fees and monthly maintenance fees annually as necessary to offset increasing costs due primarily to inflation and other factors. There can be no assurance that such increases can or will be made or that increases in expenses will be no greater than assumed. 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 fee increases can be paid by residents or that such increases will not adversely affect the utilization of the Community. As a charitable tax-exempt organization, the Corporation may be unable or unwilling to require residents who lack adequate financial resources to leave the Community. The Corporation also accepts residents for admission who are unable to pay full fees to the extent that "fellowship funds" are available to cover such fees. The cost of caring for these residents could have an adverse effect on the financial condition of the Obligated Group. In addition, the number of persons who can afford payment of the substantial Entrance Fees and monthly maintenance fees may be affected 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. In the future, to maintain its tax-exempt status, the Corporation may be required to accept residents unable to pay all fees or be required to provide services to a certain number of indigent persons unable to pay any fees.

The realization of future revenues and expenses are subject to, among other things, the capabilities of management of the Corporation, 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 Series 2017A Bonds. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to make the required payments with respect to debt service on the Series 2017A Bonds.

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 proposed form of Master Indenture in Appendix C hereto. The Corporation currently has no plans to add additional Members to the Obligated Group. However, if and when new Members are added, the Obligated Group's financial situation and operations will likely be altered from that of the Obligated Group as currently constituted.

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. See the proposed form of Master Indenture in Appendix C hereto for a description of the provisions under which the Obligated Group may transfer cash and other liquid assets, and dispose of the Pledged Assets.

Certificate of Public Need

Under the Virginia Medical Care Facilities Certificate of Public Need Law, the Corporation 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. Although the Corporation does not foresee undertaking any project requiring a CON in the near future, the CON law generally may affect the Corporation's ability to undertake other improvements to the Community necessary to attract new residents.

State Regulation; Rights of Residents

Under Virginia laws, the Corporation's assisted living units are regulated by the Virginia Department of Social Services as "adult care residences" 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 (the "Statute") requires the Corporation to provide to the Commonwealth and each resident a detailed disclosure statement and in certain circumstances requires the Corporation to escrow deposits of Entrance

Fees. The Statute 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 canceled except for good cause. The Statute gives the State Corporation Commission power to promulgate regulations and issue injunctions and cease-and-desist orders.

The Corporation's management believes that it is in compliance with the requirements of the Statute and that continued compliance will not materially affect its operation, but there is no certainty that the Statute will not adversely affect operation of the Community or the financial condition of the Corporation.

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 Corporation. 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 agreements, residents will have no special lien or claim against any property of the Corporation, there can be no certainty that residents could not successfully claim or otherwise restrict the use of the Corporation's property in bankruptcy proceedings or other disputes. Although the Corporation expects to continue to use the continuing care concept of contracting with residents, it is under no obligation to do so.

Organized Resident Activity

The Corporation 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 fees with respect to the Community or other charges without increase. Moreover, the Corporation 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 fees and other charges. No assurance can be given that the Corporation will be able satisfactorily to meet the needs of such resident groups.

Sale of Homes; Economic Conditions

The number of persons who can afford payment of the substantial Entrance Fees and monthly service fees may be affected by general economic conditions. It is anticipated that a substantial number of existing and potential applicants for residency at the Community will expect to pay the Entrance Fees from the proceeds of the sale of a residence. Nationwide there previously had been a substantial reduction in residential sales volume, a reduction in residential sales prices and residential mortgage loans generally had become less available. While housing prices and sales volume in Virginia have stabilized and shown recent improvement, if there is another reduction or stagnation in residential sales volume or if mortgage loans remain difficult to secure or if such loans are available only at interest rates that prospective home purchasers are unwilling to pay, or should there be any material adverse conditions in the residential housing market, such applicants might be unable to sell their homes at acceptable financial terms, and in such event may choose not to establish residence at the Community.

Entrance Fee Refunds

Following departure of a resident from the Community and the termination of a residency agreement, the Corporation may be obligated to refund a portion of the departing resident's Entrance Fee. See "**THE COMMUNITY – Termination and Refunds**" in Appendix A.

Impact of Market Turmoil

The recent economic turmoil has had and may continue to have negative repercussions upon the United States and global economies. To date, this turmoil has particularly impacted the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge and, in some cases, to cease operations. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

Changes in market conditions have adversely affected investment earnings and values and could adversely affect the value of Corporation's investments and those of prospective residents, as well as future investment earnings. As a result, prospective residents of the Community may encounter difficulty in liquidating investments and selling homes in order to raise necessary cash to pay their Entrance Fees and the monthly maintenance fees.

Reimbursement Under Federal and State Programs

The Corporation receives reimbursement from Medicaid, Medicare and other governmental programs for some persons treated at the health care center portion of the Community, and such amounts provided for approximately ___% of the Corporation's fiscal year 2016 revenues. Participation in such programs subjects the Corporation to control and regulation by government agencies. Reimbursement under these programs is subject to both federal and state law and regulations. Inability to comply with such laws and regulations may affect receipt of Medicare and Medicaid reimbursement and may thus adversely affect the Corporation's revenues. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect operation of the Community or the financial condition of Corporation.

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 program. Additional legislation dealing with nursing home revenues could be introduced that, if enacted, might have an adverse impact upon the revenues of the Community.

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 Community.

Tax-Exempt Status

The Corporation has received letters from the Internal Revenue Service ("IRS") confirming its status as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. In order to maintain such status, the Corporation 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 Community and such facilities' ability to utilize tax-exempt financing. Compliance with current and future regulations and rulings of the IRS could adversely affect the Corporation's ability 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 Series 2017A Bonds. For example, the tax reform bill that has been filed in the House of Representatives (the Tax Cuts and Jobs Act, released on November 2, 2017), proposed changes to both corporate and individual tax rates and eliminates the federal tax exemption for interest on private activity bonds and advance refunding bonds issued after December 31, 2017. The Corporation's loss of tax-exempt status or loss of access to tax-exempt financing would likely have a significant adverse effect on the Obligated Group and its operations and loss of tax-exempt status would affect the tax-exempt status of interest on the Series 2017A Bonds. In the Loan Agreement, Corporation has covenanted to maintain its status as a tax-exempt organization.

Tax Consequences to Residents

Section 7872 of the Internal Revenue Code of 1986, as amended (the "Code") provides that, in each year of a "below market loan," the lender will be treated as receiving taxable interest income calculated at the "applicable federal rate" in each year of the loan, even if the obligation to pay the loan does not provide for payment of any interest. The payment to the Corporation of the Entrance Fee may be deemed to be a below market loan. If, however, the Corporation and the residents satisfy the conditions of Section 7872(h) of the Code dealing with certain payments to a "qualified continuing care facility" pursuant to a "continuing care contract," an Entrance Fee will not be treated as a "below market loan." No Treasury Regulations interpreting Section 7872(h) or the committee reports have been issued.

If a resident's payment of an Entrance Fee does not satisfy the conditions of Section 7872(h), then the prospect of a resident having to pay taxes on amounts not actually received will increase the resident's costs and may increase the time necessary to fill vacancies in the Community. This, in turn, could adversely affect revenues of the Corporation. Section 7872 of the Code could have an adverse effect on the Corporation's ability to maintain current reservations or to market additional units of the Community.

Nature of Income of the Elderly

A large percentage of the monthly income of some residents of the Community is fixed income derived from pensions and social security. If, due to inflation or otherwise, substantial increases in monthly service fees are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased monthly service fees. Management conducts a financial analysis of each potential resident before a residency agreement is executed to determine the likely ability of the resident to meet the financial obligations to Corporation; however, no assurance may be given that future events, including life expectancy, will not result in residents encountering difficulty in paying monthly service fees.

Limited Assets of the Corporation

The Corporation's primary business consists of the ownership and operation of the Community providing services to the elderly. Although it may seek donations from groups and individuals, the Corporation has no guaranteed sources of funds if revenues from operation of the Community are not sufficient to cover expenses, including debt service on the Series 2017A Bonds.

Limited Value at Foreclosure

The Community has been specifically designed and constructed as a continuing care retirement facility. The number of entities that could be expected to purchase or lease the Community are limited, and thus the ability of the Master Trustee to realize funds from the sale or rental of the Community upon an Event of Default may be limited. Such value may be also limited by actual or alleged rights of residents. See "**State Regulation; Rights of Residents**" above.

In addition, the practical realization of value from the real property subject to the Deed of Trust upon any default will depend on the exercise of remedies specified under the Deed 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 Deed of Trust in the event of a default by Corporation.

There may be a difference between the actual value of the Community and the amount of the Series 2017A Obligation and the Outstanding Obligations, and that difference may be material and adverse to holders of the Series 2017A Bonds. In particular, it cannot presently be determined with certainty what the value of the Community would be in the event of foreclosure under the Deed of Trust. Further, the value of the Community at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the Series 2017A Bond transaction. Real property values can fluctuate substantially depending on a variety of factors. There is

nothing associated with the Community 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.

Environmental Risks

The Corporation 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 Corporation 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 Corporation may encounter such issues in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation. At the present time management of the Corporation is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Corporation, would have a material adverse effect on its operations or financial condition.

Competition

The Community is located in an area where other continuing care retirement facilities and other competitive facilities exist or may be developed. See "**MARKETING PROGRAM**" in Appendix A. The Community 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 area served by the Community. Corporation 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.

Labor Union Activity and Staffing

Although the employees of the Corporation are not represented by a union and management is not aware of any labor organizational efforts, health care facilities in Virginia are being subjected to increasing union organizational efforts. The unionization of the Corporation's employees could have an adverse effect on the Corporation's financial condition. Furthermore, although the Corporation has been able to attract desirable employees in the past, low unemployment in the Lexington area may adversely affect the availability of and the wages of future staff, which in turn may adversely affect the Corporation's financial condition.

Insurance; Professional Liability Claims and Losses

The Master Indenture requires the Corporation to carry certain insurance. See the proposed form of Master Indenture in Appendix C hereto. The Corporation maintains insurance through an insurance risk retention group, the Peace Church Risk Retention Group, a group insurance captive corporation licensed by the State of Vermont, to cover basic professional and general liability insurance on a claims-made basis. Entrance into the captive insurance

corporation required a capital purchase of stock of approximately \$51,000. The investment is accounted by the cost method. See "**FINANCIAL INFORMATION – Insurance**" in Appendix A.

While the Corporation 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 Corporation.

The operations of the Corporation, and thereby of the Community, 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 costs and an increased difficulty in obtaining malpractice insurance. Litigation may also arise from the corporate and business activities of the Corporation, 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 Corporation if determined or settled adversely. The Corporation believes it maintains professional liability insurance in the appropriate amount. It is not possible at this time to determine either the extent to which such insurance coverage will continue to be available to the Corporation or the premiums at which such coverage can be obtained.

Market for Bonds

It is the present practice of the Underwriters to make a secondary market in the bond issues that they offer. 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 their present secondary marketing practices will always be continued, the Underwriters presently intend to make a secondary market in the Series 2017A Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the Series 2017A Bonds or, if a secondary market exists, that the Series 2017A Bonds can be sold for any particular price.

Bankruptcy

The filing by, or against, the Corporation or the Authority 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 Series 2017A 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 the Corporation or the Authority, 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 the Corporation or the Authority, 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 the Corporation or the Authority, as applicable, including the Gross Receipts of the Corporation and proceeds thereof, to be used for the benefit of Corporation, despite the lien and security interest of the Master Trustee and the Deed of Trust therein.

The amount of the secured claim which could be filed by the Master Trustee on behalf of the holders of the Series 2017A Bonds would be limited to the value of the Community at the time the bankruptcy proceeding was commenced. This amount would likely be less than the principal amount of the Series 2017A Bonds, the Series 2017A Obligation, since the failure of the Community to produce sufficient revenues to pay operating expenses and debt service requirements prior to the bankruptcy would reduce the value of the Community. To the extent the principal amount of the Series 2017A Obligation and any other Obligations exceed the value of the Community, the excess would be an unsecured claim which would rank on a parity with the claims of unsecured general creditors of Corporation. As a result, if the Community was sold following commencement of a bankruptcy proceeding, it is unclear how much the holders of the Series 2017A 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 Series 2017A Bonds may only receive post-petition interest on the Series 2017A 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 Corporation or the adoption of a reorganization plan for the Corporation or the Authority, as applicable, even though such plan had not been accepted by (1) the holders of a majority in aggregate principal amount of the Series 2017A Bonds, if the plan is "fair and equitable" and does not discriminate unfairly against the holders of the Series 2017A Bonds as a class and is in the "best interest of the creditors," which may mean that the holders of the Series 2017A Bonds are provided with the benefit of their original lien or the "indubitable equivalent;" or (2) any holder of the Series 2017A Bonds if the holders of the Series 2017A Bonds, as a class, are deemed unimpaired under the plan.

In addition, if the bankruptcy court were to conclude that the holders of the Series 2017A 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 Series 2017A Bonds to persons who supply credit to the Corporation or the Authority, as applicable, after commencement of the case. In the event of the bankruptcy of the Corporation or the Authority, any amount realized by the Master Trustee or holders of the Series 2017A Bonds may depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under then existing circumstances. Any transfers made to the holders of the Series 2017A Bonds or the Master Trustee at or prior to the commencement of the case may be avoided and recaptured if such transfers are (1) avoidable by a judicial lien creditor who obtained its lien on the date the case commenced (regardless of whether such a creditor actually exists), (2) preferential or fraudulent or (3) voidable under applicable law by any actual unsecured creditor. The holders of the Series 2017A 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 Series 2017A Bonds portions of revenues consisting of Medicare and other governmental receivables.

Additional Indebtedness

The Master Indenture permits any Member of the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2017A Obligation. Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2017A Obligation, as set forth in the Master Indenture, 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 Corporation to maintain its compliance with certain covenants described in the proposed form of Master Indenture in Appendix C 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 Corporation to make the necessary payments to repay the Series 2017A Obligation may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Certain Amendments to Master 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 the outstanding Obligations) only with the consent of the holders of a majority in aggregate principal amount of Obligations then outstanding. Upon the issuance of the Series 2017A Bonds, the Series 2016 Obligation, the Series 2017A Obligation and the Series 2017B Obligation will represent all of the

Obligations outstanding for purposes of voting, controlling and exercising certain remedies. Pursuant to the Master Indenture, the amount of any Obligation that evidences and secures Derivative Indebtedness 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 under the Master Indenture, unless the related agreement has been terminated.

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:

(1) 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.

(2) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the holders of all Obligations then Outstanding.

(3) 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 the Series 2017A Obligation 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 the Series 2017A Obligation pledged under the Master Indenture as security for the Series 2017A Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (a) are requested with respect to payments on any Obligations issued by a Member other than the Member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a "governmental unit" within the meaning of Section 141 of the Code or any person organized under the laws of the United States of America, or any state thereof, that is an organization described in Section 501(c)(3) of the Code exempt from federal income taxation under Section 501(a) of the Code; (b) 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; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Series 2017A Obligation cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on the Series 2017A Obligation 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 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 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 such Member insolvent.

Limitation on Security Interest

The effectiveness, priority and perfection of the security interest in the Obligated Group's Pledged Assets granted in the Master Indenture and the Deed of Trust and the ability to receive and realize on the same may be limited by a number of factors, including: (1) present or future prohibitions against assignment contained in any applicable statutes or regulations; (2) 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; (3) commingling of the proceeds of Pledged Assets with other money of a Member of the Obligated Group not subject to the security interest in Pledged Assets; (4) statutory liens; (5) rights arising in favor of the United States of America or any agency thereof; (6) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (7) federal bankruptcy laws which may affect the enforceability of the mortgage or the security interest in the Pledged Assets 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; (8) rights of third parties in Pledged Assets converted to cash and not in the possession of the Master Trustee; (9) 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 (10) rights of residents of the Community pursuant to residency agreements.

Pursuant to the Master Indenture, each Member of the Obligated Group that pledges its Pledged Assets 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 Pledged Assets with the Master Trustee. Such deposits will continue daily until such default is cured. It is unclear whether the covenant to deposit the proceeds of Pledged Assets 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 Pledged Assets, 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 Pledged Assets 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 Series 2017A Bonds, under the terms of the Master Indenture, substantial portions of all such assets could be conveyed to other Members. 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 for the Series 2017A Obligation and its incurrence will render such Member insolvent.

The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Bond Indenture, the Master Indenture, Loan Agreement and the Deed of Trust. Any attempt by the Master Trustee or the Bond Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the legal and equitable remedies specified in the Bond Indenture, the Loan Agreement, the Deed of Trust and the Master Indenture may not be readily available.

Any default in the performance of a covenant set forth in the Master Indenture (including a default which has become an Event of Default thereunder) would constitute an Event of Default under the Master Indenture only following notice by the Master Trustee and lapse of time. The Master Trustee may give such notice at any time in its discretion, but is not required to give such notice without the request of the Holders of at least 25% in aggregate principal amount of the Obligations outstanding under the Master Indenture. Events of Default specified by the Master Indenture are remediable through enforcement action taken by the Master Trustee in its discretion or at the request of the Holders of not less than 25% in aggregate principal amount of the Obligations outstanding under the Master Indenture. Notwithstanding any provision of the Master Indenture described in this paragraph, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding under the Master Indenture will have the right to control all remedial proceedings.

Federal Tax Matters

Possible Changes in Corporation's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by Corporation of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of Corporation and thereby the revenues of Corporation. Corporation has obtained a determination letter from the Internal Revenue Service to the effect that Corporation is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code. As an exempt organization, Corporation is subject to a number of requirements affecting its operation. The failure of Corporation to remain qualified as an exempt organization would affect the funds available to Corporation for payments to be made under the Loan Agreement. Failure of Corporation or the Authority 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 refinanced with Series 2017A Bond proceeds, could cause interest on the Series 2017A Bonds to be included in the gross income of holders of Series 2017A Bonds or former holders of Series 2017A 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 Corporation by requiring it to pay income taxes.

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

Bond Audit. IRS officials have stated that more resources will be allocated to audits of tax-exempt bonds in the charitable organization sector. The Series 2017A Bonds may be subject to audit, from time to time, by the IRS.

Corporation believes that the Series 2017A Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2017A Bonds, as described under the heading "**TAX EXEMPTION**" below. No ruling with respect to the tax-exempt status of the Series 2017A Bonds has been or will be sought from the IRS and opinions of counsel are not binding on the IRS or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the Series 2017A Bonds will not adversely affect the Series 2017A 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 community's elderly persons, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly charges after being admitted to the facility.

Risks Related to Bank Financing

The Obligated Group may incur debt in the future through private placements with one or more financial institutions (each a "Bank Loan"). The terms of each Bank Loan 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 Series 2017A Bonds. The risks associated with a Bank Loan include, but are not limited to the following:

- (1) being variable rate (which would subject the Obligated Group to interest rate risk, if interest rates were to increase),
- (2) having a balloon payment at maturity (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),
- (3) having financial covenants that are more restrictive than those in the Master Indenture and the Loan Agreement (which could result in a situation where the Obligated Group is in default of its obligations under a Bank Loan but not the Series 2017A Bonds and thus result in an acceleration of the Series 2017A Bonds), and
- (4) having the holder of the Bank Loan exercise certain remedies if the Obligated Group defaults on its obligations under the Master Indenture (specifically, if the holder of one or more Bank Loans controls a significant proportion of the Obligations outstanding under the Master Indenture, that holder could exercise certain remedies in a default scenario.

Risks Associated with the Series 2017B Bonds

Contemporaneously with the issuance of the Series 2017A Bonds, the Authority expects to issue the Series 2017B Bonds in a principal amount of \$_____ pursuant to the 2017B Bond Purchase and Loan Agreement. The Series 2017B Bonds and its relationship to the Series 2017A Bonds create certain risks to the holders of the Series 2017A Bonds not associated with a transaction consisting of a single series of fixed rate, publicly offered bonds. While the 2017B Bond Purchase and Loan Agreement is not expected to contain financial covenants that differ from those in the Master Indenture, the 2017B Bond Purchase and Loan Agreement will contain [Differences from Master Indenture] See "**PLAN OF FINANCE.**" The Series 2017B Bonds will bear interest at [_____].

If the Corporation defaults under the terms of the 2017B Bond Purchase and Loan Agreement, the 2017B Lender will have certain rights as a holder of an Obligation under the Master Indenture including the right to default

interest and to accelerate the Series 2017B Obligation. The Series 2017B Obligation is expected to constitute more than ___% of the Obligations Outstanding under the Master Indenture.

Risks Associated with Interest Rate Swaps

The Obligated Group may enter into interest rate swaps or hedge agreements and to secure its obligations under such agreements under the Master Indenture (this includes securing any associated termination payments). Any interest rate swap or other hedge agreement to which any Member of the Obligated Group is a party may, at any time, have a negative value. There may be automatic termination events under the swap agreements and other provisions that give the Obligated Group or the swap provider the right to terminate the applicable swap agreement. If either a swap or other hedge counterparty or the applicable Member of the Obligated Group terminates such an agreement when the agreement has a negative value to the applicable Member of the Obligated Group, the Obligated Group would generally be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial. An early termination of a swap or hedge agreement entered into by a Member of the Obligated Group could reduce the amount of funds available to the Obligated Group to pay the principal of and interest due on the Series 2017A Bonds. A counterparty may generally only terminate such an agreement upon the occurrence of defined events of default and termination events including without limitation nonpayment by the Obligated Group or other counterparty or in the event rating agencies withdraw or downgrade the applicable ratings of the Corporation (or other counterparty, as applicable) below specified levels. In addition, if certain events occur, the Obligated Group may be required to deliver collateral to secure the amount that would be owed to the counterparty under any interest rate swap or other hedge agreement if such agreement were to be terminated at that time, and the amount of collateral required to be delivered could be substantial. A required posting of collateral could reduce the amount of funds available to the Obligated Group to pay the principal of and interest due on the Series 2017A Bonds.

Other Risk Factors

Various other factors, such as fluctuations in interest rates and changes in tax laws affecting the Obligated Group's cost of capital, could also affect the future financial strength of the Obligated Group, and therefore its ability to make required payments of principal and interest on the Series 2017A Obligation. A significant portion of the Obligated Group's budget relates to fixed expenses, which cannot be easily reduced or eliminated.

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

- (1) Reinstatement or establishment of mandatory governmental wage, rent or price controls;
- (2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;
- (3) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of Corporation;
- (4) The cost and availability of energy;
- (5) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the Community in order to maintain the charitable status of the Corporation;
- (6) Inflation or other adverse economic conditions;
- (7) Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;

(8) The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, which may damage the facilities of Corporation, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; or

(9) Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability, that organizations such as Corporation generally carry.

UNDERWRITING

The Authority, the Corporation and the Underwriters will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") which provides that the Underwriters will purchase the Series 2017A Bonds at a purchase price reflecting an underwriter's discount of \$ _____ (_____% of the principal amount of the Series 2017A Bonds).

The obligation of the Underwriters to pay for the Series 2017A Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including (1) delivery of specified opinions of counsel and (2) delivery of a certificate of the Corporation that there has been no material adverse change in its condition (financial or otherwise) from that set forth in this Official Statement. The Corporation 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 the Series 2017A Bonds to certain dealers (including dealer banks and dealers depositing the Series 2017A 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 Series 2017A 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 EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Series 2017A Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) is exempt from income taxation by the Commonwealth of Virginia. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Series 2017A Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the Authority and the Corporation as to certain facts relevant to both the opinion and requirements of the Code, and applicable regulations thereunder, and is subject to the condition that there is compliance subsequent to the issuance of the Series 2017A Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The Authority and the Corporation have covenanted to comply with current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2017A Bonds, the use of the Project and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2017A Bonds. Failure by the Authority or the Corporation to comply with such

covenants, among other things, could cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See *“Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions,”* 63 Bus. Law. 1277 (2008), and *“Legal Opinion Principles,”* 53 Bus. Law. 831 (May 1998). Purchasers of the Series 2017A Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Series 2017A Bonds.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention after the dates of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Original Issue Discount

The initial public offering prices of certain of the Series 2017A Bonds may be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount of such Series 2017A Bonds and the respective initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of such Series 2017A Bonds is sold will constitute original issue discount. The respective offering prices set forth on the inside cover of this Official Statement are expected to be the initial offering prices to the public at which a substantial amount of each maturity of Series 2017A Bonds are sold.

Under the Code, for purposes of determining the holder's adjusted basis in Series 2017A Bonds with original issue discount, such discount treated as having accrued while the holder holds the Series 2017A Bond will be added to the holder's basis therein. Original issue discount will accrue on a constant yield to maturity method based on regular compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such Series 2017A Bond.

Prospective purchasers of Series 2017A Bonds should consult their own tax advisors with respect to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Series 2017A Bonds.

Original Issue Premium

Series 2017A Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Series 2017A Bond must be reduced by the amount of premium which accrues while such Series 2017A Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2017A Bonds while so held. Purchasers of such Series 2017A Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2017A Bonds.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Series 2017A 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, property and casualty insurance companies, "S corporations," foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2017A Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors as to the status of interest on the Series 2017A Bonds under the tax laws of any state other than Virginia.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Series 2017A Bonds, under current Service procedures, the Service will treat the Authority as the taxpayer and the owners of the Series 2017A Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value, liquidity and/or marketability of the Series 2017A Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2017A Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Series 2017A Bonds who purchase Series 2017A Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Series 2017A Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2017A Bonds.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2017A Bonds are subject to the approving opinion of Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Corporation upon delivery of the Series 2017A Bonds, in substantially the form set forth in Appendix D hereto (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2017A Bonds and to the tax-exempt status of interest thereon as described in "TAX EXEMPTION." Bond Counsel has not been engaged to investigate the financial resources of the Corporation or its ability to provide for payment of the Series 2017A Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2017A Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Mann, Vita & Elrod, P.L.L.C., Lexington, Virginia; for the Corporation by its counsel, Glenn, Feldmann, Darby & Goodlatte, Roanoke, Virginia; and for the Underwriters by their counsel, McGuireWoods LLP, Richmond, Virginia.

FINANCIAL STATEMENTS

The audited financial statements of the Corporation as of December 31, 2015 and 2016 included in Appendix B hereto have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein. A summary of the consolidated statements of operations of the Corporation for each of the last three fiscal years ended December 31, 2016 and for the nine-month period ended September 30, 2017, is included in Appendix A hereto.

RATING

The Series 2017A Bonds have been rated "[____]" by Fitch Ratings ("Fitch"). This rating reflects only the view of such rating agency and an explanation of the significance of such rating may be obtained from such rating

agency. The rating is not a recommendation to buy, sell or hold the Series 2017A Bonds. There is no assurance that such rating will be maintained for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely by Fitch, if in its sole judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2017A Bonds.

LITIGATION

The Authority

There is now no litigation of any nature to which the Authority is a party pending or, to the knowledge of the Authority, threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the Series 2017A Bonds or in any way contesting or affecting the validity of the Series 2017A 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 Series 2017A Bonds.

The Corporation

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

RELATIONSHIP OF PARTIES

Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, provides legal services on other matters to U.S. Bank National Association, which is serving as Bond Trustee and Master Trustee and each Underwriter.

McGuireWoods LLP, Richmond, Virginia, counsel to the Underwriters, also provides legal services on other matters to U.S. Bank National Association, which is serving as Bond Trustee and Master Trustee.

FINANCING DOCUMENTS AND SELECTED COVENANTS

Attached as Appendix C hereto are the proposed forms of the Financing Documents. 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 existence of the Corporation as a tax-exempt, nonprofit corporation and information reporting. Below is a summary of selected covenants contained in the Financing Documents, which is qualified in its entirety by the forms attached as Appendix C hereto.

Rate Covenant. Under 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 will not be taken into account in making the foregoing calculation until the earlier to occur of (A) the first full Fiscal Year commencing four years after the beginning of construction of such capital improvements or (B) 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 thereto will not be taken into account until Stable Occupancy (which is defined as the earlier to occur of (1) 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 reaches 90% or (2) the first full Fiscal Year following the Fiscal Year in which occurs that date which is 18 months following the date upon which substantially all such independent or assisted living units or health care beds are placed in service); in either case, the Obligated Group agrees that it will notify the Master Trustee of such event within 10 days following its occurrence).

In the event the Long-Term Service Debt Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 but greater than 1.00 and the Obligated Group has at least 300 Days' Cash on Hand, no Event of Default will be deemed to have occurred and no further action need be taken. However, in the event that for two consecutive Fiscal Years the Long-Term Debt Service Coverage Ratio, calculated as of the end of such Fiscal Years, is less than 1.20 but greater than 1.00, the Obligated Group will retain a Consultant after the end of the second Fiscal Year to analyze the reasons for the failure to achieve a Long-Term Debt Service Coverage Ratio of 1.20 and to make recommendations to increase the Long-Term Debt Service Coverage Ratio for the following Fiscal Year to such amount.

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 and the Obligated Group does not have at least 300 Days' Cash on Hand, the Obligated Group will retain a Consultant to analyze the reasons for the failure to achieve a Long-Term Debt Service Coverage Ratio of 1.20 and to make recommendations to increase the Long-Term Debt Service Coverage Ratio for the following Fiscal Year to such amount.

In the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.00, the Obligated Group will retain a Consultant to analyze the reasons for the failure to achieve a Long-Term Debt Service Coverage Ratio of 1.20 and to make recommendations to increase the Long-Term Debt Service Coverage Ratio for the following Fiscal Year to such amount.

Notwithstanding the foregoing, if for two successive Fiscal Years, the Long-Term Debt Service Coverage Ratio is less than 1.00, it will be an Event of Default.

The preceding covenants will not be construed to (1) limit the right of any Member to establish and implement policies for the admission of residents to its facilities, (2) prohibit any Member from providing services without charge or at reduced rates for persons unable to pay in whole or in part if reasonably deemed necessary by the Member to retain its status as an organization exempt from federal income taxation or to comply with any applicable requirements of law as then in effect, or (3) limit the ability of any Member to grant fellowships to residents from fellowship funds held by a Member or from funds received from donors restricting the use of funds provided to the Member.

Liquidity Covenant. Each Member will conduct its business so that, on each Liquidity Testing Date, the Obligated Group has not less than 120 Days' Cash on Hand. If the Obligated Group does not have at least 120 Days' Cash on Hand, the Group Representative will promptly notify the Master Trustee. If the Days' Cash on Hand, calculated as of the end of any Fiscal Year, is less than 120, the Corporation shall deliver to the Master Trustee a copy of a resolution approved by its Board of Trustees that explains in reasonable detail the reasons for the deficiency and adopting a specific plan designed to achieve at least 120 Day's Cash on Hand for future Fiscal Years. If the Days' Cash on Hand is less than 120 for any two consecutive Fiscal Years, the Members shall retain a Consultant to make recommendations regarding 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 at least 120 Day's Cash on Hand for future Fiscal Years.

The Members will follow any management report and plan or any Consultant's recommendations and plan delivered pursuant to paragraphs above, except to the extent feasible (as determined in the reasonable judgment of the governing body of such Member) and permitted by law and, if applicable, its status as a tax-exempt organization. So long as the Members will, as required by the Master Indenture, deliver the management report and plan or retain a Consultant and so long as the Members will follow such management report and plan or such Consultant's recommendations and plan to the fullest extent feasible as set forth in the Master Indenture, the Master Indenture will be deemed to have been complied with for a Liquidity Testing Date even if the Days' Cash on Hand is less than 120 on such Liquidity Testing Date, and such circumstances will not constitute an Event of Default under the Master Indenture.

Liquidity Testing Date means each December 31, commencing December 31, 2017.

Management Consultant. If the Obligated Group is required to engage a Consultant for any of the reasons described above under the subheading "Rate Covenant," the Obligated Group shall engage the Consultant as follows:

(1) Upon selecting a Consultant, the Obligated Group shall provide notice of the selection of a Consultant to the Master Trustee, and the Master Trustee shall provide notice of the selection of a Consultant to the Holders of all Obligations Outstanding. The Obligated Group shall cause notice of the selection of a Consultant to be posted on EMMA. The notice shall state that the Holders will be deemed to consent to the selection of the Consultant, unless a Holder submits an objection in writing to the Master Trustee within 15 days of the notice being sent by the Master Trustee to the Holders. If Holders of more than one-third in aggregate principal amount of the Obligations Outstanding have objected to the Consultant selected, the Obligated Group shall select another Consultant within 14 days after receiving notice of the objections.

(2) When the Master Trustee provides notice of the selection of a Consultant, the Master Trustee shall also request that any Related Bond Trustee send a similar notice to the owners of the Related Bonds. Each Related Bond Trustee shall provide notice that states that the Related Bond owners will be deemed to consent to the selection of the Consultant, unless an owner submits an objection in writing to the Related Bond Trustee within 15 days of the notice being sent by the Related Bond Trustee to the Related Bond owners. If owners of more than one-third in aggregate principal amount of the Related Bonds Outstanding have objected to the Consultant selected, the Obligated Group shall select another Consultant within 14 days after receiving notice of the objections.

(3) All Consultant reports shall be prepared in accordance with then-effective industry appropriate standards.

(4) In the event that the Obligated Group fails to make a selection of a Consultant, or fails to make a selection within the appropriate time period, the Master Trustee shall select, on behalf of the Obligated Group.

(5) Any recommendations made by a Consultant shall be filed with the Master Trustee within 90 days after the date the Consultant is selected.

Payment of Kendal Fees. In the Loan Agreement, the Obligated Group makes the following covenants with respect to the Monthly System Fee payable to Kendal Corp. under its affiliation agreement with Kendal. See "**KENDAL AT LEXINGTON – The Kendal Corporation and its Relationship to Kendal at Lexington**" in Appendix A.

If the Obligated Group's Long-Term Debt Service Coverage Ratio in any fiscal year is less than 1.20, the Obligated Group shall cause Kendal Corp. to rebate to the Obligated Group the Monthly System Fees paid to Kendal during such fiscal year in an amount equal to the lesser of (1) 50% of the total Monthly System Fees paid in such fiscal year, and (2) such amount that would have been necessary for the Obligated Group's Long-Term Debt Service Coverage Ratio for such fiscal year to equal at least 1.20. If any amounts have been so rebated and not subsequently repaid by the Obligated Group to Kendal Corp., at the completion of any subsequent fiscal year (the "Applicable Fiscal Year"), the Obligated Group may repay any such rebated amounts to the extent that, if such amount had been repaid in the Applicable Fiscal Year, the Obligated Group's Long-Term Debt Service Coverage Ratio would have been not less than 1.20.

Notwithstanding the above, the Obligated Group may pay the Monthly System Fees without restriction and shall not cause Kendal Corp. to rebate any of the Monthly System Fees after the Long-Term Debt Coverage Ratio has not been less than 1.20 for six consecutive calendar quarters.

CONTINUING DISCLOSURE

Continuing Disclosure Certificate

Upon the issuance of the Series 2017A Bonds, the Corporation will execute a Continuing Disclosure Certificate obligating the Corporation to provide certain annual and event disclosure as provided in SEC Rule 15c2-12 (the "Rule"). See Appendix E hereto for the form of the Continuing Disclosure Certificate. Except as described

below, the Corporation has complied in all material respects with its prior continuing disclosure undertakings during the previous five years. The Corporation inadvertently omitted certain operating data in its Fiscal Year 2013 filing and has recently supplemented that filing to include the required information. The Corporation also filed one annual report and certain quarterly reports in an untimely manner, in no event more than five days beyond the required filing deadline.

The Continuing Disclosure Certificate provides holders of the Series 2017A Bonds with certain enforcement rights in the event of a failure by the Corporation to comply with the terms thereof. There can be no assurance, however, as to the outcome of any effort to enforce the terms of the Continuing Disclosure Certificate. Moreover, a default under the Continuing Disclosure Certificate will not constitute a default under the Bond Indenture, the Loan Agreement, the Deed of Trust, the Series 2017A Obligation or the Master Indenture. The Continuing Disclosure Certificate may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2017A Bonds are advised that the Continuing Disclosure Certificate should be read in its entirety for more complete information regarding its contents.

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2017A Bonds and the Authority will not provide any such information. The Authority shall have no liability to the holders of the Series 2017A Bonds or any other person with respect to disclosures by the Corporation.

Limited Information

Under the Continuing Disclosure Certificate, the Corporation is required to provide only limited information at specified times and such information may not be sufficient to value the Series 2017A Bonds at any particular time.

Additional Disclosure

Under the Loan Agreement, the Corporation covenants that it will provide the following additional information.

Within 45 days after the end of each quarter of each Fiscal Year of the Corporation, commencing with the fiscal quarter ending December 31, 2017, the Corporation shall provide to the Bond Trustee, the Underwriters, and EMMA (collectively, the "Required Information Recipients"), the following information:

- (1) The cumulative unaudited financial statements, including income statements, balance sheet and statement of cash flows, of the Obligated Group for the Fiscal Year to date, showing a comparison to the Obligated Group's current budget;
- (2) Occupancy statistics for the Facilities for such Fiscal Quarter and year to date, which shall include (a) the average number of units available for the quarter, (b) the average number of units occupied for the quarter, (c) the percent of units occupied during the quarter, and (d), the number of independent living units vacated during the quarter, specifying the reason for turnover;
- (3) 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, the number of Days' Cash on Hand as of the end of such Fiscal Quarter; and
- (4) an abbreviated narrative of the operating and financial environment of the Obligated Group for such Fiscal Quarter.

The Corporation shall provide, upon request, to any beneficial owner or any registered municipal securities broker or dealer or a member in good standing of the National Association of Securities Dealers, Inc., a copy of any report and recommendations of any Management Consultant required to be delivered to the Bond Trustee. See "**FINANCING DOCUMENTS AND SELECTED COVENANTS**" herein.

Failure of the Corporation to comply with the provisions regarding additional disclosures will not be deemed an Event of Default under the Loan Agreement.

MISCELLANEOUS

The Corporation has furnished all information in this Official Statement except the information in "**THE AUTHORITY**," "**UNDERWRITING**," "**SERIES 2017A BONDS ELIGIBLE FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS**," "**TAX MATTERS**" and the information in "**LITIGATION**" herein, as it relates to the Authority. The Authority assumes no responsibility for the accuracy or completeness of any information in this Official Statement other than the information in "**THE AUTHORITY**" and the information in "**LITIGATION – The Authority**" herein, and, except for the provision of that information, has not otherwise participated in the preparation of this Official Statement.

U.S. Bank National Association, as Master Trustee and Bond Trustee, has neither reviewed nor participated in the preparation of this Official Statement

The use of this Preliminary Official Statement has been duly authorized by the Authority and approved by the Corporation. The Authority has deemed this Preliminary Official Statement "final" within the meaning of the Rule, except for the omission of certain information permitted to be omitted pursuant to the Rule.

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA

By: _____

Its: Chairman

Approved:

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington**

By: _____

Its: Executive Director

APPENDIX A
KENDAL AT LEXINGTON

APPENDIX B
FINANCIAL STATEMENTS OF KENDAL AT LEXINGTON

APPENDIX C

PROPOSED FORMS OF THE FINANCING DOCUMENTS

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

*Set forth below is the proposed form of opinion of Hunton & Williams LLP, Bond Counsel.
It is preliminary and subject to change prior to delivery of the Series 2017A Bonds.*

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of [____], 2017, is executed and delivered by Lexington Retirement Community, Inc. d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the "Corporation"), in connection with the issuance by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), of its \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"). The Corporation hereby covenants and agrees as follows:

Section 1. Purpose and Definitions. (a) This Disclosure Certificate is being executed and delivered by the Corporation for the benefit of the holders of the Bonds and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") by providing certain annual financial information and material event notices required by the Rule (collectively, the "Continuing Disclosure"). The Bonds are being issued pursuant to a Bond Trust Indenture dated as of December 1, 2017 (the "Bond Indenture"), between the Authority and U.S. Bank, National Association, as Bond Trustee (the "Bond Trustee"). The Bonds will be secured pursuant to obligations issued under the Master Trust Indenture dated as of October 1, 2016 (as supplemented from time to time, the "Master Indenture"), between U.S. Bank, National Association, as master trustee (the "Master Trustee") and the Corporation as current sole member of an obligated group (the "Obligated Group").

(b) For purposes of this Disclosure Certificate, each capitalized term used herein shall have the meaning given it in the Master Indenture, unless otherwise defined herein.

"Appendix A" means Appendix A to the Official Statement.

"Official Statement" means the Official Statement dated [____], 2017, relating to the sale of the Bonds.

Section 2. Annual Disclosure. (a) The Corporation shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) annual financial statements of the Obligated Group, including a consolidated or combined and an unaudited consolidating or combining balance sheet as of the end of such Fiscal Year, a consolidated or combined and an unaudited consolidating or combining statement of revenues and expenses and changes in net assets for such Fiscal Year and a consolidated or combined and an unaudited consolidating or combining statement of cash flows for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with a report of a firm of independent certified public accountants (the "Audited Financial Statements");

(ii) to the extent such items are not included in the audited financial statements referred to in (a) above, the current fee structure for the Corporation's independent living units, assisted living units and nursing care beds, certain financial and operating data with respect to the Obligated Group and its facilities as of the end of the Fiscal Year, including occupancy data of the type described in "Fee Structure," "Occupancy" and in the table "Borden Center Payor Mix" in "Borden Center (Skilled Nursing Care) and Webster Center (Assisted Living) Sources of Revenue," all in "THE COMMUNITY" and "Historical Financial Performance" and "Summary of Financial Information" in "FINANCIAL INFORMATION," all in Appendix A;

(iii) the annual operating budget of the Obligated Group; and

(iv) any change in the overall CMS Star status of any Member of the Obligated Group (and for the avoidance of doubt, if there has been no change in then no information is required to be provided).

If the financial statements filed pursuant to Section 2(a)(i) are not audited (the "Unaudited Financial Statements"), the Corporation shall file such statements as audited when available.

(b) The Corporation shall file annually with the Municipal Securities Rulemaking Board (the "MSRB") the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 120 days after the end of the Corporation's fiscal year, commencing with the Corporation's fiscal year ending December 31, 2017, with a copy to the Bond Trustee and the Master Trustee or, if such Audited Financial Statements are not available by 120 days after the end of such fiscal year, the Unaudited Financial Statements for such fiscal year to be replaced subsequently by the Audited Financial Statements to be delivered within 15 days after such Audited Financial Statements become available for distribution.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Corporation shall file with the MSRB in a timely manner notice specifying any failure of the Corporation to provide the Annual Disclosure by the date specified above.

Section 3. Event Disclosure. The Corporation shall file with the MSRB, with a copy to the Bond Trustee and the Master Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies.
- (b) Non-payment related defaults, if material.
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (d) Unscheduled draws on any credit enhancement reflecting financial difficulties.
- (e) Substitution of credit or liquidity providers, or their failure to perform.
- (f) 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.
- (g) Modifications to rights of the holders of the Bonds, if material.
- (h) Bond calls, if material, and tender offers.
- (i) Defeasances of all or any portion of the Bonds.
- (j) Release, substitution, or sale of property securing repayment of the Bonds, if material.
- (k) Rating changes.
- (l) Bankruptcy, insolvency, receivership or similar event of the Corporation.
- (m) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, 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.
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 4. Debt Service Schedule Filing. The Corporation shall file with the MSRB, with a copy to the Bond Trustee and the Master Trustee, in a timely manner not in excess of 90 days after the incurrence of any Indebtedness, a chart that shows the annual debt service requirements for all Indebtedness of the Corporation then Outstanding in substantially the same form as the chart appearing under the heading "ANNUAL DEBT SERVICE REQUIREMENTS" in the Official Statement.

Section 5. Financial Statements for Obligated Group. All financial statements filed pursuant to Sections 2 and 3 shall clearly identify and describe the financial performance of the Obligated Group alone by either separate financial statements or with schedules or information included with consolidated financial statements that permit review of the financial performance of the Obligated Group and its compliance with financial covenants with respect to the Bonds. All filings made under this agreement shall clearly identify which financial statements relate to the Obligated Group and which relate to both the Obligated Group and other entities.

Section 6. Termination. The obligations of the Corporation will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 7. Amendment. The Corporation may modify its obligations hereunder without the consent of the holders of the Bonds, provided that this Disclosure Certificate as so modified complies with the Rule as it exists at the time of modification and is supported by an approving legal opinion of a firm nationally-recognized in the field of municipal securities. The Corporation shall within a reasonable time thereafter file with the MSRB a description of such modification(s), with a copy to the Bond Trustee and the Master Trustee.

Section 8. Defaults. (a) Failure by the Corporation to comply with any covenant or obligation regarding continuing disclosure specified in this Disclosure Certificate shall not constitute an "Event of Default" under the Loan Agreement dated as of December 1, 2017 between the Corporation and the Authority, as provided therein.

(b) Notwithstanding subparagraph (a), any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Corporation and the Bond Trustee, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Corporation's covenant to provide the Continuing Disclosure.

Section 9. Filing Method. Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB. All information provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. Additional Disclosure. The Corporation may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Corporation shall not incur any obligation to continue to provide, or to update, such additional information or data, unless it specifically agrees to such obligation.

Section 11. Dissemination Agent. The Corporation may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Corporation may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Corporation will be the dissemination agent.

Section 12. Counterparts. This Disclosure Certificate may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Governing Law. This Disclosure Certificate shall be construed and enforced in accordance with the laws of the Commonwealth.

**LEXINGTON RETIREMENT COMMUNITY, INC.
d/b/a Kendal at Lexington**

By: _____

Its: _____

APPENDIX F

DTC BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2017A Bonds, payments of principal of and premium, if any, and interest on the Series 2017A Bonds to DTC, its nominee, Direct and Indirect Participants, as defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2017A Bonds and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

The DTC will act as securities depository for the Series 2017A Bonds. The Series 2017A 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 certificate will be issued for each maturity of the Series 2017A Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities) through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the "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 (the "Indirect Participants"). DTC has a 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.

Purchases of Series 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017A Bonds, except in the event that use of the book-entry system for the Series 2017A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017A Bonds, such as redemptions, tenders, defaults' and proposed amendments to the security documents. For example, Beneficial Owners of Series 2017A Bonds may wish to ascertain that the nominee holding the Series 2017A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2017A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017A 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and premium, if any, and interest payments on the Series 2017A 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 detailed information from the Authority 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 paying agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority and the Bond Trustee or the paying agent, as applicable, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017A Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2017A Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2017A Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Authority and the Bond Trustee have no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (b) the payment by DTC, any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect to the principal of and interest on the Series 2017A Bonds; (c) the delivery or timeliness of delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Series 2017A Bonds to be given to owners of the Series 2017A Bonds; (d) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Series 2017A Bonds; or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owners of the Series 2017A Bonds.

So long as Cede & Co. is the registered owner of the Series 2017A Bonds, as nominee of DTC, references in this Official Statement to Bondholders shall mean Cede & Co. and shall not mean the Beneficial Owners,

and Cede & Co. will be treated as the only Bondholders of Series 2017A Bonds for all purposes under the Series 2017A Bonds.

The Authority may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2017A Bonds without the consent of Beneficial Owners or Bondholders.

\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A

Bond Purchase Agreement

[_____] , 2017

Industrial Development Authority
of the City of Lexington, Virginia
Lexington, Virginia

Lexington Retirement Community, Inc.
d/b/a Kendal at Lexington
Lexington, Virginia

Ladies and Gentlemen:

This is to confirm the agreement between Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Borrower"), a not-for-profit Virginia nonstock corporation, the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), and B.C. Ziegler and Company (the "Representative"), on behalf of itself and Davenport & Company LLC (each, an "Underwriter" and collectively, the "Underwriters"), concerning the sale by the Authority and the purchase by the Underwriters of \$_____ aggregate principal amount of the Authority's Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds will be dated the date of delivery, and will mature on the dates and in amounts and bear interest at rates as set forth on Exhibit A attached hereto. The offer is made subject to acceptance by the Borrower and the Authority prior to 10:00 P.M., Richmond, Virginia time, on the date hereof. If such offer is not so accepted, it is subject to withdrawal by the Representative, on behalf of the Underwriters, upon notice to the Borrower and the Authority at any time prior to acceptance. All references herein to the rights and responsibilities with respect to the Series 2017A Bonds shall be construed as rights and responsibilities of the Underwriters.

The Representative represents that the other Underwriter has heretofore designated and authorized the Representative to execute this Bond Purchase Agreement on behalf of the other Underwriter. Each Underwriter represents and warrants that it has full power and authority to enter into this Bond Purchase Agreement and to perform its obligations hereunder. The Representative, for itself and on behalf of the other Underwriter, represents, warrants and covenants that (assuming the due authorization and execution thereof by the Authority and the Borrower), this Bond Purchase Agreement is a valid and binding obligation of the Underwriters.

Any capitalized terms contained herein and not otherwise defined shall have the meaning set forth in the Official Statement (as defined below).

1. **Purpose of Financing.** The purpose of the issuance of the Series 2017A Bonds is to assist the Borrower in (1) paying the costs of the Project, (2) paying all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) funding interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Project, (4) funding a debt service reserve fund for the Series 2017A Bonds, and (5) paying working capital and other routine capital expenditures (collectively, the "Plan of Finance").

2. **Security and Authorization.** The Series 2017A Bonds will be issued under and secured by a Bond Indenture dated as of December 1, 2017 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

Simultaneously with the issuance of the Series 2017A Bonds, the Authority and the Borrower will enter into a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"). Pursuant to the Loan Agreement, the Borrower will deliver to the Authority its promissory note securing the Series 2017A Bonds, in the principal amount of the Series 2017A Bonds, dated as of the date of delivery (the "Series 2017A Note") required payments on which will be sufficient to pay, among other things, all principal of and premium, if any, and interest on the Series 2017A Bonds, and certain related expenses. Simultaneously with the issuance of the Series 2017A Bonds, the Borrower will enter into a Supplemental Indenture for Series 2017A Obligation dated as of [____], 2017 (the "Series 2017A Supplement"), supplementing the Master Indenture dated as of October 1, 2016 (the "Master Indenture"), each between the Borrower and U.S. Bank National Association, as master trustee (the "Master Trustee"). The Master Indenture will recognize the Series 2017A Note as an Obligation thereunder secured by the terms thereof on parity with the other Obligations issued thereunder. Certain Obligations under the Master Indenture, including the Series 2017A Note, will also be secured at the option of the Borrower by a first mortgage lien on certain real estate of the Borrower, and a security interest in certain personal property of the Borrower created by the Master Indenture and a Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of October 1, 2016, as modified by a Modification of Deed of Trust dated as of December 1, 2017 (collectively, the "Deed of Trust"), both between the Borrower and a deed of trust trustee. The Series 2017A Bonds will also be secured by a debt service reserve fund.

The Series 2017A Bonds, the Indenture, the Master Indenture, the Series 2017A Supplement, the Loan Agreement, the Series 2017A Note and the Deed of Trust will be in the forms previously supplied to you, with such subsequent modifications as shall be approved by you and us.

3. **Representations of Authority.** The Authority makes the following representations, all of which shall survive the delivery of the Series 2017A Bonds:

(a) The Authority is a validly existing political subdivision of the Commonwealth of Virginia, a body politic and corporate, and is vested with the rights and powers granted pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia, as amended (the "Act").

(b) The Authority has the power (1) to enter into and perform its obligations under this Bond Purchase Agreement, the Indenture and the Loan Agreement (collectively with the Offering Documents, hereinafter defined, the "Authority Documents") and the transactions contemplated thereby, (2) to secure the Series 2017A Bonds as provided in the Authority Documents, (3) to loan a portion of the proceeds of the Series 2017A Bonds to the Borrower so that it may undertake the Plan of Finance, which is authorized under the Act, such loan being in furtherance of the purposes for which the Authority was organized, and (4) to assign the Series 2017A Note to the Bond Trustee. The Authority has taken or will take all action required by the Act in connection therewith.

(c) The Authority (1) has duly authorized the execution and delivery of the Authority Documents, (2) has duly authorized the assignment of the Series 2017A Note and the issuance, sale and delivery of the Series 2017A Bonds, and (3) has taken or will take all action necessary or appropriate to carry out the issuance, sale and delivery of the Series 2017A Bonds to the Underwriters.

(d) To the knowledge of the Authority, the Authority is not in default in the payment of the principal of, premium, if any, or interest on any of its other 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 that would adversely affect the Authority's power or authority to issue the Series 2017A Bonds, to execute and deliver the Authority Documents and to perform the obligations thereunder, 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; provided, however, that this representation does not include a default with respect to other financings in which the Authority has acted as "conduit" issuer for other public or private entities not affiliated with the Borrower, wherein a default by such public or private entity would not have a material effect on the credit of the Authority or of the Borrower.

(e) The execution and delivery of the Authority Documents, the assignment of the Series 2017A Note and the performance by the Authority of its obligations thereunder are within the corporate powers of the Authority and will not conflict with or constitute a breach or result in a violation of (1) the Act or the Authority's bylaws, (2) any federal or Virginia constitutional or statutory provision, (3) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Authority or its property or (4) to the best of its knowledge, any agreement or other instrument to which the Authority is a party or by which it is bound.

(f) All authorizations, consents, approvals, findings and certificates of governmental bodies or agencies required to be obtained by the Authority in connection with (1) the execution and delivery by the Authority of the Authority Documents and the issuance of the Series 2017A Bonds, and (2) the performance by the Authority of its obligations under the Authority Documents and the Series 2017A Bonds have been obtained and are in full force and effect; provided, however, that no representation is made with respect to (1) compliance with any applicable Blue Sky or securities laws of any state or (2) consents, filings, approvals, etc., required in connection with the tax-exempt status of the interest on the Series 2017A Bonds.

(g) There is no litigation, inquiry or investigation of any kind before or by any judicial court or governmental agency pending or, to the knowledge of the Authority, threatened against the Authority with respect to (1) its organization or existence, (2) its authority to execute and deliver the Authority Documents or the Series 2017A Bonds or perform its obligations thereunder, (3) the validity or enforceability of the Series 2017A Bonds or any of the Authority Documents, (4) the title of the officers executing the Authority Documents or the Series 2017A Bonds, or (5) any authority or proceedings relating to the authority of such officers to execute and deliver the Authority Documents or the Series 2017A Bonds on behalf of the Authority, and no such authority or proceedings have been repealed, revoked, rescinded or amended; provided, however, the foregoing does not include any litigation or administrative proceeding that may have been filed against, but not served on, the Authority, and of which it has no knowledge.

(h) When authenticated by the Bond Trustee and delivered to and paid for by the Underwriters in accordance with the terms of the Indenture and this Bond Purchase Agreement, the Series 2017A Bonds will (1) have been duly authorized, executed and issued, (2) constitute legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms except as limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws and usual equity principles, and (3) be secured by the Indenture.

4. **Representations and Warranties of the Borrower.** The Borrower makes the following representations and warranties, all of which shall survive the delivery of the Series 2017A Bonds:

(a) The Borrower is a not-for-profit, nonstock corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia and has full power and authority to own its properties, to undertake the Plan of Finance, and to operate its business, as currently conducted.

(b) The Borrower is (1) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not a "private foundation" as defined in Section 509(a) of the Code. The Borrower has conducted its operations and filed all required reports or documents with the Internal Revenue Service so as to maintain such status. The Borrower is organized and operated exclusively for benevolent, fraternal, charitable or reformatory purposes, and not for pecuniary profit, and no part of its net earnings inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of Subsection 3(a)(4) of the Securities Act of 1933, as amended (the "1933 Act"), and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended. The Borrower has not received notice or communication of any kind from the Internal Revenue Service directly or indirectly questioning its status under Section 501(c)(3) of the Code or indicating that it is or will be audited with respect to such status.

(c) The Borrower has authorized the execution and delivery of this Bond Purchase Agreement, the Master Indenture, the Series 2017A Note, the Series 2017A Supplement and the Loan Agreement, and the Deed of Trust (collectively, the "Borrower Documents"). The Borrower has approved the Offering Documents and the terms of the Indenture. The Borrower will take all action necessary or appropriate to cooperate in the issuance, sale and delivery of the Series 2017A Bonds by the Authority to the Underwriters.

(d) The execution and delivery of the Borrower Documents, the performance of its obligations thereunder and the approval of the Offering Documents and the Indenture are within the corporate powers of the Borrower and will not, in any material respect, conflict with or constitute a breach or result in a violation of (1) the articles of incorporation or bylaws of the Borrower, (2) any federal or Virginia constitutional or statutory provision, (3) any agreement or instrument to which the Borrower is a party or by which it is bound, or (4) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

(e) The Borrower has obtained all consents, approvals, authorizations and orders of governmental or regulatory authorities (collectively, "Consents") that are required to be obtained by the Borrower as a condition precedent to the issuance of the Series 2017A Bonds, the execution and delivery of the Borrower Documents or the performance by the Borrower of its obligations thereunder and the Plan of Finance, with the exception of those Consents not yet required to be obtained and as otherwise disclosed in the Offering Documents. All such Consents previously obtained are in full force and effect. The Borrower will obtain when needed all other Consents required for the performance of its obligations under the Borrower Documents and has no reason to believe that all required or necessary Consents cannot be promptly obtained when needed.

(f) There is no litigation at law or in equity or any proceeding before any governmental agency pending or, to the knowledge of the Borrower, threatened, in which any liability of the Borrower is not adequately covered by insurance, or in which any judgment or order would have a material adverse effect on the business (financial or otherwise) or assets of the Borrower or affect its existence or authority to do business, the validity of the Borrower Documents or the performance by the Borrower of its obligations thereunder.

(g) The Borrower is not a party to any contract or agreement or subject to any charter or other restriction not disclosed in the Offering Documents, the performance of or compliance with which may have a material adverse effect on the financial condition or operations of the Borrower.

(h) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument under or subject to which any indebtedness has been incurred. No event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

(i) The financial statements of the Borrower as set forth in Appendix B to the Official Statement described below (the "Financial Statements"), present fairly the financial condition of the Borrower as of the respective dates, and the results of operations for the respective periods, set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein. The unaudited financial statements of the Borrower for the nine-month period ended September 30, 2017, included in Appendix A to the Official Statement, present fairly the financial condition of the Borrower as of such date, and the results of operations for the respective periods set forth therein, subject to year-end adjustments. Since September 30, 2017, no material and adverse change has occurred in the

financial position or results of operations of the Borrower, nor has the Borrower incurred any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

5. **Issuance, Sale and Purchase of Series 2017A Bonds.** On the basis of the representations and warranties contained herein and the other agreements referred to herein and subject to the terms and conditions set forth herein, the Authority agrees to issue and sell to the Underwriters, and the Representative, on behalf of the Underwriters, agrees, consistent with the first paragraph of this Bond Purchase Agreement, that the Underwriters will purchase from the Authority, the Series 2017A Bonds at a purchase price of \$_____ (which represents the par amount of the Series 2017A Bonds minus an underwriters' discount of \$_____ and plus a net original issue premium of \$_____.

The Underwriters shall purchase the Series 2017A Bonds in immediately available funds, in the amount of the purchase price thereof payable to the order of the Bond Trustee.

Having approved the terms of such issuance and sale, the Authority hereby sells the Series 2017A Bonds to the Underwriters, subject to the terms of this Bond Purchase Agreement. The delivery and sale of the Series 2017A Bonds (the "Closing") will be at such place in Richmond, Virginia, as the Representative may designate, at 11:00 a.m., Eastern Time, on [_____], 2017, or at such other time or such other place or on such other date as the Borrower and the Representative may agree upon (the "Closing Date"). The Series 2017A Bonds shall be delivered in book entry form to the Bond Trustee, as agent for The Depository Trust Company, as securities depository for the Series 2017A Bonds.

6. **Offering Documents; Offering by the Underwriters; Indemnification.** (a) On any business day as reasonably determined by the Representative following the date hereof, but in any event no more than seven business days after the time of your acceptance hereof, the Authority shall deliver to the Underwriters, at the expense of the Borrower, the number of copies of the Official Statement with respect to the Series 2017A Bonds required to permit the Underwriters to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (with any amendments or supplements thereto, the "Official Statement"), in substantially the form of the Authority's Preliminary Official Statement with respect to the Series 2017A Bonds dated [_____], 2017 (the "Preliminary Official Statement," together with the Official Statement, the "Offering Documents"), marked to include such changes as shall have been accepted by the Representative and are necessary or desirable to reflect the terms of this Bond Purchase Agreement, and to complete such Official Statement in final form, executed and approved on behalf of the Authority.

(b) The Authority represents that the information with respect to the Authority contained in the sections of the Offering Documents entitled "**THE AUTHORITY**" and, to the extent applicable to the Authority, "**LITIGATION**" is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Authority ratifies the use by the Underwriters of the Preliminary Official Statement and authorizes and consents to the use by the Underwriters of the Official Statement.

(c) The Borrower represents and warrants that the information contained in the Offering Documents (including the Appendices (other than Appendix D and Appendix F) but excluding the sections "**THE AUTHORITY**," "**UNDERWRITING**," "**TAX EXEMPTION**" and "**LITIGATION – The Authority**" is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading. The Borrower ratifies the use of the Preliminary Official Statement and authorizes and consents to the use by the Underwriters of the Official Statement in the offering and sale of the Series 2017A Bonds.

(d) The Representative, on behalf of the Underwriters, agrees that the Underwriters will offer the Series 2017A Bonds only pursuant to the Offering Documents and only in states where the offer and sale of the Series 2017A Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Series 2017A Bonds for sale in any such state. The Representative, on behalf of the Underwriters, agrees that the Underwriters will make a public offering of the Series 2017A Bonds, subject to Section 6 of this Bond Purchase Agreement. The Representative, on behalf of the Underwriters, also reserves the right of the Underwriters to overallocate or effect transactions that stabilize or maintain the market price of the Series 2017A Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

(e) The Borrower shall indemnify and hold harmless the Authority, the Underwriters and each of their respective officers, directors and counsel, and each person, if any, who controls the Authority or either of the Underwriters within the meaning of Section 15 of the 1933 Act from any and all losses, claims, damages and liabilities (including legal and other expenses of defending any actions) that they or any of them may incur or have asserted against any of them as a result of the falsity (or alleged falsity) or any breach (or alleged breach) by the Borrower of any of its representations, warranties or covenants set forth in this Bond Purchase Agreement.

(f) If any litigation is commenced or threatened against any of the parties entitled to indemnification under subsection (e) above, such indemnified party shall promptly notify the Borrower thereof in writing, but failure to notify the Borrower shall not relieve it from any liability that it may have whether on account of this indemnity or otherwise so long as the Borrower is given reasonable opportunity to defend such litigation; provided that under no circumstances shall the Borrower be liable for any legal or other expenses incurred by any indemnified party in investigating or employing separate counsel to defend any such litigation unless the Borrower has been notified of the litigation and such investigation or employment of separate counsel has been specifically authorized by the Borrower, which authorization will not be unreasonably withheld, conditioned or delayed. The Borrower shall promptly assume the investigation, preparation and defense of all such litigation or action, including the employment of counsel reasonably acceptable to the indemnified party, the payment of fees and expenses and the right to negotiate and consent to settlement. Any indemnified party shall have the right to make its own investigation or employ separate counsel, but the fees and expenses of such investigation or counsel shall be at the expense of such indemnified party unless such investigation or the employment of such counsel has been specifically authorized by the Borrower. If any litigation or action is settled, such indemnity shall be limited to the aggregate amount paid under a settlement

effected with the written consent of the Borrower. The indemnification provided in this subsection is in addition to the indemnification provided in Section 5.6 of the Loan Agreement.

(g) The Authority (upon being indemnified to its satisfaction) and the Borrower shall take all actions and provide all information reasonably requested by the Representative necessary or desirable to register the Series 2017A Bonds under, or comply with, any state Blue Sky laws; *provided*, that neither the Authority nor the Borrower shall be required to execute a general consent to service of process in connection with qualification of the Series 2017A Bonds for sale in any jurisdiction.

(h) The Authority and the Borrower, at the Borrower's expense, shall take all actions and provide all information reasonably requested by the Representative to ensure that the Offering Documents at all times during the initial offering and distribution of the Series 2017A Bonds do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. From the date of this Bond Purchase Agreement until 90 days after the Closing Date (the "Initial Offering Period"), the Authority and the Borrower will notify the Representative whenever, in their judgment, the Official Statement should be amended or supplemented in order for the Offering Documents not to contain any untrue statement of a material fact, or not to omit to state any material fact necessary to make the statements in the Official Statement not misleading. If, in the reasonable judgment of the Representative, any event or condition requires the preparation and publication of a supplement or amendment to the Offering Documents during the Initial Offering Period, the Authority and the Borrower, at the Borrower's expense, shall supplement or amend any of the Offering Documents in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld. The obligation of the Authority to take action under this subsection shall be limited to circumstances in which it has actual knowledge of an event described above or it is specifically requested by the Representative to take any action or provide any information within its control.

(i) The Authority represents that (1) it deemed the Preliminary Official Statement final as of its date except for information permitted to be omitted under paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), and (2) based upon the representations and warranties of the Borrower in subsection (j)(ii) below, the Official Statement constitutes, as of the date hereof, a final official statement within the meaning of paragraph (e)(3) of the Rule.

(j) The Borrower represents and warrants that (1) a duly authorized officer of the Borrower, acting on its behalf, deemed the Preliminary Official Statement final as of its date except for information permitted to be omitted under paragraph (b)(1) of the Rule and (2) the Official Statement constitutes, as of the date hereof, a final official statement within the meaning of paragraph (e)(3) of the Rule.

(k) The Authority and the Borrower shall, at the expense of the Borrower, take all additional steps reasonably requested by the Representative or its counsel to enable compliance by the Underwriters with the Rule and with the rules of the Municipal Securities Rulemaking Board in connection with the issuance, sale and delivery of the Series 2017A Bonds.

(1) The representations, warranties and indemnity agreements set forth in this Bond Purchase Agreement shall survive the Closing and shall remain operative and in full force and effect regardless of (1) any investigation made by or on behalf of the Underwriters and (2) payment for the Series 2017A Bonds.

7. **Issue Price.** The Authority and the Borrower acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length, commercial transaction among the Authority, the Borrower and the Underwriters in which the Underwriters are acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Exchange Act), financial advisor or fiduciary to the Authority or the Borrower, (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the Authority or the Borrower with respect to this Bond Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters, or any affiliate of the Underwriters, has provided other services or is currently providing other services to the Authority or the Borrower on other matters), (iii) the only obligations the Underwriters have to the Authority or the Borrower with respect to the transactions contemplated hereby are set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the Authority or the Borrower, and (v) the Authority or the Borrower have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Borrower at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit G, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Borrower and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2017A Bonds.

(b) The Borrower will treat the first price at which 10% of each maturity of the Series 2017A Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Representative shall report to the Authority and the Borrower the price or prices at which the Underwriters have sold to the public each maturity of Series 2017A Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Series 2017A Bonds, the Representative agrees to promptly report to the Authority and the Borrower the prices at which Series 2017A Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until the 10% test has been satisfied as to the Series 2017A Bonds of that maturity or until all Series 2017A Bonds of that maturity have been sold to the public.

(c) The Representative confirms that the Underwriters have offered the Series 2017A Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series 2017A Bonds for

which the 10% test has not been satisfied and for which the Borrower and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Borrower to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2017A Bonds, the Underwriters will neither offer nor sell unsold Series 2017A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2017A Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative shall promptly advise the Authority and the Borrower when the Underwriters have sold 10% of that maturity of the Series 2017A Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Authority and the Borrower acknowledge that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority and the Borrower further acknowledge that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2017A Bonds.

(f) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2017A Bonds of each maturity allotted to it until it is notified by the Representative that either the

10% test has been satisfied as to the Series 2017A Bonds of that maturity or all Series 2017A Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2017A Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2017A Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2017A Bonds of that maturity or all Series 2017A Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(g) The Underwriters acknowledge that sales of any Series 2017A Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2017A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2017A Bonds to the public),

(iii) a purchaser of any of the Series 2017A Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

8. **Continuing Disclosure.** In order to permit compliance by the Underwriters with the Rule, the Borrower has agreed in the Loan Agreement to provide while the Series 2017A Bonds are outstanding: (1) within 30 days of receipt but not later than 120 days after the end of each of its fiscal years, certain financial information and operating data, including audited financial statements for the preceding fiscal year, as described in the Loan Agreement and sufficient to permit the Underwriters to comply with Section (b)(5)(i) of the Rule, (2) timely notice of the failure of the Borrower to provide the required financial information and operating data and (3) timely notice of the occurrence of the events listed in the Rule with respect to the Series 2017A Bonds. Such annual financial information and event notices shall be provided to the Municipal Securities Rulemaking Board as required under the Rule.

9. **Conditions.** The Underwriters' obligations hereunder are subject to:

(a) The accuracy on the Closing Date, as if made as of such date, of all representations of the Authority and all representations and warranties of the Borrower contained herein.

(b) The due performance by the Authority and the Borrower of their obligations hereunder.

(c) There being no material adverse change in the condition (financial or otherwise) of the Borrower between the most recent dates as to which information is given in the Preliminary Official Statement and the Closing Date other than as reflected in or contemplated by the Offering Documents, and there being on the Closing Date no material transactions or obligations (not in the ordinary course of business) entered into by the Authority and the Borrower subsequent to the date of the Preliminary Official Statement other than as reflected in or contemplated by the Offering Documents.

(d) Delivery of all documentation required by Section 10 of this Bond Purchase Agreement.

10. **Closing Documentation.** There shall be delivered to the Representative at Closing the following, all dated the Closing Date unless otherwise approved by the Representative and in form and substance reasonably satisfactory to the Representative:

(a) A certificate executed by appropriate officers of the Authority, confirming the matters as to the Authority referred to in subsections (a) and (b) of Section 9.

(b) A certificate executed by appropriate officers of the Borrower, confirming the matters as to the Borrower referred to in subsections (a), (b) and (c) of Section 9.

(c) The Official Statement, executed on behalf of the Authority and the Borrower by the respective duly authorized officials or representatives thereof.

- (d) Original executed copies of the Indenture, the Series 2017A Supplement, the Loan Agreement, and the Deed of Trust.
- (e) A certified copy of the Master Indenture.
- (f) Specimens of the Series 2017A Bonds and the Series 2017A Note.
- (g) Letter from CliftonLarsonAllen, independent certified accountants, in substantially the form attached as Exhibit B hereto.
- (h) An opinion of Mann, Vita & Elrod, P.L.L.C., counsel to the Authority, in substantially the form attached as Exhibit C hereto.
- (i) An opinion of Glenn, Feldmann, Darby & Goodlatte, counsel for the Borrower, dated the Closing Date, in substantially the form attached as Exhibit D hereto.
- (j) Opinion of Hunton & Williams, LLP, Bond Counsel, in substantially the form attached as Appendix C to the Official Statement.
- (k) A supplemental opinion of Hunton & Williams, LLP, Bond Counsel, in substantially the form attached as Exhibit E hereto.
- (l) An opinion of McGuireWoods LLP, counsel for the Underwriters, in substantially the form attached as Exhibit F hereto.
- (m) Receipt by the Master Trustee of a mortgage title insurance policy on the Mortgaged Premises (as defined in the Deed of Trust) of the Borrower, in the form of an ALTA standard policy, or an endorsement to an existing policy, such that the aggregate amount insured equals the principal amount of the Series 2017A Bonds for the benefit of the Master Trustee issued by a company duly authorized to issue the same acceptable to the Representative, insuring that the Deed of Trust is a first lien on the mortgaged property of the Borrower subject to no exceptions other than "Permitted Liens" as defined in the Master Indenture, containing no exceptions for filed or unfiled mechanics' and materialmen's liens except as otherwise covered by pending disbursements language acceptable to the Representative, containing no exceptions as to survey matters, and containing no other exceptions except those notice of which has been given to the Representative prior to the execution of this Bond Purchase Agreement and which are acceptable to the Representative.
- (n) Evidence regarding the status of title to personal property owned by the Borrower, including information regarding liens or other encumbrances thereon, which evidence may be in the form of a UCC search conducted by a firm or attorney acceptable to the Representative.
- (o) Copies of insurance certificates and a statement signed by an Insurance Consultant, as defined in the Master Indenture, to the effect that the insurance required by the Master Indenture is in effect.

(p) A copy of IRS Form 8038 completed by the Authority with respect to the Series 2017A Bonds.

(q) Originals or, where appropriate, specimens of the documents, opinions and other items required by the Indenture for authentication and delivery of the Series 2017A Bonds.

(r) Evidence satisfactory to the Representative from Fitch Ratings, Inc. that the Series 2017A Bonds have received a rating of at least [_____].

(s) Evidence satisfactory to the Representative that the Authority has issued its Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B.

(t) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative or Bond Counsel may reasonably request to evidence compliance by the Authority or the Borrower with legal requirements, the truth and accuracy as of the Closing Date of the representations of the Authority or the Borrower herein and in the Offering Documents, the ownership of the Facilities (as defined in the Indenture) by the respective members of the Borrower and the due performance or satisfaction by the Authority or the Borrower at or prior to the Closing Date of all agreements then to be satisfied by the Authority or the Borrower.

11. **Termination.** The Representative, on behalf of the Underwriters, may terminate this Bond Purchase Agreement at any time prior to the Closing Date by notice to the other parties hereto if between the date hereof and the Closing Date:

(a) The Representative is informed by the Authority or the Borrower or their respective agents and counsel, or the Representative concludes in the exercise of its reasonable business judgment that one or more of the conditions listed in Section 9 above cannot or will not be met;

(b) The Borrower shall have sustained a substantial loss by fire, flood, accident or other calamity that, in the reasonable judgment of the Representative, shall render it inadvisable to proceed with the sale of the Series 2017A Bonds, whether or not such loss shall have been insured;

(c) Legislation shall have been favorably reported by a committee of the United States Congress or enacted by the United States Congress, or a decision by any court of the United States, including the Tax Court, shall have been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States or any branch thereof, including the Internal Revenue Service, or any other governmental agency shall have been made or proposed, with respect to federal or state taxation upon revenues or other income of the general character derived by the Authority or upon interest received on obligations of the general character of the Series 2017A Bonds or other action or events shall have transpired that (1) may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of owning the Series 2017A Bonds or (2) in the reasonable opinion of the Representative materially affects the ability of the Underwriters to enforce contracts or orders for the sale of the Series 2017A Bonds at the contemplated offering prices;

(d) Any legislation, ordinance, rule or regulation shall have been enacted or proposed by any governmental body, department or agency of the Commonwealth of Virginia or any political subdivision thereof, or any decision by any court of competent jurisdiction within the Commonwealth of Virginia shall have been rendered that in the reasonable opinion of the Representative materially and adversely affects the market price of the Series 2017A Bonds;

(e) Any legislation shall have been enacted or be proposed, any decision by a court of the United States shall have been rendered or any stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency shall have been made to the effect that (1) obligations of the general character of the Series 2017A Bonds, or the Indenture are not exempt from registration, qualification or other requirements of the 1933 Act or the Indenture Act of 1939, as amended, or (2) the Offering Documents do not contain adequate information as to the Authority or the Borrower;

(f) A stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of the Series 2017A Bonds, of obligations of the general character of the Series 2017A Bonds or the offering of any other security that is represented by the Series 2017A Bonds as contemplated hereby, is in violation of any provision of the 1933 Act, the Securities Exchange Act of 1934, as amended, or the Indenture Act of 1939, as amended;

(g) Any event shall have occurred or condition shall exist that, in the reasonable opinion of the Representative, makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Offering Documents or that is not reflected in the Offering Documents but should be reflected therein as of such time in connection with the offering and sale of the Series 2017A Bonds in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading in any material respect as of such time including, without limitation, events or conditions relating to the business and affairs of the Authority or the Borrower, or the effect of additional disclosure as to such event or condition, regardless of its form in the Offering Documents, in the reasonable opinion of the Representative is to materially adversely affect the market price or marketability of the Series 2017A Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2017A Bonds;

(h) There shall be in force a general suspension of trading on the New York Stock Exchange;

(i) Any state "blue sky" or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Representative the market for the Series 2017A Bonds is materially adversely affected thereby; and

(j) In the reasonable opinion of the Representative, the market price of the Series 2017A Bonds, or the market price generally of obligations of the general character of the Series 2017A Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any

governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Series 2017A Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters, (3) a general banking moratorium shall have been established by federal, New York or Virginia authorities, or any devaluation of the dollar shall have been proposed or effected by any governmental authority of the United States, or (4) war or an outbreak of hostilities or other national or international calamity or crisis shall have occurred or escalated from current conditions, or any armed conflict shall have occurred or escalated from current conditions, to such a magnitude as in the reasonable opinion of the Representative to have a materially adverse effect on the ability of the Underwriters to enforce contracts or orders for the sale of the Series 2017A Bonds at the contemplated offering prices.

If the Authority and the Borrower shall be unable to satisfy any of the conditions to the obligations of the Underwriters contained in this Bond Purchase Agreement and such condition is not waived by the Representative, or if the obligation of the Underwriters to purchase and accept delivery of the Series 2017A Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and the Underwriters, the Borrower and the Authority shall be under no further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 12 hereof and to indemnify, as provided in Section 6 hereof, shall continue in full force and effect.

12. **Expenses.** The Borrower shall cause to be paid from the proceeds of the Series 2017A Bonds or from its own funds the issuance and administrative fees of the Authority; the fees and disbursements of Bond Counsel, counsel to the Borrower and the Authority, and counsel to the Underwriters; the fees of the Bond Trustee and of the Master Trustee and their respective counsel; accountants' and consultants' fees; the costs of printing the Offering Documents and the Series 2017A Bonds; and the cost of qualifying the Series 2017A Bond for sale in various states selected by the Underwriters. The Borrower shall pay all such fees and disbursements to the extent not paid with the proceeds of the Series 2017A Bonds. The Underwriters shall pay all advertising expenses in connection with the public offering of the Series 2017A Bonds, and all other expenses incurred by them with respect to the public offering and distribution of the Series 2017A Bonds, excluding the fees and disbursements of their counsel.

If the Series 2017A Bonds are not sold as provided herein, the Borrower agrees to pay (1) the fees and disbursements of Bond Counsel, counsel to the Authority, counsel to the Underwriters and counsel to the Borrower, (2) the fees of the Bond Trustee and of the Master Trustee and their respective counsel, (3) accountants' and consultants' fees, and (4) the costs of printing the Offering Documents; provided that the Borrower shall be obligated to pay the fees, disbursements and costs referred to in clauses (1), (2), (3) and (4) for services actually rendered to the date on which this Bond Purchase Agreement is terminated.

13. **Finders.** Each of the Borrower and the Representative, on behalf of the Underwriters, represents and warrants that no finder or other agent has been employed or consulted by it in connection with this transaction.

14. **Applicable Law; Counterparts.** This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to its conflict of law rules and 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.

15. **Notices.** All communications hereunder shall be in writing and shall be deemed delivered, if delivered in person, or sent by certified mail, return receipt requested, to the respective parties as follows:

(a) To the Representative, on behalf of the Underwriters, B.C. Ziegler and Company, 4801 Cox Road, Suite 103, Richmond, Virginia 23060 (Attention: Tommy Brewer);

(b) To the Authority, Industrial Development Authority of the City of Lexington, 300 East Washington Street, Lexington, Virginia 24450 (Attention: Chairman).

(c) To the Borrower, Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, 160 Kendal Drive, Lexington, Virginia 24450 (Attention: Executive Director).

16. **Miscellaneous.** This Bond Purchase Agreement is made solely for the benefit of and is binding on each of the parties and their respective successors and assigns. It is the entire agreement of the parties, superseding all prior agreements, and may not be modified except in writing signed by all of the parties hereto.

[Signature Pages Follow]

Very truly yours,

**B.C. ZIEGLER AND COMPANY, on behalf of
itself and Davenport & Company LLC**

By: _____

Its: _____

Accepted:

**INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE CITY OF
LEXINGTON, VIRGINIA**

By: _____

Its: _____

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a KENDAL AT LEXINGTON**

By: _____

Its: _____

TERMS OF BONDS

\$ _____
**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA
RESIDENTIAL CARE FACILITY MORTGAGE REVENUE BONDS
(KENDAL AT LEXINGTON),
SERIES 2017A**

**PRINCIPAL MATURITIES AND INTEREST RATES
SERIES 2017A BONDS**

\$ _____ Serial Bonds - due [_____] as follows:

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Term Bonds due [_____], 20__ priced at _____ % to yield _____ %

* Yield to [_____], 20__, call date.

Optional Redemption. The Series 2017A Bonds maturing on or after [____], 20__, will be subject to redemption by the Authority, at the direction of the Borrower, prior to maturity in whole, or in part by lot, at any time, on and after [____], 20__, at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest thereon, if any, to the redemption date.

<u>Redemption Period:</u>	<u>Price</u>
[____], 20__, through [____], 20__	102%
[____], 20__, through [____], 20__	101
[____], 20__, and thereafter	100

Mandatory Sinking Fund Redemption. The \$_____ Series 2017A Bonds maturing on [____], 20__ are required to be redeemed on [____], in principal amounts and at a price of 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
(maturity)	\$

Form of Auditor Letter

[_____], 2017

Industrial Development Authority of
the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company,
on behalf of itself and Davenport & Company LLC
Richmond, Virginia

Industrial Development Authority of the City of Lexington, Virginia
\$_____ Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Dear Ladies and Gentlemen:

We consent to the inclusion of the audited consolidated financial statements as of December 31, 2016 and December 31, 2015, and our report with respect thereto in the Official Statement dated [_____], 2017, relating to the above-captioned bonds and to the references made to us in such Official Statement.

Very truly yours,

Form of Authority Counsel Opinion

[LETTERHEAD OF MANN, VITA & ELROD, P.L.L.C.]

[_____], 2017

U.S. Bank National Association,
as Master Trustee and Bond Trustee
Richmond, Virginia

Industrial Development Authority of
the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company
Richmond, Virginia

Hunton & Williams LLP
Richmond, Virginia

Davenport & Company LLC
Richmond, Virginia

Lexington Retirement Community, Inc.
Lexington, Virginia

Industrial Development Authority of the City of Lexington, Virginia
\$_____ Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Ladies and Gentlemen:

We have acted as counsel for the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), in connection with the issuance and sale by the Authority of its \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"). All capitalized terms used herein that are not defined herein shall have the meanings set forth in the Bond Indenture, hereinafter defined.

In connection with our opinion, we have reviewed, among other things, the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), an ordinance adopted by the City Council of the City of Lexington, Virginia (the "City Council"), creating the Authority pursuant to the Act, the Authority's bylaws and minute books, and original or certified copies of the following:

A. Resolution adopted by the Authority on [_____], 2017 (the "Resolution"), authorizing among other things, the execution and delivery or use of the following instruments (collectively, the "Authority Documents"):

1. A Bond Purchase Agreement dated [_____], 2017 (the "Bond Purchase Agreement"), between (a) the Authority, (b) Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation"), and (c) B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, the "Underwriters");

2. An Official Statement of the Authority in preliminary form dated [____], 2017, and in final form dated [____], 2017 (together the "Official Statement");

3. A Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"), between the Corporation and the Authority; and

4. A Bond Indenture dated as of December 1, 2017 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

B. The Corporation's Promissory Note constituting Obligation No. 2 (the "Note") under a Master Trust Indenture dated as of October 1, 2016, between the Corporation and U.S. Bank National Association, as master trustee, dated the date of the Bonds.

C. Specimens of the Bonds.

D. Such additional documents, certificates and instruments related thereto as we deem necessary in rendering the opinion contained herein.

As to questions of fact material to our opinion, we have relied upon findings of the Authority contained in the Bond Purchase Agreement, Loan Agreement and the Bond Indenture, certifications of public officials furnished to us, and certifications by representatives of the Authority. We have no reason to believe that such findings and certifications are incomplete or inaccurate. We have assumed that all signatures on documents and instruments examined by us are genuine, all documents submitted to us as originals are authentic, and all documents submitted to us as copies conform to the originals. In addition, we have assumed, without independent investigation or verification, the due authorization, execution, and delivery of the Authority Documents by all parties thereto other than the Authority.

Where reference is made in this letter to matters we know or which are within our knowledge, such reference should be understood to mean only that we do not know of any fact or circumstance contradicting the statement that ensues.

Based on the foregoing, it is our opinion that:

1. The Authority is a body politic and corporate and a political subdivision of the Commonwealth of Virginia, created under the Act, vested with the rights and powers conferred upon it under the Act, and in good standing pursuant to the Act.

2. The Authority has all requisite authority and power under the Act to adopt the Resolution, to issue and sell the Bonds, to enter into, and perform its obligations under the Authority Documents and the Bonds, and to apply the proceeds from the issuance and sale of the Bonds as set forth in the Bond Indenture. The Authority has taken all action required of it by the Act or other applicable laws in connection therewith.

3. The Resolution has been duly adopted by the Authority and is in full force and effect on the date hereof in the form adopted. The officers of the Authority executing the Authority Documents have been duly elected or appointed and are serving as such officers as of the date

hereof. Each of the Directors of the Authority has been duly appointed by the City Council and has qualified as a Director of the Authority by all necessary action before the Clerk of the Circuit Court of Rockbridge County, Virginia.

4. The Authority Documents have each been duly authorized, executed and delivered by the Authority and, subject to paragraph 7 below, each constitutes a legal, valid and binding limited obligation of the Authority, enforceable in accordance with their respective terms.

5. The Authority's right, title and interest in the Loan Agreement (except the Authority's Unassigned Rights) and the Note have been assigned to the Bond Trustee, and, subject to paragraph 7 below, such assignment constitutes a valid and binding agreement of the Authority, enforceable against the Authority in accordance with its terms.

6. The Bonds have been duly authorized, executed, issued and delivered by the Authority, and, when paid for by the Underwriters in accordance with the Bond Indenture and the Bond Purchase Agreement, constitute valid and binding limited obligations of the Authority, and are enforceable in accordance with their terms, subject to paragraph 7 below.

7. The enforcement of the obligations of the Authority with respect to the Resolution, the Bonds and the Authority Documents is subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. 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.

8. The adoption, execution and delivery of and performance by the Authority of its obligations under the Resolution, the Bonds, the Authority Documents and the Note will not violate any provisions of the Act or of any other law of the Commonwealth of Virginia.

9. The execution and delivery by the Authority of the Authority Documents and the assignment of the Note will not conflict with or result in a violation or breach of, or constitute a default under, and do not and will not violate the Act, or, to the best of my knowledge, (a) violate any indenture, agreement or instrument to which the Authority is a party or by which it or its properties are or may be bound, (b) violate any regulations, order or decree to which the Authority is subject, (c) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority except as contemplated by the Authority Documents, (d) violate any resolution of the Authority or (e) violate any applicable judgment, order, rule, ordinance, decree or regulation of any court or of any public or governmental agency or authority having jurisdiction over the Authority or any of its property.

10. To the best of our knowledge, no litigation, inquiry, or investigation of any kind in or by a judicial court or governmental agency is pending or threatened against the Authority with respect to the organization or existence of the Authority, its authority to execute or deliver the Bonds or the Authority Documents or to assign the Note, the validity or enforceability of any of such instruments or the transactions contemplated thereby, the title of the officers executing such instruments, or any authority or proceedings relating to the execution and delivery of such

instruments on behalf of the Authority, and no such authority or proceedings have been repealed, revoked, rescinded, or amended; provided, however, that we express no opinion as to any litigation or administrative proceeding that may have been filed against but not served upon the Authority and as to which we have no knowledge.

11. To the best of our knowledge based on our experience as counsel to the Authority and our review of the information contained in the Official Statement under the sections therein entitled "THE AUTHORITY" and "LITIGATION – The Authority," the information with respect to the Authority contained in such sections is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein concerning the Authority, in light of the circumstances under which they were made, not misleading.

12. The Authority has authorized and consented to the use by the Underwriters of the Official Statement (including its distribution) in the offering and sale of the Bonds.

13. No further consent, approval, authorization or order of any governmental or regulatory authority is required to be obtained by the Authority as a condition precedent to the issuance of the Bonds or the execution and delivery of the Authority Documents, or, to the best of our current actual knowledge, but without any independent investigation, the performance by the Authority thereunder.

Our services as counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to make the statements herein contained. We have not examined any documents or other information concerning the business or financial resources of the Corporation, and, therefore, we express no opinion as to (1) status of interest on the Bonds for federal or state income tax purposes, (2) compliance with federal and state laws regulating securities, or (3) any matter which may be governed by the law of any jurisdictions other than the Commonwealth of Virginia and the United States of America.

This opinion is solely for your benefit and the benefit of subsequent holders of the Bonds. This opinion may not be distributed to or relied upon by any other person or entity, quoted in whole or in part or otherwise reproduced in any other document, nor is it to be filed with any governmental agency other than the Authority, except with the prior written consent of this office.

Finally, we do not undertake to advise you of any changes in the opinions expressed herein resulting from matters that might hereafter come or be brought to our attention.

Very truly yours,

Form of Borrower Counsel Opinion

[_____], 2017

Industrial Development Authority
of the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company, on behalf of
itself and Davenport & Company LLC,
as underwriters
Richmond, Virginia

U.S. Bank National Association,
as Bond Trustee and Master Trustee
Richmond, Virginia

\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A

Ladies and Gentlemen:

We have acted as counsel to Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Corporation"), a not-for-profit Virginia nonstock corporation, in connection with the issuance and sale by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), a political subdivision of the Commonwealth of Virginia, of the above-referenced bonds (the "Bonds"). Unless otherwise defined, all capitalized terms used in this opinion have the meanings set forth in the Master Indenture and Indenture, as defined below. In so acting we have examined:

A. The articles of incorporation, bylaws and minute books of the Corporation and certain authorizing resolutions of the Corporation's Board of Trustees.

B. A certificate issued by the Virginia State Corporation Commission on _____, 2017 attesting to the continued existence and good standing in Virginia of the Corporation (the Good Standing Certificate").

C. Documents relating to the tax-exempt status of the Corporation under the Internal Revenue Code of 1986, as amended (the "Code").

D. A Bond Purchase Agreement dated [_____], 2017 (the "Bond Purchase Agreement"), among the Authority, the Corporation and B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, the "Underwriters").

E. An Official Statement of the Authority in preliminary form dated [____], 2017, and in final form dated [____], 2017 (the "Official Statement"), with respect to the offering and sale of the Bonds.

F. A Bond Indenture, dated as of December 1, 2017 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

G. A Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), between the Authority and the Corporation.

H. A Supplemental Indenture for Series 2017A Obligation, dated as of December 1, 2017 (the "Supplement"), supplementing the Master Indenture, dated as of October 1, 2016 (the "Master Indenture"), all between the Corporation and U.S. Bank National Association, as successor master trustee (the "Master Trustee").

I. The Corporation's promissory note dated [____], 2017 in the original principal amount of \$_____ (the "Series 2017A Note"), issued under and recognized by the Master Indenture as Obligation No. 2, and payable to the Authority or its assigns.

J. [A Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of October 1, 2016, as modified by the Modification to Deed of Trust dated as of December 1, 2017 (the "Deed of Trust").]

K. UCC Financing Statements naming the Corporation as debtor and the Master Trustee as secured party under the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Virginia (the "Virginia UCC"), to be filed in the Clerk's Office of the Circuit Court of Rockbridge County, Virginia (the "Clerk's Office") (the "Deed of Trust Financing Statement").

L. UCC Financing Statement naming the Corporation as debtor and the Master Trustee as secured party under the Virginia UCC, to be filed with the State Corporation Commission (the "Master Indenture Financing Statement"; the Master Indenture Financing Statement and the Deed of Trust Financing Statement are, collectively, the "Financing Statements").

As to questions of fact material to the opinions expressed herein, we have relied upon representations of the Corporation in the Documents (as defined below) and certified corporate proceedings of the Corporation and certifications by the officers and representatives of the Corporation.

The opinions set forth herein are subject to the following assumptions:

i. the documents delivered to us as copies are accurate copies of the original documents and have not been subsequently amended;

ii. the signatures of all persons other than the officers and representatives of the Corporation are genuine and authentic, and none of such persons suffers any legal disability; and

iii. all documents either referred to in this opinion or examined by us with respect to matters addressed in this opinion have been duly authorized, executed and delivered by, and constitute valid, binding and enforceable obligations of, all parties to such documents (other than the Corporation).

PART I

Based on the foregoing and such other information and investigation as we consider necessary for the purpose of rendering this opinion, we are of the opinion that:

1. The Corporation is a nonstock corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia. The Corporation has the power and authority to own its properties and to operate its business as currently conducted.

2. The Corporation is an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code. To our knowledge, the Corporation has conducted its operations and filed all required reports or documents with the Internal Revenue Service so as to maintain such status. The Corporation is organized and, to our knowledge, operated exclusively for benevolent, fraternal, charitable or reformatory purposes and not for pecuniary profit, and no part of its net earnings 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, and of Section 12(g)(2) of the Securities Act of 1934, as amended. To our knowledge, the Corporation has not received any notice or communication from the Internal Revenue Service that questions its status under Section 501(c)(3) of the Code or indicating that the Corporation is or will be audited with respect to such status or in any way questioning the tax-exempt status of bonds issued for the benefit of the Corporation.

3. The Corporation has authorized the execution and delivery of the Bond Purchase Agreement, the Loan Agreement, the Series 2017A Note, the Master Indenture, the Supplement and the Deed of Trust (collectively, the "Documents"). The Corporation has duly approved the Official Statement and the terms of the Indenture. The Documents have been duly authorized, executed and delivered by the Corporation and, assuming their due authorization, execution and delivery by the other parties thereto, constitute valid and binding legal obligations of the Corporation enforceable as to the Corporation in accordance with their respective terms. The enforceability of the obligations of the Corporation under the Documents is subject to the provisions of bankruptcy, insolvency, reorganization, fraudulent conveyance, liquidation, moratorium and other laws affecting the enforcement of creditors' rights generally. The enforceability of such obligations also is subject to usual equity principles that may limit the specific enforcement of certain remedies, and to principles of public policy as expressed in applicable securities laws or otherwise. We express no opinion regarding the enforceability of (1) any right in the Deed of Trust to obtain possession of any property or the exercise of self-help remedies without judicial process, or (2) any language in the Deed of Trust providing that after-acquired property shall immediately, without an appropriate amendment to the instrument and/or other actions, become subject to the Deed of Trust.

4. The execution and delivery of the Documents, the performance by the Corporation of its obligations thereunder and the approval of the Official Statement and the Indenture are within

the corporate powers of the Corporation and will not conflict with or constitute a breach or result in a violation of (1) the articles of incorporation or bylaws of the Corporation, (2) any federal or Virginia constitutional or statutory provision, (3) to our knowledge, any agreement or other instrument to which the Corporation is a party or by which it is bound, or (4) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Corporation or its property.

5. The Corporation has obtained all consents, approvals, authorizations and orders of governmental or regulatory authorities (collectively, "Consents") that are required to be obtained by the Corporation as a condition precedent to the execution and delivery of the Documents. We have no reason to believe that the Corporation cannot obtain when needed any Consent not obtained as of the date hereof that will be required for the performance by the Corporation of its obligations under the Documents or for the completion and operation of the projects financed with the proceeds of the Bonds. We express no opinion, however, with respect to compliance with federal or state securities or "blue sky" laws of the various states of the United States or of the United States or federal tax laws.

6. There is no litigation at law or in equity or any proceeding before any governmental agency pending or threatened against the Corporation, in which any liability of the Corporation is not adequately covered by insurance or in which any judgment or order would have a material adverse effect upon the business (financial or otherwise) or assets of the Corporation or affect its existence or authority to do business, the validity of the Documents or the performance by the Corporation of its obligations thereunder.

7. The Corporation is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument under or subject to which any indebtedness has been incurred, and no event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

PART II

We have also participated in various conferences with the officers of the Corporation, the Underwriters and their counsel, and the Authority and its counsel. At those conferences, the contents of portions of the Official Statement were discussed and revised. Because of the inherent limitations in the independent verification of factual matters and the character of determinations involved in the preparation of the Official Statement, we are not passing upon, do not assume any responsibility for, and make no representation that we have independently verified the accuracy, completeness or fairness of any statement contained in the Official Statement. We also do not express any opinion or belief or include in our reference to the Official Statement in the following sentence (1) the Corporation's financial statements, other financial, operating, quantitative or statistical information, projection or estimate that is included in Appendix A to the Official Statement or that is included in the Official Statement and its other Appendices, and (2) the sections in the Official Statement entitled "The Authority," "Tax Exemption," "Underwriting," "Legal Matters," "Litigation – The Authority," "Relationship of Parties" and Appendix F or in Appendices C and D, as to which no view is expressed. Subject to the foregoing, however, solely on the basis of our participation in the conferences referred to above and our examination of the

documents referred to herein and in the course of our representation as special counsel to the Corporation, we advise you that nothing has come to our attention that would lead us to believe that the Official Statement at the date thereof or at this date contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PART III

We have examined the Deed of Trust. We have also examined: (1) the Deed of Trust UCC Financing Statement, which names the Corporation as debtor and the Master Trustee as secured party under the Virginia UCC describing the Mortgaged Premises (as defined in the Deed of Trust) and the Equipment (as defined in the Deed of Trust, and together with such items that are part of the Mortgaged Premises and may under applicable law be subject to a security interest, hereinafter referred to as the "Deed of Trust Pledged Assets") located on the Mortgaged Premises as collateral, and (2) the Master Indenture Financing Statement which names the Corporation as debtor and the Master Trustee as secured party describing the Pledged Assets (as defined in the Master Indenture and hereinafter referred to as the "Master Indenture Pledged Assets") as collateral. We have also examined the results of Uniform Commercial Code lien searches naming the Corporation as debtor (the "UCC Search Reports") conducted by _____ of the records of the SCC through _____, 2017, the Clerk's Office through _____, 2017.

Based solely on our examination of the Deed of Trust, the Master Indenture, the Financing Statements and the UCC Search Reports, we are of the opinion that:

1. The Deed of Trust creates in favor of the Master Trustee a valid security interest in all right, title and interest of the Corporation in those items and types of the Deed of Trust Pledged Assets which are described in the Deed of Trust in which a security interest may be created pursuant to the provisions of Article 9 of the Virginia UCC. The filing of the Deed of Trust Financing Statement with the Clerks' Office and the SCC is sufficient to perfect the security interest granted under the Deed of Trust in those items and types of the Deed of Trust Pledged Assets in which a security interest therein may be created pursuant to the provisions of Article 9 of the Virginia UCC to the extent that a security interest therein may be perfected by the filing in the Clerks' Offices and the SCC, as appropriate, of a financing statement under Article 9 of the Virginia UCC. Based on the UCC Search Reports, no financing statements have been filed since _____, 2016, with the Clerks' Office or the SCC naming the Corporation as debtor that describe the Deed of Trust Pledged Assets as collateral, and the UCC Search Reports through their respective dates do not disclose any lien or security interest with respect to the Deed of Trust Pledged Assets that takes priority over the security interests therein created by the Deed of Trust.

2. The filing of the Master Indenture Financing Statement with the SCC is sufficient to perfect the security interest granted under the Master Indenture in those items and types of the Master Indenture Pledged Assets in which a security interest therein may be created pursuant to the provisions of Article 9 of the Virginia UCC to the extent that a security interest therein may be perfected by the filing in the SCC of a financing statement under Article 9 of the Virginia UCC. Based on the UCC Search Reports, no financing statements have been filed since _____, 2016, with the Clerks' Office or the SCC naming the Corporation as debtor that describe the Master Indenture Pledged Assets as collateral, and the UCC Search Reports through their respective dates

do not disclose any lien or security interest with respect to the Master Indenture Pledged Assets that takes priority over the security interests therein created by the Master Indenture.

3. The Deed of Trust is in appropriate form for recording with the Clerks' Offices.

With respect to the opinions set forth in paragraphs 1 and 2 of this Part III, we have assumed that: (1) none of the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets consists or will consist of as-extracted collateral, farm products or timber to be cut; (2) the Corporation has (and, at the time the Financing Statements were filed, had) rights in the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets, and value has been given to the Corporation; (3) the Financing Statements give the correct name and mailing address of the Master Trustee; and (4) the Financing Statements will be duly filed and properly indexed in the Clerks' Office and the SCC, as appropriate. We express no opinion as to the Corporation's title to or rights in any property and, except as expressly provided in paragraphs 1 and 2 of this Part III, we express no opinion as to the creation, perfection or priority of any security interest, lien or other encumbrance in or on any of its assets.

Without limiting the generality of the foregoing, the opinions expressed in paragraphs 1 and 2 of this Part III are expressly subject to: (1) the limitation that a security interest would continue in the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets after its sale, lease, license, exchange or other disposition and in the proceeds thereof only to the extent provided in Section 9A-315 of the Virginia UCC; (2) the limitation that Section 552 of the Bankruptcy Code of 1978, as amended, may affect the validity of such security interest as to the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets acquired after the commencement of a proceeding thereunder; (3) the requirement that continuation statements be filed in accordance with the provisions of Section 9A-515 of the Virginia UCC and the facts applicable to the financing statements in the same office where the original financing statements were filed in order to maintain the effectiveness of the financing statements; (4) the requirement that amendments to the financing statements be filed within four months after the debtor so changes its name as to cause any filed financing statement to become seriously misleading; (5) the limitation expressed in Section 9A-316 of the Virginia UCC that perfection will lapse as to a security interest in any of the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets, the perfection of which is based upon the location of the debtor, upon the expiration of four months after a change in such debtor's location to another jurisdiction, unless the security interest in the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets, as the case may be, is perfected in such collateral prior to the expiration of such four month period; and (6) the limitation that the security interest shall lapse pursuant to Sections 9A-320(a) and 9A-330 of the Virginia UCC as to inventory, chattel paper or instruments sold in the ordinary course of business.

PART IV

The foregoing opinions are subject to the following additional limitations and qualifications:

1. Our opinions are based solely upon the laws of the Commonwealth of Virginia (without giving effect to Virginia's principles of conflict of laws), and we express no opinion based upon the laws of any other state.

2. We express no opinion as to (1) compliance with federal securities laws, regulations, and judicial and agency decisions relating to registration or qualification of securities, and (2) compliance with the registration or qualification requirements of any state securities or "Blue Sky" laws of any state (including the Commonwealth of Virginia) or the District of Columbia.

3. Whenever an opinion herein is qualified by the phrase "to our knowledge" or any similar phrase implying a limitation on the basis of knowledge, it is intended to indicate that the individuals in the firm working on the transaction or having substantial involvement with the Corporation have no current actual knowledge of such matters. We have not, however, undertaken any independent investigation or due diligence to determine such matters and no inference as to our knowledge of the existence or nonexistence of such matters should be drawn from the fact of our representation of the Corporation.

We are furnishing this opinion to you solely for your benefit and only with respect to the specific transactions contemplated by the Documents, and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose, in each instance without our prior written consent. Further, we do not undertake to advise you of any changes in the opinions expressed herein resulting from matters that might hereafter come or be brought to our attention.

Very truly yours,

Form of Supplemental Opinion of Bond Counsel

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

[____], 2017

B.C. Ziegler and Company
Richmond, Virginia

Davenport & Company, LLC
Richmond, Virginia

\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Ladies and Gentlemen:

Reference is made to our opinion delivered today as Bond Counsel (the "Bond Opinion") relating to the issuance by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), of its \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"). We hereby advise you that we now deliver the Bond Opinion for your benefit as well as for the benefit of the Authority, and you are entitled to rely upon the Bond Opinion as if it were addressed to you. Any capitalized terms contained herein and not otherwise defined shall have the meaning set forth in the Bond Opinion.

At your request, we have undertaken a review of certain other matters pertaining to the Bonds. We have reviewed the Bond Purchase Agreement dated [____], 2017 (the "Bond Purchase Agreement"), between you, the Authority and Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation"). We have reviewed certain portions described below of the Official Statement of the Authority dated [____], 2017 (the "Official Statement"), and have discussed certain statements therein with representatives of the Corporation, its counsel, your representatives and your counsel. We have also reviewed certified copies of proceedings of the Authority with respect to the Bond Purchase Agreement and the Official Statement, as well as such other papers we deem necessary for purposes of the opinions expressed below. We have not verified and are not passing upon and do not assume any responsibility for the accuracy and completeness of the statements contained in the Official Statement, except to the extent indicated in paragraph 2 below.

Based on the foregoing, in accordance with customary opinion practice, we hereby advise you that:

1. In our opinion, the Bond Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a valid and legally binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, by principles of equity, whether considered at law or in equity, and by public policy as expressed in applicable securities laws or otherwise. The enforceability of any indemnity provision in the Bond Purchase Agreement may be limited by principles of public policy or applicable securities laws.

2. The statements contained in the Official Statement under the captions "THE SERIES 2017A BONDS," "SECURITY FOR THE SERIES 2017A BONDS," "TAX EXEMPTION," "FINANCING DOCUMENTS AND SELECTED COVENANTS" and "CONTINUING DISCLOSURE" and in Appendices C and D thereto, insofar as such statements summarize the laws of the United States and of the Commonwealth of Virginia and the terms of the Bonds, the Bond Indenture, the Master Indenture, the Supplement, the Note, the Loan Agreement and the Deed of Trust, are fair and accurate summaries thereof in all material respects.

3. Except as set forth in paragraph 2, we have not been retained to confirm or to verify, and do not express an opinion as to, the accuracy, completeness or fairness of any information in the Official Statement.

We are furnishing this letter solely for your benefit. It is not to be relied upon by any other person or firm.

Very truly yours,

6376/7921/1791

Form of Underwriters' Counsel Opinion

[_____], 2017

B.C. Ziegler and Company, on behalf of
itself and Davenport & Company LLC,
as underwriters
Richmond, Virginia

**§ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A**

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), of its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"), subject to the terms and conditions set forth in a Bond Purchase Agreement dated [_____], 2017, among you, the Authority and Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Corporation"), a not-for-profit Virginia nonstock corporation.

In our capacity as your counsel, we have examined an executed copy of the Official Statement dated [_____], 2017 (the "Official Statement"), relating to the Bonds and executed or conformed copies of certain of the documents referred to therein. We also have examined certain proceedings of the Authority and the Corporation, and originals or copies identified to our satisfaction of such agreements, instruments, opinions, certificates and other documents as we have deemed necessary for purposes of the advice contained in this letter. We have assumed the genuineness of signatures on documents submitted to us as originals, the authenticity thereof and the conformity with the originals of any documents submitted to us as copies or specimens.

We have also examined the Official Statement generally and have discussed certain statements contained therein with representatives of the Authority and the Corporation, bond counsel, counsel to the Authority, independent certified public accountants and your representatives.

On the basis of the foregoing, we advise you that although we have not verified, are not passing upon and do not assume any responsibility for the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention during the course of our review and discussion of the Official Statement with the above-referenced parties that would cause us to believe that the Official Statement, on the date thereof or on this date, contains any

untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Our advice in this paragraph does not apply to (1) any financial statements or financial or statistical data, forecasts, numbers, estimates, assumptions or expressions of opinion contained or incorporated by reference in the Official Statement, (2) the summaries of documents, conclusions or opinions contained in the Official Statement and addressed by bond counsel in a supplemental opinion to you dated the date hereof or (3) the information contained in the Official Statement relating to the Depository Trust Company and its book-entry only system, as to all of which no advice is given.

This letter is solely for the information of, and assistance to, you and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds, except that reference to our letter may be made in the Official Statement or any other document and reference to and a copy of this letter may be made or included, as applicable, in any list of closing documents pertaining to the sale of the Bonds.

Very truly yours,

Form of Issue Price Certificate

\$_____ Industrial Development Authority of the City of Lexington, Virginia Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of B.C. Ziegler and Company, as the representative (the "**Representative**") of the underwriters (the "**Underwriting Group**") of the above-captioned obligations (the "Bonds"), hereby certifies as set forth below with respect to the execution and delivery of the Bonds.

1. **Purchase Contract.** The Representative, the Issuer and the Borrower have entered into a Bond Purchase Agreement dated _____, 2017 (the "Purchase Contract") in connection with the Bonds. The Purchase Contract has not been modified since its execution on the Sale Date.

2. **Sale of the [General Rule Maturities] [the Bonds].** As of the date of this certificate, for each Maturity of the [Bonds] [General Rule Maturities], the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

3. **[Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, each member of the Underwriting Group has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

4. ***Defined Terms.***

(a) *Borrower* means Lexington Retirement Community, Inc., d/b/a Kendal at Lexington.

(b) [*General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."]

(c) [*Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."]

(d) [*Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriting Group has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(e) *Issuer* means the Industrial Development Authority of the City of Lexington, Virginia.

(f) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(g) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2017.

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representatives interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer and the Borrower with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal

Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer and the Borrower from time to time relating to the Bonds.

Dated: December __, 2017

B.C. ZIEGLER AND COMPANY,
d/b/a Ziegler Capital Markets Group,
on its own behalf and on behalf of Davenport &
Company LLC

By: _____
Thomas Brewer
Managing Director

SCHEDULE A

**SALE PRICES OF THE [BONDS] [GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE
MATURITIES]**

[SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

KENDAL AT LEXINGTON

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KENDAL AT LEXINGTON

Lexington Retirement Community, Inc. d/b/a Kendal at Lexington ("Kendal at Lexington") is a non-profit, nonstock Virginia corporation. It is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

History and Structure

Kendal at Lexington is located in Lexington, Virginia, in the Shenandoah Valley region. In the fall of 1994, residents from two local churches gathered to investigate the possibility of building a retirement community in the area and hired an independent firm to conduct a market feasibility study. The group incorporated as Lexington Retirement Community, Inc., for the purpose of developing, marketing and managing a continuing care retirement community ("CCRC"). A local resident donated approximately 83 acres of land located partly in the City of Lexington and partly in Rockbridge County, including a home and farm buildings for the retirement community. The land is located within a mile and a quarter radius of downtown Lexington, Washington and Lee University, Virginia Military Institute, and Carilion Stonewall Jackson Hospital. Kendal at Lexington is accredited by CARF-CCAC, the Commission on Accreditation of Rehabilitation Facilities/ Continuing Care Accreditation Commission.

In 1997, Kendal at Lexington affiliated with The Kendal Corporation ("Kendal Corp."), a Pennsylvania non-profit organization. Kendal Corp. has no ownership interest in Kendal at Lexington, but has certain specific reserved powers. The relationship between Kendal at Lexington and Kendal Corp. is established in the bylaws of Kendal at Lexington and is further articulated in the agreement between Kendal Corporation and its affiliates (which include Kendal at Lexington): Mutual Expectations, System Services and Financial Understandings, dated December 1, 2014 (the "Affiliation Agreement"). See "**The Kendal Corporation and its Relationship with Kendal at Lexington**" and "**Reserved Powers of Kendal Corp.**"

In April 1999, Kendal at Lexington broke ground on its community (the "Community") which consisted of 70 independent living residences and 20 assisted living apartments. The Community originally contained no skilled nursing care beds. The Community was completed and available for occupancy in July 2000. In 2004 and 2005, five new independent living cottages were built. In 2006, Kendal at Lexington demolished four independent living cottages in order to prepare for the "Phase II" independent living expansion, which consisted of 35 cottages, 14 apartments, a fitness center with pool, expansions and renovations to the dining room and common building. Construction was completed in 2009.

In 2001, Kendal at Lexington became the sole member of Lexington Health Investors, LLC ("LHI"), which was previously known as Stonewall Jackson Health Investors, LLC. In 2001, LHI received approximately two acres of land from Kendal at Lexington on which it constructed a 60-bed skilled nursing center, known as the Benjamin Borden Health Center (the "Borden Health Center"). LHI was dissolved on December 31, 2009, and all assets, liabilities and net assets were transferred to Kendal at Lexington.

Board of Directors

Kendal at Lexington is governed by a volunteer board of directors (the "Board"), consisting of between 10 and 20 directors. The Board has all powers and authority necessary for the management of the business of Kendal at Lexington. At least two members of the Board, but not more than 20% of the total Board membership, must be residents of the Community.

Directors are elected by the Board for staggered three-year terms and approved by the Board of Directors of Kendal Corp. Board members may serve up to three terms consecutively. The Board will fill any vacancy occurring during a term by the election of a successor for the unexpired term with the approval of Kendal Corp.

Listed below are current directors: **[KAL TO UPDATE/CONFIRM]**

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>	<u>Committees</u>
James Adams	2018	Retired Professor, Virginia Military Institute	Strategic Planning (Chair); Finance
Marylin Alexander	2019	Apartment Manager; Lexington City Council Member	Board Development; Audit & Oversight
Harlan Beckley	2017	Retired Professor, Washington & Lee University	Philanthropy; Strategic Planning
Charles Brower	2018	Retired Brigadier General, US Army; Retired Professor, Virginia Military Institute	Board Development (Chair); Executive
Frank Friedman	2018	Financial Advisor and Business Development Officer; Lexington City Council Member	Finance (Chair)
Robert Glidden (Chair)	2018	President Emeritus, Ohio University	Executive (Chair)
Pamela Luecke (Secretary)	2017	Professor of Journalism and Mass Communications, Washington and Lee University	Executive; Audit & Oversight (Chair)
J. Hardin Marion	2019	Retired Attorney	Finance; Philanthropy (Chair)
John Page	2019	Retired Professor of Civil Engineering, Virginia Military Institute	Audit & Oversight; Strategic Planning
Joan Robins	2017	Retired Nurse; former director Hillel House, Washington and Lee University	Board Development; Strategic Planning
Beatrix Rumford (Treasurer)	2019	Retired, Colonial Williamsburg Foundation	Executive Committee; Philanthropy
Kimberley Ruscio	2017	Community Organizer and Volunteer	Finance; Audit & Oversight
Christopher Russell	2019	Commonwealth Attorney, Buena Vista	Board Development; Audit & Oversight
William Russell	2017	Retired Investment Manager	Finance; Philanthropy
Carol Wheeler	2019	Retired CFO, Marshall Foundation	Board Development; Finance
Sarah Wiant	2018	Law Librarian and Professor, Washington & Lee Law School	Audit & Oversight; Strategic Planning
Linda Wilder (Vice Chair)	2017	Retired, Human Resources Consultant	Executive; Finance

The Leadership Staff of Kendal at Lexington

Mina Tepper, Executive Director, became Executive Director of Kendal at Lexington in December 2012. Ms. Tepper received a Bachelor's degree from McGill University, Montreal, Canada and a Master's degree in Business from the University of Wisconsin-Milwaukee. She is licensed as a Nursing Home Administrator in Virginia. Ms. Tepper is an executive health care professional with 30 years of progressive health care management experience, having devoted the last 13 years to operational leadership roles in the field of senior housing and care. Prior to joining Kendal at Lexington, Ms. Tepper was President of Operations for three senior communities in Wisconsin where she was responsible for the opening of a new senior community and the renovation of two existing communities, including the transformation of a traditional 1970s nursing home into one based on a person-centered, household care model. Ms. Tepper serves on the Advisory Council for the Valley Program for Aging Services (VPAS).

Felicia DiPronio Bush, Finance Manager, joined Kendal at Lexington in 2006. She is a certified public accountant with nearly 12 years of experience with the Lexington CPA firm of Raetz & Hawkins, P.C. She also serves as the Endowment Chairman of St. Patrick's Catholic Church and Treasurer of the Kerrs Creek Ruritan Club. Ms. Bush has a Bachelor of Business Arts from the University of Wisconsin-Milwaukee with a concentration in Accounting.

Charlotte Sibold, Health Services Administrator, joined Kendal at Lexington in 2002 and has been the Health Services Administrator since 2012. In this role, she oversees the Webster Center Assisted Living, Benjamin Borden Health Center and clinic services for the community. Ms. Sibold received a Bachelor's degree in Professional Communications and Master's degree in Community Health/Health Care Management from Old Dominion University, Norfolk, Virginia. In addition to being licensed as a Nursing Home Administrator, she is also a Nursing Home and Assisted Living Facility Preceptor. Prior to serving as Administrator at Kendal at Lexington, Ms. Sibold served as Kendal at Lexington's Director of Marketing for five years. She served in that role during the Community's Phase II expansion. Ms. Sibold serves on the Board for Meals for Shut Ins and is a member of the Lexington Rotary Club.

Jessica Buhler, Director of Marketing, joined Kendal at Lexington in 2014. She holds a Master's degree in Management and Organizational Leadership from Antioch University, Yellow Springs, Ohio, and a Bachelor's degree in Public Policy from Goddard College, Plainfield, Vermont. Prior to joining Kendal at Lexington, Ms. Buhler held roles in public and government relations, communications, public policy and management for public agencies, and large and small non-profit organizations throughout New England. She also served as Founding Director of the Senior Agenda Coalition, a non-profit organization dedicated to elder advocacy and best practices for aging in Rhode Island. Ms. Buhler serves on the Board of Main Street Lexington and as a liaison for Kendal at Lexington to many local non-profit organizations.

The Kendal Corporation and its Relationship to Kendal at Lexington

Kendal Corp. is a Pennsylvania non-profit corporation is headquartered in Kennett Square, Pennsylvania, and was founded in 1971. Kendal Corp. is one of the largest non-profit developers of CCRCs in the United States and is nationally-recognized for a variety of initiatives that have

transformed the long-term care industry. Kendal Corp. has been involved in the development and marketing services to Kendal at Lexington since the parties affiliated while the Community was being initially developed.

Kendal Corp. and its affiliates consist of:

- Kendal Corp., which provides leadership and support to its constituent organizations.
- Affiliates, which are separate non-profit entities for each community or group of communities, each with its own governing board.
- Kendal Outreach, a limited liability company whose sole member is Kendal Corp., which provides education and training within and outside the Kendal System.
- Kendal Charitable Funds, a fund-raising and grant-making organization, which supports Kendal Corp., Affiliates and Kendal Outreach.

The Internal Revenue Service has issued letters of determination that Kendal Corp. and each of its affiliated entities is a charitable organization described in Section 501(c)(3) of the Code and, except for certain limited types of income, is exempt from federal taxation under Section 501(a) of the Code.

Pursuant to its bylaws, a majority of the members of Kendal Corp.'s Board of Directors are members of the Religious Society of Friends (Quakers). Every organization within the Kendal system has adopted a common set of "Values and Practices." These collective guidelines help ensure that all residents and staff of all affiliates (the "Affiliates") share the spirit of community and collaboration and the respect for each individual that flow from Quaker principles. Under this federal-type model, Affiliates are governed by local boards of volunteer directors made up of both residents and community members. This structure encourages sensitivity to local issues while also providing Affiliates access to the collective resources and experience of the Kendal system.

Affiliates work together within the Kendal system to transform cultural views of aging and of older persons, stressing the potential for fulfillment and continuing contribution during the later stages of life. Kendal Corp. offers its Affiliates advice, leadership and support and access to several types of services, including development services, planning, marketing, finance and regulatory guidance, design and construction and operational start-up.

Under the Affiliation Agreement, Kendal Corp. provides Kendal at Lexington with advice, expertise and support in the areas of human resources, finance, food service, information systems, public relations and marketing, education and training, fund raising and legal assistance. In addition, Kendal Corp. is reimbursed for certain expenses incurred on behalf of Kendal at Lexington. Expenses incurred on behalf of Kendal at Lexington include participation in pension plans for Kendal at Lexington's employees and other Affiliates, printing, postage, and advertising costs related to public relations and marketing, IT shared expenses, director's and officer's liability insurance and some miscellaneous legal expenses. In addition, beginning in 2014, Kendal at Lexington reimburses Kendal Corp. for premiums paid to the Kendal Corp.'s self-insured employee health plan. Under the Affiliation Agreement, Kendal at Lexington paid or reimbursed Kendal Corp. the following amounts in the last three fiscal years: \$1,792,258 (FY14), \$1,636,353 (FY15) and \$1,711,213 (FY16)

Reserved Powers of Kendal Corp.

Under Kendal at Lexington's bylaws, Kendal Corp. must approve the following actions by Kendal at Lexington:

1. Any change in corporate purposes.
2. Incurring of indebtedness with a principal amount higher than that specified in the Affiliation Agreement.
3. The manner in which Kendal at Lexington uses the name "Kendal."
4. Any material change in the contract which Kendal at Lexington executes with its residents.
5. The purchase, sale, lease, encumbrance, or other disposition of any real estate or improvements thereon, with a value greater than that specified in the Affiliation Agreement.
6. Dissolution, acquisition by another entity (whether by merger, asset sale, change of control, or otherwise).
7. The selection of any new member of the Board of Directors of Kendal at Lexington.
8. Amendments to the Articles of Incorporation or fundamental sections of the Bylaws of Kendal at Lexington.

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Kendal System Affiliates

Kendal Corp. has developed and is affiliated with the following communities that provide a variety of housing, health care, and service coordination to residents/members. Each community is an Affiliate that has an affiliation agreement with Kendal Corp.

Kendal Affiliate Unit Configurations

<u>Community</u>	<u>Location</u>	<u>Independent Living</u>		
		<u>iving</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>
Coniston	Pennsylvania	18	-	-
Cartmel	Pennsylvania	56	-	-
Barclay Friends	Pennsylvania	-	50	96
Kendal at Longwood	Pennsylvania	260	62	53
Crosslands	Pennsylvania	266	51	60
Chandler Hall*	Pennsylvania	10	136	67
Kendal at Hanover**	New Hampshire	250	82	3
Kendal at Home***	Ohio	N/A	N/A	N/A
Kendal at Oberlin	Ohio	223	37	42
Kendal at Ithaca	New York	236	36	48
Kendal at Lexington	Virginia	120	20	60
Kendal on Hudson	New York	222	47	26
Kendal at Granville	Ohio	134	19	32
Lathrop Communities	Massachusetts	188	-	-
Collington	Maryland	331	65	44
Admiral at the Lake	Illinois	<u>200</u>	<u>56</u>	<u>36</u>
Total		<u>2,514</u>	<u>661</u>	<u>567</u>

*Includes 14 hospice care beds

**Kendal at Hanover has 107 licensed assisted living beds in 82 units (rooms), including 18 memory care beds in 15 units, and 5 licensed skilled nursing beds in 3 units, for a total of 112 licensed beds in 85 units.

***Kendal at Home has 275 members who live in their own homes and receive service coordination services as part of a continuing care contract.

Additional Description of Kendal Affiliates:

Kendal at Longwood and Crosslands. These continuing care retirement communities are located in Chester County in southeastern Pennsylvania. Kendal at Longwood opened in 1973; it has 260 independent living units and a 115-bed health center. Sharing a common boundary with Kendal at Longwood, Crosslands has 266 independent living units and a 111-bed health center. Crosslands opened in 1977. As of September 30, 2017, the independent living units at (1) Kendal at Longwood had an occupancy rate of approximately __% and (2) Crosslands had an occupancy rate of approximately __%. Kendal at Longwood and Crosslands are accredited by CARF-CCAC.

Kendal at Hanover. Kendal at Hanover is a continuing care retirement community located in Hanover, New Hampshire, in proximity to the campus of Dartmouth College. Kendal at Hanover is comprised of 250 independent living units, 3 nursing care beds and 82 assisted living beds. The

community opened in July, 1991, and as of September 30, 2017, had a ___% occupancy rate. Kendal at Hanover is accredited by CARF-CCAC. Its Series _____ bonds are rated ___ by Fitch.

Kendal at Oberlin. Kendal at Oberlin is a continuing care retirement community located in Oberlin, Ohio, in proximity to the campus of Oberlin College. It consists of 223 independent living units, 37 assisted living beds, and 42 skilled nursing beds (in Ohio, licensed as a residential care community). The community opened in October 1993 and was ___% occupied as of September 30, 2017. Kendal at Oberlin is accredited by CARF-CCAC. Its Series 2013A bonds are currently rated ___ by S&P Global Ratings.

Kendal at Ithaca. Kendal at Ithaca is a first life care community (the first in New York State), in close proximity to Cornell University. It consists of 236 independent living units, 36 enhanced assisted living units, and 48 skilled nursing units. The community opened in 1995 and was ___% occupied as of September 30, 2017. Kendal at Ithaca is accredited by CARF-CCAC. Its Series 2014 bonds are currently rated ___ by S&P Global Ratings.

Coniston and Cartmel. These two independent living communities are located near Kendal at Longwood and Crosslands and consist of 18 units and 56 units, respectively. These communities were opened in 1981 and 1988, respectively. As of September 30, 2017, Coniston was ___% occupied, while Cartmel was ___% occupied.

Barclay Friends. This is an adult care and nursing community located on 10 acres in the Borough of West Chester, Pennsylvania. It consists of 96 nursing care units and 50 assisted living units. The community opened in 1997 and as of September 30, 2017, ___% of the nursing beds and ___% of the assisted living units were occupied. Barclay Friends is accredited by the Joint Commission on Accreditation of Health Care Organizations.

Kendal on Hudson. Kendal on Hudson is a continuing care retirement community located on a 21-acre site in Sleepy Hollow, Westchester County, New York. It consists of 222 independent living units, 34 enriched housing units, 13 memory care and 26 skilled nursing beds and common areas. The community opened in May 2005 and was ___% occupied as of September 30, 2017. Its Series _____ bonds have a ___ rating by Fitch.

Kendal at Granville. Kendal at Granville is a continuing care retirement community located 30 miles east of Columbus, Ohio, in proximity to Denison University. The community consists of 134 residential units, 19 assisted living beds and 32 skilled nursing beds. The community opened in April 2005, and as of September 30, 2017, the occupancy for independent living was ___%.

The Lathrop Communities. These communities affiliated with Kendal Corp. in July 2004. They provide retirement living at two locations, Northampton and Easthampton, Massachusetts. The Northampton community, opened in 1988, offers 79 townhome style independent living units and a "clubhouse" or community center. The first townhomes at the Easthampton community opened in 1996 and The Inn opened in 1998. There are 60 townhomes. The Inn includes 54 studio, one-bedroom and two-bedroom apartments, a dining room, library and other common areas. As of September 30, 2017, the townhome style independent living apartments were ___% occupied across both communities and The Inn was ___% occupied. **[Note townhome numbers need to be updated to match the chart above]**

Collington. This continuing care retirement community is located in Prince George's County, Maryland. It has 331 residential apartments and cottages, 65 assisted living residences, and 44 skilled beds. This community opened in 1988 and affiliated with Kendal Corp. in 2011. Collington is accredited by CARF-CCAC. As of September 30, 2017, the occupancy for Collington's independent residential apartments was ____%.

The Admiral at the Lake. This continuing care retirement community is located at the corner of Foster Avenue and Marine Drive, on Chicago's lakefront. The community consists of 200 residential apartments ranging in size from one-bedroom to three-bedroom homes, 39 assisted living and 17 memory support accommodations, as well as 36 private skilled nursing rooms. The community opened in July 2012, and as of September 30, 2017, ____% of the independent living units were occupied.

Chandler Hall. This continuing care retirement community is located in Newtown, Pennsylvania. It has 10 residential apartments, 136 assisted living residences, and 67 skilled beds, of which 14 are hospice beds. This community opened in 1973 and affiliated with Kendal Corp. in 2013. As of September 30, 2017, residential accommodations were ____% occupied, ____% of the AL was occupied and ____% of the skilled was occupied.

Kendal at Home. A continuing care retirement community "without walls" where members continue to live in their own homes. Kendal at Home provides coordinated wellness and health care services, as well as supporting a member network that arranges social and cultural events and opportunities. At September 30, 2017, there were 233 members all of which were located in the Northern Ohio area.

Neither Kendal Corp., nor any of the Affiliates listed above (other than Kendal at Lexington), nor any of the assets of the foregoing will secure, or be pledged in any way to the repayment of the Series 2017A Bonds.

The ratings referenced above for the Affiliates reflect the view of the applicable rating agency and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such rating will be maintained for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely.

The Leadership Staff of Kendal Corp.

Kendal Corp. staff consists of 32 individuals whose work supports the 13 affiliated organizations in the Kendal system, and who explore new opportunities and projects.

Brief resumes of key members of the executive staff of Kendal Corp. are included below:

Sean M. Kelly, President & CEO, became Kendal Corp.'s President and CEO on January 1, 2016. He had served as Kendal Corp.'s Director for New Business Development since 2008. While at Kendal Corp., he has been responsible for leading and managing organizational efforts aimed at fostering new opportunities for growth, while supporting planning and development initiatives for existing Kendal Corp. communities. He is well-known in the aging services field and has been a frequent speaker around the country, and beyond, on numerous topics. He joined Kendal Corp. after 11 years with Connecticut-based Retirement Living Services, a development, finance, marketing and operations consultant to senior housing and service providers throughout the United States. He graduated from Ursinus College in Collegeville, Pennsylvania with a Bachelor's degree in International Relations, and in 2014 he completed an Advanced Management Program at the Wharton School at the University of Pennsylvania in Philadelphia.

Judith Braun, COO, joined Kendal Corp. in 2001. She works in close cooperation with Executive Directors, Affiliate Boards of Directors and Kendal Corp. staff, serving as coach and facilitator to improve the performance of the entire system. Prior to joining Kendal Corp., Ms. Braun was the Executive Director and the President/Chief Executive Officer of The Washington House, Alexandria, Virginia, from 1993 to 2001. She is a former Commissioner of CARF-CCAC, and is a fellow and past president of the National Gerontological Nursing Association. She received a Bachelor's degree in Nursing from Carlow College, Pittsburgh, Pennsylvania, and a Master's degree in Nursing and Gerontological Nursing and a Doctor of Philosophy, Geriatric Mental Health Nursing, from Case Western Reserve University, Cleveland, Ohio.

Colleen Ryan Mallon, Chief Marketing Officer, joined Kendal Corp. in 2016 after 13 years leading the marketing and sales operations, along with other initiatives, at Goodwin House, a not-for-profit organization that has two CCRCs in northern Virginia. Under her leadership, Goodwin House Bailey's Crossroads successfully filled a 106-apartment new tower, as part of a \$143 million expansion. Ms. Mallon leads Kendal Corp.'s marketing and communications team and develops marketing, sales, communication and public relation programs and systems to support Kendal Corp.'s strategic direction and align each affiliate's marketing and sales plan and activities with Kendal Corp.'s short- and long-term objectives. She also promotes and protects Kendal Corp.'s brand, oversees the planning, development and execution of national marketing, sales and advertising initiatives for the Kendal system as a whole and helps affiliates conduct market research and develop sales strategies specific to their markets and specific needs. Ms. Mallon earned a Bachelor's degree in Sociology/Gerontology, with additional concentrations in Women's Studies and Biomedical Ethics, from Trinity College in Washington, D.C. She also has done Master's level coursework in Long-Term Care Administration at the State University of New York in Utica and has been licensed as a Nursing Home Administrator in Virginia since 1995.

Amy Harrison, Chief Financial Officer, became Kendal Corp.'s CFO in 2016 after serving as CFO for Kendal at Collington since 2011. A certified public accountant and experienced finance executive, Ms. Harrison holds a Master's degree in Business Administration from Nova Southeastern University, Ft. Lauderdale, Florida, and a Bachelor's degree in Business Administration in Accounting, from Northwood University, West Palm Beach, Florida. She also has earned the newest international accounting credential, that of a Chartered Global Management Accountant. Before joining Collington as CFO in December 2011, Ms. Harrison served as the

Director of Finance at Columbia Vantage House Corporation, a not-for-profit CCRC located in Columbia, Maryland. Before that she served for 12 years as Director of Accounting at Bishop Gray Inns, two faith-based CCRCs in Lake Worth, Florida.

Wanda Whitted-Smith, Director for Human Resources joined Kendal Corp. in 2014. She is a Certified Compensation Professional, a member of the Society for Human Resource Management and a certified Senior Professional in Human Resources. She also serves on the board of the Women's Law Project in Philadelphia. Ms. Whitted-Smith began her career in human resources as manager of staff relations at the University of Pennsylvania, where she graduated with a Bachelor's degree in Psychology and Biology. In 1993, she was named Vice President for Human Resources and Development at Germantown Hospital & Medical Center, Germantown, Maryland and from 1996 through 1999 she served as Vice President for Human Resources for Health Partners, a health maintenance organization. From 2000 to 2013, she worked for Schnader Harrison Segal & Lewis, LLP, a Philadelphia-based law firm with seven offices nationwide. As Chief Human Resources Officer/National Director, she developed and implemented firm-wide human resources policies and procedures, assisted the firm with diversity initiatives and oversaw the conversion to a new human resources information system, payroll and attendance system, and a benefits enrollment system.

Beverly Grove, Senior Vice President, Philanthropy, joined Kendal Corp. in 2013, bringing leadership experience in fundraising for higher education, as well as health care experience, to the position. Previously, Ms. Grove worked in development and institutional advancement for Penn State University, the University of Pennsylvania and as Director of Major Gifts at Bryn Mawr College. She has successfully lead or been part of a philanthropy team during four comprehensive campaigns raising more than \$15 million dollars. From 1980 to 2000, Ms. Grove worked in health education, sales and marketing for a non-profit and several health care organizations, including the American Red Cross, Taylor Hospital, HealthSouth, and Main Line Health/Jefferson Health System. She has a Bachelor's degree in Health Education from Temple University in Philadelphia, Pennsylvania.

Stephen Bailey, Senior Vice President, New Business and Development, joined Kendal Corp. in 2012 bringing more than 25 years of experience in real estate development, leasing and operations, most recently as the Eastern Region Partner in a national commercial real estate firm in Philadelphia. Mr. Bailey's background also includes a role as Director of Development Services at High Associates in Lancaster, Pennsylvania, and extensive experience with residential real estate with Kasprzak, Inc., and Toll Brothers. His career has also included continuing care development, residential development and home building. Mr. Bailey has a Bachelor's degree in Landscape Architecture from Michigan State University and his Master's of Business Administration from the Whittemore School of Business and Economics at the University of New Hampshire. He is a member of the Urban Land Institute and has numerous other affiliations system, and a benefits enrollment system.

THE COMMUNITY

Overview

The Community is comprised of housing and care facilities located on an 84 acre campus in both the City of Lexington and Rockbridge County, Virginia. The Community consists of a mix of 120 independent living apartments and cottages ("IL units"), 20 assisted living apartments ("AL units") located in the Webster Health Center, 60 skilled nursing care beds located in the Borden Health Center, a community center, a fitness center with an indoor pool, and an historic farmhouse. The IL Units are comprised of two apartment buildings (55 units), six cottage clusters (29 units), 30 single-family cottages, and three duplex cottages (6 units).

The Community includes Sunnyside House, a local historic landmark, which was deeded to Kendal at Lexington prior to construction of the Community. Sunnyside House was completely renovated, primarily with funds received from an anonymous donor. Sunnyside House serves as a combination guest house for visitors of the Kendal at Lexington residents and an activities and meeting space.

Unit Configuration

	<u>Number</u>
Independent Living Apartments	55
Independent Living Cottages	<u>65</u>
Total Independent Living	<u>120</u>
Assisted Living Units	20
Skilled Nursing Care Beds	<u>60</u>
Total Units	<u>200</u>

Kendal at Lexington plans to use the proceeds from the 2017 financing to finance an expansion and renovation of its Community to add approximately 30 IL Units and an renovate and reconfigure its AL units and skilled nursing care facilities. See "**THE PROJECT**" below.

The Community offers the following amenities to residents, in exchange for an initial entry fee and monthly fee:

- Resident gardens
- Dining Room
- Library
- Arts and crafts studio
- Recreational activities
- 24-hour security systems
- Therapy pool
- Therapy/exercise room
- Fitness Center (with indoor pool)
- White tablecloth restaurant
- Lighted parking areas
- Utilities (excluding phone and internet)
- Scheduled transportation
- Housekeeping
- Maintenance and groundskeeping
- Postal services
- Outdoor fitness trail
- Diet & nutritional counseling

Licenses and Affiliations

The Community is operated as a CCRC registered with the State Corporation Commission under the Virginia Continuing Care Provider Registration and Disclosure Act. The Borden Health Center is licensed as a skilled nursing facility by the Virginia Department of Health and participates in the state Medicaid and federal Medicare programs. The assisted living apartments in the Webster Health Center are licensed as Adult Care Residences by the Virginia Department of Social Services. Kendal at Lexington is a member of Leading Age and its Virginia affiliate, Leading Age Virginia. Other memberships include the Lexington/Rockbridge Chamber of Commerce.

Continuing Care Concept

Kendal at Lexington operates the Community as a life care retirement community, which recognizes that older adults have varying needs along a continuum from independent residence to health care needs. Under the terms of the care contracts and in return for an initial entry fee and monthly fees, Kendal at Lexington provides a comprehensive range of services to each resident at one location. Services include dining, recreational and social activities, utilities and housekeeping and linen service.

Residents who cannot live independently but do not need skilled nursing care can move into the assisted living apartments in the Webster Health Center. Kendal at Lexington provides the same services in these apartments as provided for residents of the independent living residences. In addition, staff will help assisted living residents with activities essential to daily living. A resident requiring skilled nursing services can move into the Borden Health Center, either on a temporary or permanent basis, and such nursing services are provided. Physical therapy and minor outpatient medical treatments not requiring the resident to stay in the Borden Health Center are available to residents at an additional charge.

Admission

Admission to independent living residences is open to any person, 65 years of age or older (in the case of a couple, only one must meet this age requirement) who is able to live independently in a residential apartment or cottage and is in satisfactory health, as demonstrated by a physical examination. Persons may enter directly into assisted living or skilled nursing care. The admission policies are non-discriminatory (except as to age and acuity of care required) and the resident list includes both married and single men and women, members of different races and varied religious denominations. The average age of current IL residents is 82.

As of September 30, 2017, Kendal at Lexington's waiting list for admission to the current independent living residences consists of approximately _____ applicants, each of whom have submitted a \$1,000 deposit and a \$250 non-refundable application processing fee to join the waiting list.

Fee Structure

On entry to Kendal at Lexington as an independent resident, individuals pay an entry fee based on the type of residence, refund option, and contract selected. In addition to an entry fee, residents pay a monthly fee. The amount of the monthly fee is determined by the type of residence and the

number of persons (one or two) living in that residence. (In the case of two people living in one residence, the first person pays the standard rate for one person, and the second person pays an additional entry and monthly fee).

Upon admission, residents enter into a Residence and Care Agreement ("Residence Agreement"), selecting a care plan and a refund option. Residents of the Community may choose from several health care options. All include the right of occupancy in the apartment or cottage for the resident's lifetime, as long as the resident can safely occupy it, and a package of services, amenities and health care. All options include skilled nursing care and unlimited assisted living care. The differing care options are listed below:

Extensive Lifecare. The resident receives an unlimited number of lifetime days of skilled nursing care at the same monthly fee as they would pay in their apartment or cottage.

3-Year Per Diem Modified Health Care. Initially the resident receives 60 lifetime days of skilled nursing care at the same monthly fee as they would pay in their apartment or cottage. After the 60 days and for three years the resident pays the per diem rate for skilled nursing care. Following the three year per diem period, the resident receives an unlimited number of lifetime days of skilled nursing care at the same monthly fee as they would in their apartment or cottage.

365-Day Modified Health Care. The resident receives 365 lifetime days of skilled nursing care at the same monthly fee as they would pay in their apartment or cottage. After 365 days, the resident pays the per diem rate of skilled nursing care.

90-Day Modified Health Care. The resident receives 90 lifetime days of skilled nursing care at the same monthly fee as they would pay in their apartment or cottage. After 90 days, the resident pays the per diem rate of skilled nursing care. **As of April 2002, the 90-Day Modified Health Care contract is no longer offered to new residents.**

60-Day Modified Health Care. The resident receives 60 lifetime days of skilled nursing care at the same monthly fee as they would pay in their apartment or cottage. After 60 days, the resident pays the per diem rate of skilled nursing care.

As of September 30, 2017, approximately ___% of current residents have selected the Extensive Lifecare Contract, which entitles the resident to lifetime use of the Community. The current selection of Residence Agreements is summarized below:

Current Breakdown of Residence Agreement Selections as of September 30, 2017

**Existing Resi
dents**

Extensive Lifecare
3-year per diem
365-Day Modified
90-Day Modified*
60-Day Modified

* No longer offered to new residents.

The differing refund options are listed below:

2% Declining Refund Option. The entry fee is refundable in an amount equal to the entry fee paid less 2% of the original entry fee for each month the resident has occupied a unit. After 50 months of residency, there is no refund.

50% Refund Option. The entry fee is refundable in an amount equal to the entry fee paid less 2% of the original entry fee for each month the resident has occupied a unit until 50% of the entry fee paid is reached, so after 25 months of residency, the resident is entitled to a refund of 50% of the entry fee upon vacating the unit.

90% Refund Option. The entry fee is refundable in an amount equal to the entry fee paid less 2% of the original entry fee for each month the resident has occupied a unit until 90% of the entry fee paid is reached, so after 5 months of residency, the resident is entitled to a refund of 90% of the entry fee upon vacating the unit.

As of September 30, 2017, approximately ___% of current residents have selected the 2% declining refund option.

Entry fees and monthly fees for the Extensive Lifecare options for IL Units are summarized on the following page:

Fees for the Extensive Lifecare Option – 2% Declining*

	Approximate Sq. Feet	Number of Units	2016 Entry Fees		2017 Monthly Fees	
			Single	Double	Single	Double
<u>IL Apartments:</u>						
Studio	550	4	\$149,000	\$ -	\$3,071	-
One BR	750	5	224,000	302,000	3,359	\$4,876
One BR/Den	886	10	278,500	356,500	3,664	5,181
Two BR	1170	12	346,500	424,500	3,939	5,456
Two BR/Den	1320	8	392,500	470,500	4,156	5,673
One BR/Den	1000	3	312,000	390,000	3,848	5,365
One BR/Den	1180	1	351,000	429,000	3,918	5,435
Two BR	1300	5	392,500	470,500	4,139	5,656
Two BR/Den	1500	3	454,000	532,000	4,428	5,945
Two BR/Den Deluxe	1725	4	517,500	595,500	4,646	6,163
<u>IL Cottages:</u>						
One BR	795	3	233,000	311,000	3,359	4,876
One BR/Den	950	5	295,500	373,500	3,664	5,181
Two BR	1240	4	364,000	442,000	3,939	5,456
Two BR/Den	1375	4	411,500	489,500	4,156	5,673
Two BR/Den	1420	3	442,000	520,000	4,301	5,818
Two BR/Den	1460	4	442,000	520,000	4,301	5,818
Two BR/Den	1600	7	479,500	557,500	4,445	5,962
One BR/Den**	1300	6	393,500	471,500	4,139	5,656
Two BR**	1500	13	466,500	544,500	4,428	5,945
Two BR/Den**	2000	16	556,000	634,000	4,646	6,163

*For residences with an enclosed patio, there is a \$8,000 additional charge.

**There is an additional charge for cottages with basements - \$40,000 for 1,300 and 1,500 sf cottages and \$42,500 for 2,000 sf cottages.

Entry fees and monthly fees are reduced for residents choosing the 3-year per diem and 60-day modified options, as summarized below:

Fee Reduction for the 3-year per diem and 60-Day Modified Options

	Reduction in Entry Fee	Reduction in Monthly Fee
3-year per diem	\$12,000 per person	N/A
60-Day Nursing Care	\$25,500 per person	\$169 per person

Rate Increases

The Board reviews its entry and monthly fee options annually, raising fees when appropriate for reasons ranging from inflation to covering certain identifiable expenses necessary to successfully operate the Community. The following table illustrates Kendal at Lexington's historical rate increases for the Community's independent living units for fiscal years 2014 through 2017.

History of Rate Increases

	Fiscal Years Ended December 31,			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Entry Fees	4.00%	4.00%	4.00%	0.00%
Monthly Fees	3.50%	3.25%	2.75%	2.50%

Occupancy

The following tables show historical occupancy for independent living, assisted living and skilled nursing care for each of the past five fiscal years and the current year to date.

Historic and Current Independent Living Occupancy

<u>Fiscal Year</u>	<u>Avg. Units Available</u>	<u>Avg. Units Occupied</u>	<u>% of Units Occupied</u>
2012	121.0	110.1	91.0%
2013	120.5	111.5	92.5
2014	120.0	113.3	94.4
2015	120.0	111.3	92.8
2016	120.0	116.1	96.7
YTD 2017*	120.0	114.9	95.7

*For the nine months ended September 30, 2017.

Historic and Current Assisted Living Occupancy

<u>Fiscal Year</u>	<u>Avg. Units Available</u>	<u>Avg. Units Occupied</u>	<u>% of Units Occupied</u>
2012	20.0	15.8	78.9%
2013	20.0	18.0	90.0
2014	20.0	17.9	89.5
2015	20.0	18.8	94.0
2016	20.0	17.3	86.6
YTD 2017*	20.0	18.0	89.9

*For the nine months ended September 30, 2017.

Historic and Current Skilled Nursing Care

<u>Fiscal Year</u>	<u>Avg. Units Available</u>	<u>Avg. Units Occupied</u>	<u>% of Units Occupied</u>
2012	60.0	55.6	92.8%
2013	60.0	54.3	90.5
2014	60.0	56.1	93.5
2015	60.0	55.1	91.9
2016	60.0	56.2	93.7
YTD 2017*	60.0	57.0	95.0

*For the nine months ended September 30, 2017.

The following table shows turnover data for independent living for the Community for the past three fiscal years.

Independent Living Unit Turnover

	Fiscal Years Ended December 31,		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning ILUs Occupied	113	108	117
Transfers	(8)	(3)	(5)
Deaths	(3)	(1)	(3)
Move-Outs	-	(1)	(1)
Move-Ins	<u>6</u>	<u>14</u>	<u>7</u>
Ending ILUs Occupied	<u>108</u>	<u>117</u>	<u>115</u>
Entry Fees Received, Net of Refunds	<u>\$2,192,169</u>	<u>\$3,019,220</u>	<u>\$3,014,167</u>

Termination and Refunds

Before occupancy, applicants execute a Residence Agreement and pay a deposit equal to 10% of the applicable entry fee. The balance of the entry fee is due upon occupancy. For seven days after the execution of a Residence Agreement, the applicant may rescind his Residence Agreement and any amount paid toward the entry fee shall be refunded.

Termination of the Residence Agreement can occur only (1) by the resident upon 30 days' written notice, (2) by Kendal at Lexington for cause upon 30 days' written notice to the resident, subject to the resident's opportunity to cure, or (3) at the death of the resident. Except for rescission during the seven-day rescission period, Kendal at Lexington is not obligated to make any refund to a resident until another Residence Agreement has been entered into with respect to the resident's unit and Kendal at Lexington has received a full entry fee. Kendal at Lexington may (in its sole discretion) choose to make a refund before receipt of a new entry fee. No interest earned will be paid to the resident on the refund.

Financial Assistance to Residents

Although Kendal at Lexington has the legal right to terminate the Residence Agreement for non-payment of fees, the Community's policy is that if the sole reason for non-payment of a resident's financial obligations to Kendal at Lexington is insufficient funds, beyond the resident's control, Kendal at Lexington will first review the matter with the resident. If the resident presents facts which, in the opinion of Kendal at Lexington, justify special financial consideration, Kendal at Lexington may partly or wholly subsidize the monthly fee and/or entry fee, provided that such subsidy can be granted or continued without impairing the ability of Kendal at Lexington to attain its objectives while operating on a sound financial basis. All determinations Kendal at Lexington makes concerning the granting or continuing of special financial considerations are final and binding on the resident, and any such determination shall be regarded as a confidential transaction between Kendal at Lexington and the resident, except for reports required to be made to Kendal at Lexington or to regulatory or other governmental bodies. As of September 30, 2017,

approximately \$_____ was on deposit in the financial assistance fund. Subsidies to residents for the calendar years 2014, 2015 and 2016 were \$3,800, \$12,150, and \$13,600, respectively.

As a condition of receiving a subsidy the resident must represent that he or she has not made any gift or other transfer of money or personal property in contemplation of the execution of the Residence Agreement, or subsequently, which would impair the resident's ability or the resident's estate's ability to satisfy the financial obligations under the Residence Agreement. If the resident's entry fee or monthly fee is subsidized wholly or partly by Kendal at Lexington, the resident may not make a gift of his/her property without Kendal at Lexington's written consent. Kendal at Lexington may require the resident to downsize to a smaller accommodation if the resident is receiving a subsidy and a smaller accommodation is feasible. If the resident elects not to move, the resident's subsidy may be reduced accordingly. If the resident's monthly service fee or entry fee is subsidized wholly or partly by Kendal at Lexington, from time to time at Kendal at Lexington's request, the resident will supply Kendal at Lexington with financial statements and copies of tax returns to determine future subsidy requirements for the Community.

If a resident receives a subsidy, the resident's estate, if any, shall be liable for the full amount of the subsidy.

Borden Health Center (Skilled Nursing Care) and Webster Health Center (Assisted Living) Sources of Revenue

Residents of the Community who transfer to either the Borden Health Center or the Webster Health Center incur health care room and board fees according to the terms of their Residence Agreement and are additionally responsible for charges resulting from pharmacy, medical supplies, special treatments, physical, occupational and speech therapies and physician/dental services. In situations in which only one person in a double occupied residence is transferred permanently or temporarily to either the Borden Health Center or the Webster Health Center, the nontransferred party continues to live in the residence and continues to pay the same monthly fee. In either case, the resident is required to pay an additional fee for two additional meals per day.

The Borden Health Center and Webster Health Center revenue includes fees from direct admissions to skilled nursing care or assisted living apartments from the outside community. The per diem charge is currently \$247-\$276 per day for skilled nursing care and \$171-\$215 per day (basic to moderate care) for assisted living care. As of September 30, 2017, there were 21 per diem residents in the skilled nursing care and four per diem residents in the assisted living units. All assisted living per diem residents are private pay residents. Other revenue sources for skilled nursing care services are Medicare reimbursements for skilled nursing care (roughly \$462 per diem) for residents and non-residents who have been hospitalized at an outside facility for three or more days, and Medicaid reimbursements (approximately \$187 per diem) for skilled nursing care when a resident qualifies for such assistance. The table below lists the percentage of revenue from each payor source during the fiscal years 2014, 2015, and 2016:

Borden Center Payor Mix

	Fiscal Years Ended December 31,		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private Pay	43%	47%	45%
Medicare	31	29	24
Medicaid	26	24	28

Actuarially Based Pricing

Historically the Board has retained an actuarial consultant with experience in the life care field to conduct a study of the Community's resident population and long-term liabilities. The scope of the study includes formulation of demographic and economic assumptions, actuarial forecast of residents' mortality rates and rates of transfer to skilled nursing care, actuarial valuation of Kendal at Lexington's assets and liabilities, analysis of the adequacy of the new entrant fee structure, and a cash flow projection to determine if positive cash and investment balances will be maintained. Kendal at Lexington was in satisfactory actuarial balance as defined by Actuarial Standards of Practice No. 3 as of December 31, 2016 (the most recent date of study).

THE PROJECT

Overview

During the last several years, Kendal at Lexington has experienced high occupancy and demand for its residential cottages. As a life plan community with 84 acres of land and positive operating results, Kendal at Lexington conducted extensive market research to determine the appropriate number and type of residential residences that could be added to the community. Considering the demand and available space, management has elected to increase the amount of IL Units and make corresponding upgrades to community facilities and its assisted living and skilled nursing facilities (collectively, the "Project"), as follows:

1. Construction of approximately 20 new single family cottages and 5 duplexes for a total of 30 new independent living units to be known as the "Sunrise Ridge Cottages."
2. Upgrading and expanding certain common areas and amenities, principally dining venues and other functional spaces.
3. Upgrading and expanding the existing facilities at both the Borden Health Center and the Webster Assisted Living Health Center to address the changing needs of more frail and cognitively challenged residents that are served.

The main rationales for undertaking the Project is the strong demand for Kendal at Lexington's facilities and Kendal at Lexington's commitment to providing a culture of person-centered care that engages residents in a manner that preserves their dignity as individuals, while meeting their personal care needs.

To accommodate the new residents, Kendal at Lexington is also expanding and renovating the dining room. Kendal at Lexington began accepting 10% Deposits for the Sunrise Ridge Cottages on May 1, 2017, and as of September 1, 2017 has a total of 17 depositors, representing 56.7% of the expansion units available. Entry fees and monthly fees effective in 2017 for the Extensive Lifecare 2% Declining Refund Option for independent living units are summarized below for the new independent living cottages:

	Approximate Sq. Feet	Number of Units	Entrance Fees		Monthly Fees	
			Single	Double	Single	Double
Duplex Two BR/Two BA*	1,400	10	\$427,000	\$505,000	\$4,301	\$5,818
Two BR/Two BA**	1,500	15	463,500	541,500	4,428	5,945
Two BR/Two BA/Den*	1,750	5	539,000	617,000	4,646	6,163

*Sunroom/den optional.

**Sunroom/den and two car garage optional.

Construction Schedule

The anticipated timeline for the Project is shown in the following table:

<u>Activity</u>	<u>Date</u>
Financing Date	December 2017
Begin Project Construction	December 2017
Project Complete, Begin Occupancy	August 2019
Fill-Up Complete	November 2019

Cost Summary of the Project

The following table is a summary of certain anticipated costs of the Project:

<u>Project Components</u>	<u>Total*</u>
Direct Construction Costs	\$26,760,728
Design & Engineering Costs	2,402,957
FF&E	1,000,000
Development Management	1,050,000
Legal & Zoning Expenses	436,000
Direct Marketing	550,000
Owner's Contingency	1,338,036
Total*	\$33,537,721

*Includes \$2,626,267 of pre-development expenditures that Kendal at Lexington has funded with equity that they do not anticipate being reimbursed with the 2017 financing.

A construction contract [has /has not] been signed as of _____, 2017. [Under the construction contract, the contractor has committed to a maximum fixed price of \$_____ for the Project].

Developer

The Kendal Corp. will serve as the Developer for the Project led by David G. Jones, Project Director. Mr. Jones joined The Kendal Corp. in 1992, and has served as Project Manager for new construction and major renovation projects including work at Kendal on Hudson, Barclay Friends, Kendal at Granville, Kendal at Hanover, Kendal at Longwood, Crosslands, The Admiral at the Lake and Kendal at Lexington. As Project Director, he works closely with the Executive Director and the Board of Directors of each affiliate and has overall responsibility for coordinating all aspects of the development effort. Mr. Jones also leads the environmental sustainability initiatives for the Kendal System of communities. Prior to The Kendal Corp., he worked as a geologist and manager for Exxon Co for 13 years. Mr. Jones also serves as a trustee for Westtown School and Earlham College. He has a Bachelor's degree from Earlham College, Richmond, Indiana and a Master's degree in Geology from the University of Wisconsin, Madison, Wisconsin.

Architect

Spectrum Design, P.C. will serve as the Architect for the Project. Spectrum Design offers full-service architecture and engineering services out of Roanoke, Virginia. Spectrum Design provides creative architecture with smart engineering solutions for educational facilities, museums and performing arts, residential and senior living communities, municipal and government buildings and historical preservation of older buildings. With a current staff of 26, Spectrum Design services include: architectural design; master planning and land planning; interior design; historic preservation; structural, civil, electrical and mechanical engineering; building commissioning and facility assessments.

Contractor

Nielsen Builders will serve as the Contractor for the Project. Nielsen was founded over 100 years ago and has a long history of commercial construction throughout the Shenandoah Valley and western Virginia. Headquartered in Harrisonburg, Virginia, Neilson offers a broad range of project delivery systems from program management, construction management, and general contracting to design-build, and consulting services. Clients include schools, universities, hospitals, senior living and church facilities. Nielsen is recognized as a leader in the construction industry because of its innovative construction techniques and product development. Commitment to quality assurance is based on responsible craftsmanship, leadership, innovation, safety awareness, and employee satisfaction.

Owner's Representative

JWS Engineering Team, LLC will serve as the Owner's Representative for the Project (the "Owner's Representative"). The Owner's Representative will provides a variety of services including scheduling, project meetings, review of contracts and submittals, pay application reviews, change orders, site improvement review, coordination between contractors and designers,

site inspections and general project oversight. The Owner's Representative is a specialized firm and has been involved in numerous campus projects including: Washington & Lee University (Lexington Virginia), Virginia School for the Deaf and Blind (Staunton, Virginia), Piedmont Community College (Albemarle, Virginia), Lord Fairfax Community College (Middletown, Virginia) and The University of Virginia (Charlottesville, Virginia).

Zoning Approvals

Kendal at Lexington has followed a _____-step approval process to achieve the necessary zoning approvals for the Project from the City of Lexington.

1. *[KAL to describe steps for zoning approval].*
- 2.
- 3.

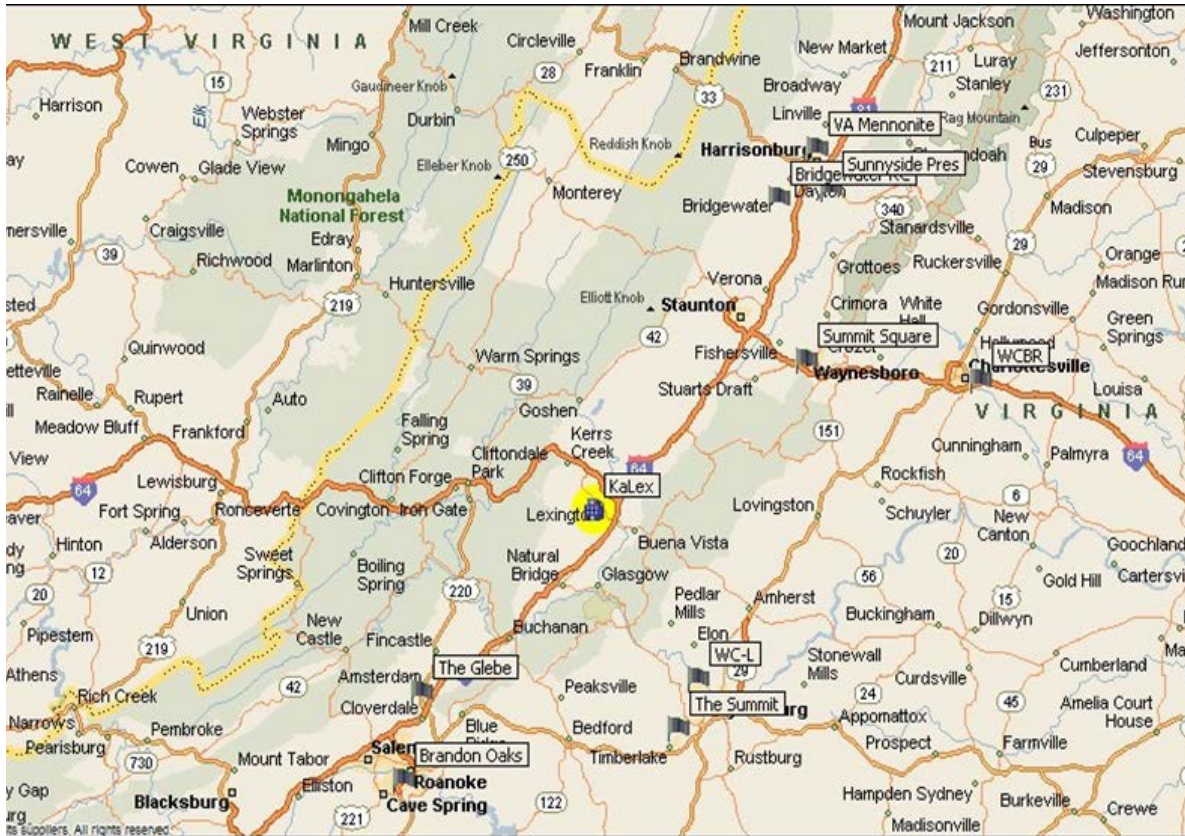
Building Permits

The Owner's Representative is charged with submitting and securing building permits for the Project. The permitting process will be organized by sub-projects, managed and running concurrently, but with each sub-project having its own process and delivery date. The anticipated sub-projects are (1) the repurposing of the existing health care facilities and (2) the upgrading and improvement of dining and community spaces and the upgrading and improvement of service functions. Permit submissions to the City of Lexington will occur in _____, with permits expected to be received by _____.

MARKET AREA AND COMPETITION

Kendal at Lexington is located on approximately 84 acres of land near the Maury River on Kendal Drive in Lexington. Kendal at Lexington straddles both the City of Lexington, Virginia and Rockbridge County in the heart of the Shenandoah Valley. The campus offers an easy, pastoral living environment with mountain vistas within walking distance to charming, historic Lexington and its two national renowned universities, Washington and Lee University and Virginia Military Institute. Lexington is approximately 55 miles north east of Roanoke, Virginia and 70 miles southwest of Charlottesville, Virginia. In addition, Kendal at Lexington is easily accessible to US Route 60 and Interstates 81 and 64.

Map of Kendal at Lexington' Market Area Competition



Kendal at Lexington is unique as compared to other Virginia CCRC's in that less than 50% of its current residents come from within the local market area. Management defines the local market area to be an approximate 15-miles geographical radius around the Community.

As of September 30, 2017, Kendal at Lexington's existing resident origin is shown below: **[NOTE KAL TO CONFIRM]**

<u>Area of Origin</u>	<u>Percentage of Occupied Units</u>
IL Primary Market Area	46%
Other Areas of Virginia	18
Other States	36

Regional Data

Lexington is a community with an estimated population of 7,311 and represents approximately 33% of the population of Rockbridge County. Lexington was incorporated in 1778 and is an independent city but serves as the county seat for Rockbridge County. Historic Lexington is a retail, commercial, governmental, and education center. As of September 30, 2017 the median house in Lexington is listing at \$199,000, but 42% of owner occupied homes are assessed at \$300,000 or more.

The largest employers in the City of Lexington and surrounding counties are Mohawk ESV Incorporated, Washington and Lee University, Virginia Military Institute, the City of Lexington and Rockbridge County governmental agencies, and Kendal at Lexington.

Competitive Landscape

There are no other competitive CCRCs in Kendal at Lexington's primary market area. Although there are nine CCRCs within a 60 mile radius, with the closest located at a distance of 27 miles in Lynchburg, Virginia, each is in a distinct market area as shown in the above map.

Because Kendal at Lexington is the only CCRC in its geographic region, its marketing personnel conduct an active and interactive marketing program aimed at attracting both local and national potential residents.

Many current and prospective residents are specifically attracted to Kendal at Lexington because of their personal associations with the universities and their familiarity with Kendal communities.

Overview of Marketing Program Initiatives

The Kendal at Lexington marketing program continually conducts research initiatives to evaluate the current and future needs of the residents that Kendal at Lexington serves. The staff attends key seminars provided by Leading Age and similar organizations to stay abreast of industry expectations, opportunities, and challenges. The staff diligently works to maintain one-on-one contact with identified future prospects and to cultivate new relationships with individuals seeking information about Kendal at Lexington for the first time with the objective of continually growing the waitlist.

The staff conduct competitor analyses to determine the appropriateness of services offered, fees charged, and contract types, comparing Kendal at Lexington to geographic competitors as well as friendly competitors among the Kendal System affiliates. The staff stays particularly mindful of changing demographics and origin of new residents. The staff has conducted focus groups and surveys to determine preferences and needs of prospects.

As previously stated, prior to moving to Kendal at Lexington, residents resided both locally and afar. Staff reaches out to local residents offering opportunities to use the Kendal at Lexington fitness center and pool, participate in Kendal College (Kendal at Lexington's life-long learning programs, which include auditing classes at Washington & Lee) and other programming, and join current residents in celebrating special events. Kendal at Lexington supports initiatives of local community organizations, sponsors community events and, when appropriate, partners with others for the benefit of the community.

For more distantly located prospects, Kendal at Lexington has an active "Experience us" (an overnight stay) program, holds recruitment events in various locations, and advertises in publications known to attract the Kendal demographic, such as the Smithsonian. Regular newsletters and special publications, highlighting the occasional vacancy, are routinely mailed to the Kendal at Lexington wait list as well as the much more extensive prospect list.

One of the more successful marketing initiatives has been the deliberate optimization of the Kendal at Lexington Web page and the use of social media and other forms of digital advertising. Current photos of residents experiencing Kendal at Lexington and Lexington life, access to the current fee schedule, information about campus events, and captivating, personalized vignettes are among the highlights.

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FINANCIAL INFORMATION

Historical Financial Performance

Historical Long-Term Debt Service Coverage Ratio. The following table sets forth the historical Long-Term Debt Service Coverage Ratios for Kendal at Lexington for the fiscal years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017.

Historical Long-Term Debt Service Coverage Ratio

	Fiscal Years Ended December 31,			Nine Months Ended
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>September 30, 2017</u>
Change in unrestricted net assets	\$1,539,129	\$942,902	\$1,797,009	\$2,472,411
Less:				
Amortization of deferred revenue	(2,751,320)	(2,746,629)	(1,224,281)	(1,964,452)
Unrealized gain	(142,097)	-	(536,840)	(818,718)
Plus:				
Depreciation and amortization	1,992,375	2,027,587	1,017,852	1,539,493
Interest expense	1,726,192	1,688,392	442,884	664,326
First generation entry fees received in excess of entry fee fund requirement	54,669	-	-	-
Entry fees and deposits received from attrition, net of refunds	2,137,500	3,019,220	2,355,370	3,577,159
Loss on disposal of assets	2,518	3,816	-	-
Unrealized loss on investments	-	422,684	-	-
Income Available for Debt Service (A)	\$4,558,966	\$5,357,972	\$3,851,994	\$5,470,219
Maximum Annual Debt Service (B)	<u>\$2,386,156</u>	<u>\$2,386,156</u>	<u>\$1,019,413</u>	<u>\$1,529,119</u>
Maximum Annual Debt Service Coverage Ratio (A/B)	<u>1.91</u>	<u>2.25</u>	<u>3.78</u>	<u>3.58</u>

Cash to Debt Ratio; Days' Cash on Hand. The following tables set forth the Historical Cash to Debt Ratio and Days' Cash on Hand for Kendal at Lexington for the fiscal years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017.

Historical Cash to Debt Ratio

	Fiscal Years Ended December 31,			Nine Months Ended
	2014	2015	2016	September 30, 2017
Cash and cash equivalents	\$382,538	\$529,335	\$386,914	\$410,081
Unrestricted investments	13,377,036	14,886,536	17,966,829	18,731,645
Debt service reserve fund	2,429,265	2,429,014	2,038,825	2,038,825
Restricted by board	<u>755,483</u>	<u>763,654</u>	<u>1,366,246</u>	<u>1,391,368</u>
Total available reserves (A)	<u>\$16,944,322</u>	<u>\$18,608,539</u>	<u>\$21,758,814</u>	<u>\$22,571,919</u>
Long-Term Indebtedness (B)	<u>\$31,520,000</u>	<u>\$30,845,000</u>	<u>\$29,393,992</u>	<u>\$28,256,960</u>
Cash to Debt Ratio (A/B)	<u>53.76%</u>	<u>60.33%</u>	<u>74.02%</u>	<u>79.88%</u>

Historical Days' Cash on Hand

	Fiscal Years Ended December 31,			Nine Months Ended
	2014	2015	2016	September 30, 2017
Cash and cash equivalents	\$382,538	\$529,335	\$386,914	\$410,081
Unrestricted investments	13,377,036	14,886,536	17,966,829	18,731,645
Restricted by board	<u>755,483</u>	<u>763,654</u>	<u>1,366,246</u>	<u>1,391,368</u>
Total cash and investments (A)	<u>14,515,057</u>	<u>16,179,525</u>	<u>19,719,989</u>	<u>20,533,094</u>
Expenses	14,060,856	14,413,127	14,822,883	10,661,197
Less: depreciation and amortization	<u>(1,992,375)</u>	<u>(2,027,587)</u>	<u>(2,031,438)</u>	<u>(1,539,493)</u>
Net Expenses	<u>\$12,068,481</u>	<u>\$12,385,540</u>	<u>\$12,791,445</u>	<u>\$9,121,704</u>
Daily cash operating expenses (B)	\$33,064	\$33,933	\$33,336	\$33,260
Historical Days' Cash on Hand (A/B)	439	477	592	617

Summary of Financial Information

The following table sets forth a summary of the Historical Statements of Operations and Changes in Net Assets (Deficit) of Kendal at Lexington for fiscal years ended December 31, 2014, 2015 and 2016. This information has been derived from Kendal at Lexington's audited financial statements, and should be read in conjunction with the audited financial statements of Kendal at Lexington, including the notes thereto, for fiscal years December 31, 2015, and 2016 contained in Appendix B of this Official Statement. The table also summarizes the internally prepared, unaudited revenues and expenses of Kendal at Lexington for the nine-month period ended September 30, 2016, and 2017. The results of the six-month periods will not necessarily be indicative of year-end results.

Historical Statement of Operations and Changes in Net Assets (Deficit)

Revenue:	Fiscal Years Ended December 31,			Nine-Month Period Ended September 30,	
	2014	2015	2016	2016	2017
Net residential services revenue	\$ 5,795,003	\$ 5,866,717	\$6,214,462		\$4,714,685
Health Center fees	6,087,352	6,117,878	6,028,891		4,594,607
Amortization of deferred entry fees	2,751,320	2,746,629	2,564,493		1,964,452
Investment income	489,482	635,642	724,141		234,959
Contributions	2,428	520	260		514,413
Realized Investment Gains (losses)	-	-	-	-	(856)
Other Income	309,717	346,109	327,577		277,087
Net assets released from restrictions	<u>8,982</u>	<u>33,312</u>	<u>35,762</u>		<u>15,543</u>
Total revenues	<u>\$15,444,284</u>	<u>\$15,746,807</u>	<u>\$15,895,586</u>		<u>\$12,314,890</u>
Expenses:					
General and administrative	\$ 1,533,235	\$ 1,511,442	\$1,694,217		\$1,327,343
Housekeeping	287,863	302,601	307,752		254,153
Maintenance	708,197	784,447	885,276		612,539
Food service	1,454,264	1,492,551	1,558,567		1,232,136
Health service	3,914,751	3,951,838	3,983,597		3,036,271
Employee benefits	1,114,149	1,173,290	1,363,838		1,087,412
Utilities	581,865	619,382	609,644		390,239
Affiliation and service fee	208,111	204,236	489,359		335,612
Real estate taxes	470,491	479,904	216,582		181,673
Interest expense	1,726,192	1,688,392	1,666,798		664,326
Depreciation and amortization	1,992,375	2,027,587	2,031,438		1,539,493
Provision for bad debt	<u>69,363</u>	<u>177,457</u>	<u>15,815</u>		-
Total expenses	<u>\$14,060,856</u>	<u>\$14,413,127</u>	<u>\$14,822,883</u>		<u>\$10,661,197</u>
Non-operating loss:					
Loss on Extinguishment of longterm debt	\$ -	\$ -	\$(979,159)		\$ -
Loss on disposal of property and equipment	(2,518)	(3,816)	(9,702)		-
Excess of revenues over expenses	<u>1,380,910</u>	<u>1,329,864</u>	<u>83,842</u>		<u>-</u>
Other changes in unrestricted net assets:					
Unrealized gain (loss) investments	\$ 142,097	\$ (422,684)	\$101,426		\$818,718
Changes in temporarily restricted net assets:					
Temporarily Restricted Contributions	-	-	828,217	-	301,891
Restricted Investment Income	-	-	48,753	-	96,734
Change in the beneficial interest in charitable remainder unitrust receivable			2,459		
Net assets released from restrictions used for operations increase in temporarily restricted net assets			<u>(35,762)</u>		
Net assets released from restrictions used for purchase of property and equipment	<u>16,122</u>	<u>35,722</u>	<u>(2,761)</u>		<u>(15,543)</u>
Increase (decrease) in unrestricted net assets	<u>\$ 1,539,129</u>	<u>\$ 942,902</u>	<u>\$1,034,007</u>		<u>\$2,855,493</u>
Net assets at end of year	<u>\$(24,277)</u>	<u>\$1,023,151</u>	<u>\$2,057,158</u>		

Outstanding Debt

As more fully described in "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" in the front part of this Official Statement, proceeds from the Series 2017A Bonds will be used with the proceeds of the Series 2017B Bond and other available funds, to pay the costs of the Project, fund a debt service reserve fund, and pay certain costs of issuing the Series 2017 Bonds. See also "ANNUAL DEBT SERVICE REQUIREMENTS" in the front part of the Official Statement. As a result, upon delivery of the Series 2017A Bonds, Kendal at Lexington's outstanding long-term indebtedness will consist of the following:

Series of Bonds	Par Amount Outstanding	Type	Interest Rate	Final Maturity
Series 2016	\$28,190,000	Public	Fixed (1.15 to 4.00%)	1/1/2037
Series 2017A*	_____*	Public	Fixed (____% to ____%)	_____*
Series 2017B*	_____*	Direct Purchase ⁽¹⁾	Variable ⁽²⁾	_____*
Total*	\$_____*			

* Preliminary, subject to change.

⁽¹⁾ The Series 2017B Bond will be purchased by STI Institutional & Government, Inc. (an affiliate of SunTrust Bank) (the "2017B Lender").

⁽²⁾ The Series 2017B Bond bears interest at _____.

Kendal at Lexington has obtained a [commitment letter] from the 2017B Lender to purchase the Series 2017B Bond pursuant to a Bond Purchase and Loan Agreement dated as of December 1, 2017 (the "2017B Loan Agreement"), between the Industrial Development Authority of the City of Lexington, Virginia, the 2017B Lender and Kendal at Lexington. **[The 2017B Loan Agreement is expected to contain financial covenants that are the same as those contained in the Master Indenture.** However, the 2017B Loan Agreement is expected to require that (a) the Series 2017B Bond bear interest at a taxable rate if interest on the Series 2017B Bond becomes includable for purposes of federal income taxation, (b) Kendal at Lexington pay a higher interest rate if there is a change in the maximum federal corporate tax rate and (c) Kendal at Lexington indemnify the 2017B Lender for certain liabilities and expenses associated with the 2017B Lender's holding of the Series 2017B Bond.]

The obligation of Kendal at Lexington to pay the Series 2017B Bond will be evidenced by a promissory note in the principal amount of the Series 2017B Bond (the "2017B Obligation"), which will be issued as an obligation under the Master Indenture. It is expected that the Series 2017B Bond will (a) bear interest at a variable rate equal to _____, (b) fully amortize over a ___-year period, and (c) not be subject to a put in favor of the 2017B Lender during the term.

For a discussion of certain risks associated with the Series 2017B Bond and swaps, see "BONDHOLDERS' RISKS - Risks Associated with the Series 2017B Bond" and also see "PLAN OF FINANCE" in the front part of this Official Statement.

Management's Discussion of Operations and Financial Performance

Fiscal Year 2014. For the fiscal year ended December 31, 2014, average independent living occupancy for the year was 94.4%. Assisted living had an average occupancy of 89.3% and the skilled nursing care had an average census of 93.5% with a payer mix of 37.5% private pay, 17.0%

Medicare and 39.0% Medicaid. Beginning November 2014 the Virginia Department of Medicaid Services reimbursement began moving from an average per diem rate to an acuity-based system. Effective January 1, 2014, Kendal at Lexington elected to participate in a self-insured medical and prescription plan for employees established by Kendal Corp. In addition, Kendal at Lexington began participating in an insurance risk retention group to cover basic professional and general liability insurance on a claims-made basis. Entrance into the captive liability insurance program required a capital stock purchase of \$51,000. Income from operations exceeded \$1.3 million and net assets increased by \$1,668,753.

Fiscal Year 2015. For the fiscal year ended December 31, 2015, average independent living occupancy for the year was 92.8%, marked by lower occupancy at the start of the year. Assisted living had an average occupancy of 93.9% and the skilled nursing care had an average census of 91.9% with a payer mix of 40.3% private pay, 16.6% Medicare and 35.0% Medicaid. Kendal at Lexington participates in Kendal Pension Plan, a noncontributory defined benefit pension. This plan was frozen effective December 31, 2014. Kendal at Lexington also participates in a defined contribution plan which contains an employer grant and a match opportunity for eligible employees. Income from operations was approximately \$1,334,000 and net assets increased by \$1,047,428. Unrestricted cash and investments totaled \$15,415,871, an increase of over \$1.6 million from the previous year.

Fiscal Year 2016.

Nine-Month Period Ended September 30, 2016.

Nine-Month Period Ended September 30, 2017. For the nine months ended September 30, 2017, average independent living occupancy was 95.7%. Assisted living had an average occupancy of 89.9%, and the skilled nursing care had an average census of 95.0% with a payer mix of 45.8% private pay, 9.4% Medicare and 44.8% Medicaid. Income from operations was approximately \$1,653,693 and net assets increased by \$2,472,411. Unrestricted cash and investments totaled \$19,141,726, an increase of over \$___ million from the previous period last year.

Investment Policy

The Finance Committee, with recommendations from the Investment Sub-Committee, sets the investment policy and monitors performance on a regular basis. Kendal at Lexington's cash position is managed on a daily basis by the Finance Manager. Kendal at Lexington's long term funds are invested within the parameter of the following investments categories:

Equity	45-65%
Fixed Income	25-50%
Real Assets	0-20%
Cash	0-20%

Budgeting

Kendal at Lexington's budget process begins in August and is the responsibility of the Finance Manager and Executive Director. Department directors are given budget worksheets to complete including an explanation and justification for amounts requested. The department worksheets are

reviewed by the department director, executive director, finance manager and human resource director for reasonableness, necessity and alignment to both departmental and organizational goals. Revenue and occupancy assumptions, proposed by management and reviewed by the finance committee, are based on historical data, actuarial analysis of fee structure, trending anticipated reimbursement and programmatic changes, and economic and societal trends. A draft budget is compiled and key financial ratios are projected. Capital requests collected from staff, residents, and the strategic planning committee are prioritized by management. The draft operating and capital budgets are presented to the finance committee for review and approval for recommendation to the Board. The budgets are presented to the Board in November for final approval. After implementation of the budget, management meets monthly to monitor significant variances and review financial statements, department expense reports, and key ratios. Corrective action is taken as necessary.

Employees and Benefits

As of September 30, 2017, Kendal at Lexington had a total of 170 employees representing approximately 130 full-time equivalents. Employees are not represented by any labor union and Kendal at Lexington Management believes its relationship with its employees is good. Wages and benefits are competitive for the area.

Kendal at Lexington participates in a self-insured medical and prescription plan established by Kendal Corp. The plan is administered by an insurance carrier and backed by a letter of credit. The plan is responsible for funding employer liability losses to a maximum of \$125,000 per participant and \$1,000,000 in the aggregate per policy year. Third party stop-loss insurance coverage is in place for losses that exceed these amounts.

Kendal at Lexington participates in Kendal Pension Plan, a noncontributory defined benefit plan along with other Kendal Corp. Affiliates. At January 1, 2015, the plan was frozen. Kendal at Lexington also participates in a defined contribution retirement plan under Sections 401(a) and 403(b) of the Code through Kendal Corp. The plan contains an employer grant and a match opportunity.

Insurance

Kendal at Lexington has a comprehensive property and casualty insurance program that is reviewed annually. Kendal at Lexington participates in an insurance risk retention group, the Peace Church Risk Retention Group, a group insurance captive corporation licensed by the State of Vermont, to cover basic professional and general liability insurance on a claims-made basis. Entrance into the captive insurance corporation required a capital purchase of stock of approximately \$51,000. The investment is accounted by the cost method.

Litigation

To the knowledge of Kendal at Lexington, there is no litigation pending or threatened against Kendal at Lexington which, if determined adversely to Kendal at Lexington, is reasonably expected to have a material adverse effect on the business, operations, or financial position of Kendal at Lexington or its ability to repay the bonds.

AERIAL OF CAMPUS

- RENOVATIONS AND ADDITIONS
- EXISTING BUILDINGS
- OPEN GREEN SPACES
(BOUNDARIES ARE APPROXIMATE
PENDING FINAL CITY COUNCIL ACTION)

MODIFIED ENTRANCE INTERSECTION
FOR SIGHT DISTANCE IMPROVEMENTS

CITY/ COUNTY BOUNDARY LINE

ADDITIONS TO BORDEN CENTER

ADDITIONAL PARKING

30 INDEPENDENT LIVING COTTAGES:
1- "A" WITH 2 CAR GARAGE
2- "B" WITH 1 CAR GARAGE
3- "B" WITH 2 CAR GARAGE
4- DUPLEX

MAIN PAVILION ACCOMPANIED
BY TWO NEIGHBORHOOD PAVILIONS

RELOCATED PARKING ASSOCIATED WITH
WEBSTER CENTER ADDITIONS

ADDITIONS TO WEBSTER CENTER

MAINTENANCE FACILITY

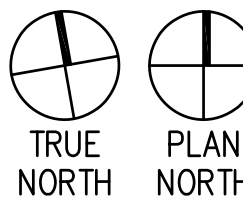
ADDITIONS TO ANDERSON DINING

EMERGENCY ACCESS ROAD



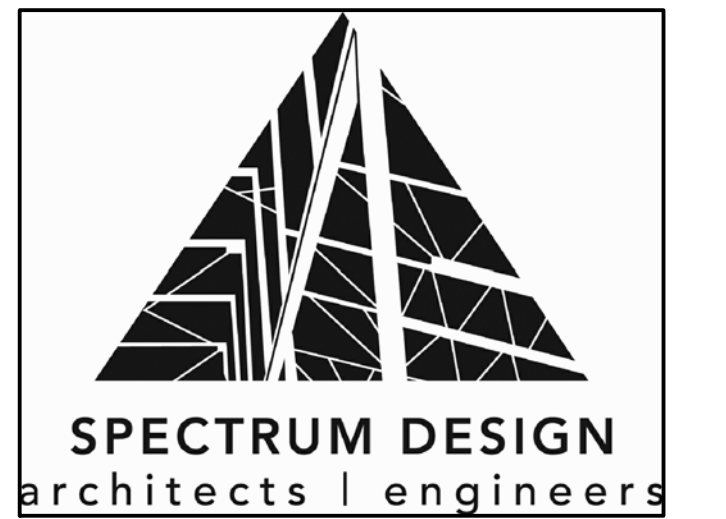
Y:\2016\1648 Kendal Site\CODE 5 - Work Produced\Spectrum_Basis\2016_12_09_Landscape_Base.dwg, Plotted By: jellisworth, Plotted: Dec 09, 2016 - 5:29pm

KEY PLAN



GENERAL NOTES

Landscaping • Architecture • Interiors •
 Construction Planning • Firework
HILL
STUDIO
 120 W. Campbell Avenue SW
 Roanoke, Virginia 24011
 Tel: 540-342-2289
 Fax: 540-345-9923
 www.hillstudio.com



10 CHURCH AVE SE, PLAZA SUITE 1 ROANOKE, VIRGINIA 24011 540.342.6001

KENDAL AT LEXINGTON: RENOVATIONS & EXPANSION

SPECTRUM DESIGN PROJECT NO. 14076

SCHEMATIC DESIGN
PROGRESS PRINT

NOT FOR
CONSTRUCTION

DATE	OCTOBER 20, 2016
DESIGN ARCHITECT	
PROJECT ARCHITECT	
PROJECT ENGINEER	
CHECKED BY	GW
DRAWN BY	LE
REVISIONS	NUMBER DATE

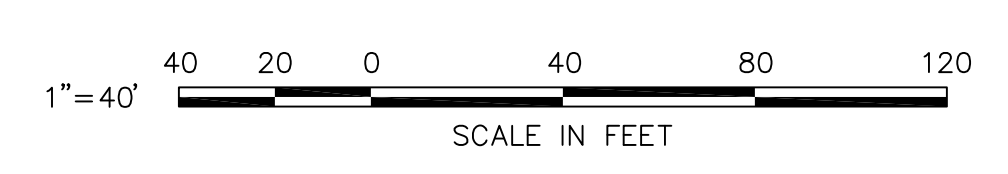
SHEET TITLE

INDEPENDENT LIVING LANDSCAPE PLAN

L101

PLAN LEGEND

- DECIDUOUS CANOPY TREE
- EVERGREEN TREE
- SMALL FLOWERING TREE
- POTENTIAL NATIVE TREE MASSING (FUTURE)
- GARDEN/ORNAMENTAL PLANTING
- NATIVE ORNAMENTAL GRASSES



\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A

Bond Purchase Agreement

[_____], 2017

Industrial Development Authority
of the City of Lexington, Virginia
Lexington, Virginia

Lexington Retirement Community, Inc.
d/b/a Kendal at Lexington
Lexington, Virginia

Ladies and Gentlemen:

This is to confirm the agreement between Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Borrower"), a not-for-profit Virginia nonstock corporation, the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), and B.C. Ziegler and Company (the "Representative"), on behalf of itself and Davenport & Company LLC (each, an "Underwriter" and collectively, the "Underwriters"), concerning the sale by the Authority and the purchase by the Underwriters of \$_____ aggregate principal amount of the Authority's Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds will be dated the date of delivery, and will mature on the dates and in amounts and bear interest at rates as set forth on Exhibit A attached hereto. The offer is made subject to acceptance by the Borrower and the Authority prior to 10:00 P.M., Richmond, Virginia time, on the date hereof. If such offer is not so accepted, it is subject to withdrawal by the Representative, on behalf of the Underwriters, upon notice to the Borrower and the Authority at any time prior to acceptance. All references herein to the rights and responsibilities with respect to the Series 2017A Bonds shall be construed as rights and responsibilities of the Underwriters.

The Representative represents that the other Underwriter has heretofore designated and authorized the Representative to execute this Bond Purchase Agreement on behalf of the other Underwriter. Each Underwriter represents and warrants that it has full power and authority to enter into this Bond Purchase Agreement and to perform its obligations hereunder. The Representative, for itself and on behalf of the other Underwriter, represents, warrants and covenants that (assuming the due authorization and execution thereof by the Authority and the Borrower), this Bond Purchase Agreement is a valid and binding obligation of the Underwriters.

Any capitalized terms contained herein and not otherwise defined shall have the meaning set forth in the Official Statement (as defined below).

1. **Purpose of Financing.** The purpose of the issuance of the Series 2017A Bonds is to assist the Borrower in (1) paying the costs of the Project, (2) paying all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) funding interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Project, (4) funding a debt service reserve fund for the Series 2017A Bonds, and (5) paying working capital and other routine capital expenditures (collectively, the "Plan of Finance").

2. **Security and Authorization.** The Series 2017A Bonds will be issued under and secured by a Bond Indenture dated as of December 1, 2017 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

Simultaneously with the issuance of the Series 2017A Bonds, the Authority and the Borrower will enter into a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"). Pursuant to the Loan Agreement, the Borrower will deliver to the Authority its promissory note securing the Series 2017A Bonds, in the principal amount of the Series 2017A Bonds, dated as of the date of delivery (the "Series 2017A Note") required payments on which will be sufficient to pay, among other things, all principal of and premium, if any, and interest on the Series 2017A Bonds, and certain related expenses. Simultaneously with the issuance of the Series 2017A Bonds, the Borrower will enter into a Supplemental Indenture for Series 2017A Obligation dated as of [____], 2017 (the "Series 2017A Supplement"), supplementing the Master Indenture dated as of October 1, 2016 (the "Master Indenture"), each between the Borrower and U.S. Bank National Association, as master trustee (the "Master Trustee"). The Master Indenture will recognize the Series 2017A Note as an Obligation thereunder secured by the terms thereof on parity with the other Obligations issued thereunder. Certain Obligations under the Master Indenture, including the Series 2017A Note, will also be secured at the option of the Borrower by a first mortgage lien on certain real estate of the Borrower, and a security interest in certain personal property of the Borrower created by the Master Indenture and a Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of October 1, 2016, as modified by a Modification of Deed of Trust dated as of December 1, 2017 (collectively, the "Deed of Trust"), both between the Borrower and a deed of trust trustee. The Series 2017A Bonds will also be secured by a debt service reserve fund.

The Series 2017A Bonds, the Indenture, the Master Indenture, the Series 2017A Supplement, the Loan Agreement, the Series 2017A Note and the Deed of Trust will be in the forms previously supplied to you, with such subsequent modifications as shall be approved by you and us.

3. **Representations of Authority.** The Authority makes the following representations, all of which shall survive the delivery of the Series 2017A Bonds:

(a) The Authority is a validly existing political subdivision of the Commonwealth of Virginia, a body politic and corporate, and is vested with the rights and powers granted pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia, as amended (the "Act").

(b) The Authority has the power (1) to enter into and perform its obligations under this Bond Purchase Agreement, the Indenture and the Loan Agreement (collectively with the Offering Documents, hereinafter defined, the "Authority Documents") and the transactions contemplated thereby, (2) to secure the Series 2017A Bonds as provided in the Authority Documents, (3) to loan a portion of the proceeds of the Series 2017A Bonds to the Borrower so that it may undertake the Plan of Finance, which is authorized under the Act, such loan being in furtherance of the purposes for which the Authority was organized, and (4) to assign the Series 2017A Note to the Bond Trustee. The Authority has taken or will take all action required by the Act in connection therewith.

(c) The Authority (1) has duly authorized the execution and delivery of the Authority Documents, (2) has duly authorized the assignment of the Series 2017A Note and the issuance, sale and delivery of the Series 2017A Bonds, and (3) has taken or will take all action necessary or appropriate to carry out the issuance, sale and delivery of the Series 2017A Bonds to the Underwriters.

(d) To the knowledge of the Authority, the Authority is not in default in the payment of the principal of, premium, if any, or interest on any of its other 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 that would adversely affect the Authority's power or authority to issue the Series 2017A Bonds, to execute and deliver the Authority Documents and to perform the obligations thereunder, 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; provided, however, that this representation does not include a default with respect to other financings in which the Authority has acted as "conduit" issuer for other public or private entities not affiliated with the Borrower, wherein a default by such public or private entity would not have a material effect on the credit of the Authority or of the Borrower.

(e) The execution and delivery of the Authority Documents, the assignment of the Series 2017A Note and the performance by the Authority of its obligations thereunder are within the corporate powers of the Authority and will not conflict with or constitute a breach or result in a violation of (1) the Act or the Authority's bylaws, (2) any federal or Virginia constitutional or statutory provision, (3) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Authority or its property or (4) to the best of its knowledge, any agreement or other instrument to which the Authority is a party or by which it is bound.

(f) All authorizations, consents, approvals, findings and certificates of governmental bodies or agencies required to be obtained by the Authority in connection with (1) the execution and delivery by the Authority of the Authority Documents and the issuance of the Series 2017A Bonds, and (2) the performance by the Authority of its obligations under the Authority Documents and the Series 2017A Bonds have been obtained and are in full force and effect; provided, however, that no representation is made with respect to (1) compliance with any applicable Blue Sky or securities laws of any state or (2) consents, filings, approvals, etc., required in connection with the tax-exempt status of the interest on the Series 2017A Bonds.

(g) There is no litigation, inquiry or investigation of any kind before or by any judicial court or governmental agency pending or, to the knowledge of the Authority, threatened against the Authority with respect to (1) its organization or existence, (2) its authority to execute and deliver the Authority Documents or the Series 2017A Bonds or perform its obligations thereunder, (3) the validity or enforceability of the Series 2017A Bonds or any of the Authority Documents, (4) the title of the officers executing the Authority Documents or the Series 2017A Bonds, or (5) any authority or proceedings relating to the authority of such officers to execute and deliver the Authority Documents or the Series 2017A Bonds on behalf of the Authority, and no such authority or proceedings have been repealed, revoked, rescinded or amended; provided, however, the foregoing does not include any litigation or administrative proceeding that may have been filed against, but not served on, the Authority, and of which it has no knowledge.

(h) When authenticated by the Bond Trustee and delivered to and paid for by the Underwriters in accordance with the terms of the Indenture and this Bond Purchase Agreement, the Series 2017A Bonds will (1) have been duly authorized, executed and issued, (2) constitute legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms except as limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws and usual equity principles, and (3) be secured by the Indenture.

4. **Representations and Warranties of the Borrower.** The Borrower makes the following representations and warranties, all of which shall survive the delivery of the Series 2017A Bonds:

(a) The Borrower is a not-for-profit, nonstock corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia and has full power and authority to own its properties, to undertake the Plan of Finance, and to operate its business, as currently conducted.

(b) The Borrower is (1) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not a "private foundation" as defined in Section 509(a) of the Code. The Borrower has conducted its operations and filed all required reports or documents with the Internal Revenue Service so as to maintain such status. The Borrower is organized and operated exclusively for benevolent, fraternal, charitable or reformatory purposes, and not for pecuniary profit, and no part of its net earnings inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of Subsection 3(a)(4) of the Securities Act of 1933, as amended (the "1933 Act"), and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended. The Borrower has not received notice or communication of any kind from the Internal Revenue Service directly or indirectly questioning its status under Section 501(c)(3) of the Code or indicating that it is or will be audited with respect to such status.

(c) The Borrower has authorized the execution and delivery of this Bond Purchase Agreement, the Master Indenture, the Series 2017A Note, the Series 2017A Supplement and the Loan Agreement, and the Deed of Trust (collectively, the "Borrower Documents"). The Borrower has approved the Offering Documents and the terms of the Indenture. The Borrower will take all action necessary or appropriate to cooperate in the issuance, sale and delivery of the Series 2017A Bonds by the Authority to the Underwriters.

(d) The execution and delivery of the Borrower Documents, the performance of its obligations thereunder and the approval of the Offering Documents and the Indenture are within the corporate powers of the Borrower and will not, in any material respect, conflict with or constitute a breach or result in a violation of (1) the articles of incorporation or bylaws of the Borrower, (2) any federal or Virginia constitutional or statutory provision, (3) any agreement or instrument to which the Borrower is a party or by which it is bound, or (4) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

(e) The Borrower has obtained all consents, approvals, authorizations and orders of governmental or regulatory authorities (collectively, "Consents") that are required to be obtained by the Borrower as a condition precedent to the issuance of the Series 2017A Bonds, the execution and delivery of the Borrower Documents or the performance by the Borrower of its obligations thereunder and the Plan of Finance, with the exception of those Consents not yet required to be obtained and as otherwise disclosed in the Offering Documents. All such Consents previously obtained are in full force and effect. The Borrower will obtain when needed all other Consents required for the performance of its obligations under the Borrower Documents and has no reason to believe that all required or necessary Consents cannot be promptly obtained when needed.

(f) There is no litigation at law or in equity or any proceeding before any governmental agency pending or, to the knowledge of the Borrower, threatened, in which any liability of the Borrower is not adequately covered by insurance, or in which any judgment or order would have a material adverse effect on the business (financial or otherwise) or assets of the Borrower or affect its existence or authority to do business, the validity of the Borrower Documents or the performance by the Borrower of its obligations thereunder.

(g) The Borrower is not a party to any contract or agreement or subject to any charter or other restriction not disclosed in the Offering Documents, the performance of or compliance with which may have a material adverse effect on the financial condition or operations of the Borrower.

(h) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument under or subject to which any indebtedness has been incurred. No event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

(i) The financial statements of the Borrower as set forth in Appendix B to the Official Statement described below (the "Financial Statements"), present fairly the financial condition of the Borrower as of the respective dates, and the results of operations for the respective periods, set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein. The unaudited financial statements of the Borrower for the nine-month period ended September 30, 2017, included in Appendix A to the Official Statement, present fairly the financial condition of the Borrower as of such date, and the results of operations for the respective periods set forth therein, subject to year-end adjustments. Since September 30, 2017, no material and adverse change has occurred in the

financial position or results of operations of the Borrower, nor has the Borrower incurred any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement.

5. **Issuance, Sale and Purchase of Series 2017A Bonds.** On the basis of the representations and warranties contained herein and the other agreements referred to herein and subject to the terms and conditions set forth herein, the Authority agrees to issue and sell to the Underwriters, and the Representative, on behalf of the Underwriters, agrees, consistent with the first paragraph of this Bond Purchase Agreement, that the Underwriters will purchase from the Authority, the Series 2017A Bonds at a purchase price of \$_____ (which represents the par amount of the Series 2017A Bonds minus an underwriters' discount of \$_____ and plus a net original issue premium of \$_____.

The Underwriters shall purchase the Series 2017A Bonds in immediately available funds, in the amount of the purchase price thereof payable to the order of the Bond Trustee.

Having approved the terms of such issuance and sale, the Authority hereby sells the Series 2017A Bonds to the Underwriters, subject to the terms of this Bond Purchase Agreement. The delivery and sale of the Series 2017A Bonds (the "Closing") will be at such place in Richmond, Virginia, as the Representative may designate, at 11:00 a.m., Eastern Time, on [_____], 2017, or at such other time or such other place or on such other date as the Borrower and the Representative may agree upon (the "Closing Date"). The Series 2017A Bonds shall be delivered in book entry form to the Bond Trustee, as agent for The Depository Trust Company, as securities depository for the Series 2017A Bonds.

6. **Offering Documents; Offering by the Underwriters; Indemnification.** (a) On any business day as reasonably determined by the Representative following the date hereof, but in any event no more than seven business days after the time of your acceptance hereof, the Authority shall deliver to the Underwriters, at the expense of the Borrower, the number of copies of the Official Statement with respect to the Series 2017A Bonds required to permit the Underwriters to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (with any amendments or supplements thereto, the "Official Statement"), in substantially the form of the Authority's Preliminary Official Statement with respect to the Series 2017A Bonds dated [_____], 2017 (the "Preliminary Official Statement," together with the Official Statement, the "Offering Documents"), marked to include such changes as shall have been accepted by the Representative and are necessary or desirable to reflect the terms of this Bond Purchase Agreement, and to complete such Official Statement in final form, executed and approved on behalf of the Authority.

(b) The Authority represents that the information with respect to the Authority contained in the sections of the Offering Documents entitled "**THE AUTHORITY**" and, to the extent applicable to the Authority, "**LITIGATION**" is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Authority ratifies the use by the Underwriters of the Preliminary Official Statement and authorizes and consents to the use by the Underwriters of the Official Statement.

(c) The Borrower represents and warrants that the information contained in the Offering Documents (including the Appendices (other than Appendix D and Appendix F) but excluding the sections "**THE AUTHORITY**," "**UNDERWRITING**," "**TAX EXEMPTION**" and "**LITIGATION – The Authority**" is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading. The Borrower ratifies the use of the Preliminary Official Statement and authorizes and consents to the use by the Underwriters of the Official Statement in the offering and sale of the Series 2017A Bonds.

(d) The Representative, on behalf of the Underwriters, agrees that the Underwriters will offer the Series 2017A Bonds only pursuant to the Offering Documents and only in states where the offer and sale of the Series 2017A Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Series 2017A Bonds for sale in any such state. The Representative, on behalf of the Underwriters, agrees that the Underwriters will make a public offering of the Series 2017A Bonds, subject to Section 6 of this Bond Purchase Agreement. The Representative, on behalf of the Underwriters, also reserves the right of the Underwriters to overallocate or effect transactions that stabilize or maintain the market price of the Series 2017A Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

(e) The Borrower shall indemnify and hold harmless the Authority, the Underwriters and each of their respective officers, directors and counsel, and each person, if any, who controls the Authority or either of the Underwriters within the meaning of Section 15 of the 1933 Act from any and all losses, claims, damages and liabilities (including legal and other expenses of defending any actions) that they or any of them may incur or have asserted against any of them as a result of the falsity (or alleged falsity) or any breach (or alleged breach) by the Borrower of any of its representations, warranties or covenants set forth in this Bond Purchase Agreement.

(f) If any litigation is commenced or threatened against any of the parties entitled to indemnification under subsection (e) above, such indemnified party shall promptly notify the Borrower thereof in writing, but failure to notify the Borrower shall not relieve it from any liability that it may have whether on account of this indemnity or otherwise so long as the Borrower is given reasonable opportunity to defend such litigation; provided that under no circumstances shall the Borrower be liable for any legal or other expenses incurred by any indemnified party in investigating or employing separate counsel to defend any such litigation unless the Borrower has been notified of the litigation and such investigation or employment of separate counsel has been specifically authorized by the Borrower, which authorization will not be unreasonably withheld, conditioned or delayed. The Borrower shall promptly assume the investigation, preparation and defense of all such litigation or action, including the employment of counsel reasonably acceptable to the indemnified party, the payment of fees and expenses and the right to negotiate and consent to settlement. Any indemnified party shall have the right to make its own investigation or employ separate counsel, but the fees and expenses of such investigation or counsel shall be at the expense of such indemnified party unless such investigation or the employment of such counsel has been specifically authorized by the Borrower. If any litigation or action is settled, such indemnity shall be limited to the aggregate amount paid under a settlement

effected with the written consent of the Borrower. The indemnification provided in this subsection is in addition to the indemnification provided in Section 5.6 of the Loan Agreement.

(g) The Authority (upon being indemnified to its satisfaction) and the Borrower shall take all actions and provide all information reasonably requested by the Representative necessary or desirable to register the Series 2017A Bonds under, or comply with, any state Blue Sky laws; *provided*, that neither the Authority nor the Borrower shall be required to execute a general consent to service of process in connection with qualification of the Series 2017A Bonds for sale in any jurisdiction.

(h) The Authority and the Borrower, at the Borrower's expense, shall take all actions and provide all information reasonably requested by the Representative to ensure that the Offering Documents at all times during the initial offering and distribution of the Series 2017A Bonds do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. From the date of this Bond Purchase Agreement until 90 days after the Closing Date (the "Initial Offering Period"), the Authority and the Borrower will notify the Representative whenever, in their judgment, the Official Statement should be amended or supplemented in order for the Offering Documents not to contain any untrue statement of a material fact, or not to omit to state any material fact necessary to make the statements in the Official Statement not misleading. If, in the reasonable judgment of the Representative, any event or condition requires the preparation and publication of a supplement or amendment to the Offering Documents during the Initial Offering Period, the Authority and the Borrower, at the Borrower's expense, shall supplement or amend any of the Offering Documents in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld. The obligation of the Authority to take action under this subsection shall be limited to circumstances in which it has actual knowledge of an event described above or it is specifically requested by the Representative to take any action or provide any information within its control.

(i) The Authority represents that (1) it deemed the Preliminary Official Statement final as of its date except for information permitted to be omitted under paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), and (2) based upon the representations and warranties of the Borrower in subsection (j)(ii) below, the Official Statement constitutes, as of the date hereof, a final official statement within the meaning of paragraph (e)(3) of the Rule.

(j) The Borrower represents and warrants that (1) a duly authorized officer of the Borrower, acting on its behalf, deemed the Preliminary Official Statement final as of its date except for information permitted to be omitted under paragraph (b)(1) of the Rule and (2) the Official Statement constitutes, as of the date hereof, a final official statement within the meaning of paragraph (e)(3) of the Rule.

(k) The Authority and the Borrower shall, at the expense of the Borrower, take all additional steps reasonably requested by the Representative or its counsel to enable compliance by the Underwriters with the Rule and with the rules of the Municipal Securities Rulemaking Board in connection with the issuance, sale and delivery of the Series 2017A Bonds.

(1) The representations, warranties and indemnity agreements set forth in this Bond Purchase Agreement shall survive the Closing and shall remain operative and in full force and effect regardless of (1) any investigation made by or on behalf of the Underwriters and (2) payment for the Series 2017A Bonds.

7. **Issue Price.** The Authority and the Borrower acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length, commercial transaction among the Authority, the Borrower and the Underwriters in which the Underwriters are acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Exchange Act), financial advisor or fiduciary to the Authority or the Borrower, (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the Authority or the Borrower with respect to this Bond Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters, or any affiliate of the Underwriters, has provided other services or is currently providing other services to the Authority or the Borrower on other matters), (iii) the only obligations the Underwriters have to the Authority or the Borrower with respect to the transactions contemplated hereby are set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the Authority or the Borrower, and (v) the Authority or the Borrower have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Borrower at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit G, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Borrower and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2017A Bonds.

(b) The Borrower will treat the first price at which 10% of each maturity of the Series 2017A Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Representative shall report to the Authority and the Borrower the price or prices at which the Underwriters have sold to the public each maturity of Series 2017A Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Series 2017A Bonds, the Representative agrees to promptly report to the Authority and the Borrower the prices at which Series 2017A Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until the 10% test has been satisfied as to the Series 2017A Bonds of that maturity or until all Series 2017A Bonds of that maturity have been sold to the public.

(c) The Representative confirms that the Underwriters have offered the Series 2017A Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series 2017A Bonds for

which the 10% test has not been satisfied and for which the Borrower and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Borrower to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2017A Bonds, the Underwriters will neither offer nor sell unsold Series 2017A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2017A Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative shall promptly advise the Authority and the Borrower when the Underwriters have sold 10% of that maturity of the Series 2017A Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Authority and the Borrower acknowledge that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority and the Borrower further acknowledge that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2017A Bonds.

(f) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2017A Bonds of each maturity allotted to it until it is notified by the Representative that either the

10% test has been satisfied as to the Series 2017A Bonds of that maturity or all Series 2017A Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2017A Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2017A Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2017A Bonds of that maturity or all Series 2017A Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(g) The Underwriters acknowledge that sales of any Series 2017A Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2017A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2017A Bonds to the public),

(iii) a purchaser of any of the Series 2017A Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

8. **Continuing Disclosure.** In order to permit compliance by the Underwriters with the Rule, the Borrower has agreed in the Loan Agreement to provide while the Series 2017A Bonds are outstanding: (1) within 30 days of receipt but not later than 120 days after the end of each of its fiscal years, certain financial information and operating data, including audited financial statements for the preceding fiscal year, as described in the Loan Agreement and sufficient to permit the Underwriters to comply with Section (b)(5)(i) of the Rule, (2) timely notice of the failure of the Borrower to provide the required financial information and operating data and (3) timely notice of the occurrence of the events listed in the Rule with respect to the Series 2017A Bonds. Such annual financial information and event notices shall be provided to the Municipal Securities Rulemaking Board as required under the Rule.

9. **Conditions.** The Underwriters' obligations hereunder are subject to:

(a) The accuracy on the Closing Date, as if made as of such date, of all representations of the Authority and all representations and warranties of the Borrower contained herein.

(b) The due performance by the Authority and the Borrower of their obligations hereunder.

(c) There being no material adverse change in the condition (financial or otherwise) of the Borrower between the most recent dates as to which information is given in the Preliminary Official Statement and the Closing Date other than as reflected in or contemplated by the Offering Documents, and there being on the Closing Date no material transactions or obligations (not in the ordinary course of business) entered into by the Authority and the Borrower subsequent to the date of the Preliminary Official Statement other than as reflected in or contemplated by the Offering Documents.

(d) Delivery of all documentation required by Section 10 of this Bond Purchase Agreement.

10. **Closing Documentation.** There shall be delivered to the Representative at Closing the following, all dated the Closing Date unless otherwise approved by the Representative and in form and substance reasonably satisfactory to the Representative:

(a) A certificate executed by appropriate officers of the Authority, confirming the matters as to the Authority referred to in subsections (a) and (b) of Section 9.

(b) A certificate executed by appropriate officers of the Borrower, confirming the matters as to the Borrower referred to in subsections (a), (b) and (c) of Section 9.

(c) The Official Statement, executed on behalf of the Authority and the Borrower by the respective duly authorized officials or representatives thereof.

- (d) Original executed copies of the Indenture, the Series 2017A Supplement, the Loan Agreement, and the Deed of Trust.
- (e) A certified copy of the Master Indenture.
- (f) Specimens of the Series 2017A Bonds and the Series 2017A Note.
- (g) Letter from CliftonLarsonAllen, independent certified accountants, in substantially the form attached as Exhibit B hereto.
- (h) An opinion of Mann, Vita & Elrod, P.L.L.C., counsel to the Authority, in substantially the form attached as Exhibit C hereto.
- (i) An opinion of Glenn, Feldmann, Darby & Goodlatte, counsel for the Borrower, dated the Closing Date, in substantially the form attached as Exhibit D hereto.
- (j) Opinion of Hunton & Williams, LLP, Bond Counsel, in substantially the form attached as Appendix C to the Official Statement.
- (k) A supplemental opinion of Hunton & Williams, LLP, Bond Counsel, in substantially the form attached as Exhibit E hereto.
- (l) An opinion of McGuireWoods LLP, counsel for the Underwriters, in substantially the form attached as Exhibit F hereto.
- (m) Receipt by the Master Trustee of a mortgage title insurance policy on the Mortgaged Premises (as defined in the Deed of Trust) of the Borrower, in the form of an ALTA standard policy, or an endorsement to an existing policy, such that the aggregate amount insured equals the principal amount of the Series 2017A Bonds for the benefit of the Master Trustee issued by a company duly authorized to issue the same acceptable to the Representative, insuring that the Deed of Trust is a first lien on the mortgaged property of the Borrower subject to no exceptions other than "Permitted Liens" as defined in the Master Indenture, containing no exceptions for filed or unfiled mechanics' and materialmen's liens except as otherwise covered by pending disbursements language acceptable to the Representative, containing no exceptions as to survey matters, and containing no other exceptions except those notice of which has been given to the Representative prior to the execution of this Bond Purchase Agreement and which are acceptable to the Representative.
- (n) Evidence regarding the status of title to personal property owned by the Borrower, including information regarding liens or other encumbrances thereon, which evidence may be in the form of a UCC search conducted by a firm or attorney acceptable to the Representative.
- (o) Copies of insurance certificates and a statement signed by an Insurance Consultant, as defined in the Master Indenture, to the effect that the insurance required by the Master Indenture is in effect.

(p) A copy of IRS Form 8038 completed by the Authority with respect to the Series 2017A Bonds.

(q) Originals or, where appropriate, specimens of the documents, opinions and other items required by the Indenture for authentication and delivery of the Series 2017A Bonds.

(r) Evidence satisfactory to the Representative from Fitch Ratings, Inc. that the Series 2017A Bonds have received a rating of at least [_____].

(s) Evidence satisfactory to the Representative that the Authority has issued its Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B.

(t) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative or Bond Counsel may reasonably request to evidence compliance by the Authority or the Borrower with legal requirements, the truth and accuracy as of the Closing Date of the representations of the Authority or the Borrower herein and in the Offering Documents, the ownership of the Facilities (as defined in the Indenture) by the respective members of the Borrower and the due performance or satisfaction by the Authority or the Borrower at or prior to the Closing Date of all agreements then to be satisfied by the Authority or the Borrower.

11. **Termination.** The Representative, on behalf of the Underwriters, may terminate this Bond Purchase Agreement at any time prior to the Closing Date by notice to the other parties hereto if between the date hereof and the Closing Date:

(a) The Representative is informed by the Authority or the Borrower or their respective agents and counsel, or the Representative concludes in the exercise of its reasonable business judgment that one or more of the conditions listed in Section 9 above cannot or will not be met;

(b) The Borrower shall have sustained a substantial loss by fire, flood, accident or other calamity that, in the reasonable judgment of the Representative, shall render it inadvisable to proceed with the sale of the Series 2017A Bonds, whether or not such loss shall have been insured;

(c) Legislation shall have been favorably reported by a committee of the United States Congress or enacted by the United States Congress, or a decision by any court of the United States, including the Tax Court, shall have been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States or any branch thereof, including the Internal Revenue Service, or any other governmental agency shall have been made or proposed, with respect to federal or state taxation upon revenues or other income of the general character derived by the Authority or upon interest received on obligations of the general character of the Series 2017A Bonds or other action or events shall have transpired that (1) may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of owning the Series 2017A Bonds or (2) in the reasonable opinion of the Representative materially affects the ability of the Underwriters to enforce contracts or orders for the sale of the Series 2017A Bonds at the contemplated offering prices;

(d) Any legislation, ordinance, rule or regulation shall have been enacted or proposed by any governmental body, department or agency of the Commonwealth of Virginia or any political subdivision thereof, or any decision by any court of competent jurisdiction within the Commonwealth of Virginia shall have been rendered that in the reasonable opinion of the Representative materially and adversely affects the market price of the Series 2017A Bonds;

(e) Any legislation shall have been enacted or be proposed, any decision by a court of the United States shall have been rendered or any stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency shall have been made to the effect that (1) obligations of the general character of the Series 2017A Bonds, or the Indenture are not exempt from registration, qualification or other requirements of the 1933 Act or the Indenture Act of 1939, as amended, or (2) the Offering Documents do not contain adequate information as to the Authority or the Borrower;

(f) A stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of the Series 2017A Bonds, of obligations of the general character of the Series 2017A Bonds or the offering of any other security that is represented by the Series 2017A Bonds as contemplated hereby, is in violation of any provision of the 1933 Act, the Securities Exchange Act of 1934, as amended, or the Indenture Act of 1939, as amended;

(g) Any event shall have occurred or condition shall exist that, in the reasonable opinion of the Representative, makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Offering Documents or that is not reflected in the Offering Documents but should be reflected therein as of such time in connection with the offering and sale of the Series 2017A Bonds in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading in any material respect as of such time including, without limitation, events or conditions relating to the business and affairs of the Authority or the Borrower, or the effect of additional disclosure as to such event or condition, regardless of its form in the Offering Documents, in the reasonable opinion of the Representative is to materially adversely affect the market price or marketability of the Series 2017A Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2017A Bonds;

(h) There shall be in force a general suspension of trading on the New York Stock Exchange;

(i) Any state "blue sky" or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Representative the market for the Series 2017A Bonds is materially adversely affected thereby; and

(j) In the reasonable opinion of the Representative, the market price of the Series 2017A Bonds, or the market price generally of obligations of the general character of the Series 2017A Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any

governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Series 2017A Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters, (3) a general banking moratorium shall have been established by federal, New York or Virginia authorities, or any devaluation of the dollar shall have been proposed or effected by any governmental authority of the United States, or (4) war or an outbreak of hostilities or other national or international calamity or crisis shall have occurred or escalated from current conditions, or any armed conflict shall have occurred or escalated from current conditions, to such a magnitude as in the reasonable opinion of the Representative to have a materially adverse effect on the ability of the Underwriters to enforce contracts or orders for the sale of the Series 2017A Bonds at the contemplated offering prices.

If the Authority and the Borrower shall be unable to satisfy any of the conditions to the obligations of the Underwriters contained in this Bond Purchase Agreement and such condition is not waived by the Representative, or if the obligation of the Underwriters to purchase and accept delivery of the Series 2017A Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and the Underwriters, the Borrower and the Authority shall be under no further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 12 hereof and to indemnify, as provided in Section 6 hereof, shall continue in full force and effect.

12. **Expenses.** The Borrower shall cause to be paid from the proceeds of the Series 2017A Bonds or from its own funds the issuance and administrative fees of the Authority; the fees and disbursements of Bond Counsel, counsel to the Borrower and the Authority, and counsel to the Underwriters; the fees of the Bond Trustee and of the Master Trustee and their respective counsel; accountants' and consultants' fees; the costs of printing the Offering Documents and the Series 2017A Bonds; and the cost of qualifying the Series 2017A Bond for sale in various states selected by the Underwriters. The Borrower shall pay all such fees and disbursements to the extent not paid with the proceeds of the Series 2017A Bonds. The Underwriters shall pay all advertising expenses in connection with the public offering of the Series 2017A Bonds, and all other expenses incurred by them with respect to the public offering and distribution of the Series 2017A Bonds, excluding the fees and disbursements of their counsel.

If the Series 2017A Bonds are not sold as provided herein, the Borrower agrees to pay (1) the fees and disbursements of Bond Counsel, counsel to the Authority, counsel to the Underwriters and counsel to the Borrower, (2) the fees of the Bond Trustee and of the Master Trustee and their respective counsel, (3) accountants' and consultants' fees, and (4) the costs of printing the Offering Documents; provided that the Borrower shall be obligated to pay the fees, disbursements and costs referred to in clauses (1), (2), (3) and (4) for services actually rendered to the date on which this Bond Purchase Agreement is terminated.

13. **Finders.** Each of the Borrower and the Representative, on behalf of the Underwriters, represents and warrants that no finder or other agent has been employed or consulted by it in connection with this transaction.

14. **Applicable Law; Counterparts.** This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to its conflict of law rules and 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.

15. **Notices.** All communications hereunder shall be in writing and shall be deemed delivered, if delivered in person, or sent by certified mail, return receipt requested, to the respective parties as follows:

(a) To the Representative, on behalf of the Underwriters, B.C. Ziegler and Company, 4801 Cox Road, Suite 103, Richmond, Virginia 23060 (Attention: Tommy Brewer);

(b) To the Authority, Industrial Development Authority of the City of Lexington, 300 East Washington Street, Lexington, Virginia 24450 (Attention: Chairman).

(c) To the Borrower, Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, 160 Kendal Drive, Lexington, Virginia 24450 (Attention: Executive Director).

16. **Miscellaneous.** This Bond Purchase Agreement is made solely for the benefit of and is binding on each of the parties and their respective successors and assigns. It is the entire agreement of the parties, superseding all prior agreements, and may not be modified except in writing signed by all of the parties hereto.

[Signature Pages Follow]

Very truly yours,

**B.C. ZIEGLER AND COMPANY, on behalf of
itself and Davenport & Company LLC**

By: _____

Its: _____

Accepted:

**INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE CITY OF
LEXINGTON, VIRGINIA**

By: _____

Its: _____

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a KENDAL AT LEXINGTON**

By: _____

Its: _____

TERMS OF BONDS

\$ _____
**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA
RESIDENTIAL CARE FACILITY MORTGAGE REVENUE BONDS
(KENDAL AT LEXINGTON),
SERIES 2017A**

**PRINCIPAL MATURITIES AND INTEREST RATES
SERIES 2017A BONDS**

\$ _____ Serial Bonds - due [_____] as follows:

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Term Bonds due [_____], 20__ priced at _____ % to yield _____ %

* Yield to [_____], 20__, call date.

Optional Redemption. The Series 2017A Bonds maturing on or after [____], 20__, will be subject to redemption by the Authority, at the direction of the Borrower, prior to maturity in whole, or in part by lot, at any time, on and after [____], 20__, at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest thereon, if any, to the redemption date.

<u>Redemption Period:</u>	<u>Price</u>
[____], 20__, through [____], 20__	102%
[____], 20__, through [____], 20__	101
[____], 20__, and thereafter	100

Mandatory Sinking Fund Redemption. The \$_____ Series 2017A Bonds maturing on [____], 20__ are required to be redeemed on [____], in principal amounts and at a price of 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
(maturity)	\$

Form of Auditor Letter

[_____], 2017

Industrial Development Authority of
the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company,
on behalf of itself and Davenport & Company LLC
Richmond, Virginia

Industrial Development Authority of the City of Lexington, Virginia
\$_____ Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Dear Ladies and Gentlemen:

We consent to the inclusion of the audited consolidated financial statements as of December 31, 2016 and December 31, 2015, and our report with respect thereto in the Official Statement dated [_____], 2017, relating to the above-captioned bonds and to the references made to us in such Official Statement.

Very truly yours,

Form of Authority Counsel Opinion

[LETTERHEAD OF MANN, VITA & ELROD, P.L.L.C.]

[_____], 2017

U.S. Bank National Association,
as Master Trustee and Bond Trustee
Richmond, Virginia

Industrial Development Authority of
the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company
Richmond, Virginia

Hunton & Williams LLP
Richmond, Virginia

Davenport & Company LLC
Richmond, Virginia

Lexington Retirement Community, Inc.
Lexington, Virginia

Industrial Development Authority of the City of Lexington, Virginia
\$_____ Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Ladies and Gentlemen:

We have acted as counsel for the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), in connection with the issuance and sale by the Authority of its \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"). All capitalized terms used herein that are not defined herein shall have the meanings set forth in the Bond Indenture, hereinafter defined.

In connection with our opinion, we have reviewed, among other things, the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), an ordinance adopted by the City Council of the City of Lexington, Virginia (the "City Council"), creating the Authority pursuant to the Act, the Authority's bylaws and minute books, and original or certified copies of the following:

A. Resolution adopted by the Authority on [_____], 2017 (the "Resolution"), authorizing among other things, the execution and delivery or use of the following instruments (collectively, the "Authority Documents"):

1. A Bond Purchase Agreement dated [_____], 2017 (the "Bond Purchase Agreement"), between (a) the Authority, (b) Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation"), and (c) B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, the "Underwriters");

2. An Official Statement of the Authority in preliminary form dated [____], 2017, and in final form dated [____], 2017 (together the "Official Statement");

3. A Loan Agreement dated as of December 1, 2017 (the "Loan Agreement"), between the Corporation and the Authority; and

4. A Bond Indenture dated as of December 1, 2017 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

B. The Corporation's Promissory Note constituting Obligation No. 2 (the "Note") under a Master Trust Indenture dated as of October 1, 2016, between the Corporation and U.S. Bank National Association, as master trustee, dated the date of the Bonds.

C. Specimens of the Bonds.

D. Such additional documents, certificates and instruments related thereto as we deem necessary in rendering the opinion contained herein.

As to questions of fact material to our opinion, we have relied upon findings of the Authority contained in the Bond Purchase Agreement, Loan Agreement and the Bond Indenture, certifications of public officials furnished to us, and certifications by representatives of the Authority. We have no reason to believe that such findings and certifications are incomplete or inaccurate. We have assumed that all signatures on documents and instruments examined by us are genuine, all documents submitted to us as originals are authentic, and all documents submitted to us as copies conform to the originals. In addition, we have assumed, without independent investigation or verification, the due authorization, execution, and delivery of the Authority Documents by all parties thereto other than the Authority.

Where reference is made in this letter to matters we know or which are within our knowledge, such reference should be understood to mean only that we do not know of any fact or circumstance contradicting the statement that ensues.

Based on the foregoing, it is our opinion that:

1. The Authority is a body politic and corporate and a political subdivision of the Commonwealth of Virginia, created under the Act, vested with the rights and powers conferred upon it under the Act, and in good standing pursuant to the Act.

2. The Authority has all requisite authority and power under the Act to adopt the Resolution, to issue and sell the Bonds, to enter into, and perform its obligations under the Authority Documents and the Bonds, and to apply the proceeds from the issuance and sale of the Bonds as set forth in the Bond Indenture. The Authority has taken all action required of it by the Act or other applicable laws in connection therewith.

3. The Resolution has been duly adopted by the Authority and is in full force and effect on the date hereof in the form adopted. The officers of the Authority executing the Authority Documents have been duly elected or appointed and are serving as such officers as of the date

hereof. Each of the Directors of the Authority has been duly appointed by the City Council and has qualified as a Director of the Authority by all necessary action before the Clerk of the Circuit Court of Rockbridge County, Virginia.

4. The Authority Documents have each been duly authorized, executed and delivered by the Authority and, subject to paragraph 7 below, each constitutes a legal, valid and binding limited obligation of the Authority, enforceable in accordance with their respective terms.

5. The Authority's right, title and interest in the Loan Agreement (except the Authority's Unassigned Rights) and the Note have been assigned to the Bond Trustee, and, subject to paragraph 7 below, such assignment constitutes a valid and binding agreement of the Authority, enforceable against the Authority in accordance with its terms.

6. The Bonds have been duly authorized, executed, issued and delivered by the Authority, and, when paid for by the Underwriters in accordance with the Bond Indenture and the Bond Purchase Agreement, constitute valid and binding limited obligations of the Authority, and are enforceable in accordance with their terms, subject to paragraph 7 below.

7. The enforcement of the obligations of the Authority with respect to the Resolution, the Bonds and the Authority Documents is subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. 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.

8. The adoption, execution and delivery of and performance by the Authority of its obligations under the Resolution, the Bonds, the Authority Documents and the Note will not violate any provisions of the Act or of any other law of the Commonwealth of Virginia.

9. The execution and delivery by the Authority of the Authority Documents and the assignment of the Note will not conflict with or result in a violation or breach of, or constitute a default under, and do not and will not violate the Act, or, to the best of my knowledge, (a) violate any indenture, agreement or instrument to which the Authority is a party or by which it or its properties are or may be bound, (b) violate any regulations, order or decree to which the Authority is subject, (c) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority except as contemplated by the Authority Documents, (d) violate any resolution of the Authority or (e) violate any applicable judgment, order, rule, ordinance, decree or regulation of any court or of any public or governmental agency or authority having jurisdiction over the Authority or any of its property.

10. To the best of our knowledge, no litigation, inquiry, or investigation of any kind in or by a judicial court or governmental agency is pending or threatened against the Authority with respect to the organization or existence of the Authority, its authority to execute or deliver the Bonds or the Authority Documents or to assign the Note, the validity or enforceability of any of such instruments or the transactions contemplated thereby, the title of the officers executing such instruments, or any authority or proceedings relating to the execution and delivery of such

instruments on behalf of the Authority, and no such authority or proceedings have been repealed, revoked, rescinded, or amended; provided, however, that we express no opinion as to any litigation or administrative proceeding that may have been filed against but not served upon the Authority and as to which we have no knowledge.

11. To the best of our knowledge based on our experience as counsel to the Authority and our review of the information contained in the Official Statement under the sections therein entitled "THE AUTHORITY" and "LITIGATION – The Authority," the information with respect to the Authority contained in such sections is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein concerning the Authority, in light of the circumstances under which they were made, not misleading.

12. The Authority has authorized and consented to the use by the Underwriters of the Official Statement (including its distribution) in the offering and sale of the Bonds.

13. No further consent, approval, authorization or order of any governmental or regulatory authority is required to be obtained by the Authority as a condition precedent to the issuance of the Bonds or the execution and delivery of the Authority Documents, or, to the best of our current actual knowledge, but without any independent investigation, the performance by the Authority thereunder.

Our services as counsel to the Authority have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to make the statements herein contained. We have not examined any documents or other information concerning the business or financial resources of the Corporation, and, therefore, we express no opinion as to (1) status of interest on the Bonds for federal or state income tax purposes, (2) compliance with federal and state laws regulating securities, or (3) any matter which may be governed by the law of any jurisdictions other than the Commonwealth of Virginia and the United States of America.

This opinion is solely for your benefit and the benefit of subsequent holders of the Bonds. This opinion may not be distributed to or relied upon by any other person or entity, quoted in whole or in part or otherwise reproduced in any other document, nor is it to be filed with any governmental agency other than the Authority, except with the prior written consent of this office.

Finally, we do not undertake to advise you of any changes in the opinions expressed herein resulting from matters that might hereafter come or be brought to our attention.

Very truly yours,

Form of Borrower Counsel Opinion

[_____], 2017

Industrial Development Authority
of the City of Lexington, Virginia
Lexington, Virginia

B.C. Ziegler and Company, on behalf of
itself and Davenport & Company LLC,
as underwriters
Richmond, Virginia

U.S. Bank National Association,
as Bond Trustee and Master Trustee
Richmond, Virginia

\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A

Ladies and Gentlemen:

We have acted as counsel to Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Corporation"), a not-for-profit Virginia nonstock corporation, in connection with the issuance and sale by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), a political subdivision of the Commonwealth of Virginia, of the above-referenced bonds (the "Bonds"). Unless otherwise defined, all capitalized terms used in this opinion have the meanings set forth in the Master Indenture and Indenture, as defined below. In so acting we have examined:

A. The articles of incorporation, bylaws and minute books of the Corporation and certain authorizing resolutions of the Corporation's Board of Trustees.

B. A certificate issued by the Virginia State Corporation Commission on _____, 2017 attesting to the continued existence and good standing in Virginia of the Corporation (the Good Standing Certificate").

C. Documents relating to the tax-exempt status of the Corporation under the Internal Revenue Code of 1986, as amended (the "Code").

D. A Bond Purchase Agreement dated [_____], 2017 (the "Bond Purchase Agreement"), among the Authority, the Corporation and B.C. Ziegler and Company, on behalf of itself and Davenport & Company LLC (together, the "Underwriters").

E. An Official Statement of the Authority in preliminary form dated [____], 2017, and in final form dated [____], 2017 (the "Official Statement"), with respect to the offering and sale of the Bonds.

F. A Bond Indenture, dated as of December 1, 2017 (the "Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

G. A Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), between the Authority and the Corporation.

H. A Supplemental Indenture for Series 2017A Obligation, dated as of December 1, 2017 (the "Supplement"), supplementing the Master Indenture, dated as of October 1, 2016 (the "Master Indenture"), all between the Corporation and U.S. Bank National Association, as successor master trustee (the "Master Trustee").

I. The Corporation's promissory note dated [____], 2017 in the original principal amount of \$_____ (the "Series 2017A Note"), issued under and recognized by the Master Indenture as Obligation No. 2, and payable to the Authority or its assigns.

J. [A Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of October 1, 2016, as modified by the Modification to Deed of Trust dated as of December 1, 2017 (the "Deed of Trust").]

K. UCC Financing Statements naming the Corporation as debtor and the Master Trustee as secured party under the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Virginia (the "Virginia UCC"), to be filed in the Clerk's Office of the Circuit Court of Rockbridge County, Virginia (the "Clerk's Office") (the "Deed of Trust Financing Statement").

L. UCC Financing Statement naming the Corporation as debtor and the Master Trustee as secured party under the Virginia UCC, to be filed with the State Corporation Commission (the "Master Indenture Financing Statement"; the Master Indenture Financing Statement and the Deed of Trust Financing Statement are, collectively, the "Financing Statements").

As to questions of fact material to the opinions expressed herein, we have relied upon representations of the Corporation in the Documents (as defined below) and certified corporate proceedings of the Corporation and certifications by the officers and representatives of the Corporation.

The opinions set forth herein are subject to the following assumptions:

i. the documents delivered to us as copies are accurate copies of the original documents and have not been subsequently amended;

ii. the signatures of all persons other than the officers and representatives of the Corporation are genuine and authentic, and none of such persons suffers any legal disability; and

iii. all documents either referred to in this opinion or examined by us with respect to matters addressed in this opinion have been duly authorized, executed and delivered by, and constitute valid, binding and enforceable obligations of, all parties to such documents (other than the Corporation).

PART I

Based on the foregoing and such other information and investigation as we consider necessary for the purpose of rendering this opinion, we are of the opinion that:

1. The Corporation is a nonstock corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia. The Corporation has the power and authority to own its properties and to operate its business as currently conducted.

2. The Corporation is an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code. To our knowledge, the Corporation has conducted its operations and filed all required reports or documents with the Internal Revenue Service so as to maintain such status. The Corporation is organized and, to our knowledge, operated exclusively for benevolent, fraternal, charitable or reformatory purposes and not for pecuniary profit, and no part of its net earnings 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, and of Section 12(g)(2) of the Securities Act of 1934, as amended. To our knowledge, the Corporation has not received any notice or communication from the Internal Revenue Service that questions its status under Section 501(c)(3) of the Code or indicating that the Corporation is or will be audited with respect to such status or in any way questioning the tax-exempt status of bonds issued for the benefit of the Corporation.

3. The Corporation has authorized the execution and delivery of the Bond Purchase Agreement, the Loan Agreement, the Series 2017A Note, the Master Indenture, the Supplement and the Deed of Trust (collectively, the "Documents"). The Corporation has duly approved the Official Statement and the terms of the Indenture. The Documents have been duly authorized, executed and delivered by the Corporation and, assuming their due authorization, execution and delivery by the other parties thereto, constitute valid and binding legal obligations of the Corporation enforceable as to the Corporation in accordance with their respective terms. The enforceability of the obligations of the Corporation under the Documents is subject to the provisions of bankruptcy, insolvency, reorganization, fraudulent conveyance, liquidation, moratorium and other laws affecting the enforcement of creditors' rights generally. The enforceability of such obligations also is subject to usual equity principles that may limit the specific enforcement of certain remedies, and to principles of public policy as expressed in applicable securities laws or otherwise. We express no opinion regarding the enforceability of (1) any right in the Deed of Trust to obtain possession of any property or the exercise of self-help remedies without judicial process, or (2) any language in the Deed of Trust providing that after-acquired property shall immediately, without an appropriate amendment to the instrument and/or other actions, become subject to the Deed of Trust.

4. The execution and delivery of the Documents, the performance by the Corporation of its obligations thereunder and the approval of the Official Statement and the Indenture are within

the corporate powers of the Corporation and will not conflict with or constitute a breach or result in a violation of (1) the articles of incorporation or bylaws of the Corporation, (2) any federal or Virginia constitutional or statutory provision, (3) to our knowledge, any agreement or other instrument to which the Corporation is a party or by which it is bound, or (4) any current order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Corporation or its property.

5. The Corporation has obtained all consents, approvals, authorizations and orders of governmental or regulatory authorities (collectively, "Consents") that are required to be obtained by the Corporation as a condition precedent to the execution and delivery of the Documents. We have no reason to believe that the Corporation cannot obtain when needed any Consent not obtained as of the date hereof that will be required for the performance by the Corporation of its obligations under the Documents or for the completion and operation of the projects financed with the proceeds of the Bonds. We express no opinion, however, with respect to compliance with federal or state securities or "blue sky" laws of the various states of the United States or of the United States or federal tax laws.

6. There is no litigation at law or in equity or any proceeding before any governmental agency pending or threatened against the Corporation, in which any liability of the Corporation is not adequately covered by insurance or in which any judgment or order would have a material adverse effect upon the business (financial or otherwise) or assets of the Corporation or affect its existence or authority to do business, the validity of the Documents or the performance by the Corporation of its obligations thereunder.

7. The Corporation is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument under or subject to which any indebtedness has been incurred, and no event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

PART II

We have also participated in various conferences with the officers of the Corporation, the Underwriters and their counsel, and the Authority and its counsel. At those conferences, the contents of portions of the Official Statement were discussed and revised. Because of the inherent limitations in the independent verification of factual matters and the character of determinations involved in the preparation of the Official Statement, we are not passing upon, do not assume any responsibility for, and make no representation that we have independently verified the accuracy, completeness or fairness of any statement contained in the Official Statement. We also do not express any opinion or belief or include in our reference to the Official Statement in the following sentence (1) the Corporation's financial statements, other financial, operating, quantitative or statistical information, projection or estimate that is included in Appendix A to the Official Statement or that is included in the Official Statement and its other Appendices, and (2) the sections in the Official Statement entitled "The Authority," "Tax Exemption," "Underwriting," "Legal Matters," "Litigation – The Authority," "Relationship of Parties" and Appendix F or in Appendices C and D, as to which no view is expressed. Subject to the foregoing, however, solely on the basis of our participation in the conferences referred to above and our examination of the

documents referred to herein and in the course of our representation as special counsel to the Corporation, we advise you that nothing has come to our attention that would lead us to believe that the Official Statement at the date thereof or at this date contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PART III

We have examined the Deed of Trust. We have also examined: (1) the Deed of Trust UCC Financing Statement, which names the Corporation as debtor and the Master Trustee as secured party under the Virginia UCC describing the Mortgaged Premises (as defined in the Deed of Trust) and the Equipment (as defined in the Deed of Trust, and together with such items that are part of the Mortgaged Premises and may under applicable law be subject to a security interest, hereinafter referred to as the "Deed of Trust Pledged Assets") located on the Mortgaged Premises as collateral, and (2) the Master Indenture Financing Statement which names the Corporation as debtor and the Master Trustee as secured party describing the Pledged Assets (as defined in the Master Indenture and hereinafter referred to as the "Master Indenture Pledged Assets") as collateral. We have also examined the results of Uniform Commercial Code lien searches naming the Corporation as debtor (the "UCC Search Reports") conducted by _____ of the records of the SCC through _____, 2017, the Clerk's Office through _____, 2017.

Based solely on our examination of the Deed of Trust, the Master Indenture, the Financing Statements and the UCC Search Reports, we are of the opinion that:

1. The Deed of Trust creates in favor of the Master Trustee a valid security interest in all right, title and interest of the Corporation in those items and types of the Deed of Trust Pledged Assets which are described in the Deed of Trust in which a security interest may be created pursuant to the provisions of Article 9 of the Virginia UCC. The filing of the Deed of Trust Financing Statement with the Clerks' Office and the SCC is sufficient to perfect the security interest granted under the Deed of Trust in those items and types of the Deed of Trust Pledged Assets in which a security interest therein may be created pursuant to the provisions of Article 9 of the Virginia UCC to the extent that a security interest therein may be perfected by the filing in the Clerks' Offices and the SCC, as appropriate, of a financing statement under Article 9 of the Virginia UCC. Based on the UCC Search Reports, no financing statements have been filed since _____, 2016, with the Clerks' Office or the SCC naming the Corporation as debtor that describe the Deed of Trust Pledged Assets as collateral, and the UCC Search Reports through their respective dates do not disclose any lien or security interest with respect to the Deed of Trust Pledged Assets that takes priority over the security interests therein created by the Deed of Trust.

2. The filing of the Master Indenture Financing Statement with the SCC is sufficient to perfect the security interest granted under the Master Indenture in those items and types of the Master Indenture Pledged Assets in which a security interest therein may be created pursuant to the provisions of Article 9 of the Virginia UCC to the extent that a security interest therein may be perfected by the filing in the SCC of a financing statement under Article 9 of the Virginia UCC. Based on the UCC Search Reports, no financing statements have been filed since _____, 2016, with the Clerks' Office or the SCC naming the Corporation as debtor that describe the Master Indenture Pledged Assets as collateral, and the UCC Search Reports through their respective dates

do not disclose any lien or security interest with respect to the Master Indenture Pledged Assets that takes priority over the security interests therein created by the Master Indenture.

3. The Deed of Trust is in appropriate form for recording with the Clerks' Offices.

With respect to the opinions set forth in paragraphs 1 and 2 of this Part III, we have assumed that: (1) none of the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets consists or will consist of as-extracted collateral, farm products or timber to be cut; (2) the Corporation has (and, at the time the Financing Statements were filed, had) rights in the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets, and value has been given to the Corporation; (3) the Financing Statements give the correct name and mailing address of the Master Trustee; and (4) the Financing Statements will be duly filed and properly indexed in the Clerks' Office and the SCC, as appropriate. We express no opinion as to the Corporation's title to or rights in any property and, except as expressly provided in paragraphs 1 and 2 of this Part III, we express no opinion as to the creation, perfection or priority of any security interest, lien or other encumbrance in or on any of its assets.

Without limiting the generality of the foregoing, the opinions expressed in paragraphs 1 and 2 of this Part III are expressly subject to: (1) the limitation that a security interest would continue in the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets after its sale, lease, license, exchange or other disposition and in the proceeds thereof only to the extent provided in Section 9A-315 of the Virginia UCC; (2) the limitation that Section 552 of the Bankruptcy Code of 1978, as amended, may affect the validity of such security interest as to the Deed of Trust Pledged Assets and the Master Indenture Pledged Assets acquired after the commencement of a proceeding thereunder; (3) the requirement that continuation statements be filed in accordance with the provisions of Section 9A-515 of the Virginia UCC and the facts applicable to the financing statements in the same office where the original financing statements were filed in order to maintain the effectiveness of the financing statements; (4) the requirement that amendments to the financing statements be filed within four months after the debtor so changes its name as to cause any filed financing statement to become seriously misleading; (5) the limitation expressed in Section 9A-316 of the Virginia UCC that perfection will lapse as to a security interest in any of the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets, the perfection of which is based upon the location of the debtor, upon the expiration of four months after a change in such debtor's location to another jurisdiction, unless the security interest in the Deed of Trust Pledged Assets or the Master Indenture Pledged Assets, as the case may be, is perfected in such collateral prior to the expiration of such four month period; and (6) the limitation that the security interest shall lapse pursuant to Sections 9A-320(a) and 9A-330 of the Virginia UCC as to inventory, chattel paper or instruments sold in the ordinary course of business.

PART IV

The foregoing opinions are subject to the following additional limitations and qualifications:

1. Our opinions are based solely upon the laws of the Commonwealth of Virginia (without giving effect to Virginia's principles of conflict of laws), and we express no opinion based upon the laws of any other state.

2. We express no opinion as to (1) compliance with federal securities laws, regulations, and judicial and agency decisions relating to registration or qualification of securities, and (2) compliance with the registration or qualification requirements of any state securities or "Blue Sky" laws of any state (including the Commonwealth of Virginia) or the District of Columbia.

3. Whenever an opinion herein is qualified by the phrase "to our knowledge" or any similar phrase implying a limitation on the basis of knowledge, it is intended to indicate that the individuals in the firm working on the transaction or having substantial involvement with the Corporation have no current actual knowledge of such matters. We have not, however, undertaken any independent investigation or due diligence to determine such matters and no inference as to our knowledge of the existence or nonexistence of such matters should be drawn from the fact of our representation of the Corporation.

We are furnishing this opinion to you solely for your benefit and only with respect to the specific transactions contemplated by the Documents, and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose, in each instance without our prior written consent. Further, we do not undertake to advise you of any changes in the opinions expressed herein resulting from matters that might hereafter come or be brought to our attention.

Very truly yours,

Form of Supplemental Opinion of Bond Counsel

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

[____], 2017

B.C. Ziegler and Company
Richmond, Virginia

Davenport & Company, LLC
Richmond, Virginia

\$ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A

Ladies and Gentlemen:

Reference is made to our opinion delivered today as Bond Counsel (the "Bond Opinion") relating to the issuance by the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), of its \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"). We hereby advise you that we now deliver the Bond Opinion for your benefit as well as for the benefit of the Authority, and you are entitled to rely upon the Bond Opinion as if it were addressed to you. Any capitalized terms contained herein and not otherwise defined shall have the meaning set forth in the Bond Opinion.

At your request, we have undertaken a review of certain other matters pertaining to the Bonds. We have reviewed the Bond Purchase Agreement dated [____], 2017 (the "Bond Purchase Agreement"), between you, the Authority and Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the "Corporation"). We have reviewed certain portions described below of the Official Statement of the Authority dated [____], 2017 (the "Official Statement"), and have discussed certain statements therein with representatives of the Corporation, its counsel, your representatives and your counsel. We have also reviewed certified copies of proceedings of the Authority with respect to the Bond Purchase Agreement and the Official Statement, as well as such other papers we deem necessary for purposes of the opinions expressed below. We have not verified and are not passing upon and do not assume any responsibility for the accuracy and completeness of the statements contained in the Official Statement, except to the extent indicated in paragraph 2 below.

Based on the foregoing, in accordance with customary opinion practice, we hereby advise you that:

1. In our opinion, the Bond Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a valid and legally binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, by principles of equity, whether considered at law or in equity, and by public policy as expressed in applicable securities laws or otherwise. The enforceability of any indemnity provision in the Bond Purchase Agreement may be limited by principles of public policy or applicable securities laws.

2. The statements contained in the Official Statement under the captions "THE SERIES 2017A BONDS," "SECURITY FOR THE SERIES 2017A BONDS," "TAX EXEMPTION," "FINANCING DOCUMENTS AND SELECTED COVENANTS" and "CONTINUING DISCLOSURE" and in Appendices C and D thereto, insofar as such statements summarize the laws of the United States and of the Commonwealth of Virginia and the terms of the Bonds, the Bond Indenture, the Master Indenture, the Supplement, the Note, the Loan Agreement and the Deed of Trust, are fair and accurate summaries thereof in all material respects.

3. Except as set forth in paragraph 2, we have not been retained to confirm or to verify, and do not express an opinion as to, the accuracy, completeness or fairness of any information in the Official Statement.

We are furnishing this letter solely for your benefit. It is not to be relied upon by any other person or firm.

Very truly yours,

6376/7921/1791

Form of Underwriters' Counsel Opinion

[_____], 2017

B.C. Ziegler and Company, on behalf of
itself and Davenport & Company LLC,
as underwriters
Richmond, Virginia

**§ _____
Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington),
Series 2017A**

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), of its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Bonds"), subject to the terms and conditions set forth in a Bond Purchase Agreement dated [_____], 2017, among you, the Authority and Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Corporation"), a not-for-profit Virginia nonstock corporation.

In our capacity as your counsel, we have examined an executed copy of the Official Statement dated [_____], 2017 (the "Official Statement"), relating to the Bonds and executed or conformed copies of certain of the documents referred to therein. We also have examined certain proceedings of the Authority and the Corporation, and originals or copies identified to our satisfaction of such agreements, instruments, opinions, certificates and other documents as we have deemed necessary for purposes of the advice contained in this letter. We have assumed the genuineness of signatures on documents submitted to us as originals, the authenticity thereof and the conformity with the originals of any documents submitted to us as copies or specimens.

We have also examined the Official Statement generally and have discussed certain statements contained therein with representatives of the Authority and the Corporation, bond counsel, counsel to the Authority, independent certified public accountants and your representatives.

On the basis of the foregoing, we advise you that although we have not verified, are not passing upon and do not assume any responsibility for the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention during the course of our review and discussion of the Official Statement with the above-referenced parties that would cause us to believe that the Official Statement, on the date thereof or on this date, contains any

untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Our advice in this paragraph does not apply to (1) any financial statements or financial or statistical data, forecasts, numbers, estimates, assumptions or expressions of opinion contained or incorporated by reference in the Official Statement, (2) the summaries of documents, conclusions or opinions contained in the Official Statement and addressed by bond counsel in a supplemental opinion to you dated the date hereof or (3) the information contained in the Official Statement relating to the Depository Trust Company and its book-entry only system, as to all of which no advice is given.

This letter is solely for the information of, and assistance to, you and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds, except that reference to our letter may be made in the Official Statement or any other document and reference to and a copy of this letter may be made or included, as applicable, in any list of closing documents pertaining to the sale of the Bonds.

Very truly yours,

Form of Issue Price Certificate

\$_____ Industrial Development Authority of the City of Lexington, Virginia Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of B.C. Ziegler and Company, as the representative (the "**Representative**") of the underwriters (the "**Underwriting Group**") of the above-captioned obligations (the "Bonds"), hereby certifies as set forth below with respect to the execution and delivery of the Bonds.

1. **Purchase Contract.** The Representative, the Issuer and the Borrower have entered into a Bond Purchase Agreement dated _____, 2017 (the "Purchase Contract") in connection with the Bonds. The Purchase Contract has not been modified since its execution on the Sale Date.

2. **Sale of the [General Rule Maturities] [the Bonds].** As of the date of this certificate, for each Maturity of the [Bonds] [General Rule Maturities], the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

3. **[Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, each member of the Underwriting Group has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

4. ***Defined Terms.***

(a) *Borrower* means Lexington Retirement Community, Inc., d/b/a Kendal at Lexington.

(b) [*General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."]

(c) [*Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."]

(d) [*Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriting Group has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(e) *Issuer* means the Industrial Development Authority of the City of Lexington, Virginia.

(f) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(g) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2017.

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representatives interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer and the Borrower with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal

Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer and the Borrower from time to time relating to the Bonds.

Dated: December __, 2017

B.C. ZIEGLER AND COMPANY,
d/b/a Ziegler Capital Markets Group,
on its own behalf and on behalf of Davenport &
Company LLC

By: _____
Thomas Brewer
Managing Director

SCHEDULE A

**SALE PRICES OF THE [BONDS] [GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE
MATURITIES]**

[SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

FISCAL IMPACT STATEMENT

November 29, 2017
Date

Lexington Retirement Community, Inc. d/b/a Kendal at Lexington
(Name of Applicant)

Residential Care Facilities
(Facility)

1. Maximum amount of financing sought	\$44,000,000
2. Estimated taxable value of the facility's real property to be constructed in the municipality	\$ 5,400,000
3. Estimated real property tax per year using present tax rates	\$ 60,000
4. Estimated personal property tax per year using present tax rates	\$ 20,000
5. Estimated merchants' capital tax per year using present tax rates	N/A
6. a. Estimated dollar value per year of goods that will be purchased from Virginia companies within the locality	\$ 270,000
b. Estimated dollar value per year of goods that will be purchased from non-Virginia companies within the locality	\$ 270,000
c. Estimated dollar value per year of services that will be purchased from Virginia companies within the locality	\$ 135,000
d. Estimated dollar value per year of services that will be purchased from non-Virginia companies within the locality	\$ 135,000
7. Estimated number of regular employees on year round basis	Existing: 163 New: 12
8. Average annual salary per employee	Existing: \$38,800 New: \$25,500

Authority Chairman

Industrial Development Authority of the City of Lexington, Virginia
Name of Authority

In completing this Fiscal Impact Statement, the Authority has relied upon representations made by the Applicant.

Lexington
Virginia



Industrial Development Authority (IDA)

ISSUER CERTIFICATION LETTER

August 31, 2016

U. S. Bank National Association
Attn: Bill Michie
1021 E. Cary Street, Suite 1850
Richmond, Virginia 23219

Re: Industrial Development Authority of the City of Lexington, Virginia, Residential Care Facility
Refunding Revenue Bonds (Kendal at Lexington), Series 2016

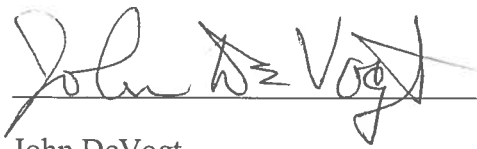
Dear Bill:

You are hereby directed to subscribe for and purchase U. S. Treasury State and Local Government Series ("SLGS") securities pursuant to instructions dated August 31, 2016 provided by B.C. Ziegler & Company. The SLGS are to be issued on October 5, 2016 and are to be purchased in the name of the Industrial Development Authority of the City of Lexington, Virginia (the "Issuer") using the following Tax Identification Number: 54-6001392.

This is to certify that, in connection with the above captioned issue of Bonds, the Issuer has **not** (i) purchased or directed U.S. Bank National Association to subscribe for or purchase SLGS with any amount received from the sale or redemption (at the option of the holder) before maturity of any marketable security (including, but not limited to, any securities held in any debt service fund or debt service reserve fund established with respect to bonds being refunded) if the yield on such SLGS exceeds the yield at which such marketable security is sold or redeemed nor (ii) invested (or directed U.S. Bank National Association to invest) any amount received from the redemption before maturity of a Time Deposit security (other than a Zero Percent Time Deposit security) at a yield that exceeds the yield that is used to determine the amount of redemption proceeds for such Time Deposit security.

Very truly yours,

Industrial Development Authority of the City of Lexington, Virginia

By: 

Name: John DeVogt

Title: Chairman of the Industrial Development Authority

BOND PURCHASE AND LOAN AGREEMENT

among

**INDUSTRIAL DEVELOPMENT AUTHORITY OF
THE CITY OF LEXINGTON, VIRGINIA, as Issuer,**

STI INSTITUTIONAL & GOVERNMENT, INC., as Lender,

SUNTRUST BANK, as Escrow Agent

and

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington, as Borrower**

Dated as of December 1, 2017

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THIS BOND PURCHASE AND LOAN AGREEMENT is dated as of December 1, 2017, and is between the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia, as issuer (the “Authority”), **STI INSTITUTIONAL & GOVERNMENT, INC.**, as lender (the “Lender”), **SUNTRUST BANK**, as escrow agent (the “Escrow Agent”), and **LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a Kendal at Lexington**, a not-for-profit Virginia nonstock corporation, as borrower (the “Borrower”).

WITNESSETH:

WHEREAS, the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), authorizes the creation of industrial development authorities in several counties, cities and towns in Virginia and empowers such authorities, among other things, to acquire, improve, maintain, equip, own and sell and make loans with respect to facilities for the residence and care of the aged to the end that the Authority shall protect and promote the health and welfare of the inhabitants of the Commonwealth of Virginia, and further authorizes such authorities to issue their bonds for the purpose of carrying out any of their powers, and to pledge the revenues and receipts from loans with respect thereto, or from any other source, to the payment of such bonds;

WHEREAS, in order to further the purposes of the Act, the Authority has determined to issue its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A, in the aggregate principal amount of \$_____ (the “Series 2017A Bonds”), pursuant to a Bond Indenture dated as of October 1, 2016, between the Authority and U.S. Bank National Association, as trustee, as supplemented and amended, and to loan the proceeds thereof to the Borrower pursuant to a Loan Agreement dated as of October 1, 2016, as supplemented and amended;

WHEREAS, contemporaneously with the issuance of the Series 2017A Bonds, at the request of the Borrower, the Authority proposes to issuance and sell to the Lender, and the Lender proposes to purchase from the Authority, the Authority’s Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B, in the aggregate principal amount of \$_____ (the “Bond” and, together with the Series 2017A Bonds, the “Series 2017 Bonds”), and the Authority will loan the proceeds thereof to the Borrower;

WHEREAS, the proceeds of the Series 2017 Bonds will be used, together with other available funds, to (1) pay costs of the Series 2017 Project, as defined herein, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017 Bonds, (3) fund interest on the Series 2017[A] Bonds prior to, during and up to one year after completion of the Series 2017 Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures;

WHEREAS, the Authority intends to loan the proceeds from the sale of the Bond to the Borrower pursuant to this Agreement; and the Borrower intends to issue and deliver to the Authority the Note, as hereinafter defined, in order to evidence the Borrower’s obligation to repay such loan;

WHEREAS, the Authority intends for the Bond to be secured by the assignment to the Lender of the Note; and

WHEREAS, the Authority, the Lender and the Borrower desire to set forth the terms and conditions with respect to such financing;

NOW, THEREFORE, the parties hereby agree as follows:

**ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION**

Section 1.1 Definitions.

Each capitalized term used and not defined in this Agreement has the meaning given to it in the Master Indenture, as hereinafter defined. In addition to other terms defined elsewhere in this Agreement, the following terms shall have the following meanings in this Agreement unless the context otherwise requires:

“501(c)(3) Organization” means an organization described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) of the Code.

“Act” means the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended.

“Agreement” means this Bond Purchase and Loan Agreement, including any amendments hereto.

“Authority” means the Industrial Development Authority of the City of Lexington, Virginia, and its successors and assigns.

“Authorized Representative” means any person or persons designated to act on behalf of the Borrower by certificate signed by the Executive Director, Finance Manager, President or a Vice President of the Borrower and filed with the Authority and the Lender. Initially, the Authorized Representative shall be the Finance Manager and the Executive Director of the Borrower.

“Authorizing Resolution” means the resolution of the Authority adopted on November 29, 2017, approving, among other things, the issuance, sale and award of the Bond to the Lender on the Closing Date.

“Bond” means the Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B, issued by the Authority pursuant to this Agreement, in a principal amount of \$_____ and substantially in the form attached as Exhibit A.

“Bond Counsel” means Hunton & Williams LLP, or other nationally recognized bond counsel satisfactory to the Lender.

“Borrower” means Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation, and its successors and assigns.

“Business Day” a day on which the Lender is open for business and on which dealings in U.S. dollar deposits are carried on in the London Inter-Bank Market.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following of general applicability: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or, pursuant to the accord commonly referred to as “Basel III” or the United States or foreign regulatory authorities, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“Closing Date” means the date of the Bond.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings thereunder.

“Control” means the power, directly or indirectly, to direct or cause the direction of the management and policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling”, “Controlled by”, and “under common Control with” have meanings correlative thereto.

“Cost of Issuance Account” means the account of that name established in the Project Fund pursuant to Section 4.1.

“Cost of the Project” means costs related to the acquisition, construction, equipping and renovation of the Series 2017 Project, including, without limitation, the following:

(a) The cost of land and improvements thereon constituting part of the Series 2017 Project;

(b) The cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the acquisition, design, construction and equipping of the Series 2017 Project;

(c) Governmental charges levied or assessed during construction of the Series 2017 Project or upon any property acquired therefor, and premiums on insurance in connection with the Series 2017 Project during construction of the Series 2017 Project;

(d) Fees and expenses of architects and engineers for estimates, surveys and other preliminary investigations, preparation of plans, drawings and specifications and supervision of the Series 2017 Project, as well as for the performance of all other duties of architects and engineers in relation to the acquisition, design and construction of the Series 2017 Project or the issuance of the Bond;

(e) Interest on the Bond allocable to the Series 2017 Project incurred prior to and during construction of the Series 2017 Project and up to one year thereafter; and

(f) Reimbursement to the Borrower for any of such costs paid by it, whether before or after the execution of this Agreement, provided, however, that reimbursement for any expenditure made prior to the execution of this Agreement 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.

“Costs of Issuance” means any legal, accounting or financial advisory fees and expenses, including, without limitation, fees and expenses of Bond Counsel and counsel to the Authority, the Borrower, the Lender, any fees and expenses of the Authority or any Lender, filing fees, and printing and engraving costs, incurred in connection with the authorization, issuance, sale and purchase of the Note or the Bond, and the preparation of the Financing Instruments and all other documents in connection with the authorization, issuance and sale of the Bond.

“Deed of Trust” means the Second Amended and Restated Credit Line Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of October 1, 2016, from the Borrower, for the benefit of the Master Trustee, as mortgagee, as security for all Obligations issued under the Master Indenture, as the same may be supplemented or amended from time to time in accordance with its respective terms.

[“Default Rate” means the lesser of (1) the sum of the Prime Rate plus % per annum and (2) the maximum lawful rate.]

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental investigation and remediation, costs of administrative oversight, fines, natural resource damages, penalties or indemnities), of the Borrower or any Affiliate directly or indirectly resulting from or based upon (a) any actual or alleged violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any actual or alleged exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time, and any successor statute thereto and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means any person that for purposes of Title I or Title IV of ERISA or Section 412 of the Code would be deemed at any relevant time to be a “single employer” or otherwise aggregated with the Borrower or other Member of the Obligated Group (if any) under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

“ERISA Event” means (i) any “reportable event” as defined in Section 4043 of ERISA with respect to a Plan (other than an event as to which the PBGC has waived under subsection .22, .23, .25, .27 or .28 of PBGC Regulation Section 4043 the requirement of Section 4043(a) of ERISA that it be notified of such event); (ii) any failure to make a required contribution to any Plan that would result in the imposition of a lien or other encumbrance or the provision of security under Section 430 of the Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance, there being or arising any “unpaid minimum required contribution” or “accumulated funding deficiency” (as defined or otherwise set forth in Section 4971 of the Code or Part 3 of Subtitle B of Title 1 of ERISA), whether or not waived, or any filing of any request for or receipt of a minimum funding waiver under Section 412 of the Code or Section 303 of ERISA with respect to any Plan or Multiemployer Plan, or that such filing may be made, or any determination that any Plan is, or is expected to be, in at-risk status under Title IV of ERISA; (iii) any incurrence by the Borrower, any other Member of the Obligated Group (if any) or any of their respective ERISA Affiliates of any liability under Title IV of ERISA with respect to any Plan or Multiemployer Plan (other than for premiums due and not delinquent under Section 4007 of ERISA); (iv) any institution of proceedings, or the occurrence of an event or condition which would reasonably be expected to constitute grounds for the institution of proceedings by the PBGC, under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (v) any incurrence by the Borrower, any other Member of the Obligated Group (if any) or any of their respective ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan, or the receipt by the Borrower, any other Member of the Obligated Group (if any) or any of their respective ERISA Affiliates of any notice that a Multiemployer Plan is in endangered or critical status under Section 305 of ERISA; (vi) any receipt by the Borrower, any other Member of the Obligated Group (if any) or any of their respective ERISA Affiliates of any notice, or any receipt by any Multiemployer Plan from the Borrower, any other Member of the Obligated Group (if any) or any of their respective ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (vii) engaging in a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA; or (viii) any filing of a notice of intent to terminate any Plan if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA, any filing under Section 4041(c) of ERISA of a notice of intent to terminate any Plan, or the termination of any Plan under Section 4041(c) of ERISA.

“Escrow Agent” means SunTrust Bank, its successors and assigns.

“Event of Default” means any of the events set forth in Section 9.1.

“Event of Taxability” means (i) a Change in Law that changes the ability of the holder to exclude all or a portion of the interest on the Bond from its gross income for federal income tax purposes [(but excluding changes in the marginal corporate tax rates applicable to the Lender or prior Lender to which the provisions of Section ___ shall apply)], or (ii) a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest paid or payable on all or a portion of the Bond is or was includable in the gross income of the Lender for federal income tax purposes; provided, that no such decree, judgment, or action will be considered final for these purposes, however, unless the Borrower has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Lender, and until the conclusion of any appellate review, if sought.

Such an Event of Taxability shall mean and shall be deemed to have occurred on the first to occur of the following:

(a) on the effective date of any change of law that that changes the ability of the holder to exclude all or a portion of the interest on the Bond from its gross income for Federal income tax purposes;

(b) on that date when the Borrower or the Authority files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(c) on the date when the Lender or any prior Lender notifies the Borrower that it has received a written opinion by any attorney or firm of attorneys of recognized standing on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within 180 days after receipt by the Borrower of such notification from such Lender or any prior Lender, the Borrower shall deliver to each Lender and prior Lender (A) a ruling or determination letter issued to or on behalf of the Borrower by the Director or any District Director of Internal Revenue (or any other governmental official exercising the same or a substantially similar function from time to time) or (B) a written opinion by an attorney or firm of attorneys or recognized standing on the subject of tax-exempt municipal finance to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(d) on the date when the Borrower or the Authority shall be advised in writing by the Director or any District Director of Internal Revenue (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Borrower or the Authority or upon any review or audit of the Borrower or upon any other ground whatsoever, an Event of Taxability shall have occurred;

(e) on that date when the Borrower shall receive notice from the Lender or prior Lender that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Lender or any prior Lender the interest on the Bond paid to such Lender or prior Lender due to the occurrence of an Event of Taxability (a “Determination of Taxability”); provided, however, that no Event of Taxability shall occur under clauses (c) or (d) above unless

the Borrower has been afforded the opportunity, at its expense, to contest any such assessment; and provided further that no Event of Taxability shall occur until such contest, if made, has been finally determined; and provided further that upon demand from any Lender or any prior Lender, the Borrower shall immediately reimburse such Lender or prior Lender for any payments such Lender (or any prior Lender) shall be obligated to make as a result of the Determination of Taxability during any such contest; or

(f) on the date when the Borrower shall be advised in writing of a final decree or judgment from a court holding that an Event of Taxability shall have occurred.

“Existing Facilities” means the continuing care retirement facilities and facilities ancillary thereto owned and operated by the Borrower on the date of execution and delivery of this Agreement.

“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 and operated by or on behalf of any Member, but excluding Excluded Real Property, as defined in the Master Indenture.

“Financing Instruments” means this Agreement, the Bond, the Note, the Supplemental Indenture, the Second Supplement to Deed of Trust, and any other documents evidencing, securing or pertaining to the Indebtedness evidenced by the Bond and the Note.

“Fiscal Year” has the meaning set forth in the Master Indenture.

“Force Majeure” means events occasioned by strikes, lock-outs, war or civil disturbance, natural disaster or acts of God which cause a delay in the Borrower’s performance of an obligation; provided, however, that the Borrower must give written notice to the Lender within ten (10) days after the occurrence of an event which it believes to constitute an event of Force Majeure.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Indebtedness” shall have the same meaning as set forth in the Master Indenture.

“Interest Period” means a period of one (1) month, provided that (a) the initial Interest Period may be less than one month, depending on the initial funding date and (b) no Interest Period shall extend beyond the maturity date of the Note.

“Interest Rate” means a per annum rate equal to (a) 67.0% of the sum of LIBOR plus 0.50%, multiplied, prior to the occurrence of a Determination of Taxability, by (b) the Margin Rate Factor.

“Interest Rate Determination Date” means the first Business Day of the calendar month in which the Note is funded and the first Business Day of each calendar month thereafter.

“Lender” means STI Institutional & Government, Inc., as holder of the Bond, or any subsequent holder thereof.

“LIBOR” means that rate per annum effective on any Interest Rate Determination Date which is equal to the quotient of: (i) the rate per annum equal to the offered rate for deposits in U.S. Dollars for a one (1) month period, which rate appears on that page of Reuters reporting service, or such similar service as determined by the Lender, that displays ICE Benchmark Administration (“ICE”) (or any successor thereto if ICE is no longer making a London Interbank Offered Rate available) interest settlement rates for deposits in U.S. Dollars as of 11:00 a.m. (London, England time) two (2) Business Days prior to the Interest Rate Determination Date; provided, that if no such offered rate appears on such page, the rate used for such Interest Period will be the per annum rate of interest determined by the Lender to be the rate at which U.S. dollar deposits for the Interest Period, are offered to the Lender in the London Interbank Market as of 11:00 a.m. (London, England time), on the day which is two (2) Business Days prior to the Interest Rate Determination Date, divided by (ii) a percentage equal to 1.00 *minus* the maximum reserve percentages (including any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upward to the next 1/100th of 1%) in effect on any day to which the Lender or an Affiliate thereof is subject with respect to any LIBOR loan pursuant to regulations issued by the Board of Governors of the Federal Reserve System with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities” under Regulation D). This percentage will be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Margin Rate Factor” means the fraction the numerator of which is equal to one (1) minus the Maximum Federal Corporate Tax Rate on the date of calculation and the denominator of which is 0.65. The Margin Rate Factor shall be 0.65/0.65 or 1.0 so long as the Maximum Federal Corporate Tax Rate shall be 35%, and thereafter shall increase from time to time effective as of the effective date of any decrease in the Maximum Federal Corporate Tax Rate.

“Master Indenture” means the Master Trust Indenture dated as of October 1, 2016, between the Borrower and the Master Trustee, as previously supplemented and amended and as supplemented by the Supplemental Indenture and as supplemented and amended from time to time.

“Master Trustee” means U.S. Bank National Association, as master trustee under the Master Indenture.

“Material Adverse Effect” means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singularly or in conjunction with any other

event or events, act or acts, condition or conditions, occurrence or occurrences whether or not related, a material adverse change in, or a material adverse effect on, (a) the business, results of operations, financial condition, assets, liabilities or prospects of the Borrower or of the Borrower and Members of the Obligated Group taken as a whole, (b) the ability of the Borrower to perform any of its obligations under the Financing Instruments, (c) the rights and remedies of the Lender under any of the Financing Instruments or (d) the legality, validity or enforceability of any of the Financing Instruments.

“Maturity Date” means December __, 2022.

“Maximum Federal Corporate Tax Rate” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Lender, the maximum statutory rate of federal income taxation which could apply to the Lender). The Maximum Federal Corporate Tax Rate on the date of execution of this Agreement is 35%.

“Multiemployer Plan” means any “multiemployer plan” as defined in Section 4001(a)(3) of ERISA, which is contributed to by (or to which there is or may be an obligation to contribute of) the Borrower, any of its Subsidiaries or an ERISA Affiliate, and each such plan for the five-year period immediately following the latest date on which the Borrower, any of its Subsidiaries or an ERISA Affiliate contributed to or had an obligation to contribute to such plan.

“Net Proceeds” means the gross proceeds from any insurance recovery or condemnation award remaining after payment of attorney’s fees, fees and all other expenses incurred in the collection of such gross proceeds.

“Note” means the promissory note of the Borrower in the principal amount of the Bond issued as the Series 2017B Obligation pursuant to the Master Indenture and the Supplemental Indenture.

“Payment of the Bond” means payment in full of the Bond and the making in full of all other Required Payments due and payable at the time of such payment.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA, and any successor entity performing similar functions.

“Permitted Investments” shall mean:

(a) Bonds, notes and other evidences of indebtedness of the United States of America, securities unconditionally guaranteed as to the timely payment of principal and interest by the United States of America and certificates representing ownership of either Treasury bond principal at maturity or its coupons for accrued periods, provided that the underlying Treasury bond or coupons are held by a bank or trust company;

(b) Bonds, notes and other evidences of indebtedness of the Federal National Mortgage Association, Federal Home Loan Banks, Federal Land Banks, Federal Farm Credit Banks, Federal Intermediate Credit Banks and Federal Banks for Cooperatives;

(c) Bonds, notes and other evidences of indebtedness of the State and securities unconditionally guaranteed as to the timely payment of principal and interest by the State;

(d) Bonds, notes and other evidences of indebtedness that are direct general obligations of any county, city, town, district, authority or other public body of the State upon which there is no default, and revenue bonds issued by agencies or authorities of the State or its political subdivisions upon which there is no default;

(e) Bonds, notes and other evidences of indebtedness of any state of the United States of America upon which there is no default and which comply with the requirements of Virginia Code Section 26-40(3) or any successor provision of law;

(f) Bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States of America upon which there is no default and which comply with the requirements of Virginia Code Section 26-40(5) or any successor provision of law;

(g) Commercial paper with a maturity of 270 days or less which complies with the requirements of Virginia Code Section 2.2-4502 or any successor provision of law;

(h) Time deposits, certificates of deposit or other interest bearing accounts of any commercial bank within the State that is approved for the deposit of funds of the State or any political subdivision thereof, provided that (1) such investments are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, or (2) such investments are fully insured by the Federal Deposit Insurance Corporation or any successor Federal agency, and (3) no such investments shall be made for a period in excess of five years;

(i) Savings accounts and certificates of savings and loan associations that are under the supervision of the State and are approved for the deposit of funds of the State or any political subdivision thereof, or Federal associations organized under the laws of the United States and under Federal supervision that are approved for deposit of funds of the State or any political subdivision thereof, provided that (1) such investments are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, or (2) such investments are fully insured by the Federal Savings and Loan Insurance Corporation or any successor Federal agency, and (3) no such investments shall be made for a period in excess of five years; and

(j) Any other investment approved by the Lender.

“Person” means any individual, partnership, limited liability company, corporation, association, joint venture, trust or other entity, or any Governmental Authority.

“Plan” means any “employee benefit plan” as defined in Section 3 of ERISA (other than a Multiemployer Plan) maintained or contributed to by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate has or may have an obligation to contribute, and each such plan that is subject to Title IV of ERISA for the five-year period immediately following the latest date on which the Borrower or any ERISA Affiliate maintained, contributed to or had an obligation to contribute to (or is deemed under Section 4069 of ERISA to have maintained or contributed to or to have had an obligation to contribute to, or otherwise to have liability with respect to) such plan.

“Prime Rate” means the per annum rate which the Lender’s affiliate SunTrust Bank announces from time to time to be its prime rate, as in effect from time to time. The prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. The Lender’s affiliate SunTrust Bank may make commercial loans or other loans at rates of interest at, above or below the prime rate. Each change in the prime rate shall be effective from and including the date such change is announced as being effective.

“Project Fund” means the Project Fund established by Section 4.1

“Regulation T” means Regulation T of the Board of Governors of the Federal Reserve System.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System.

“Regulation X” means Regulation X of the Board of Governors of the Federal Reserve System.

“Related Person” means (a) an organization that is under common management or Control with another organization, or (b) a related person, as defined in Section 144(a)(3) of the Code or Section 145(b)(3) of the Code.

“Release” means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

“Required Payment” means any payment of money required under the terms of the Financing Instruments to be made by the Borrower for its own account or for the account of the Authority.

“Restricted Gifts” shall mean any gift or other contribution to the Borrower that is expressly restricted by the donor thereof to be expended exclusively on a particular portion of the Series 2017 Project.

“Sanctioned Country” shall mean, at any time, a country or territory that is, or whose government is, the subject or target of any Sanctions.

“Sanctioned Person” shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC or the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

“Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by OFAC or the U.S. Department of State.

“Second Supplement to Deed of Trust” means the _____.

“Series 2017 Project” shall consist of the acquisition, construction and equipping of an expansion and renovation to the Facility including, but not limited to, (a) 30 new independent living cottages (approximately 76,995 total square feet) consisting of 20 single-family homes and 5 duplex homes and including related covered porches and garages, (b) an expansion (of approximately 2,691 total square feet) and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion (of approximately 11,305 total square feet) and renovation to the existing Benjamin Borden Health Center, (d) an expansion (of approximately 4,649 total square feet) and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new emergency road access to the Facility, (f) the construction of a new maintenance facility (of approximately 1,538 total square feet) and (g) the lowering of the road at the main entrance.

“Supplemental Indenture” means the Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 between the Borrower and the Master Trustee, supplementing the Master Indenture.

“Taxable Period” means the period of time between (a) the date that interest on the Bond is deemed to be includable in the gross income of the owner thereof for federal income tax purposes as a result of an Event of Taxability, and (b) the date of the Event of Taxability and after which the Bond bears interest at the Taxable Rate.

“Taxable Rate” means the interest rate per annum that shall provide the Lender with the same after tax yield that the Lender would have otherwise received had the Event of Taxability not occurred, taking into account the increased taxable income of the Lender as a result of such Event of Taxability. The Lender shall provide the Borrower with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Borrower and the Authority.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including an interest, additions to tax or penalties applicable thereto.

“Tax-Exempt Bond” means an obligation the interest on which is excluded from gross income for federal income tax purposes and shall include any interest in a regulated investment company to the extent provided in Treasury Regulations Section 1.150-1(b); provided, however, that no specified private activity bond (as defined in Section 57(a)(5)(C) of the Code) shall be deemed to be a Tax-Exempt Bond.

“Trade or Business” means a trade or business as such term is used in Section 141(b)(6) of the Code.

“Unrelated Trade or Business” means a Trade or Business of a 501(c)(3) Organization that is an unrelated trade or business (determined by applying Section 513(a) of the Code) of such 501(c)(3) Organization.

“Virginia Code” means the Code of Virginia of 1950, as amended.

Section 1.2 Rules of Construction.

The following rules shall apply to the construction of the Financing Instruments unless the context otherwise requires:

(a) Words importing the singular number shall include the plural number and vice versa, and any gender shall connote any other gender.

(b) All references in a Financing Instrument to particular articles or sections are references to articles or sections of such Financing Instrument unless otherwise indicated.

(c) The headings and Table of Contents in any Financing Instrument are solely for convenience of reference and shall not constitute a part of such Financing Instrument, nor shall they affect its meaning, construction or effect.

(d) Words importing the prepayment or calling for prepayment of the Bond shall not be deemed to refer to or connote the payment of the Bond at its stated maturity.

(e) All accounting terms used in any Financing Instrument which are not expressly defined therein shall have the meanings respectively given to them in accordance with generally accepted accounting principles. All financial computations made pursuant to any Financing Instrument shall be made in accordance with generally accepted accounting principles consistently applied, and all balance sheets and other financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied.

ARTICLE II REPRESENTATIONS AND FINDINGS

Section 2.1 Representations and Findings by Authority.

The Authority makes the following representations and findings as the basis for its undertakings hereunder:

(a) The Authority is duly organized under the Act and has the power to (1) enter into this Agreement, (2) assign the Note to the Lender, (3) issue the Bond to finance the Series 2017 Project and (4) carry out its other obligations in connection therewith pursuant to this Agreement. The Existing Facilities and the Series 2017 Project constitute facilities authorized to be financed under the Act and in furtherance of the purposes for which the Authority was organized.

(b) The Authority has duly authorized the execution and delivery of this Agreement, the assignment of the Note, the performance of its obligations hereunder and the issuance of the Bond and, simultaneously with the execution and delivery of this Agreement, has issued and sold the Bond.

(c) The Authority is not in default in the payment of the principal of or interest on any of its material indebtedness for borrowed money and is not in default under any instrument under or subject to which any material 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, to its knowledge, 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; provided, however, that this representation does not include a default with respect to other financings in which the Authority has acted as “conduit” issuer for other public or private entities not affiliated with the Borrower, wherein a default by such public or private entity would not have a material effect on the credit of the Authority or of the Borrower. The execution and delivery by the Authority of this Agreement, the issuance of the Bond and the assignment of the Note and the compliance with the terms and conditions hereof 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 Bond by the Authority, (2) the execution or delivery of or compliance by the Authority with the terms and conditions of this Agreement or the Bond or (3) the assignment and pledge by the Authority of its rights under this Agreement and the Note and the payments thereon by the Borrower, as security for payment of the principal of and premium, if any, and interest on the Bond. The consummation by the Authority of the transactions set forth in the manner and under the terms and conditions as provided herein will comply 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 Bond 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.

(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 Agreement, the Bond or the assignment of the Note or the undertaking of the Series 2017 Project, (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 financing of the Series 2017 Project, [including the financing of interest on the Bond for up to one year after the completion of the Series 2017 Project], is 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 Borrower.

The Borrower makes the following representations as the basis for its undertakings hereunder:

(a) The Borrower is a nonstock corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. The Borrower has the power to enter into the Financing Instruments 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.

(b) The Borrower is an organization described in Section 501(c)(3) of the Code, which has received a determination letter from the Internal Revenue Service classifying it as an organization (1) 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 (2) which is not a “private foundation” as defined in Section 509(a) of the Code. Such determination letter has not been modified, limited, revoked or suspended. The Borrower has not 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. The Borrower is in compliance with all of the terms, conditions and limitations, if any, contained in the 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 the 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 the Borrower. No administrative or judicial proceedings are pending or threatened which may, in any way, adversely affect the classification of the Borrower as an organization (1) described in Section 501(c)(3) of the Code which is exempt from federal income taxation under Section 501(a) of the Code and (2) which is not a “private foundation” as defined in Section 509 of the Code. The Borrower has received no 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 the Borrower or any such bonds specifically are being or will be audited with respect to such status. The 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 the 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 Borrower 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 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.

(d) There is no litigation at law or in equity or any proceeding before any governmental agency involving the Borrower pending or, to the knowledge of the Borrower, threatened in which any liability of the 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 the Borrower or affect its existence or authority to do business, the operation of the Existing Facilities, the undertaking of the Series 2017 Project, the validity of the Financing Instruments or the performance of the Borrower's obligations thereunder.

(e) The execution and delivery of the Financing Instruments, the performance by the 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 the Borrower, any agreement or other instrument to which the 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 the Borrower or its property.

(f) The Borrower has obtained all consents, approvals, authorizations and orders of any governmental or regulatory authority ("Consents") that are required to be obtained by the Borrower as a condition precedent to the issuance of the Bond and the execution and delivery of the Financing Instruments. The Borrower has obtained all Consents obtainable to date for the performance by the Borrower of its obligations hereunder and thereunder, or required as of the date hereof to undertake the Series 2017 Project and the operation of the Existing Facilities. The Borrower will obtain when needed all other Consents required for the performance of its obligations under the Financing Instruments, and for the operation of the Existing Facilities and the undertaking of the Series 2017 Project has no reason to believe that all such Consents cannot be promptly obtained when needed.

(g) The Borrower will operate the Series 2017 Project, or cause such facilities to be operated, as facilities for the residence and care of the aged until payment of the Note in full.

(h) No part of the proceeds of the loan evidenced by the Bond will be used directly or indirectly (a) to fund or finance any operations, investments or activities in or make any payments to a (1) Person that is, or is owned or Controlled by, Persons that are the subject of any Sanctions or (2) country or territory that is, or is owned or Controlled by Persons that are, the subject of Sanctions, or in any other manner that would result in a violation of any Sanctions by any Person, or (b) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any laws, rules or regulations of any jurisdiction concerning or relating to bribery or corruption. While the loan evidenced by the Bond remains outstanding, each Obligor, each subsidiary or affiliate of each Obligor, and their respective directors, officers, employees, or agents will not (x) be or

become a Sanctioned Person, (y) allow any of their assets to be located in a Sanctioned Country, or (z) derive any of their operating income from investments in, or transactions with, Sanctioned Persons or Sanctioned Countries. As used herein, the term “Obligor” shall individually and collectively refer to the Borrower and any other Person that is primarily or secondarily liable for the payment of the loan evidenced by the Note and any Person that has conveyed or may hereafter convey any security interest or lien to Lender in any real or personal property to secure payment of the Note.

(i) To the best of its knowledge, the Borrower (i) has not failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has not become subject to any Environmental Liability, (iii) has not received notice of any claim with respect to any Environmental Liability, and (iv) knows of no basis for any Environmental Liability.

(j) The Borrower is not (a) an “investment company” or “controlled” by an “investment company”, as such terms are defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) otherwise subject to any other regulatory scheme limiting its ability to incur debt.

(k) The Borrower has timely filed or caused to be filed all Federal income tax returns and all other material tax returns that are required to be filed by it, and has paid all Taxes shown to be due and payable on such returns or on any assessments made against it or its property and all other Taxes imposed on it or any of its property by any Governmental Authority, except (a) to the extent the failure to do so would not have a Material Adverse Effect or (b) where the same are currently being contested in good faith by appropriate proceedings and for which the Borrower has set aside on its books adequate reserves in accordance with GAAP. As of the Closing Date, the charges, accruals and reserves on the books of any Member of the Obligated Group in respect of such Taxes are adequate, and no tax liabilities that could be materially in excess of the amount so provided are anticipated.

(l) None of the proceeds of the Bond will be used, directly or indirectly, for “purchasing” or “carrying” any “margin stock” within the respective meanings of each of such terms under Regulation U or for any purpose that violates the provisions of Regulation T, Regulation U or Regulation X. Neither the Borrower nor any other Member of the Obligated Group (if any) is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying “margin stock.”

(m) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(n) There are no strikes, lockouts or other material labor disputes or grievances against any Member of the Obligated Group, to the Borrower’s knowledge, threatened against or affecting any Member of the Obligated Group, and no significant unfair labor practice, charges or grievances are pending against any Member of the Obligated Group, or to the Borrower’s knowledge, threatened against any of them before any Governmental Authority. All payments due from any Member of the Obligated Group pursuant to the provisions of any collective

bargaining agreement have been paid or accrued as a liability on the books of any Member of the Obligated Group, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(o) The Borrower does not “control” the Lender, either directly or indirectly through one or more controlled companies, within the meaning of Section 2(a)(9) of the Investment Company Act of 1940.

(p) To the Borrower’s knowledge, the Borrower (i) is not a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) does not engage in any dealings or transactions prohibited by Section 2 of such executive order, and is not otherwise associated with any such person in any manner violative of Section 2, and (iii) is not a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury’s Office of Foreign Assets Control regulation or executive order.

(q) To the Borrower’s knowledge, the Borrower is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Bonds will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

ARTICLE III ISSUANCE OF BOND

Section 3.1 Sale and Purchase of Bond.

(a) The Authority shall issue and sell the Bond to the Lender and secure the Bond by assigning the Note to the Lender, upon the terms and conditions set forth herein.

(b) The Lender represents that it is purchasing the Bond for its own account for investment and has no present intention of reselling or disposing of the Bond or engaging in any “distribution” thereof (as that term is used in the Securities Act of 1933, as amended, and the regulations of the Securities and Exchange Commission thereunder). The Lender is a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended. The Lender represents that it is familiar with the operations and financial condition of the Borrower based upon information furnished to the Lender by the Borrower and has made such inquiries as it deems appropriate in connection with the purchase of the Bond. In determining to purchase the Bond, the Lender has not relied upon any information (including financial information) relating to the Borrower provided by the Authority, nor has it relied upon

the omission of the Authority to provide any such information. The Lender relieves the Authority of any liability for failure to provide such information.

(c) The Lender shall not assign or offer the Bond, or any participation therein, for sale in any state of the United States without first (a) either (i) taking all necessary action to qualify the Bond for offer and sale under the securities and “Blue Sky” laws of the United States and such state, or (ii) determining that no such action is necessary because of a registration exemption or exemptions, and (b) providing to the purchaser of the Bond, or any participant therein, all material information in the Lender’s possession necessary to evaluate the risks and merits of the investment represented by the purchase of or participation in the Bond.

(d) The Lender understands that the scope of engagement of Hunton & Williams LLP as bond counsel with respect to the Bond has been limited to matters set forth in its bond counsel opinion based on its review of such proceedings and documents as they deem necessary to approve the validity of the Bond and the excludability of the interest thereon for federal and state income tax purposes, and that Hunton & Williams LLP has not made any assurances or opinion as to the accuracy or completeness of any information that may have been furnished to the Lender or relied upon by the Lender in acquiring the Bond.

Section 3.2 Conditions Precedent to Delivery of Bond.

The Lender agrees to accept delivery of the Bond only upon delivery to it, in form and substance satisfactory to it, of the following:

(a) Executed copies of the Financing Instruments, with the Note having been assigned to the Lender.

(b) Evidence of the due authorization, execution and delivery of the Financing Instruments by the parties thereto.

(c) The written opinion of Hunton & Williams LLP, as Bond Counsel, that the Bond has been validly authorized and issued by the Authority and, subject to customary exceptions, that in addition to other customary opinions, interest thereon is excludable from gross income for federal income tax purposes and exempt from income taxation by the Commonwealth of Virginia.

(d) The written opinion of Glenn Feldmann Darby & Goodlatte, as counsel for the Borrower, relating to the organization and existence of the Borrower, its status as a 501(c)(3) Organization, the power of the Borrower to enter into the Financing Instruments to which it is a party, the enforceability of such Financing Instruments and such other matters as the Lender may reasonably request, all subject to customary assumptions and exceptions.

(e) The written opinion of Mann, Vita & Elrod, P.L.L.C., counsel to the Authority, relating to the organization of the Authority, the due approval, validity and enforceability of the Bond, and such other matters as the Lender may reasonably request.

(f) Receipts evidencing the proper recording of the Second Supplement to Deed of Trust or delivery of these documents to the title company issuing the mortgage title endorsement pursuant to acceptable closing instructions.

(g) An endorsement to the existing mortgagee title insurance policy on the Facilities which adds the Note as an additional Outstanding Obligation under the Master Indenture secured by the Deed of Trust pursuant to the Second Supplement to Deed of Trust, updates the effective date of the title policy to the Closing Date and does not disclose any exception as to matters of survey or any additional exceptions to title that are unacceptable to the Lender and includes such other endorsements as shall be required by the Lender.

(h) Evidence regarding the status of title to personal property owned by the Borrower, including information regarding liens or other encumbrances thereon, which evidence may be in the form of a UCC search conducted by a firm or attorney acceptable to the Lender.

(i) Original insurance policies or certificates thereof which provide satisfactory evidence of the Borrower's paid property insurance (causes of loss-special form), flood hazard insurance and commercial general liability insurance covering the Borrower's Facilities with terms and amounts of insurance acceptable to the Lender and naming the Lender as an additional insured with respect to general liability insurance.

(j) Evidence satisfactory to the Lender that the Borrower has paid or will pay all fees, costs and expenses (including fees and costs of the Lender's counsel) then required to be paid pursuant to this Agreement and all other Financing Instruments.

(k) Such other documentation, certificates and opinions as may be reasonably required by the Lender.

ARTICLE IV DISPOSITION OF PROCEEDS

Section 4.1 Project Fund, Custody and Application of Bond Proceeds.

(a) There is hereby established with the Escrow Agent an escrow fund designated "Kendal at Lexington Project Fund" (the "Project Fund"), separate and apart from other funds of the Borrower, the Escrow Agent and the Lender. \$_____ of the proceeds received by the Authority from the sale of the Bond shall be deposited into the Project Fund to be used in the manner hereinafter provided for payment of the Cost of the Project.

(b) There is hereby established with the Escrow Agent an account within the Project Fund designated as the Cost of Issuance Account (the "Cost of Issuance Account"). The Escrow Agent shall use moneys in the Cost of Issuance Account to pay all or a portion of the Costs of Issuance of the Bond. \$_____ of the proceeds received by the Authority from the sale of the Bond shall be deposited into the Cost of Issuance Account.

(c) Any moneys held in the Project Fund shall be invested and reinvested by the Escrow Agent at the written direction of the Borrower (or, if oral, promptly confirmed in writing) in Permitted Investments. All interest accruing thereon and all profits and gain realized

therefrom shall be credited to the Project Fund, and any loss resulting from such investments shall be charged to the Project Fund.

Section 4.2 Use of Project Fund.

The funds held in the Project Fund shall be applied as directed by the Borrower in a requisition of the Borrower to the Escrow Agent, in the form attached as Exhibit B, exclusively to payment, or to reimbursement of the Borrower for payment, of the Cost of the Project. The funds held in the Cost of Issuance Account shall be applied as directed by the Borrower in a requisition of the Borrower to the Escrow Agent, in the form attached as Exhibit C, exclusively to payment, or to reimbursement of the Borrower for payment, of the Costs of Issuance. The Lender and the Escrow Agent shall each be entitled to rely upon the information stated in any requisition or certificate.

Section 4.3 Final Payment From Project Fund.

All funds held in the Project Fund shall be spent no later than December ____, 2020, unless the Borrower obtains an opinion of Bond Counsel that such extension will not adversely affect the exclusion of interest on the Bond from gross income for Federal income tax purposes. If upon completion of the Series 2017 Project, all funds held in the Project Fund, including monies held in the Cost of Issuance Account, have not been spent, such remaining funds prior to one year after the date of completion of the Series 2017 Project may be used to pay interest on the Bond and thereafter such amounts shall be applied only in accordance with the advice of Bond Counsel.

ARTICLE V OBLIGATION

Section 5.1 Note as Obligation.

The Note shall constitute an “Obligation” under the Master Indenture, and the Borrower represents and warrants that the Indebtedness represented by this Agreement and the Note is authorized and permitted under the Master Indenture and that the Borrower is in full compliance with the provisions thereof.

ARTICLE VI PAYMENTS

Section 6.1 Amounts Payable.

(a) The Borrower shall make, or cause to be made, all payments required under the Note and, for the account of the Authority, shall make, or cause to be made, all payments required under the Bond, as and when the same become due (whether at maturity, by acceleration or otherwise), in the manner set forth in the Bond and shall make, or cause to be made, all other Required Payments in the manner set forth in the applicable Financing Instruments. Payments to the Lender shall be made in lawful money of the United States of America at the address of the Lender set forth in Section 10.9 or at such other place as the Lender may direct in writing. Any amount at any time paid to the Lender as a payment of

principal of or interest on the Bond shall be credited against the Borrower's obligations hereunder and under the Note (but subject to collection of any instrument, draft, check or order for payment received by the Lender).

(b) The Borrower shall also pay, or cause to be paid, upon demand if so specified, or otherwise as and when the same become due and payable:

(i) A fee in the amount of \$____, payable to the Authority at closing; and

(ii) An amount equal to the reasonable costs, fees and expenses of the Authority directly related to the Bond, including the fees of its counsel, bond counsel and other advisors.

(c) The Borrower shall pay (i) on the Closing Date, [the Lender's fee of \$____], (ii) the reasonable fees and expenses of the Lender, bond counsel and counsel to the Lender and all other costs, fees and expenses incidental to the financing hereunder, the issuance of the Bond and the costs of producing the Financing Instruments, and (iii) all taxes of any kind whatsoever lawfully assessed, levied or imposed with respect to the transactions contemplated by this Agreement.

Section 6.2 Default in Payments.

If the Borrower should fail to make, or cause to be made, any Required Payment when due, the Borrower shall, to the extent permitted by law, pay interest thereon at the [Taxable Rate][Default Rate].

Section 6.3 Unconditional Obligations.

The obligations of the Borrower to make, or cause to be made, Required Payments and to perform and observe all other covenants, conditions and agreements hereunder shall be general obligations of the Borrower and shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim the Borrower might otherwise have against the Authority or the Lender. Nothing in this Section shall be construed as a waiver by the Borrower of any rights or claims it may have against the Authority or the Lender under this Agreement or otherwise, but any recovery upon such rights and claims shall be had from the Authority or the Lender separately. Subject to Section 10.1, the Borrower shall not suspend or discontinue any such payment hereunder or fail to observe and perform any of its other covenants, conditions and agreements under the Financing Instruments for any cause, including without limitation any acts or circumstances that may constitute 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 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 Lender to observe and perform any covenant, condition or agreement, whether express or implied, or any duty, liability or obligation contained in or arising out of or in connection with any Financing Instrument.

Section 6.4 Payments Assigned.

The Borrower consents to the assignment of the Note and of certain rights of the Authority under this Agreement to the Lender and agrees to pay, or cause to be paid, to the Lender all amounts payable pursuant to the Note and this Agreement, except for any amounts payable directly to the Authority pursuant to the provisions hereof.

Section 6.5 Yield Protection Provisions.

(a) The Borrower shall pay interest upon the unpaid principal balance of the Note at the Interest Rate, subject to adjustment as provided herein. Interest shall be due and payable on the first day of each month, commencing _____, 2018, and shall be calculated on the basis of a 360 day year and the actual number of days elapsed.

(b) Except as otherwise provided herein, upon the occurrence of an Event of Taxability and for as long as the Bond remains outstanding, the interest rate on the Bond shall be converted to the Taxable Rate and this adjustment shall survive payment on the Bond until such time as the federal statute of limitation under which the interest on the Bond could be declared taxable under the Code shall have expired. In addition, upon an Event of Taxability, the Borrower shall, immediately upon demand, pay to the Lender (or prior holders, if applicable) (i) an additional amount equal to the difference between (A) the amount of interest actually paid on the Bond during the Taxable Period and (B) the amount of interest that would have been paid during the Taxable Period had the Bond borne interest at the Taxable Rate, and (ii) an amount equal to any interest, penalties and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the Event of Taxability.

(c) If, after the date of this Agreement, the Lender shall have reasonably determined that a Change in Law shall have occurred that has or would have the effect of reducing the rate of return on the Lender or Lender's affiliate SunTrust Bank's capital, on the Bond or otherwise, as a consequence of its ownership of the Bond to a level below that which the Lender could have achieved but for such adoption, change or compliance (taking into consideration the Lender's or its affiliates' policies with respect to capital adequacy) by an amount deemed by the Lender to be material, then from time to time, promptly upon demand by the Lender, the Borrower hereby agrees to pay the Lender such additional amount or amounts as will compensate the Lender for such reduction. The Borrower shall pay to the Lender such additional amount or amounts as will compensate the Lender for such reduction, provided that at such time the Lender shall generally be assessing such amounts on a non-discriminatory basis against borrowers having loans similar to the loan evidenced by the Bond. A certificate of the Lender claiming compensation under this subsection and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error. In determining any such amount, the Lender may use any reasonable averaging and attribution methods. The Lender shall notify the Borrower in writing of any adjustments pursuant to this paragraph.

All adjustments of the interest rate on the Bond made pursuant to the terms of the Bond or subsections (b) or (c) above shall be binding on the Authority and the Borrower absent manifest error.

Section 6.6 Mandatory Partial Redemption.

The Bond shall be subject to mandatory partial redemption each month on the first Business Day thereof, [commencing January 1, 2021,] from the application by the Borrower of all Entrance Fees for the Series 2017 Project received by the Borrower and lawfully available for disbursement.

ARTICLE VII SPECIAL COVENANTS

Section 7.1 Maintenance and Modifications by the Borrower.

The Borrower shall, at its own expense, keep the Facilities in as reasonably safe condition as its operations shall permit and keep the Facilities in good repair and operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs, renewals and replacements. The Borrower may, at its own expense, make any additions, modifications or improvements to the Facilities that it deems desirable.

Section 7.2 Taxes, Charges and Liens.

The Borrower (a) shall pay, as the same become due, all taxes and governmental charges of any kind whatsoever lawfully assessed, levied or imposed with respect to payments under this Agreement, the Facilities or any machinery, equipment or other property installed or brought by the Borrower thereon, and (b) shall pay as the same become due all utility and other charges incurred in the operation, maintenance, use and occupancy of the Facilities and all assessments and charges lawfully made by a governmental body for public improvements to the Facilities. The Borrower may, however, contest in good faith any such tax, assessment or charge after giving the Lender ten days' advance notice of such contest, in which event the Borrower may permit such tax, charge or assessment to remain unpaid, or such lien to remain unsatisfied and undischarged, during the period of such contest and any appeal therefrom, provided such proceedings have the effect of preventing forfeiture or sale of the property or asset subject to such tax, assessment or charge and against which adequate reserves have been set aside for the payment thereof in the event the Borrower loses such contest.

Section 7.3 Arbitrage and Rebate.

(a) Rebate Covenant. The Authority covenants that it shall not knowingly take any action that would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. The Borrower covenants that no use of the proceeds of the Bond or the earnings thereon will knowingly be made or directed, and no other action will be taken, that would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. The Borrower further covenants that (i) all actions with respect to the Bond required by Section 148(f) of the Code shall be taken, (ii) it shall make the determinations required by Section 148(f) of the Code at its own expense and promptly notify the Authority of the same, together with supporting calculations, and (iii) it shall within forty-five (45) days after the final payment, whether upon redemption in whole or at maturity, of the Bond, file with the Authority, a statement signed by the Borrower to the effect that the Borrower is then in compliance with its covenants contained in clauses (i) and (ii) of this sentence, together with supporting calculations;

provided, however, that if the Borrower shall furnish an opinion of Bond Counsel to the Authority to the effect that no further action by the Borrower is required for such compliance with respect to the Bond, the Borrower shall not thereafter be required to deliver any such statements or calculations.

(b) Authority Rebate Report. Within 30 months of the date of issuance of the Bond (the “Issue Date”), the Borrower shall advise the Authority whether the Bond has qualified for an exception to the rebate requirement. In the event that for any reason rebate is payable to the United States pursuant to Section 148 of the Code, the Borrower shall cause to be calculated by an expert in rebate calculations satisfactory to the Authority, the amount of rebate required to be paid pursuant to Section 148(f) of the Code (the “Rebate Amount”). The Borrower shall furnish a copy of each such rebate calculation to the Authority promptly upon its completion. The Borrower agrees to pay the amount so calculated to the United States on behalf of the Authority at the times required by the Code, and to provide a copy of such calculations and proof of such payment to the Authority. The Borrower shall maintain or cause to be maintained records of the determinations of the rebate, if any, pursuant to this Section until six years after the retirement of the Bond. This Section shall be construed in accordance with Section 148(f) of the Code, including, without limitation, any applicable regulations promulgated under the Code. Nothing contained in this Agreement shall be interpreted or construed to require the Authority to make (or cause to be made) any rebate calculation or to pay any applicable rebate with its own funds, such obligation being the sole responsibility of the Borrower. The Authority shall not be liable to the Borrower by way of contribution, indemnification, counterclaim, set-off or otherwise for any payment made or expense incurred by the Borrower pursuant to this section.

(c) Maintenance of 501(c)(3) Status. The 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, shall not operate the Facilities in any manner and shall not engage in any activities or take any action (or omit to take any action) that would result in the Borrower ceasing to be a “501(c)(3) organization” within the meaning of Section 145 of the Code. The Borrower shall promptly notify the Lender and the Authority of any loss of its status as a “501(c)(3) organization” or of any investigation, proceeding or ruling that might result in loss of such status.

(d) Further Action. The Borrower shall take all action necessary to ensure that interest on the Bond is not included in gross income for Federal income tax purposes and not included in alternative minimum taxable income of individuals.

(e) Restricted Gifts. The Borrower shall apply all Restricted Gifts as follows: (1) to costs of the Series 2017 Project in excess of such costs paid or to be paid from proceeds of the Bond, [(2) to the prepayment of the Bond pursuant to [Section ___] hereof on the next date for such prepayment after such receipt]. Until such prepayment date, such funds shall be invested in obligations the interest on which is excludable from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code other than obligations that are “specified private activity bonds” as defined in Section 57(a)(5)(C) of the Code, or otherwise in investments that will not adversely affect the tax-exempt status of the Bond from gross income for Federal income tax purposes. [Notwithstanding the foregoing, the Borrower may apply Restricted Gifts other than as described in this paragraph with the consent of the Lender and upon delivery to the

Lender of an opinion of Bond Counsel that such use shall not adversely affect the tax-exempt status of the Bond.]

(f) Entrance Fees. The Borrower shall maintain or cause to be maintained all Entrance Fees for the Series 2017 Project in a segregated account to the extent permitted by law and will apply all Entrance Fees for the Series 2017 Project to the prepayment of the Bond pursuant to Section 6.6 hereof on the next date for such prepayment after such receipt. Until such prepayment date, such funds shall be invested in Permitted Investments.

(g) Other Bonds to be Issued. During the period commencing on the date of the issuance of the Series 2017 Bonds and ending 30 days thereafter, there shall be issued no “private activity bonds,” as defined in Section 141 of the Code that are guaranteed or otherwise secured by payments to be made by the Borrower or any “related person” (or group of “related persons”), unless the Borrower shall deliver to the Lender an opinion of Bond Counsel in form and substance satisfactory to the Lender to the effect that the issuance of such “private activity bonds” will not adversely affect the exclusion of interest on the Series 2017 Bonds from gross income for Federal income tax purposes.

Section 7.4 Cure by Authority or the Lender.

If the Borrower shall fail to make any payment or perform any act required of it hereunder, the Authority or the Lender, without prior notice to or demand upon the Borrower and without releasing any obligation or waiving any default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Authority or the Lender and all costs, fees and expenses so incurred, including reasonable counsel fees, shall be immediately due and payable by the Borrower as an additional obligation under this Agreement, together with interest thereon at the Taxable Rate, to the extent permitted by law.

Section 7.5 Use of Facilities.

The Borrower shall obtain and maintain all necessary permits and approvals for the operation and maintenance of the Facilities and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Facilities, whether now existing or later enacted or foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other changes to the Facilities and irrespective of the cost of making the same. Upon request by the Lender, the Borrower shall furnish to the Lender evidence of the Borrower’s compliance with the requirements of the preceding sentence. The Borrower shall use the portion of the Facilities the acquisition, renovation or construction of which is financed and/or refinanced, in whole or in part, from the proceeds of the Bond for the purposes contemplated by the Authorizing Resolution until Payment of the Bond; provided that the Borrower may change the use of the Facilities, or cause such use to be changed, if the Borrower shall have first delivered to the Lender an opinion of Bond Counsel that such change in use will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

Section 7.6 Indemnification.

(a) The Borrower shall (i) protect, indemnify and save harmless Authority and its officers, directors, employees and agents and the Lender and its officers, directors, employees and agents (collectively, the “Indemnified Parties”) from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorneys’ fees and expenses and settlement amounts) imposed upon or incurred by or asserted against any Indemnified Party on account of or related to (A) any failure of the Borrower to comply with any of the terms, warranties, covenants or representations in the Financing Instruments, or (B) any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Facilities or the use thereof; and (ii) at all times protect, indemnify and save harmless the Indemnified Parties from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation, attorneys’ fees and expenses and settlement amounts) imposed upon or incurred by or asserted against the Indemnified Parties on account of or related to (A) the initial sale, issuance or offering for sale of the Bond or (B) any action related to the acts, representations, covenants, obligations or other matters contemplated by, required by or related to the Financing Instruments; provided that such indemnity shall be effective only to the extent of any loss that may be sustained by an Indemnified Party in excess of the proceeds received by it 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 Indemnified Parties. Nothing contained herein shall require the Borrower to indemnify the Authority for any claim or liability resulting from its gross negligence or its willful, wrongful acts or any other Indemnified Party for any claim or liability resulting from its or his gross negligence or willful, wanton acts.

(b) The Borrower shall also indemnify and hold harmless the Indemnified Parties against any and all losses, claims, damages or liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in information submitted by the Borrower to the Authority or to the Lender with respect to the initial issuance and purchase of the Bond or caused by any omission or alleged omission of any material fact necessary to be stated therein in order to make such statements to the Authority and the Lender not misleading or incomplete.

(c) If any action is brought against any Indemnified Party in respect of which indemnity may be sought from the Borrower under subsection (a) or (b) above, such Indemnified Party shall promptly notify the Borrower in writing, and the Borrower shall assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. Each Indemnified Party has the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel will be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the Borrower. The Borrower will not be liable for any settlement of any such action made without its consent, but if such action is settled with the consent of the Borrower or if there be a final judgment for the plaintiff in such action, the Borrower shall indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(d) The obligations of the Borrower under this Section shall survive Payment of the Bond. All references in this Section to any Indemnified Party shall include its members, directors, officers, employees and agents.

Section 7.7 Tax Exemption for Bond.

(a) Use of Proceeds; Prohibited Uses of the Series 2017 Project, etc. The Borrower shall not, and the Authority shall not knowingly, cause any proceeds of the Bond to be expended except in accordance with the provisions of this Agreement. The Borrower shall not (i) permit the proceeds of the Bond to be used in any way that would result in less than 95% of the proceeds of the Bond being considered as having been used solely in the exempt purpose trade or business (not in an “unrelated trade or business”) carried on by any person who is a “501(c)(3) organization” or a “governmental unit,” each within the meaning of Section 145 of the Code, (ii) approve the use of the proceeds of the Bond or any other funds other than in accordance with this Agreement, (iii) take or permit any action that would result in more than 5% of the proceeds of the Bond being used directly or indirectly to make or finance loans to any person who is not a “501(c)(3) organization” within the meaning of Section 145 of the Code, (iv) permit the Series 2017 Project to be used or occupied by the United States or an agency or instrumentality thereof in any manner for compensation, including any entity with statutory authority to borrow from the United States (in any case within the meaning of Section 149(b) of the Code), including without limitation causing the Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code, (v) allow any of the property provided by the proceeds of the Bond to be owned by any person who is not a “501(c)(3) organization” within the meaning of Section 145 of the Code or (vi) permit the proceeds of the Bond to be used, directly or indirectly, to provide residential real property for family units. The Borrower shall not take or omit, or permit to be taken or omitted, any other action, the taking or omission of which would cause the inclusion of interest on the Bond in gross income for Federal income tax purposes.

(b) Test-Period Beneficiary. If 95% or more of the net proceeds of the Bond are not used to finance capital expenditures, the Borrower shall not take any action or allow any action to be taken that will cause the “aggregate authorized face amount” of the Bond allocated to any “test-period beneficiary,” as defined in Section 145(b) of the Code, when increased by such obligations as provided in Section 145(b) of the Code, to exceed \$150,000,000, without providing to the Authority and the Lender an Opinion of Bond Counsel stating that such action will not impair the exclusion of interest on the Bond from gross income for federal income tax purposes.

(c) Economic Life of the Series 2017 Project. The Borrower hereby represents that the “average reasonably expected economic life” of the components comprising the Series 2017 Project, determined pursuant to Section 147(b) of the Code, is not less than the amount set forth in the certificates or letters of representation of the Borrower delivered on the Closing Date. The weighted average maturity of the Bond does not exceed 120% of the “average reasonably expected economic life” of the components comprising the Series 2017 Project, determined pursuant to Section 147(b) of the Code, as set forth in the certificates or letters of representation of the Borrower delivered on the Closing Date. The Borrower agrees that it will not make any changes in the Series 2017 Project that would, at the time made, cause the “average reasonably expected economic life” of the components of the Series 2017 Project, determined pursuant to

Section 147(b) of the Code, to be less than the “average reasonably expected economic life” of the components set forth in the certificates or letters of representation of the Borrower delivered on the Closing Date, unless the Borrower shall file with the Authority and the Lender an Opinion of Bond Counsel that such change to the Series 2017 Project will not impair exclusion of interest on the Bond from gross income for Federal income tax purposes.

(d) Certificate of Information; 8038 Form. The Borrower hereby represents that the information contained in the certificates or letters of representation of the Borrower with respect to the compliance with the requirements of Section 149 of the Code, including the information in Form 8038 (excluding the employer identification number of the Authority), filed by the Authority with respect to the Series 2017 Bonds, is true and correct in all material respects.

Section 7.8 Certificate as to No Default.

The Borrower shall deliver to the Lender and the Authority concurrently with the delivery of each of the annual financial statements required in Section 7.10, the certificate of an Authorized Representative stating that, during the period covered by such financial statements and as of the date of such certificate, no event or condition has occurred or existed, or is occurring or existing, 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 occurred or existed, or is occurring or existing, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take with respect thereto. The Borrower shall promptly notify the Lender at any time the Borrower becomes aware of any event or condition described in the preceding sentence.

Section 7.9 References to Bond Ineffective after Bond Paid.

Upon Payment of the Bond, all references in this Agreement to the Bond shall be ineffective, and the Authority and the Lender shall thereafter have no rights hereunder, except as explicitly provided herein.

Section 7.10 Financial Records and Statements.

(a) The Borrower shall maintain proper books of record and account, in which full and correct entries shall be made, in accordance with generally accepted accounting principles applied on a consistent basis from year to year, and within 150 days after the end of each of its Fiscal Years, shall furnish the Lender copies of the balance sheet of the Borrower as of the end of such Fiscal Year and a profit and loss statement and statement of cash flows of the Borrower for such Fiscal Year, all in reasonable detail, with supporting schedules. All financial statements referred to in the preceding sentence shall be accompanied by (a) an unqualified opinion, or other opinion satisfactory to the Lender, with respect thereto rendered by independent certified public accountants acceptable to the Lender and (b) any management letter provided to the Borrower by such accountants.

(b) The Borrower shall furnish the Lender cumulative unaudited financial statements, including income statements, balance sheet and statement of cash flows, of the Obligated Group for the Fiscal Year to date, showing a comparison to the Obligated Group’s current budget,

within (i) 45 days after the last day of each of the first three quarters of the Borrower's Fiscal Year, and (ii) 90 days after the last day of the Borrower's Fiscal Year.

(c) The Borrower shall furnish to the Lender no later than 60 days after the last day of each quarter of the Fiscal Year, occupancy statistics for the Facilities for such fiscal quarter and year to date, which shall include (A) the average number of units available for the quarter, (B) the average number of units occupied for the quarter, (C) the percent of units occupied during the quarter, and (D) the number of independent living units vacated during the quarter, specifying the reason for turnover.

(d) The Borrower shall furnish to the Lender within 60 days of its approval by the Borrower's Governing Body, but in any event prior to the end of the prior Fiscal Year, a copy of the Borrower's annual capital and operating budget for each Fiscal Year.

(e) The Borrower shall provide the Lender with such additional financial information and operating data as the Lender may reasonably request from time to time.

Section 7.11 Proof of Payment of Taxes and Other Charges.

The Borrower shall upon request furnish the Authority or the Lender proof of payment of any taxes, governmental charges, utility charges, insurance premiums or other charges required to be paid by the Borrower under this Agreement.

Section 7.12 Inspection and Right of Access.

The Lender, the Authority and their duly authorized agents shall have the right at all reasonable times and upon reasonable notice to enter upon and inspect any part of the Facilities and to examine, inspect and make copies of the books, records and accounts of the Borrower insofar as such books, records and accounts relate to the Facilities, other than confidential medical or personnel records.

Section 7.13 Depository Relationship.

As long as the Bond remains outstanding, the Borrower shall maintain its full primary operating and cash management treasury business with the Lender's affiliate, SunTrust Bank; provided, however, that SunTrust Bank provides commercially reasonable services for commercially reasonable fees and on commercially reasonable terms.

Section 7.14 Cross-Default Covenant.

The Borrower shall not fail to pay when due any principal of or interest on any of the other Indebtedness of the Borrower which failure shall continue beyond the grace period, if any, applicable thereto, and, further, shall not allow a default to occur under any agreement or instrument evidencing or under which the Borrower has outstanding at the time any Indebtedness and such default shall continue beyond the grace period, if any, applicable thereto, if the effect of such failure or default is to accelerate, or cause the sending of notice of acceleration of, the maturity of such Indebtedness, or a portion thereof, except in any such case where:

(a) any such payment or default is being disputed diligently by appropriate action in good faith on the basis of legal advice and no final court order has been made against the Borrower to make payment or such payment is not made when due by reason only of administrative error and, in either case, the Borrower demonstrates to the reasonable satisfaction of the Lender that it has sufficient funds to effect such payment at any time; or

(b) such payment was not effected due to technical problems and the prospective recipient of such funds has taken no steps and waived its rights to demand or enforce payment thereof following receipt of the Borrower's explanation for the delay.

Section 7.15 Incorporation of Master Indenture.

All covenants made by the Members of the Obligated Group contained in the Master Indenture as of the date hereof are hereby incorporated by reference into this Agreement as covenants as if set forth herein in their entirety, together with any definitions necessary to give such provisions and sections their full meanings. Regardless of whether the Master Indenture is amended, discharged, defeased or terminated, the Borrower acknowledges that all such covenants run to the benefit of and are enforceable by the Lender at all times while this Agreement remains in effect and while the Bond is outstanding.

ARTICLE VIII DAMAGE, DESTRUCTION, CONDEMNATION AND LOSS OF TITLE

Section 8.1 Parties to Give Notice.

In case of any material damage to or destruction of any part of the Facilities, the Borrower shall give prompt notice thereof to the Authority and the Lender. In case of a taking of any part of the Facilities or any right therein under the exercise of the power of eminent domain or any loss thereof because of failure of title thereto or the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice to the Authority and the Lender. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 8.2 Damage, Destruction, Condemnation and Loss of Title.

(a) If before Payment of the Bond any part of the Facilities is damaged or destroyed by fire or other casualty, condemned or lost because of failure of title, the Borrower shall give prompt notice to the Master Trustee and the Lender and shall cause the Net Proceeds received by it on account of any such damage, destruction or condemnation to be provided to the Lender and to be applied as determined by the Borrower subject, however to the other conditions and requirements of this Section 8.2 (i) to the prepayment of the Note, (ii) to payment of the cost of the replacement, repair, rebuilding or restoration, either on completion thereof or as the work progresses, of the Facilities to substantially the same condition as prior to such damage, destruction, condemnation or loss of title, with such alterations and additions as the Borrower may determine and as will not impair the capacity or character of the Facilities for the purpose for which such are then being used or are intended to be used, or (iii) with the approval of the Lender, to the construction, renovation and equipping of a facility comparable in capacity and purposes to the Facilities on a site chosen by the Borrower and approved by the Lender.

Subsections (a)(ii) and (a)(iii) above are subject to the restrictions of Section 3.04 of the Master Indenture. In the event of any such damage, destruction or loss of title, the Lender may (but shall be under no obligation to) make proof of loss to any insurance company if not promptly made by the Borrower.

(b) The Lender may require, as conditions to application of such Net Proceeds to the replacement, repair, rebuilding or restoration, that (a) the Borrower shall supply to the Lender a certificate from an architect or engineer selected by the Borrower and acceptable to the Lender stating the estimated cost of such work and (b) such estimated cost shall not exceed the sum of such Net Proceeds and other funds provided or to be provided by the Borrower to the Lender for such purpose.

(c) The Net Proceeds and any funds provided by the Borrower shall be delivered to and held by the Lender in a special escrow account and disbursed from time to time as provided herein. The reasonable expenses or charges of such architect or engineer and the costs of replacement, repair, rebuilding or restoration of the Facilities shall be paid out of the escrowed funds held by the Lender. The Lender may withhold from each amount disbursed retainage of no more than 10% thereof until fifty percent of such work is completed and proof has been furnished to the Lender that no lien or liability has attached or will attach to the Facilities in connection with such work and that the Facilities are otherwise free and clear of security interests of every kind except any encumbrances permitted or otherwise approved in writing by the Lender at which time the retainage shall be reduced to five percent (5%). The Lender may as a condition precedent to any disbursement require the Borrower to submit for approval by the Lender complete and detailed plans and specifications for such work, together with evidence that such work may be accomplished at a cost not greater than the escrowed funds available, or that the necessary funds are otherwise available to the Borrower.

(d) If Net Proceeds applied to replacement, repair, rebuilding or restoration shall not be sufficient to pay in full such cost, the Borrower shall pay or make arrangements satisfactory to the Lender to pay that portion of the cost in excess of such Net Proceeds. The Borrower will not by reason of the payment of such excess cost be entitled to any interest other than its interest under this Agreement or to any reimbursement from the Authority or the Lender or to any abatement or diminution of the payments required hereunder or under the Note.

(e) Any balance of such escrowed funds remaining after payment of the cost of replacement, repair, rebuilding or restoration shall be paid to the Lender as a prepayment of the Bond, provided that after Payment of the Bond, all such escrowed funds shall be paid to the Borrower.

(f) The Authority and the Borrower hereby irrevocably assign, transfer and set over to the Lender all of their rights to any Net Proceeds from the taking of all or any part of the Facilities due to the exercise of the power of eminent domain or the loss thereof because of failure of title. Nothing in this Section shall be construed to limit the remedies of the Lender hereunder in the event that any damage or loss of title to or destruction or condemnation of the Facilities constitutes an Event of Default hereunder.

(g) Notwithstanding anything to the contrary in Section 8.2(a), the application of Net Proceeds hereunder shall be *pari passu* with any similar rights accorded the other holders of outstanding Obligations under the Master Indenture.

ARTICLE IX EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Event of Default.

Each of the following shall be an Event of Default:

(a) Failure of the Borrower to make, or cause to be made, any payment of principal of or interest or fees owed on the Bond or any other Financing Instruments when due and the continuation of such failure for five (5) Business Days.

(b) Failure of the Borrower to observe or perform any of its other covenants, conditions or agreements hereunder, which does not constitute an Event of Default under any other provision of this Section 9.1, for a period of 30 days after notice (unless the Borrower and the Lender 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 Lender to the Borrower, or in the case of any such default that can be cured but cannot with due diligence be cured within such 30-day period, failure of the Borrower to proceed promptly to cure the same and thereafter prosecute the curing of the same with due diligence; provided, however, that any such cure period shall not exceed 120 days.

(c) (i) Failure of the Borrower to pay generally its debts as they become due, (ii) commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (iii) consent by the Borrower to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Borrower or any substantial part of the property of the Borrower, or to the taking possession by any such official of any substantial part of the property of the Borrower, or (iv) making by the Borrower of any assignment for the benefit of creditors generally.

(d) The entry of any decree or order for (i) relief by a court having jurisdiction over the Borrower or the property of the Borrower in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or (ii) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Borrower or any substantial part of the property of the Borrower.

(e) Failure of the Borrower within 90 days after the commencement of any proceeding against the Borrower under the federal bankruptcy laws or any other applicable federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

(f) A reasonable determination by the Lender that any warranty, representation or other statement by or on behalf of the Borrower contained in any Financing Instrument or any

financial statement or other information furnished in connection with the issuance or sale of the Bond was false or misleading in any material respect at the time it was made or delivered.

(g) Any breach of Section 7.14 of this Agreement, or any other event or condition shall occur which results in the acceleration of the maturity of any Indebtedness of the Borrower or results in the sending of notice, by the holder of such Indebtedness or any person acting on such holder's behalf, of acceleration of the maturity thereof.

(h) An Event of Default shall occur under the Financing Instruments, which is not otherwise an Event of Default hereunder.

(i) Any event which could reasonably be expected to result in a Material Adverse Effect shall occur.

Section 9.2 Remedies on Default.

Upon the occurrence and continuation of an Event of Default, the Lender may:

(a) Declare all payments hereunder and under the Bond and the Note to be immediately due and payable, whereupon the same shall become immediately due and payable; provided that all such payments shall automatically be immediately due and payable, without the necessity of any action by the Lender, upon the occurrence of an Event of Default described in subsection (d), (e) or (f) of Section 9.1, and exercise any remedy provided under the Master Indenture or which is otherwise available at law or in equity.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or under the Bond or the Note or to enforce observance or performance of any covenant, condition or agreement of the Borrower under the Financing Instruments.

The Lender shall give notice to the Borrower of the exercise by the Lender of any of the rights or remedies under this Section (i) in writing in the manner provided in Section 10.9 and (ii) by telephone, provided that failure to give such notice by telephone shall not affect the validity of the exercise of any right or remedy under this Section.

Any balance of the moneys collected pursuant to action taken under this Section remaining after payment of all costs and expenses of collection and amounts due hereunder shall be paid to the Lender and applied toward the making of Required Payments then due and payable, provided that after Payment of the Bond and payment of all other sums required by applicable law any such balance shall be paid to the Borrower.

Section 9.3 No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Lender 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 9.4 Counsel Fees and Other Expenses.

The Borrower shall on demand pay to the Authority and the Lender the reasonable counsel fees and other reasonable expenses incurred by either of them in the collection of payments hereunder or the enforcement of any other obligation of the Borrower upon an Event of Default. Further, the Borrower's obligation to pay the expenses of the Authority, the Lender, or any other expenses because of the occurrence of an Event of Default shall survive Payment of the Bond.

Section 9.5 No Additional Waiver Implied by One Waiver.

If any party or its assignee waives a default by any 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 breach hereunder.

Section 9.6 Set-Off.

(a) Subject to paragraph (b) below, the Borrower hereby grants to the Lender a right of setoff as security for obligations under this Agreement and the Bond, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property now or hereafter in the possession, custody, safekeeping or control of the Lender or any affiliate of the Lender or any entity under common Control with the Lender, or in transit to any of them. At any time after the occurrence of and during the continuance of an Event of Default, without further demand or notice, the Lender may setoff the same or any part thereof and apply the same to any obligations under this Agreement and the Bond, even though unmatured and regardless of the adequacy of any other collateral securing the Bond.

(b) The Lender's rights under the foregoing provisions of this Section to setoff or otherwise apply against any obligations under this Agreement and the Bond any deposits, credits, collateral and property of the Borrower shall be subject to any restrictions or requirements set forth in the Master Indenture made applicable to the Lender as the holder of the Series 2017B Obligation and the Lender agrees to pay setoff amounts over to the Master Trustee to the extent the Lender receives more than other holders of Obligations on a pro rata basis as a result of the setoff.

ARTICLE X MISCELLANEOUS

Section 10.1 Term of Agreement.

This Agreement shall be effective upon execution and delivery hereof. Subject to earlier satisfaction upon prepayment of all of the Borrower's obligations hereunder pursuant to Section 6.6 and the making in full of all other Required Payments due and payable at the date of such prepayment and subject to any provisions hereof which survive Payment of the Bond, the Borrower's obligations hereunder shall expire on the date provided in the Bond for the final

payment of principal and all accrued interest thereon, or if all Required Payments have not been made on such date, when all Required Payments shall have been made.

Section 10.2 Successors and Assigns.

This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. No assignment by the Borrower shall relieve the Borrower of its obligations hereunder.

Section 10.3 Limitation of Authority's Liability.

No covenant, agreement or obligation contained in any Financing Instrument 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 any Financing Instrument shall be liable personally on such Financing Instrument or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, agent or attorney of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to the Financing Instruments or the Act or any of the transactions contemplated thereby, provided he acts in good faith.

The obligations of the Authority under the Financing Instruments to which it is a party are not general obligations of the Authority but are limited obligations payable solely from the revenues and receipts derived from the repayment of the loan of the proceeds of the Bond made to the Borrower pursuant to this Agreement, which revenues and receipts have been pledged and assigned to such purposes. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority and the City of Lexington, shall be obligated to pay the obligations under the Financing Instruments to which the Authority is a party 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 and the City of Lexington, is pledged to the payment of such obligations.

Section 10.4 Reports.

In order that the Authority may comply with the provisions of the Virginia Code regarding the filing of annual reports with the Secretary of the Commonwealth of Virginia, the Lender shall furnish to the Authority no later than April 1 of each year a statement setting forth (a) the outstanding principal balance on the Bond as of the date of such statement, and (b) whether payments due under the Bond are current. In order that the Authority may comply with the provisions of the Virginia Code requiring an annual audit of the Authority's records, the Lender shall furnish to the Authority on request, at the expense of the Borrower, such additional information with respect to the Bond as the Authority or its auditors may reasonably request.

Section 10.5 Registration of the Bond.

The Bond shall be issued in registered form without coupons, payable to the registered owner or registered assigns. The Lender shall keep books for the registration of transfer of the

Bond as the Bond Registrar. The transfer of the Bond may be registered only upon an assignment executed by the registered owner in such form as shall be satisfactory to the Borrower and the Lender, such registration to be made on the registration books and endorsed on the Bond by the Lender. The person in whose name the Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of and interest and any other payment on the Bond shall be made only to or upon the order of the registered owner thereof or his legal representative.

Section 10.6 Severability.

If any provision of this Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 10.7 Applicable Law; Entire Understanding.

This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia. The Financing Instruments express the entire understanding and all agreements between the parties and may not be modified except in a writing signed by the parties. No Financing Instrument may be modified before Payment of the Bond without the consent of the Lender and the Borrower. The Lender and the Borrower may, without the consent of the Authority, amend any of the provisions of Article VII, other than those contained in Sections 7.5, 7.6, 7.7, 7.9 and 7.12.

Section 10.8 Counterparts.

This Agreement 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 10.9 Notices.

Except as may otherwise be provided herein, all demands, notices, approvals, consents, requests and other communications hereunder and under the other Financing Instruments shall be in writing and shall be delivered or given by first class mail, postage prepaid, or overnight courier addressed as follows:

If to the Borrower, at: Kendal at Lexington
160 Kendal Drive
Lexington, Virginia 24450
Attention: Executive Director

If to the Authority, at: Industrial Development Authority of
the City of Lexington, Virginia
Lexington City Hall
300 East Washington Street
Lexington, Virginia 24450
Attention: Chairman

If to the Lender, at: STI Institutional & Government, Inc.

10 Franklin Road SE
Roanoke, Virginia 24014
Attention: Commercial Loans

The Borrower, the Authority and the Lender may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests and other communications shall be sent or persons to whose attention the same shall be directed.

Section 10.10 Other Agreements.

To the extent that the execution and delivery of any Financing Instrument by the Borrower, or the performance of its obligations thereunder, would constitute a violation of or default under any other agreement to which the Lender and the Borrower are parties, such other agreement is hereby amended to permit such execution and delivery or such performance, as the case may be, and any default under such agreement resulting from such execution and delivery or such performance is hereby waived.

Section 10.11 No Advisory or Fiduciary Relationship.

In connection with all aspects of each transaction contemplated hereunder (including in connection with any amendment, waiver or other modification hereof or of any other Financing Instruments), the Borrower and the Authority each acknowledge and agree, that: (a)(i) each of the Borrower and the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, (ii) the Borrower and Authority are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated hereby and by the other Financing Instruments, (iii) the Lender is not acting as a municipal advisor or financial advisor to the Borrower or the Authority and (iv) the Lender has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act to the Borrower or the Authority with respect to the transactions contemplated hereby and the discussions, undertaking and procedures leading thereto (irrespective of whether the Lender has provided other services or is currently providing other services to the Borrower or Authority on other matters); (b)(i) the Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary, for the Borrower or any Authority, or any other Person and (ii) the Lender has no obligation to the Borrower or Authority, with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Financing Instruments; and (c) the Lender may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and Authority, and the Lender has no obligation to disclose any of such interests to the Borrower or Authority. To the fullest extent permitted by law, the Borrower and Authority hereby waive and release any claims that either may have against the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby. If the Borrower or Authority would like a municipal advisor in this transaction that has legal fiduciary duties to the Borrower or Authority, the Borrower or Authority are free to engage a municipal advisor to serve in that capacity. The Financing Instruments are entered into pursuant to and in reliance upon the bank exemption and/or the institutional buyer exemption provided under the municipal advisor rules of the Securities and

Exchange Commission, Rule 15Ba1-1 et seq, to the extent that such rules apply to the transactions contemplated hereunder.

Section 10.12 Permission to Use Information.

The Borrower agrees and consents that the Lender shall be permitted to use information related to the loan transaction in connection with marketing, press releases or other transactional announcements or updates provided to investors or trade publications, including, but not limited to, the placement of the logo or other identifying name on marketing materials or of “tombstone” advertisements in publications of its choice as its own expense.

Section 10.13 Freedom Act Notice.

The Lender hereby gives the Borrower notice that pursuant to the requirements of the Freedom Act, the Lender is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Freedom Act.

Section 10.14 Waiver of Jury Trial.

THE BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, WHETHER IN CONTRACT OR TORT OR OTHERWISE, AT LAW OR IN EQUITY, BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THE NOTE AND ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THE NOTE, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER ENTERING INTO OR ACCEPTING THE NOTE. FURTHER, BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE LENDER, NOR THE LENDER’S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUNTRUST WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

Section 10.15 Waiver of Damages other than Direct or Actual.

TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER AND THE LENDER HEREBY IRREVOCABLY WAIVE (AND IRREVOCABLY AGREE NOT TO ASSERT) ANY CLAIM WHATSOEVER FOR SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES OR LOST PROFITS (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) AGAINST EACH OTHER (OR AGAINST EACH OTHER’S RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS) AT ANY TIME ARISING UNDER OR RELATING TO THE BOND OR THE FINANCING INSTRUMENTS, ANY RELATED DOCUMENT, OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN.

FORM OF BOND

R-1

\$_____

Dated Date: December __, 2017

Due: December __, 2022

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

**Residential Care Facility Revenue Bond
(Kendal at Lexington)
Series 2017B**

The Industrial Development Authority of the City of Lexington, Virginia, a political subdivision of the Commonwealth of Virginia (the “Authority”), for value received, hereby promises to pay, solely from the source and as hereinafter provided, to the order of STI Institutional & Government, Inc. (the “Lender”), at its designated office in Roanoke, Virginia, or at such other place as the holder of this Bond may in writing designate, in lawful money of the United States of America, the principal amount of _____ **DOLLARS** (\$_____), together with interest hereon from the date hereof until payment hereof in full on December __, 2022, and, to the extent permitted by law, interest on any overdue installments of such interest, at the Interest Rate, as defined herein. Principal on this Bond is required to be paid in part prior to maturity in accordance with the requirements of the Agreement. All payments of principal and interest shall be made in lawful money of the United States in immediately available funds at the office of the Lender in Roanoke, Virginia.

This Bond is authorized and issued pursuant to the Industrial Development and Revenue Bond Act (Chapter 49, Title 15.2, Code of Virginia of 1950, as amended) for the purpose of financing certain capital projects (the “Project”), owned by Lexington Retirement Community, Inc. (the “Borrower”), pursuant to a Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “Agreement”), between the Authority, the Borrower, the Lender and SunTrust Bank, as escrow agent. Reference is hereby made to the Agreement and all amendments and supplements thereto for a description of the provisions with respect to the nature and extent of the security for this Bond, the rights, duties and obligations of the Authority and the rights of the holder of this Bond with respect thereto. All capitalized terms used herein but not defined shall have the meanings in the Agreement.

Pursuant to the Agreement, the Authority has assigned to the Lender, as security for the this Bond, the promissory note of the Borrower constituting the Series 2017B Obligation in the principal amount of \$_____, dated December __, 2017 (the “Series 2017B Obligation”), and certain rights of the Authority under the Agreement. In the Agreement, the Borrower agrees to

pay amounts sufficient to pay the principal of and premium, if any, and interest on the Bond as the same become due. The Series 2017B Obligation is issued as an obligation of the Obligated Group under a Master Trust Indenture dated as of October 1, 2016 (the “Master Trust Indenture”), between the Borrower and U.S. Bank National Association, as the master trustee (the “Master Trustee”), as previously supplemented and as further supplemented by a Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (together with the Master Trust Indenture, the “Master Indenture”), between the Borrower and the Master Trustee.

Interest Provisions

Interest on the unpaid principal balance from time to time outstanding under this Bond shall be due and payable on the first day of each month, commencing _____, 2018, at the Interest Rate, subject to adjustment upon an Event of Taxability and otherwise provided below. All interest payable shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

Except as otherwise provided herein, upon the occurrence of an Event of Taxability and for as long as this Bond remains outstanding, the interest rate on this Bond shall be converted to the Taxable Rate and this adjustment shall survive payment on this Bond until such time as the federal statute of limitation under which the interest on this Bond could be declared taxable under the Code shall have expired. In addition, upon an Event of Taxability, the Borrower shall, immediately upon demand, pay to the Lender (or prior holders, if applicable) (i) an additional amount equal to the difference between (A) the amount of interest actually paid on this Bond during the Taxable Period and (B) the amount of interest that would have been paid during the Taxable Period had this Bond borne interest at the Taxable Rate, and (ii) an amount equal to any interest, penalties and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the Event of Taxability.

If, after the date of the Agreement, the Lender shall have reasonably determined that a Change in Law shall have occurred that has or would have the effect of reducing the rate of return on the Lender or Lender’s affiliate SunTrust Bank’s capital, on this Bond or otherwise, as a consequence of its ownership of this Bond to a level below that which the Lender could have achieved but for such adoption, change or compliance (taking into consideration the Lender’s or its affiliates’ policies with respect to capital adequacy) by an amount deemed by the Lender to be material, then from time to time, promptly upon demand by the Lender, the Borrower hereby agrees to pay the Lender such additional amount or amounts as will compensate the Lender for such reduction. The Borrower shall pay to the Lender such additional amount or amounts as will compensate the Lender for such reduction, provided that at such time the Lender shall generally be assessing such amounts on a non-discriminatory basis against borrowers having loans similar to the loan evidenced by this Bond. A certificate of the Lender claiming compensation and setting forth the additional amount or amounts to be paid to it under this paragraph shall be conclusive absent manifest error. In determining any such amount, the Lender may use any reasonable averaging and attribution methods. The Lender shall notify the Borrower in writing of any adjustments pursuant to this paragraph.

Definitions

“Change in Law” shall mean the occurrence, after the Dated Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directives (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or, pursuant to the accord commonly referred to as “Basel III” or the United States or foreign regulatory authorities, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“Default Rate” shall mean the lesser of (i) the sum of the Prime Rate plus ___% per annum and (ii) the maximum lawful rate.

“Event of Taxability” shall mean (i) a Change in Law that changes the ability of the Lender to exclude all or a portion of the interest on this Bond from its gross income for federal income tax purposes, or (ii) a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest paid or payable on all or a portion of this Bond is or was includable in the gross income of the Lender for federal income tax purposes; provided, that no such decree, judgment, or action will be considered final for this purpose, however, unless the Borrower has been given written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Lender, and until the conclusion of any appellate review, if sought.

Such an Event of Taxability shall mean and shall be deemed to have occurred on the first to occur of the following:

(a) on the effective date of any change of law that that changes the ability of the holder to exclude all or a portion of the interest on this Bond from its gross income for federal income tax purposes;

(b) on that date when the Borrower files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(c) on the date when the Lender or any prior Lender notifies the Borrower that it has received a written opinion by an attorney or firm of attorneys of recognized standing on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within 180 days after receipt by the Borrower of such notification from such Lender or any prior Lender, the Borrower shall deliver to each Lender and prior Lender (A) a ruling or determination letter issued to or on behalf of the Borrower by the Director or any District Director of Internal Revenue (or any other governmental official or agent exercising the same or a substantially similar function from time to time) or (B) a written opinion by an

attorney or firm of attorneys of recognized standing on the subject of tax-exempt municipal finance to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(d) on the date when the Borrower shall be advised in writing by the Director or any District Director of Internal Revenue (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Borrower, or upon any review or audit of the Borrower or upon any other ground whatsoever, an Event of Taxability shall have occurred;

(e) on that date when the Borrower shall receive notice from the Lender or prior Lender that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Lender or any prior Lender the interest on this Bond paid to such Lender or prior Lender due to the occurrence of an Event of Taxability; provided, however, that no Event of Taxability shall occur under clauses (c) or (d) above unless the Borrower has been afforded the opportunity, at their respective expense, to contest any such assessment; and provided further that no Event of Taxability shall occur until such contest, if made, has been finally determined; and provided further that upon demand from any Lender or any prior Lender, the Borrower shall immediately reimburse such Lender or prior Lender for any payments such Lender (or any prior Lender) shall be obligated to make as a result of the Determination of Taxability during any such contest; or

(f) on the date when the Borrower shall be advised in writing of a final decree or judgment from a court constituting an Event of Taxability shall have occurred.

“Interest Period” means a period of one (1) month, provided that (a) the initial Interest Period may be less than one month, depending on the initial funding date and (b) no Interest Period shall extend beyond the maturity date of the Note.

“Interest Rate” means a per annum rate equal to (a) 67.0% of the sum of LIBOR plus 0.50%, multiplied, prior to the occurrence of a Determination of Taxability, by (b) the Margin Rate Factor.

“Interest Rate Determination Date” means the first Business Day of the calendar month in which the Note is funded and the first Business Day of each calendar month thereafter.

“LIBOR” means that rate per annum effective on any Interest Rate Determination Date which is equal to the quotient of: (i) the rate per annum equal to the offered rate for deposits in U.S. Dollars for a one (1) month period, which rate appears on that page of Reuters reporting service, or such similar service as determined by the Lender, that displays ICE Benchmark Administration (“ICE”) (or any successor thereto if ICE is no longer making a London Interbank Offered Rate available) interest settlement rates for deposits in U.S. Dollars as of 11:00 a.m. (London, England time) two (2) Business Days prior to the Interest Rate Determination Date; provided, that if no such offered rate appears on such page, the rate used for such Interest Period will be the per annum rate of interest determined by the Lender to be the rate at which U.S. dollar deposits for the Interest Period, are offered to the Lender in the London Interbank

Market as of 11:00 a.m. (London, England time), on the day which is two (2) Business Days prior to the Interest Rate Determination Date, divided by (ii) a percentage equal to 1.00 *minus* the maximum reserve percentages (including any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upward to the next 1/100th of 1%) in effect on any day to which the Lender or an Affiliate thereof is subject with respect to any LIBOR loan pursuant to regulations issued by the Board of Governors of the Federal Reserve System with respect to eurocurrency funding (currently referred to as “eurocurrency liabilities” under Regulation D). This percentage will be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Margin Rate Factor” shall mean the fraction the numerator of which is equal to one (1) minus the Maximum Federal Corporate Tax Rate on the date of calculation and the denominator of which is 0.65. The Margin Rate Factor shall be 0.65/0.65 or 1.0 so long as the Maximum Federal Corporate Tax Rate shall be 35%, and thereafter shall increase from time to time effective as of the effective date of any decrease in the Maximum Federal Corporate Tax Rate.

“Maximum Federal Corporate Tax Rate” shall mean the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Lender, the maximum statutory rate of federal income taxation which could apply to the Lender). The Maximum Federal Corporate Tax Rate on the Dated Date is 35%.

“Prime Rate” shall mean the per annum rate which the Lender’s affiliate SunTrust Bank announces from time to time to be its prime rate, as in effect from time to time. The prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. The Lender’s affiliate SunTrust Bank may make commercial loans or other loans at rates of interest at, above or below the prime rate. Each change in the prime rate shall be effective from and including the date such change is announced as being effective.

“Taxable Period” shall mean the period of time between (a) the date that interest on this Bond is deemed to be includable in the gross income of the owner thereof for federal income tax purposes as a result of an Event of Taxability, and (b) the date of the Event of Taxability and after which this Bond bears interest at the Taxable Rate.

“Taxable Rate” shall mean the interest rate per annum that shall provide the Lender with the same after tax yield that the Lender would have otherwise received had the Event of Taxability not occurred, taking into account the increased taxable income of the Lender as a result of such Event of Taxability. The Lender shall provide the Borrower with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Borrower.

Additional Provisions

The Agreement provides that the Lender, at its option, may declare all amounts payable under this Bond to be immediately due and payable upon an Event of Default thereunder, and upon such declaration all amounts hereunder shall become immediately due and payable.

This Bond and the interest hereon are limited obligations of the Authority payable solely from the revenues and receipts derived by the Authority pursuant to the Agreement and from payments on the Note, which revenues and receipts have been pledged and assigned to secure payment thereof. This Bond and the interest hereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Authority and the City of Lexington, Virginia. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority and the City of Lexington, Virginia, shall be obligated to pay the principal or interest on this Bond or other costs incident thereto except from the revenues and receipts pledged and assigned therefor, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the Authority and the City of Lexington, Virginia, is pledged to the payment of the principal or interest on this Bond or other costs incident thereto. No covenant, condition or agreement 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 this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance thereof.

This Bond is registered in the name of the holder hereof on the registration books kept by the Bond Registrar designated pursuant to the Agreement, which registration has been made in said registration books and endorsed hereon by the Bond Registrar, and no registration of transfer hereof shall be valid unless made on said registration books at the written request of the holder as provided in the Agreement.

All acts, conditions and things required to happen, exist or to be performed precedent to and in the issuance of this Bond have happened, exist and have been performed.

TRANSFER OF BOND

The transfer of this Bond may be registered by the Registered Owner or its duly authorized attorney or legal representative upon presentation hereof to the Registrar who shall make note of such transfer in books kept by the Registrar for that purpose and in the registration blank below.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

REQUISITION NO. ____

Date: _____

SunTrust Bank, as Escrow Agent

Richmond, Virginia 23219
(Attention: Corporate Trust Department)

**Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bond
(Kendal at Lexington), Series 2017B**

On behalf of Lexington Retirement Community, Inc. (the “Borrower”), I hereby requisition pursuant to the Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “Agreement”), between the Industrial Development Authority of the City of Lexington, Virginia, SunTrust Bank, as Escrow Agent, STI Institutional & Government, Inc. and the Borrower, the sum specified on the attached Schedule to be paid to the parties specified on the attached Schedule for the purposes specified on the attached Schedule, from the Project Fund.

Each obligation for which a disbursement is hereby requested is described in reasonable detail in the schedule attached hereto (the “Schedule”) together with the name and address of the person, firm or corporation to whom payment is due. The bills, invoices or statements of account for each obligation referenced in the Schedule are attached hereto.

The Borrower hereby certifies that:

(a) there has been received no notice (1) of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under this requisition to any of the persons, firms or corporations named on the attached Schedule, and (2) any materials, supplies or equipment covered by this requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released or discharged or will be released or discharged upon payment of this requisition;

(b) this requisition contains no items representing payment on account of any percentage entitled to be retained at the date hereof;

(c) the payment of this requisition, together with the payment of all prior requisitions, will not result in more than 5% of the proceeds of the Series 2017B Bond being used directly or indirectly in the trade or business carried on by any person who is not a “501(c)(3) corporation” within the meaning of Section 145 of the Code or in any “unrelated trade or business” of any 501(c)(3) organization;

(d) the obligations stated on the Schedule have been incurred in or about the acquisition, construction, renovation or equipping of the Series 2017 Project, each item is a proper charge against the Project Fund and the obligations have not been the basis for a prior requisition that has been paid;

(e) [this requisition contains no items representing any amount constituting a Cost of Issuance (as defined in the Indenture)] [attached hereto is an Opinion of Bond Counsel to the effect that the payment of the amount in this requisition will not adversely affect the exemption of interest on the Series 2017B Bond from federal income tax]; and

(f) as of the date of this certificate (i) 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 under the Master Indenture or the Agreement, or if such an event or condition has happened or existed, or is happening or exists, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take with respect thereto; (ii) and the Borrower has (A) provided to the company providing the title insurance required by Section 206(a)(7) of the Bond Indenture all certificates, waivers and other documentation required to be delivered at the date of such requisition to such title insurance company by the terms under which such title insurance was provided, or (B) informed such title insurance company in reasonable detail that the Borrower is unable to provide all such certificates, waivers or documents; and (iii) the amounts remaining in the Project Fund (taking into account the projected uses of such remaining amounts for other purposes), along with other available funds, are sufficient to pay the costs of completing the acquisition, construction, renovation and equipping of the Series 2017 Project.

All capitalized terms herein shall have the meanings assigned to them in the Bond Indenture.

LEXINGTON RETIREMENT COMMUNITY, INC.

By: _____
Authorized Representative

Approved by:

SUNTRUST BANK

By: _____
Authorized Representative

REQUISITION NO. ____

Date: _____

SunTrust Bank, as Escrow Agent

Richmond, Virginia 23219
(Attention: Corporate Trust Department)

**Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bond
(Kendal at Lexington), Series 2017B**

On behalf of Lexington Retirement Community, Inc. (the “Borrower”), I hereby requisition pursuant to the Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “Agreement”), between the Industrial Development Authority of the City of Lexington, Virginia, SunTrust Bank, as Escrow Agent, STI Institutional & Government, Inc. and the Borrower, the sum specified on the attached Schedule to be paid to the parties specified on the attached Schedule for the purposes specified on the attached Schedule, from the Cost of Issuance Account.

Each obligation for which a disbursement is hereby requested is described in reasonable detail in Exhibit A hereto together with the name and address of the person, firm or corporation to whom payment is due. The bills, invoices or statements of account for each obligation referenced in Exhibit A are attached hereto.

The Borrower hereby certifies that:

(a) Each of the obligations stated on Exhibit A constitutes a Cost of Issuance and such items are proper charges against the Cost of Issuance Fund and have not been the basis for a prior requisition that has been paid; and

(b) As of the date of this certificate 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 under the Master Indenture or the Agreement.

LEXINGTON RETIREMENT COMMUNITY, INC.

By: _____
Authorized Representative

Approved by:

SUNTRUST BANK

By: _____

SUPPLEMENTAL INDENTURE FOR SERIES 2017 OBLIGATIONS

between

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington**

and

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

Dated as of December 1, 2017

**Supplementing the
Master Trust Indenture
dated as of October 1, 2016**

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This **SUPPLEMENTAL INDENTURE FOR THE SERIES 2017 OBLIGATIONS** dated as of December 1, 2017 (this “Supplement”), between **LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a Kendal at Lexington** (the “Borrower”), a not-for-profit Virginia nonstock corporation, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized and validly existing under the laws of the United States of America, having a corporate trust office in Richmond, Virginia, as master trustee (the “Master Trustee”), supplements the Master Trust Indenture dated as of October 1, 2016 (as previously supplemented, the “Master Indenture”), between the Borrower and the Master Trustee,

W I T N E S S E T H:

WHEREAS, the Borrower and Master Trustee have entered into the Master Indenture, which provides for the issuance by any Member of the Obligated Group (as defined in the Master Indenture) of its obligations thereunder, upon such Member and the Master Trustee entering into an indenture supplemental to the Master Indenture to issue such obligations;

WHEREAS, concurrently with the execution and delivery of this Supplement, the Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), is issuing its (1) \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the “Series 2017A Bonds”), pursuant to a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”), and (2) \$_____ Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B (the “Series 2017B Bond”), pursuant to a Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “2017B Agreement”) among the Authority, the Borrower, STI Institutional & Government (the “Lender”), and SunTrust Bank, as escrow agent;

WHEREAS, the Authority will loan the proceeds of (1) the Series 2017A Bonds to the Borrower pursuant to the terms of a Loan Agreement dated as of October 1, 2016, as supplemented and amended (the “2017A Agreement”), between the Authority and the Borrower, and (2) the Series 2017B Bond to the Borrower pursuant to the terms of the 2017B Agreement;;

WHEREAS, pursuant to the 2017A Agreement and the 2017B Agreement (together, the “Loan Agreements”), the Borrower has agreed to issue promissory notes in the form of Obligations created by this Supplemental Indenture (the “Series 2017 Obligations”) to evidence the obligations of the Borrower to make the payments required under the Loan Agreements;

WHEREAS, the Borrower is authorized by law and by the Master Indenture, and deems it necessary and desirable, to issue and deliver the Series 2017 Obligations pursuant to 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 Borrower has duly authorized the execution and delivery of this Supplement and the Series 2017 Obligations;

NOW, THEREFORE, in consideration of the foregoing, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance

of the Obligations issued hereunder by the Borrower, the Obligated Group covenants and agrees with the Master Trustee, for the benefit of the bondholders of the Series 2017 Bonds, 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:

“Series 2017 Obligations” means the Series 2017A Obligation and the Series 2017B Obligation.

“Series 2017A Obligation” means the Borrower’s 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 Bond Indenture and issued as an Obligation under the Master Indenture pursuant to this Supplement.

“Series 2017B Obligation” means the Borrower’s promissory note in the principal amount of \$_____ dated the date of its delivery, issued and delivered to the Authority and assigned to the Lender pursuant to the 2017B Agreement and issued as an Obligation under the Master Indenture pursuant to this Supplement.

“Supplement” means this Supplemental Indenture for the Series 2017 Obligations dated as of December 1, 2017, between the Borrower and the Master Trustee.

Section 2. Issuance of the Series 2017 Obligations.

(a) There is hereby created and authorized to be issued, as an Obligation under the Master Indenture, the Series 2017A Obligation in the aggregate principal amount of \$_____, designated “Kendal at Lexington Promissory Note Constituting the Series 2017A Obligation.”

(b) There is hereby created and authorized to be issued, as an Obligation under the Master Indenture, the Series 2017B Obligation in the aggregate principal amount of \$_____, designated “Kendal at Lexington Promissory Note Constituting the Series 2017B Obligation.”

The Series 2017 Obligations shall be dated the date of their 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 forms of the Series 2017 Obligations attached hereto as Exhibits A and B. Pursuant to Section 3.01 of the Master Indenture, the Series 2017 Obligations are joint and several obligations of each Member of the Obligated Group. A reserve fund has been established under the Bond Indenture to secure the Series 2017A Bonds, but no reserve fund has been established to secure the Series 2017B Bond, nor has a Debt Service Reserve Fund been established under the Master Indenture.

Section 3. Payments on the Series 2017 Obligations. Principal of, and interest and any applicable redemption premium on, the Series 2017 Obligations are payable in lawful money of the United States of America. Payments of principal of and premium, if any, and interest on the Series 2017 Obligation shall be made at the times and in the amounts specified in the Series

2017 Obligations 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 or the Lender, as appropriate, 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 or the Lender, as appropriate, 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 Obligations, specifying the amount paid and identifying such payment as a payment on the Series 2017 Obligations.

Section 4. Execution and Authentication of the Series 2017 Obligations. The Series 2017 Obligations shall be manually executed for and on behalf of the Borrower by its President or the Chairman of its Governing Body or any other person designated to act by a resolution of its Governing Body. If any officer whose signature appears on the Series 2017 Obligations ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. The Series 2017 Obligations shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication the Series 2017 Obligations shall not be entitled to the benefits hereof.

Section 5. Prepayment of the Series 2017 Obligations. The Series 2017 Obligations are subject to prepayment as set forth therein.

Section 6. Discharge of Supplement.

(a) 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 Bond Trustee and available for such purpose, to cause all of the outstanding principal of and premium, if any, and accrued interest on the Series 2017A Bonds to be deemed to have been paid within the meaning of Section 801 of the Bond Indenture and to pay all other amounts referred to in such Section 801 to be paid, the Series 2017A Obligation shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture and the Series 2017A Obligation shall no longer be an Obligation under the Master Indenture.

(b) Upon payment by the Obligated Group of all amounts outstanding under the Series 2017B Obligation as provided therein, the Series 2017B Obligation shall be no longer outstanding under the Master Indenture.

(c) When the Series 2017 Obligations are no longer outstanding under the Master Indenture, this Supplement shall cease to be of further effect.

Section 7. 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 8. 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 9. 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 10. 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 11. 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 formation and existence 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 or other relevant documentation.

IN WITNESS WHEREOF, the Borrower has caused this Supplement to be signed 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 Supplement to be signed in its name and on its behalf by its duly authorized officer, all as of the date first above written.

**LEXINGTON RETIREMENT COMMUNITY,
INC., d/b/a Kendal at Lexington**

By: _____
Executive Director

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

By: _____
Assistant Vice President and
Account Manager

FORM OF SERIES 2017A OBLIGATION

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
OR ANY STATE SECURITIES LAW

\$ _____

KENDAL AT LEXINGTON PROMISSORY NOTE
CONSTITUTING THE SERIES 2017A OBLIGATION

LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a **Kendal at Lexington**, a not-for-profit Virginia nonstock corporation (the “Borrower”), for value received, hereby promises to pay to the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, or registered assigns, at the designated corporate trust office of U.S. Bank National Association, as Trustee (the “Bond Trustee”), the principal sum set forth above and to pay interest on the unpaid principal balance hereof, in each case as provided in Section 4.1 of the Loan Agreement dated as of October 1, 2016, as supplemented and amended (the “Loan Agreement”), between the Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), and the Borrower, and on such other dates as may be required by the Loan Agreement, until the principal amount hereof is paid or made available for payment.

Principal of, premium, if any, and interest on this Note are payable in any coin or currency of the United States of America that, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal hereof, premium, if any, and interest hereon shall be payable in immediately available funds by depositing the same with the Bond Trustee, at or prior to the opening of business on the date the same shall become due and payable, and by giving notice of payment to the Master Trustee, as hereinafter defined, as provided in the Bond Indenture, as hereinafter defined.

This Note is issued in the principal amount of \$_____, is dated December __, 2017, and is designated as the “Kendal at Lexington Promissory Note Constituting the Series 2017A Obligation” (the “Note” and, together with all other Obligations issued under the Master Indenture, the “Obligations”) issued under and pursuant to the Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (the “Supplemental Indenture”), supplementing and amending the Master Trust Indenture dated as of October 1, 2016, as previously supplemented (the “Master Indenture”), between the Borrower and U.S. Bank National Association, as Master Trustee (the “Master Trustee”), and delivered pursuant to the Loan Agreement. The Master Indenture, as supplemented and amended by the Supplemental Indenture, is herein called the “Indenture”.

Pursuant to the terms of the Indenture, each of the Obligated Group Members described therein will be jointly and severally liable for the payment of this Note and all other Obligations.

This Note is issued for the purpose of securing the payment of the principal of, premium, if any, and interest on the Authority's Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds were issued under the laws of the Commonwealth of Virginia, including particularly the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), and a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the "Bond Indenture"), between the Authority and the Bond Trustee.

Copies of the Indenture are on file at the designated corporate trust office of the Master Trustee and reference is hereby made to the Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holder of this Note, the terms and conditions of which, and the purposes for which, this Note is issued and the rights, duties and obligations of the Obligor and the Master Trustee under the Indenture, to all of which the holder hereof, by acceptance of this Note, assents.

Any amounts in either account of the Bond Fund (as defined in the Bond Indenture) at the close of business of the Bond Trustee on the day immediately preceding any payment date on this Note in excess of the aggregate amount then required to be contained in such account of such Bond Fund shall be credited against the payments due by the Borrower and the other Obligated Group Members on such next succeeding principal or interest payment date on this Note.

To the extent permitted by and as provided in the Indenture, modifications or changes of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group Members (as defined in the Indenture) and of the holders of the Obligations in any particular may be made with the consent of the Master Trustee and the Obligated Group Members and, in certain circumstances, with the consent of the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. No such modification or change shall be made that will reduce the percentage of the Obligations, the consent of the holders of which is required to consent to such supplemental indenture, or permit a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or which will affect a change in the times, amount and currency of payment of the principal of, and premium, if any, or interest on any Note 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. Any such consent by the holder of this Note shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Note.

In the manner and with the effect provided in the Indenture, this Note and its principal installments will be subject to prepayment and redemption prior to maturity, in whole at any time, or in part from time to time at the option of the Borrower, without penalty, upon payment of a sum, in cash and/or obligations, sufficient, together with any other cash and/or obligations held by the Bond Trustee and available for such purpose, to cause an equal aggregate principal amount of outstanding Series 2017A Bonds to be deemed to have been paid within the meaning of Section 801 of the Bond Indenture and to pay all reasonable fees and expenses of the Authority accrued and to be accrued to the date of discharge of the Bond Indenture with respect to the Series 2017A Bonds.

With respect to principal, if the Obligated Group Representative (i) shall have elected to apply a Series 2017A Bond or Series 2017A Bonds that have been redeemed or otherwise acquired by the Borrower or the Authority and delivered to the Bond Trustee for cancellation by the Bond Trustee, in payment of all or a part of a sinking fund requirement under the Bond Indenture and (ii) shall have delivered written notice to the Authority and a copy thereof to the Bond Trustee in accordance with the provisions of Section 303 of the Bond Indenture, and the Authority shall have received a credit against such sinking fund requirement in the amount of 100% of the principal amount of the Series 2017A Bond or Series 2017A Bonds thus applied, then the Bond Trustee shall promptly notify the Master Trustee, whereupon the Borrower and the other Obligated Group Members shall receive a credit, equal to the credit received by the Authority, in respect of the payment of principal due on this Note on the same date as the sinking fund payment date under the Bond Indenture for the sinking fund requirement in payment of which the Series 2017A Bond or Series 2017A Bonds have been applied, and the principal amount of this Note due on such date will be reduced accordingly.

Any redemption, either in whole or in part, shall be made upon at least 45 days' notice to the Bond Trustee in the manner and upon the terms and conditions provided in the Indenture. If this Note shall have been duly called for redemption and payment of the redemption price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in the Indenture, interest on this Note shall cease to accrue from the date fixed for redemption, and from and after such date this Note shall be deemed not to be Outstanding, as defined in the Indenture, and shall no longer be entitled to the benefits of the Indenture, and the holder hereof shall have no rights in respect of this Note other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain "Events of Default," as defined in the Indenture, the principal of all outstanding Obligations may be declared due and payable, and thereupon shall become due and payable as provided in the Indenture.

The holder of this Note shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

This Note shall be registered on the register to be maintained by the Master Trustee and this Note shall be transferable only upon said register at said office by the registered owner or by his duly authorized attorney. Such transfer shall be without charge to the holder hereof, but any taxes 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 Borrower shall execute and the Master Trustee shall authenticate and deliver in exchange for this Note a new registered Note without coupons, registered in the name of the transferee.

The Borrower and the other Obligated Group Members, the Master Trustee and any paying agent may deem and treat the person in whose name this Note is registered as the absolute owner hereof for all purposes; and neither the Borrower and the other Obligated Group Members, any paying agent, the Master Trustee nor any Obligation 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 moneys payable on this Note.

No covenant or agreement contained in this Note or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any of the Obligated Group Members in his individual capacity, and neither the Board of Directors of any of the Obligated Group Members nor any officer executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

This Note shall not be entitled to any benefit under the Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director.

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington**

By: _____
Executive Director

Form of Master Trustee's Certificate of Authentication

The undersigned Master Trustee hereby certifies that this Series 2017A Obligation is one of the Obligations contemplated by the within-mentioned Indenture.

Date of Authentication: December ____, 2017.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), (1) hereby irrevocably assigns without recourse the foregoing Series 2017A Obligation to U.S. Bank National Association (the “Bond Trustee”), acting pursuant to a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the “Bond Indenture”), between the Authority and the Bond Trustee and (2) hereby directs Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, as the maker of the Series 2017A Obligation, to make all payments of principal of, premium, if any, and interest thereon directly to the Bond Trustee at its corporate trust office in Richmond, Virginia, or at such other place as the Bond Trustee may direct in writing. Such assignment is made as security for the payment of the Authority’s \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A, issued pursuant to the Bond Indenture.

This ___ day of December, 2017.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

By: _____
Chairman

FORM OF SERIES 2017B OBLIGATION

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
OR ANY STATE SECURITIES LAW**

\$ _____

**KENDAL AT LEXINGTON PROMISSORY NOTE
CONSTITUTING THE SERIES 2017B OBLIGATION**

LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the “Borrower”), for value received, hereby promises to pay to the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, or registered assigns, the principal sum set forth above and interest on the unpaid principal balance thereof to STI Institutional & Government, Inc. (the “Lender”) in Roanoke, Virginia, or at such other place as the Lender may direct in writing, in accordance with the terms of the Authority’s \$ _____ Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B (the “Bond”).

Payments of principal and interest hereunder shall be identical to the payments, the rate of interest on, and the payment dates for the Bond.

This Note is issued as further evidence of the Borrower’s payment obligations in the Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “Agreement”), among the Authority, the Borrower, the Lender and SunTrust Bank, as escrow agent, and is entitled to the benefits and subject to the conditions thereof, including the provisions thereof that the Borrower’s obligations thereunder and hereunder shall be unconditional. The Agreement provides that the holder of this Note may declare all payments hereunder immediately due and payable upon an Event of Default, as defined therein. All of the terms, conditions and provisions of the Agreement and the Bond are, by this reference thereto, incorporated herein as a part of this Note.

This Note is issued in the principal amount of \$ _____, is dated December __, 2017, and is designated as the “Kendal at Lexington Promissory Note Constituting the Series 2017B Obligation” (the “Note” and, together with all other Obligations issued under the Master Indenture, the “Obligations”) issued under and pursuant to the Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (the “Supplemental Indenture”), supplementing and amending the Master Trust Indenture dated as of October 1, 2016, as previously supplemented (the “Master Indenture”), between the Borrower and U.S. Bank National Association, as Master Trustee (the “Master Trustee”), and delivered pursuant to the Agreement. The Master Indenture, as supplemented and amended by the Supplemental Indenture, is herein called the “Indenture”.

Pursuant to the terms of the Indenture, each of the Obligated Group Members described therein will be jointly and severally liable for the payment of this Note and all other Obligations.

Copies of the Indenture are on file at the designated corporate trust office of the Master Trustee and reference is hereby made to the Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holder of this Note, the terms and conditions of which, and the purposes for which, this Note is issued and the rights, duties and obligations of the Obligor and the Master Trustee under the Indenture, to all of which the holder hereof, by acceptance of this Note, assents.

To the extent permitted by and as provided in the Indenture, modifications or changes of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group Members (as defined in the Indenture) and of the holders of the Obligations in any particular may be made with the consent of the Master Trustee and the Obligated Group Members and, in certain circumstances, with the consent of the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. No such modification or change shall be made that will reduce the percentage of the Obligations, the consent of the holders of which is required to consent to such supplemental indenture, or permit a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or which will affect a change in the times, amount and currency of payment of the principal of, and premium, if any, or interest on any Note 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. Any such consent by the holder of this Note shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Note.

Payments with respect to the principal of and interest on this Note shall be made directly to the Lender for the account of the Authority pursuant to the Agreement and applied only to the principal of and interest on the Bond. All obligations of the Borrower hereunder shall terminate when all sums due and to become due pursuant to this Note, the Agreement and the Bond have been paid in full.

In addition to the payments of principal and interest specified above, the Borrower shall also pay such additional amounts, if any, that, together with any other moneys available therefor, may be necessary to provide for payment when due of all principal of (whether at maturity, by acceleration or call for prepayment or otherwise) and interest on the Bond and for the payment of sums due under the Agreement.

This Note may be prepaid only as provided herein and in the Bond. This Note is subject to prepayment in whole or in part in the amount, if any, prepaid on the Bond on the terms and conditions set forth in the Agreement and in the Bond.

The Authority, by execution of the assignment form at the foot of this Note is assigning this Note and the payments hereon to the Lender.

Form of Master Trustee's Certificate of Authentication

The undersigned Master Trustee hereby certifies that this Series 2017B Obligation is one of the Obligations contemplated by the within-mentioned Indenture.

Date of Authentication: December ____, 2017.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Authorized Signatory

FIRST AMENDMENT TO LOAN AGREEMENT

between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

and

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington**

December 1, 2017

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This **FIRST AMENDMENT TO LOAN AGREEMENT** dated as of December 1, 2017 (the “First Amendment”), between the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Authority”), and **LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a Kendal at Lexington**, a not-for-profit Virginia nonstock corporation (the “Borrower”), supplements and amends the Loan Agreement dated as of October 1, 2016 (the “Original Loan Agreement” and, together with the First Amendment, the “Loan Agreement”),

WITNESSETH:

WHEREAS, the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), authorizes the creation of industrial development authorities in several counties, cities and towns in Virginia and empowers such authorities, among other things, to acquire, improve, maintain, equip, own and sell and make loans with respect to facilities for the residence and care of the aged to the end that the Authority shall protect and promote the health and welfare of the inhabitants of the Commonwealth of Virginia, and further authorizes such authorities to issue their bonds for the purpose of carrying out any of their powers, and to pledge the revenues and receipts from loans with respect thereto, or from any other source, to the payment of such bonds;

WHEREAS, in order to further the purposes of the Act, the Authority has determined to issue its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the “Series 2017A Bonds”), pursuant to the terms of the Bond Indenture dated as of October 1, 2016 (the “Original Bond Indenture”), as supplemented by the First Supplemental Bond Indenture dated as of December 1, 2017 (the “First Supplement” and, together with the Original Bond Indenture, the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee, in the aggregate principal amount of \$_____ and use the proceeds thereof to make a loan to the Borrower;

WHEREAS, the Borrower will use the proceeds of the Series 2017A Bonds, together with other available funds, to (1) pay costs of the Series 2017 Project, as defined herein, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Series 2017 Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures; and

WHEREAS, the Authority proposes to loan the proceeds of the sale of the Series 2017A Bonds to the Borrower, and the Borrower agrees to repay such loan on the terms and conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant and 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 Original Loan Agreement, the Master Indenture or the Bond Indenture. The following words and terms shall have the following meanings unless the context otherwise requires:

“2017A Supplemental Master Indenture” shall mean the Supplemental Indenture for Series 2017A Obligation dated as of December 1, 2017, between the Borrower and the Master Trustee.

“First Amendment” shall mean this First Amendment to Loan Agreement dated as of December 1, 2017, between the Authority and the Borrower.

“First Supplement” shall mean the First Supplemental Bond Indenture dated as of December 1, 2017, between the Authority and the Bond Trustee.

“Original Bond Indenture” shall mean the Bond Indenture dated as of October 1, 2016, between the Authority the Bond Trustee.

“Original Loan Agreement” shall mean the Loan Agreement dated as of October 1, 2016, between the Authority and the Borrower.

“Second Supplement to Deed of Trust” shall mean the _____.

“Underwriter” shall mean, together, B.C. Ziegler and Company and Davenport & Company LLC, as underwriters for the Series 2017A Bonds.

Section 1.2 Rules of Construction.

The following rules shall apply to the construction of this First Amendment 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 Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.

(c) All references herein to particular articles or sections are references to articles or sections of this First Amendment 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 First Amendment nor shall they affect its meaning, construction or effect.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by Authority.

The Authority hereby confirms all of its representations made under the Original Loan Agreement (modified, as appropriate, for the issuance of the Series 2017A Bonds and the Series 2017A Obligation and the financing of the Series 2017 Project), as if made on the date of this First Amendment and makes the following additional representations:

(a) The Authority is duly organized under the Act and has the power to (1) enter into this First Amendment and the First Supplement (together, the “Authority Documents”), (2) assign the Series 2017A Obligation to the Bond Trustee, (3) issue the Series 2017A Bonds to finance costs incurred in connection with the Series 2017 Project and (4) carry out its obligations in connection therewith pursuant to the Loan Agreement. The Series 2017 Project and the Existing Facilities constitute facilities authorized to be financed under the Act and in furtherance of the purposes for which the Authority was organized.

(b) The Authority has duly authorized the execution and delivery of the Authority Documents, the assignment of the Series 2017A Obligation, the performance of its obligations hereunder and thereunder and the issuance of the Series 2017A Bonds and, contemporaneously with the execution and delivery of this First Amendment, has duly executed and delivered the First Supplement and issued and sold the Series 2017A Bonds.

(c) The Authority hereby finds that the financing of the Series 2017 Project, including the financing of interest on the Series 2017A Bonds for up to one year after the completion of the Series 2017 Project, is 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 Borrower.

The Borrower confirms all its representations made under the Original Loan Agreement (modified, as appropriate, for the issuance of the Series 2017A Bonds and the Series 2017A Obligation and the financing of the Series 2017 Project), as if made on the date of this First Amendment and makes the following additional representations:

(a) The Borrower is a nonstock corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. The Borrower has the power to enter into this First Amendment, the Second Supplement to Deed of Trust, the 2017A Supplemental Master Indenture and the Series 2017A Obligation (collectively, the “Borrower Documents”) and the transactions contemplated thereunder and, by proper corporate action, has duly authorized the execution and delivery of the Borrower Documents and the performance of its obligations thereunder.

(b) The Borrower will operate the Series 2017 Project or cause such facilities to be operated, as facilities for the residence and care of the aged until payment of the Series 2017A Obligation in full.

ARTICLE III

FINANCING OF THE SERIES 2017 PROJECT

Section 3.1 Loan by the Authority.

Upon the terms and conditions of the Loan Agreement and the Bond Indenture, the Authority shall lend to the Borrower the net proceeds of the sale of the Series 2017A Bonds. The Loan shall be made by depositing the net proceeds of such sale in accordance with Section 204 of the First Supplement. The Loan shall be disbursed to the Borrower as provided in Article V of the First Supplement.

Section 3.2 Agreement To Undertake Series 2017 Project.

(a) The Borrower shall use the proceeds of the Loan to (1) pay costs of the Series 2017 Project, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Series 2017 Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures.

(b) The Borrower shall, in carrying out such obligations:

(1) obtain all licenses, permits and consents required to undertake the Series 2017 Project, [including all required Certificates of Public Need, if any,] for the Series 2017 Project, and

(2) bring any action or proceeding against any person with respect to the Series 2017 Project as the Borrower shall deem proper.

(c) Other than the making of the Loan under the Loan Agreement, no contract with respect to the Series 2017 Project shall obligate the Authority in any way.

Section 3.3 Repayment of Loan.

Prior to or simultaneously with the issuance of the Series 2017A Bonds, to evidence its obligations to repay the Loan, the Borrower shall deliver the Series 2017A Obligation to the Authority for assignment to the Bond Trustee as security for the payment of the Series 2017A Bonds.

Section 3.4 Borrower To Provide Funds To Complete the Series 2017 Project.

If the proceeds derived from the Loan are not sufficient to pay in full the Cost of the Series 2017 Project, the Borrower shall pay such moneys as are necessary to provide for payment

in full of such Cost of the Series 2017 Project, provided that, if all proceeds of the Series 2017A Bonds available therefor have been spent on the Cost of the Series 2017 Project, the Borrower shall not be obligated hereunder to undertake additional Costs of the Series 2017 Project if (a) such expenditures are not related to a portion of the Series 2017 Project expected to have a material effect on the revenues of the Borrower or (b) such expenditures are not required to comply with the covenants of Section 5.8 of the Original Loan Agreement and Section 4.3 hereof. The Borrower 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 Series 2017A Obligation. Notwithstanding the foregoing, subject to its obligations under Section 5.8 of the Original Loan Agreement and Section 4.3 hereof, the Borrower may alter the Series 2017 Project or suspend any part of the Series 2017 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 Series 2017 Project 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 the Loan Agreement, including payments received under the Series 2017A Obligation.

Section 3.6 Mortgage Title Policy.

At the incurrence of the Series 2017A Obligation, the Borrower shall deliver to the Master Trustee a mortgagee title insurance policy or endorsement thereto as required by the Master Indenture.

Section 3.7 Amounts Payable.

In addition to the amounts payable required by Sections 4.1(a) and 4.1(b)(1), 4.1(b)(2) and 4.1(b)(4) of the Original Loan Agreement, the Borrower shall also pay, or cause to be paid, the reasonable costs, fees and expenses of the Authority directly related to the Series 2017A Bonds[, including at closing a fee in the amount of \$_____].

ARTICLE IV

CONSENTS AND SPECIAL COVENANTS

Section 4.1 Consents.

The Borrower hereby consents to the execution and delivery of the First Supplement. [any other consents required?]

Section 4.2 Covenant to Remain a Member.

The Borrower covenants and agrees that, as long as the Series 2017A Bonds remain Outstanding, it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture will remain a Member of the Obligated Group.

Section 4.3 Tax Covenants.

The Borrower agrees that all covenants set forth in Section 5.8 of the Original Loan Agreement apply to the use of the proceeds of the Series 2017A Bonds and the use of the Series 2017 Project. The Borrower confirms all its representations and warranties set forth in Section 5.8 of the Original Loan Agreement (modified, as appropriate, for the issuance of the Series 2017A Bonds), as if made on the date of this First Amendment.

Section 4.4 Additional Disclosure.

[If needed]

ARTICLE V

PREPAYMENT OF SERIES 2017A OBLIGATION

Section 5.1 Option to Prepay Series 2017A Obligation in Whole.

The Borrower shall have the option to prepay the Series 2017A Obligation in whole, with any applicable premium, before payment of the Series 2017A Bonds so long as any such payment allocable to principal of the Series 2017A Obligation shall be used contemporaneously to discharge a like amount of Series 2017A Bonds; provided, however, that the covenants in Sections 5.7 and 5.8 of the Original Loan Agreement shall continue until the final maturity date of all Bonds or the earlier date on which provision for payment for all Bonds has been made and the covenants in Sections 4.7 and 4.8 of the Original Loan Agreement shall continue for six years thereafter. In such case the Authority shall cause the Bond Trustee to redeem the Series 2017A Bonds as provided in Section 301 of the First Supplement.

Section 5.2 Option To Prepay Series 2017A Obligation in Part.

The Borrower shall have the option to prepay the Series 2017A Obligation in part, with any applicable premium, so long as any such payment allocable to principal of the Series 2017A Obligation shall be used contemporaneously to discharge a like amount of Series 2017A Bonds. The amount so prepaid shall, so long as all payments then due under the Series 2017A Obligation have been made (a) if Series 2017A Bonds are then redeemable as provided in Section 301 of the First Supplement, be used to redeem Series 2017A Bonds to the extent possible under such section, and (b) if Series 2017A Bonds are not then redeemable, be transferred to the Bond Fund.

Section 5.3 Amount Required for Prepayment.

To prepay the Series 2017A Obligation in whole or in part under Sections 5.5 or 7.1 of the Original Loan Agreement, or Sections 5.1 or 5.2 of this First Amendment, the Borrower 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 (a) in the case of prepayment in whole, to discharge the lien of the Bond Indenture pursuant to Section 801

of the Original Bond Indenture, and (b) in the case of prepayment in part, to cause any Series 2017A Bonds that will be paid with the prepayment to be no longer Outstanding under the Bond Indenture. If the Borrower has prepaid the Series 2017A Obligation, as provided above, the Borrower shall not direct the expenditure of any funds from such prepayment in the Bond Fund for any purpose other than the payment of principal of or premium, if any, or interest on the Series 2017A Bonds to be paid. The Borrower shall instruct the Bond Trustee to give the notice of redemption required by Section 302 of the First Supplement if any of the Series 2017A Bonds are to be paid other than at maturity.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Confirmation of Original Loan Agreement.

As supplemented and amended by this First Amendment, the Original Loan Agreement is in all respects ratified and confirmed, and the Original Loan Agreement, including each amendment, shall be read, taken and construed as one and the same instrument. All covenants, agreements and provisions of, and all security provided under the Original Loan Agreement shall apply with full force and effect to the parties thereto. The Issuer and the Borrower confirm all their respective representations made under the Original Loan Agreement as if made on the date of this First Amendment.

Section 6.2 Applicable Law.

This First Amendment and the Series 2017A Obligation shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 6.3 Counterparts.

This First Amendment 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Authority and the Borrower have caused this First Amendment to Loan Agreement to be executed in their respective corporate names.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

By: _____
Chairman

**LEXINGTON RETIREMENT COMMUNITY,
INC., d/b/a Kendal at Lexington**

By: _____
Executive Director

FIRST SUPPLEMENTAL BOND INDENTURE

between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

and

U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee

December 1, 2017

Relating to

\$ _____

**Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds (Kendal at Lexington)
Series 2017A**

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- EXHIBIT C - Form of Requisition for Construction Fund
- EXHIBIT B - Form of Requisition for Cost of Issuance Fund

This **FIRST SUPPLEMENTAL BOND INDENTURE** dated as of December 1, 2017 (the “First Supplement”), between the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Authority”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, having a corporate trust office in Richmond, Virginia, as Bond Trustee (in such capacity, together with any successor in such capacity the “Bond Trustee” or the “Trustee”), supplements and amends the Bond Indenture dated as of October 1, 2016 (the “Original Bond Indenture” and, together with the First Supplement, the “Bond Indenture”);

WITNESSETH:

WHEREAS, the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), authorizes the creation of industrial development authorities in several counties, cities and towns in Virginia and empowers such authorities, among other things, to acquire, improve, maintain, equip, own and sell and make loans with respect to facilities for the residence and care of the aged to the end that the Authority shall protect and promote the health and welfare of the inhabitants of the Commonwealth of Virginia, and further authorizes such authorities to issue their bonds for the purpose of carrying out any of their powers, and to pledge the revenues and receipts from loans with respect thereto, or from any other source, to the payment of such bonds;

WHEREAS, the Authority has been duly organized pursuant to the Act;

WHEREAS, the Act authorizes the Authority to issue its bonds for the payment or retirement of bonds, notes and other evidences of debt previously issued by it;

WHEREAS, in order to further the purposes of the Act, the Authority has previously issued its Residential Care Facility Refunding Revenue Bonds (Kendal at Lexington), Series 2016, in the aggregate principal amount of \$28,210,000 (the “Series 2016 Bonds”), in order to assist Lexington Retirement Community, Inc. d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the “Borrower”), in refinancing the cost of the acquisition, construction and equipping of a non-profit home for the aged and related health care facility;

WHEREAS, contemporaneously with the issuance of the Series 2016 Bonds, the Authority loaned the proceeds of the Series 2016 Bonds to the Borrower pursuant to a Loan Agreement dated as of October 1, 2016 (the “Original Loan Agreement”), and the Borrower issued its promissory note in the aggregate principal amount of the Series 2016 Bonds (the “Series 2016 Obligation”) pursuant to the Master Trust Indenture dated as of October 1, 2016 (the “Master Trust Indenture”), between the Borrower and U.S. Bank National Association, as master trustee, as supplemented by the Supplemental Indenture for Series 2016 Obligation dated as of October 1, 2016 (together with the Master Trust Indenture, the “Master Indenture”), each to evidence its obligations under the Original Loan Agreement;

WHEREAS, the Borrower now desires to expand its facilities and has requested the Authority, and the Authority has agreed, to issue its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the “Series 2017A Bonds”), in an aggregate principal amount of \$_____, the proceeds of which will be used to (1) pay costs of the Series 2017 Project,

as defined herein, (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one year after completion of the Series 2017 Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures;

WHEREAS, in connection with the issuance of the Series 2017A Bonds, the Borrower and the Authority will enter into a First Amendment to Loan Agreement dated as of December 1, 2017 (the “First Amendment” and, together with the Original Loan Agreement, the “Loan Agreement”), supplementing and amending the Original Loan Agreement;

WHEREAS, the Borrower will execute and deliver to the Authority a promissory note (the “Series 2017A Obligation”) in the aggregate principal amount of the Series 2017A Bonds, evidencing the Borrower’s payment obligations with respect to the Series 2017A Bonds under the Loan Agreement;

WHEREAS, the Series 2017A 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 First Supplement and the Original Bond Indenture;

WHEREAS, Section 207 of the Original Bond Indenture permits the execution of a supplement to the Original Bond Indenture and an amendment to the Original Loan Agreement in connection with the issuance of Additional Bonds; and

WHEREAS, the execution and delivery of this First Supplement and the execution and issuance of the Series 2017A Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL BOND INDENTURE FURTHER WITNESSETH:

The Authority hereby covenants and agrees with the Bond Trustee and with the respective registered owners, from time to time, of the Series 2017A 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 Original Bond Indenture, the Loan Agreement and the Master Trust Indenture shall have the same meaning in this First Supplement. In addition, the following words and terms shall have the following meanings in this First Supplement unless the context otherwise requires:

“Completion Certificate” shall mean the certificate as to completion of the Series 2017 Project required by Section 504.

“Construction Fund” shall mean the Construction Fund established by Section 501.

“Cost of the Project” shall mean the “Cost of the Project” as set forth in Section 502.

“Facility” shall mean the residential and health care facilities of the continuing care retirement community known as “Kendal at Lexington.”

“First Amendment” shall mean the First Amendment to Loan Agreement dated as of December 1, 2017, between the Authority and the Borrower.

“Interest Payment Date” shall mean each [January 1 and July 1], commencing [July 1, 2018].

“Loan Agreement” shall mean the Original Loan Agreement, as supplemented and amended by the First Amendment and as it may be supplemented and amended in the future.

“Original Loan Agreement” shall mean the Loan Agreement dated as of October 1, 2016, between the Authority and the Borrower.

“Project Completion Date” shall mean the date on which completion of the Series 2017 Project has been certified pursuant to Section ____.

“Series 2017 Project” shall consist of the acquisition, construction and equipping of an expansion and renovation to the Facility including, but not limited to, (a) 30 new independent living cottages (approximately 76,995 total square feet) consisting of 20 single-family homes and 5 duplex homes and including related covered porches and garages, (b) an expansion (of approximately 2,691 total square feet) and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion (of approximately 11,305 total square feet) and renovation to the existing Benjamin Borden Health Center, (d) an expansion (of approximately 4,649 total square feet) and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new emergency road access to the Facility, (f) the construction of a new maintenance facility (of approximately 1,538 total square feet) and (g) the lowering of the road at the main entrance.

“Series 2017A Bonds” shall mean the Authority’s Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A.

“Series 2017A Construction Account” shall mean the Series 2017A Construction Account established by Section 501.

“Series 2017A Cost of Issuance Account” shall mean the Series 2017A Cost of Issuance Account established by Section 501.

“Series 2017A Obligation” shall mean the Borrower’s Promissory Note Constituting the Series 2017A Obligation in the initial principal amount of \$_____ dated the date hereof, issued under the Master Indenture and delivered to the Authority pursuant to the Loan Agreement.

“Series 2017A Term Bonds” shall mean the Series 2017A Bonds maturing on [January 1] in the years _____.

“Supplement for the Series 2017 Obligations” shall mean the Supplemental Indenture for the Series 2017 Obligations dated the date hereof, between the Borrower and the Master Trustee.

Section 102. Rules of Construction.

The following rules shall apply to the construction of this First Supplement unless the context otherwise requires:

(a) Unless otherwise specified, the interest rate applicable to all Series 2017A 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 SERIES 2017A BONDS**

Section 201. Authorization of Series 2017A Bonds.

The Authority hereby authorizes the issuance of its Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A, in the aggregate principal amount of \$_____.

Section 202. Details of Series 2017A Bonds.

(a) The Series 2017A 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 [July 1, 2018,] and on each [January 1 and July 1] thereafter (each an “Interest Payment Date”) at rates, and shall mature on [January 1] in years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
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*Term Bonds.

(b) Each Series 2017A Bond shall bear interest (a) from the date of its delivery if it is authenticated prior to [July 1, 2018], and (b) otherwise from the Interest Payment Date that is, or immediately precedes, the date on which such Series 2017A Bond is authenticated; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

Principal of, premium, if any, and interest on the Series 2017A Bonds shall be payable in lawful money of the United States of America, but only from the revenues and receipts derived from the Borrower and the security therefor and pledged to the payment thereof as hereinafter provided. Principal of and premium of Series 2017A Bonds shall be payable upon presentation and surrender of the Series 2017A 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 2017A Bonds shall be payable as provided in the Letter of Representations. Interest on Series 2017A Bonds shall be payable to the registered owners by check or draft mailed to such owners at their addresses as they 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 2017A 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 2017A Bond.

Nothing herein shall be construed as prohibiting the Authority from issuing each maturity of Series 2017A Bonds as one fully registered bond for the purpose of qualifying such maturity of Series 2017A Bonds for book entry registration by a securities depository or any similar arrangement whereby investors may hold a participation interest in such Series 2017A Bonds.

Section 203. Form of Series 2017A Bonds.

The Series 2017A Bonds shall be substantially in the form set forth in Exhibit A, with such appropriate variations, omissions and insertions as permitted or required by the Bond Indenture.

Section 204. Delivery of Series 2017A Bonds.

(a) The Bond Trustee shall authenticate and deliver the Series 2017A Bonds when the Authority shall have furnished to the Bond Trustee all of the items listed in Section 207(b) of the Original Bond Indenture.

(b) Contemporaneously with the delivery of the Series 2017A Bonds, the Bond Trustee shall apply, or arrange for the application of, the net proceeds thereof in the amount of \$ _____, as follows:

(1) \$_____ of the proceeds of the Series 2017A Bonds to the Series 2017A Construction Account;

(2) \$_____ of the proceeds in the Series 2017A Bonds to the Reserve Fund, such amount, when combined with the amount already contained in the Reserve Fund, shall be equal to the Reserve Fund Requirement; and

(3) \$_____ of the proceeds of the Series 2017A Bonds to the Series 2017A Cost of Issuance Account.

Section 205. Temporary Series 2017A Bonds.

Prior to the preparation of Series 2017A Bonds in definitive form the Authority may issue temporary Series 2017A 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 2017A Bonds in definitive form and thereupon, upon presentation and surrender of Series 2017A Bonds in temporary form, the Bond Trustee shall authenticate and deliver in exchange therefor Series 2017A Bonds in definitive form of the same series and maturity for the same aggregate principal amount. Until exchanged for Series 2017A Bonds in definitive form, Series 2017A Bonds in temporary form shall be entitled to the lien and benefit of the Bond Indenture. Notwithstanding the foregoing, so long as the Series 2017A Bonds are held in book-entry-only form they may be typewritten.

ARTICLE III

REDEMPTION OF SERIES 2017A BONDS

Section 301. Redemption Dates and Prices.

The Series 2017A Bonds may not be called for redemption by the Authority except as provided below:

(a) Extraordinary Optional Redemption. The Series 2017A Bonds are subject to redemption, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, 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 Borrower, to the extent the Borrower makes a prepayment on the Series 2017A Obligation under the circumstances permitted by Section 7.1 of the Original Loan Agreement and Section 3.04 of the Master Trust Indenture. In the circumstance contemplated by Section 7.1(b) of the Original Loan Agreement, the Series 2017A 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 2017A Bonds then outstanding as that portion of the Mortgaged Premises financed or refinanced with the proceeds of the Series 2017A Bonds (the “Bond Financed Property”) with respect to which the Net Proceeds have been received bears to all Bond Financed Property. In the event of a partial extraordinary optional redemption, an Authorized Representative of the Borrower may direct the Bond Trustee to redeem as directed by the Borrower, the Series 2017A Bonds from each maturity then outstanding, to the extent practicable, in the proportion that the

principal amount of Series 2017A Bonds of such maturity bears to the total principal amount of all Series 2017A Bonds issued under the 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 - Series 2017A Bonds. The Series 2017A Bonds maturing on or after [January 1,] ____, will be subject to redemption by the Authority, at the direction of the Borrower, prior to maturity in whole, or in part by lot, at any time, on and after [January 1,] ____, at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest thereon, if any, to the redemption date, in the event the Borrower exercises its option to prepay all or a portion of the amounts available under the Series 2017A Obligation pursuant to Sections 5.1 or 5.2 of the First Amendment:

<u>Redemption Period:</u>	<u>Price</u>
[January 1, ____, through December 31, ____]	[102]%
[January 1, ____, through December 31, ____]	[101]
[January 1, ____, and thereafter]r	[100]

(c) The Series 2017A Term Bonds are required to be redeemed in part pursuant to 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 2017A Bonds of any maturity are called for redemption, the Series 2017A 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 Bond for such purposes. If a portion of a Bond having a principal amount of more than \$5,000 shall be called for redemption, a new registered Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

(e) If the Borrower exercises any option to prepay the Series 2017A Obligation under Article VII of the Original Loan Agreement or Sections 5.1 or 5.2 of the First Amendment, or requests any redemption of Series 2017A Bonds permitted hereunder and sufficient amounts are in the funds created herein, the Bond Trustee shall, in the name of the Authority, redeem Series 2017A Bonds as then permitted or required at the earliest practicable date permitted hereunder.

Section 302. Notice of Redemption.

Series 2017A Bonds shall be called for redemption by the Bond Trustee as herein provided upon receipt by the Bond Trustee at least 45 days (or such lesser period to which the Bond Trustee may agree) prior to the redemption date of a certificate of the Borrower specifying the series and principal amount of Series 2017A Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Bond Indenture pursuant to which such Series 2017A Bonds are to be called for redemption. The provisions of the preceding sentence shall not apply to the redemption of Series 2017A Bonds pursuant to the sinking funds provided in Section 303 hereof, and such Series 2017A Bonds shall be called for redemption by the Bond Trustee without the necessity of any action by the Borrower or the

Authority. The parties agree that the provisions of Section 302 of the Original Bond Indenture are incorporated herein (modified, as appropriate, to apply to the Series 2017A Bonds) and shall apply to the Series 2017A Bonds as if restated herein.

Section 303. Mandatory Sinking Fund.

As a sinking fund, the Bond Trustee shall redeem the Series 2017A Bonds maturing on [January 1,] ____, in years and in principal amounts and at a price of 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
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As a sinking fund, the Bond Trustee shall redeem the Series 2017A Bonds maturing on [January 1,] ____, in years and in principal amounts and at a price of 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
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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 Borrower for the Series 2017A Term Bonds in an amount equal to the principal amount of such Series 2017A Term 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 Borrower 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 2017A Term 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. Covenants and Representations of Authority.

The Authority shall observe and perform all covenants, conditions and agreements on its part contained in the Bond Indenture, in every 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 2017A Bonds authorized hereby and to execute this First Supplement, to execute and assign the First Amendment, to assign the Series 2017A Obligation 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 2017A Bonds and the execution and delivery of this First Supplement has been duly and effectively taken; and that the Series 2017A Bonds in the hands of the holders thereof are and will be valid and enforceable obligations of the Authority according to the terms thereof except as limited by bankruptcy laws and usual equity principles.

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 “Kendal at Lexington: Construction Fund” and within such Fund a separate account designated the “Series 2017A Construction Account.”

Section 502. Cost of the Project.

The Cost of the Project shall include the following:

(a) The cost of acquiring property and interests in property that are or will become part of the Series 2017 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 Series 2017 Project;

(c) Governmental charges levied or assessed during construction of the Series 2017 Project, or on any property acquired therefor, and premiums on insurance in connection with the Series 2017 Project during construction;

(d) Expenses necessary or incident to determining the feasibility or practicability of undertaking the Series 2017 Project (excluding, however, the expense of determining the feasibility of the issuance of any series of Bonds to finance or refinance the Series 2017 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 Series 2017 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 Series 2017 Project (but not the issuance of any series of Bonds);

(e) Expenses of administration, supervision and inspection properly chargeable to the Series 2017 Project, fees and costs of development and marketing of the Series 2017 Project, legal expenses and fees of the Borrower in connection with the acquisition, construction, renovation or equipping of the Series 2017 Project (but not the issuance of any series of 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 Series 2017 Project;

(f) Interest on the Series 2017A Bonds and interest on obligations of the Borrower incurred to finance the Cost of the Project prior to, during and for up to one year after the completion of the Series 2017 Project;

(g) Bond insurance premiums, if any, and related fees and expenses;

(h) Working capital in connection with the construction and operation of the Series 2017 Project;

(i) Costs of Issuance related to the Series 2017A Bonds provided that no more than 2% of the proceeds of such series of Bonds 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 Series 2017 Project that is set forth in or permitted by the Act; and

(k) Reimbursement to the Borrower for any of such costs paid by it whether before or after the execution of the Bond Indenture; provided, however, that reimbursement to any expenditures made prior to the execution of the 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. Payments from Construction Fund.

The Bond Trustee shall use moneys in the Series 2017A Construction Account solely to pay Costs of the Project. Before any payment of such Costs shall be made from the Series 2017A Construction Account, there shall be filed with the Bond Trustee:

(a) A requisition, which may be submitted by facsimile, signed by an Authorized Representative of the Borrower, stating:

(1) the name of the account from which such payment should be made;

(2) the name of the person, firm or corporation to whom the payment is due;

(3) the amount to be paid; and

(4) the purpose in reasonable detail for which the obligation to be paid was incurred.

(b) A certificate attached to the requisition, signed by an Authorized Representative of the Borrower stating that:

(1) there has been received no notice (A) of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, and (B) that any materials, supplies or equipment covered by such requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released or discharged or will be released or discharged upon payment of the requisition;

(2) such requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(3) the payment of such requisition, together with the payment of all prior requisitions, will not result in more than 5% of the proceeds of the particular issue of Tax-Exempt Bonds being used directly or indirectly in the trade or business carried on by any person who is not a "501(c)(3) corporation" within the meaning of Section 145 of the Code or in any "unrelated trade or business" of any 501(c)(3) organization;

(4) the obligation stated on the requisition has been incurred in or about the acquisition, construction, renovation or equipping of the Series 2017 Project, each item is a proper charge against the Series 2017A Construction Account and the obligation has not been the basis for a prior requisition that has been paid;

(5) such requisition contains no items representing any amount constituting a Cost of Issuance; provided, however, that such costs may be included if 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 any Tax-Exempt Bonds from federal income tax;

(6) as of the date of such certificate (i) 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 hereunder, under the Master Indenture or the Loan Agreement, or if such an event or condition has happened or existed, or is happening or exists, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take with respect thereto; (ii) the Borrower has (A) provided to the company providing the title insurance required by Section 206(a)(7) of the Original Bond Indenture all certificates, waivers and other documentation required to be delivered at the date of such requisition to such title insurance company by the terms under which such title insurance was provided, or (B) informed such title insurance company in reasonable detail that the Borrower is unable to provide all such certificates, waivers or documents; and (iii) the

amounts remaining in the Series 2017A Construction Account (taking into account the projected uses of such remaining amounts for other purposes), along with other available funds, are sufficient to pay the costs of completing the acquisition, construction, renovation and equipping of the Series 2017 Project.

The Bond Trustee shall not be responsible for (i) determining whether the funds on hand in the Series 2017A Construction Account are sufficient to complete the Series 2017 Project or (ii) collecting lien waivers, which shall remain the obligation of the Borrower.

The Borrower shall retain on file an invoice or other appropriate evidence of the obligation described in the requisition required by subsection (a) above.

Upon receipt of each such requisition and accompanying certificate, the Bond Trustee shall within two Business Days make payment from the Series 2017A Construction Account in accordance with such requisition; provided, however, that if such certificate states any default exists under the Bond Indenture, the Master Indenture or under the Loan Agreement, the Bond Trustee shall not be required to make but may make such payments if it determines that such payment is in the interest of the holders of the Bonds. 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, or (ii) upon receipt of evidence that the Borrower has previously paid such amount, to the Borrower.

Notwithstanding the above, to the extent no other funds are available therefor, the Bond Trustee shall use amounts on deposit in the Series 2017A Construction Account to pay principal of and interest on the Bonds in the event of a default by the Borrower in making payments to the Bond Trustee to pay such principal and interest.

The form of a requisition and certificate for requests for payment from the Series 2017A Construction Account is attached hereto as Exhibit B.

Section 504. Disposition of Balance in Construction Fund.

When the Series 2017 Project shall have been completed and the Bond Trustee shall have received the Completion Certificate signed by the Authorized Representative of the Borrower stating the date of completion of the Series 2017 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 Series 2017A Construction Account, the balance of any moneys remaining in the Series 2017A Construction Account 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 2017A Bonds, the Bond Trustee shall invest moneys in the Series 2017A Construction Account 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 separate account within the Cost of Issuance Fund designated the "Series 2017A Cost of Issuance Account."

Before any payment shall be made from the Series 2017A Cost of Issuance Account there shall be filed with the Bond Trustee a requisition and accompanying certificate meeting the requirements of Section 501(a) of the Original Bond Indenture.

Upon receipt of each such requisition and accompanying certificate as required by Section 501 of the Original Bond Indenture, the Bond Trustee shall within two Business Days, make payment from the Series 2017A Cost of Issuance Account in accordance with such requisition; provided, however, that if such certificate states any Event of Default exists, the Bond Trustee shall not be required to make, but may make, such payment if it determines that such payment is in the interest of the holders of the Series 2017A Bonds. All such payments shall be made by check, draft or wire transfer payable either (i) directly to the person, firm or corporation to be paid, (ii) to both the Borrower and such person, firm or corporation, or (iii) upon receipt of evidence that the Borrower has previously paid such amount, to the Borrower as a reimbursement.

At the earlier of 90 days after the issuance of the Series 2017A Bonds or when the Bond Trustee shall have received a certificate of the Borrower signed by an Authorized Representative of the Borrower, stating that all Costs of Issuance have been paid, the balance of any moneys remaining in the Series 2017A Cost of Issuance Account shall be transferred, at the direction of the Borrower, to the Interest Account in the Bond Fund.

ARTICLE VI

REVENUES AND FUNDS

Section 601. Funds Received.

(a) On the tenth day of each calendar month, the Bond Trustee shall deposit all payments and receipts derived from the Series 2017A Obligation, the Loan Agreement or the security therefor in the following order, subject to credits as provided in Article VI of the Original Bond Indenture and any supplements thereto:

(1) To the Interest Account of the Bond Fund, commencing on January 10, 2018, and continuing thereafter, an amount equal to one-sixth of the amount of interest due on the Series 2017A Bonds on the next Interest Payment Date (after first applying as a credit any excess amounts transferred to the Interest Account pursuant to Section 502 of this First Supplement, or Section 603 or 703 of the Original Bond Indenture), or such lesser amount that, together with amounts already on deposit in the Interest Account, but subject to the provisions of Section 603(a) of the Original Bond Indenture, will be sufficient to pay interest on the Series 2017A Bonds to become due on the following January 1 or July 1.

(2) To the Principal Account of the Bond Fund commencing on January 10, 2018, and continuing thereafter an amount equal to one-twelfth of the amount of principal that will become due on the Bonds on the following January 1 or will be payable on such January 1 pursuant to Section 303 of this First Supplement, or such lesser amount that, together with amounts already on deposit in the Principal Account, will be sufficient to pay principal of the Series 2017A Bonds to become due or be paid at redemption on such January 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 Borrower (with a copy to the Authority) of such deficit 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 Borrower (with a copy to the Authority) by facsimile with receipt confirmed by telephone that a default has occurred.

Section 602. Bond Fund.

The parties agree that the provisions of Section 603 of the Original Bond Indenture are incorporated herein (modified, as appropriate, to apply to the Series 2017A Bonds and the Series 2017A Obligation in addition to the Series 2016 Bonds and the Series 2016 Obligation) and shall apply to the Series 2017A Bonds as if restated herein.

Section 603. Series 2017A Reserve Account.

There is hereby created and established with the Bond Trustee a separate account within the Reserve Fund to be designated the Series 2017A Reserve Account. As provided in Section 206(b), upon issuance of the Series 2017A Bonds, the Bond Trustee shall deposit the amount necessary to bring the balance in the Reserve Fund equal to the Reserve Fund Requirement.

Section 604. Bond Trustee's, Master Trustee's and Authority's Fees, Costs and Expenses.

The administrative and acceptance fees and expenses of the Bond Trustee and the Master Trustee and the reasonable fees and expenses of counsel to the Bond Trustee and the Master Trustee, all as relating to the Series 2017A 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 2017A Bonds, exceed 2% of the proceeds of the Series 2017A Bonds. In such case such fees and expenses shall be paid by the 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 and reasonable costs and expenses of the Authority directly related to the issuance of the Series 2017A Bonds are to be paid by the Borrower from payments made under Section 4.1(b) of the Original Loan Agreement and Section 3.7 of the First Amendment.

ARTICLE VII

AMENDMENTS TO ORIGINAL BOND INDENTURE

Section 701. Amendment to Section 1101 of the Original Bond Indenture.

Pursuant to Section 1101(a) of the Original Bond Indenture, Section 1101 of the Original Bond Indenture is hereby amended to add a subsection (g) to read as follows:

“(g) To set forth the terms and conditions of Additional Bonds issued pursuant to Section 207 hereof.”

Section 702. Amendment to Section 1201 of the Original Bond Indenture.

Pursuant to Section 1201(b) of the Original Bond Indenture, Section 1201 of the Original Bond Indenture is hereby amended to add a subsection (e) to read as follows:

“(e) in connection with the issuance of Additional Bonds as herein provided.”

ARTICLE VIII

MISCELLANEOUS

Section 801. Ratification of Original Bond Indenture.

As supplemented and amended hereby, the Original Bond Indenture is in all respects ratified and confirmed, and the Original Bond Indenture as supplemented and amended by this First Supplement, shall be taken and construed as one and the same instrument.

Section 802. Consents of Bondholders.

Any consent, request, direction, approval, objection or other instrument required by the Bond Indenture to be signed and executed by the Bondholders may be provided on behalf of the Series 2017A Bonds by any broker, dealer or municipal securities dealer acting as an underwriter for the Series 2017A Bonds during any period that such broker, dealer or municipal securities dealer holds the Series 2017A Bonds.

Section 803. Severability.

If any provision of this First Supplement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 804. Applicable Law.

This First Supplement shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 805. Counterparts.

This First Supplement 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.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Authority and the Bond Trustee have caused this First Supplement to be executed in their respective corporate names as of the date first above written.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

By: _____
Chairman

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

By: _____
Authorized Agent

FORM OF SERIES 2017A BOND

No. _____

\$ _____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA
Residential Care Facility Revenue Bond
(Kendal at Lexington)
Series 2017A**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____ %	January 1, _____	December __, 2017	52976BB _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

The **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "Authority"), for value received, hereby promises to pay, upon presentation and surrender hereof at the 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 prior redemption as described below, and to pay, solely from such sources, on July 1, 2018, and on each January 1 and July 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, New York, New York, 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 2017A Bonds shall be made from the proceeds from the sale of the Series 2017A 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 2017A 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 AND THE CITY OF LEXINGTON, VIRGINIA, 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 AND THE CITY OF LEXINGTON, VIRGINIA, 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 \$_____ Industrial Development Authority of the City of Lexington, Virginia, Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the “Series 2017A 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 Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended. The Series 2017A Bonds are issued under and are equally and ratably secured by a Bond Indenture dated as of October 1, 2016, as supplemented and amended by a First Supplemental Bond Indenture dated as of December 1, 2017 (together, the “Bond Indenture”), between the Authority and the Bond Trustee. The Series 2017A Bonds are secured on a parity with Authority’s Residential Care Facility Revenue Refunding Bonds (Kendal at Lexington), Series 2016, and any other additional bonds issued under the Bond Indenture.

The Authority will issue the Series 2017A Bonds and loan the proceeds of the Series 2017A Bonds to Lexington Retirement Community, Inc. d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the “Borrower”), pursuant to the terms of a Loan Agreement dated as of October 1, 2016, as supplemented and amended by a First Amendment to Loan Agreement dated as of December 1, 2017 (together, the “Loan Agreement”), each between the Authority and the Borrower.

The Borrower will use the proceeds of the Series 2017A Bonds to (1) pay costs of an expansion and renovation of its residential and health care facilities (the “Series 2017 Project”), (2) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017A Bonds, (3) fund interest on the Series 2017A Bonds prior to, during and up to one

year after completion of the Series 2017 Project, (4) fund a debt service reserve fund for the Series 2017A Bonds, and (5) pay working capital and other routine capital expenditures.

Pursuant to the Bond Indenture, the Authority has assigned to the Bond Trustee, as security for the Series 2017A Bonds, the promissory note of the Borrower constituting the Series 2017A Obligation in the principal amount of \$_____, dated December __, 2017 (the “Series 2017A Obligation”), and certain rights of the Authority under the Loan Agreement. In the Loan Agreement, the Borrower agrees to pay amounts sufficient to pay the principal of and premium, if any, and interest on the Series 2017A Bonds as the same become due. The Series 2017A Obligation is issued as an obligation of the Obligated Group under a Master Trust Indenture dated as of October 1, 2016 (the “Master Trust Indenture”), between the Borrower and U.S. Bank National Association, as the master trustee (the “Master Trustee”), as previously supplemented and as further supplemented by a Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (together with the Master Trust Indenture, the “Master Indenture”), between the Borrower and the Master Trustee.

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 2017A Bonds are issued, the nature and extent of the security for the Series 2017A Bonds, the rights, duties and obligations of the Authority, the Bond Trustee and the Master Trustee, the rights of the holders of the Series 2017A Bonds and the provisions for defeasance of such rights.

The Series 2017A 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 2017A Bonds are required to be redeemed by the Authority 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 Borrower exercises its option to prepay the Series 2017A Obligation, in whole or in part, upon damage to, condemnation of or failure of title to the Mortgaged Premises or certain other extraordinary events.

The Series 2017A Bonds maturing on or after [January 1, 2027], will be subject to redemption by the Authority, at the direction of the Borrower, prior to maturity in whole, or in part by lot, at any time, on and after [January 1, 2026], at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest thereon, if any, to the redemption date:

<u>Redemption Period:</u>	<u>Price</u>
[January 1, 2026, through December 31, 2026	102%
January 1, 2027, through December 31, 2027	101
January 1, 2028, and thereafter	100]

[As a sinking fund, the Bond Trustee shall redeem the Series 2017A Bonds maturing on January 1, ____, in years and in principal amounts and at a price of 100% of the principal

amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:]

<u>Year</u>	<u>Amount</u>
-------------	---------------

[As a sinking fund, the Bond Trustee shall redeem the Series 2017A Bonds maturing on January 1, ____, in years and in principal amounts and at a price of 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:]

<u>Year</u>	<u>Amount</u>
-------------	---------------

The Bond Indenture provides for a credit against the sinking fund requirements of the Series 2017A Bonds maturing on _____, to the extent the Series 2017A Bonds of such maturities 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 2017A Bonds of any maturity are called for redemption, the Series 2017A 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 2017A 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 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 2017A 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 facsimile or electronic transmission, registered or certified mail or overnight express delivery 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 2017A 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 2017A 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 the Series 2017A Obligation or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Bond Indenture.

The Series 2017A 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 2017A Bonds may be exchanged for an equal aggregate principal amount of Series 2017A 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 Borrower 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.

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, hereinafter defined, or be valid until the Bond Trustee shall have executed the Certificate of Authentication appearing hereon.

IN WITNESS WHEREOF, the Industrial Development Authority of the City of Lexington, Virginia has caused this Bond to be signed by the signature of its Chairman, 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.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

By: _____
Chairman

[SEAL]

ATTEST:

Secretary

(Form of Trustee's Certificate of Authentication)

Date of Authentication: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2017A Bonds described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

By: _____
Authorized Agent

(Form of Assignment)

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 Company, Securities Broker/Dealer, Credit Union or Savings Association, who is a member of a medallion program approved by the Securities Transfer Association, Inc.

REQUISITION NO. ____

Date: _____

U.S. Bank National Association,
as Bond Trustee
1021 East Cary Street, Suite 1850,
Richmond, Virginia 23219
(Attention: Corporate Trust Department)

**Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A**

On behalf of Lexington Retirement Community, Inc. (the “Borrower”), I hereby requisition pursuant to the Bond Indenture dated as of October 1, 2016, as supplemented by the First Supplemental Bond Indenture dated as of December 1, 2017 (together, the “Bond Indenture”), each between the Industrial Development Authority of the City of Lexington, Virginia, and U.S. Bank National Association, as bond trustee, the sum specified on the attached Schedule to be paid to the parties specified on the attached Schedule for the purposes specified on the attached Schedule, from the Series 2017A Construction Account.

Each obligation for which a disbursement is hereby requested is described in reasonable detail in the schedule attached hereto (the “Schedule”) together with the name and address of the person, firm or corporation to whom payment is due. The bills, invoices or statements of account for each obligation referenced in the Schedule are attached hereto.

The Borrower hereby certifies that:

(a) there has been received no notice (1) of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under this requisition to any of the persons, firms or corporations named on the attached Schedule, and (2) any materials, supplies or equipment covered by this requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released or discharged or will be released or discharged upon payment of this requisition;

(b) this requisition contains no items representing payment on account of any percentage entitled to be retained at the date hereof;

(c) the payment of this requisition, together with the payment of all prior requisitions, will not result in more than 5% of the proceeds of the Series 2017A Bonds being used directly or indirectly in the trade or business carried on by any person who is not a

“501(c)(3) corporation” within the meaning of Section 145 of the Code or in any “unrelated trade or business” of any 501(c)(3) organization;

(d) the obligations stated on the Schedule have been incurred in or about the acquisition, construction, renovation or equipping of the Series 2017 Project, each item is a proper charge against the Series 2017A Construction Account and the obligations have not been the basis for a prior requisition that has been paid;

(e) [this requisition contains no items representing any amount constituting a Cost of Issuance (as defined in the Indenture)] [attached hereto is an Opinion of Bond Counsel to the effect that the payment of the amount in this requisition will not adversely affect the exemption of interest on the Series 2017 Bonds from federal income tax]; and

(f) as of the date of this certificate (i) 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 under the Bond Indenture, the Master Indenture or the Agreement, or if such an event or condition has happened or existed, or is happening or exists, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take with respect thereto; (ii) and the Borrower has (A) provided to the company providing the title insurance required by Section 206(a)(7) of the Bond Indenture all certificates, waivers and other documentation required to be delivered at the date of such requisition to such title insurance company by the terms under which such title insurance was provided, or (B) informed such title insurance company in reasonable detail that the Borrower is unable to provide all such certificates, waivers or documents; and (iii) the amounts remaining in the Series 2017A Construction Account (taking into account the projected uses of such remaining amounts for other purposes), along with other available funds, are sufficient to pay the costs of completing the acquisition, construction, renovation and equipping of the Series 2017 Project.

All capitalized terms herein shall have the meanings assigned to them in the Bond Indenture.

LEXINGTON RETIREMENT COMMUNITY, INC.

By: _____
Authorized Representative

Approved by:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Representative

REQUISITION NO. ____

Date: _____

U.S. Bank National Association, as Bond Trustee
1021 East Cary Street, Suite 1850,
Richmond, Virginia 23219
(Attention: Corporate Trust Department)

**Industrial Development Authority of the City of Lexington, Virginia
Residential Care Facility Revenue Bonds
(Kendal at Lexington), Series 2017A**

On behalf of Lexington Retirement Community, Inc. (the “Borrower”), I hereby requisition pursuant to the Bond Indenture dated as of October 1, 2016, as supplemented by the First Supplemental Bond Indenture dated as of December 1, 2017 (together, the “Bond Indenture”), each between the Industrial Development Authority of the City of Lexington, Virginia and U.S. Bank National Association, as bond trustee, the sum specified on the attached Schedule to be paid to the parties specified on the attached Schedule for the purposes specified on the attached Schedule, from the Cost of Issuance Fund.

Each obligation for which a disbursement is hereby requested is described in reasonable detail in Exhibit A hereto together with the name and address of the person, firm or corporation to whom payment is due. The bills, invoices or statements of account for each obligation referenced in Exhibit A are attached hereto.

The Borrower hereby certifies that:

(g) Each of the obligations stated on Exhibit A constitutes a Cost of Issuance and such items are proper charges against the Cost of Issuance Fund and have not been the basis for a prior requisition that has been paid; and

(h) as of the date of this certificate 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 under the Bond Indenture, the Master Indenture or the Loan Agreement.

LEXINGTON RETIREMENT COMMUNITY, INC.

By: _____
Authorized Representative

Approved by:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Representative

FORM OF SERIES 2017A OBLIGATION

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
OR ANY STATE SECURITIES LAW

\$ _____

KENDAL AT LEXINGTON PROMISSORY NOTE
CONSTITUTING THE SERIES 2017A OBLIGATION

LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a **Kendal at Lexington**, a not-for-profit Virginia nonstock corporation (the “Borrower”), for value received, hereby promises to pay to the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, or registered assigns, at the designated corporate trust office of U.S. Bank National Association, as Trustee (the “Bond Trustee”), the principal sum set forth above and to pay interest on the unpaid principal balance hereof, in each case as provided in Section 4.1 of the Loan Agreement dated as of October 1, 2016, as supplemented and amended (the “Loan Agreement”), between the Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), and the Borrower, and on such other dates as may be required by the Loan Agreement, until the principal amount hereof is paid or made available for payment.

Principal of, premium, if any, and interest on this Note are payable in any coin or currency of the United States of America that, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal hereof, premium, if any, and interest hereon shall be payable in immediately available funds by depositing the same with the Bond Trustee, at or prior to the opening of business on the date the same shall become due and payable, and by giving notice of payment to the Master Trustee, as hereinafter defined, as provided in the Bond Indenture, as hereinafter defined.

This Note is issued in the principal amount of \$_____, is dated December __, 2017, and is designated as the “Kendal at Lexington Promissory Note Constituting the Series 2017A Obligation” (the “Note” and, together with all other Obligations issued under the Master Indenture, the “Obligations”) issued under and pursuant to the Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (the “Supplemental Indenture”), supplementing and amending the Master Trust Indenture dated as of October 1, 2016, as previously supplemented (the “Master Indenture”), between the Borrower and U.S. Bank National Association, as Master Trustee (the “Master Trustee”), and delivered pursuant to the Loan Agreement. The Master Indenture, as supplemented and amended by the Supplemental Indenture, is herein called the “Indenture”.

Pursuant to the terms of the Indenture, each of the Obligated Group Members described therein will be jointly and severally liable for the payment of this Note and all other Obligations.

This Note is issued for the purpose of securing the payment of the principal of, premium, if any, and interest on the Authority's Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds were issued under the laws of the Commonwealth of Virginia, including particularly the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), and a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the "Bond Indenture"), between the Authority and the Bond Trustee.

Copies of the Indenture are on file at the designated corporate trust office of the Master Trustee and reference is hereby made to the Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holder of this Note, the terms and conditions of which, and the purposes for which, this Note is issued and the rights, duties and obligations of the Obligor and the Master Trustee under the Indenture, to all of which the holder hereof, by acceptance of this Note, assents.

Any amounts in either account of the Bond Fund (as defined in the Bond Indenture) at the close of business of the Bond Trustee on the day immediately preceding any payment date on this Note in excess of the aggregate amount then required to be contained in such account of such Bond Fund shall be credited against the payments due by the Borrower and the other Obligated Group Members on such next succeeding principal or interest payment date on this Note.

To the extent permitted by and as provided in the Indenture, modifications or changes of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group Members (as defined in the Indenture) and of the holders of the Obligations in any particular may be made with the consent of the Master Trustee and the Obligated Group Members and, in certain circumstances, with the consent of the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. No such modification or change shall be made that will reduce the percentage of the Obligations, the consent of the holders of which is required to consent to such supplemental indenture, or permit a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or which will affect a change in the times, amount and currency of payment of the principal of, and premium, if any, or interest on any Note 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. Any such consent by the holder of this Note shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Note.

In the manner and with the effect provided in the Indenture, this Note and its principal installments will be subject to prepayment and redemption prior to maturity, in whole at any time, or in part from time to time at the option of the Borrower, without penalty, upon payment of a sum, in cash and/or obligations, sufficient, together with any other cash and/or obligations held by the Bond Trustee and available for such purpose, to cause an equal aggregate principal amount of outstanding Series 2017A Bonds to be deemed to have been paid within the meaning of Section 801 of the Bond Indenture and to pay all reasonable fees and expenses of the Authority accrued and to be accrued to the date of discharge of the Bond Indenture with respect to the Series 2017A Bonds.

With respect to principal, if the Obligated Group Representative (i) shall have elected to apply a Series 2017A Bond or Series 2017A Bonds that have been redeemed or otherwise acquired by the Borrower or the Authority and delivered to the Bond Trustee for cancellation by the Bond Trustee, in payment of all or a part of a sinking fund requirement under the Bond Indenture and (ii) shall have delivered written notice to the Authority and a copy thereof to the Bond Trustee in accordance with the provisions of Section 303 of the Bond Indenture, and the Authority shall have received a credit against such sinking fund requirement in the amount of 100% of the principal amount of the Series 2017A Bond or Series 2017A Bonds thus applied, then the Bond Trustee shall promptly notify the Master Trustee, whereupon the Borrower and the other Obligated Group Members shall receive a credit, equal to the credit received by the Authority, in respect of the payment of principal due on this Note on the same date as the sinking fund payment date under the Bond Indenture for the sinking fund requirement in payment of which the Series 2017A Bond or Series 2017A Bonds have been applied, and the principal amount of this Note due on such date will be reduced accordingly.

Any redemption, either in whole or in part, shall be made upon at least 45 days' notice to the Bond Trustee in the manner and upon the terms and conditions provided in the Indenture. If this Note shall have been duly called for redemption and payment of the redemption price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in the Indenture, interest on this Note shall cease to accrue from the date fixed for redemption, and from and after such date this Note shall be deemed not to be Outstanding, as defined in the Indenture, and shall no longer be entitled to the benefits of the Indenture, and the holder hereof shall have no rights in respect of this Note other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain "Events of Default," as defined in the Indenture, the principal of all outstanding Obligations may be declared due and payable, and thereupon shall become due and payable as provided in the Indenture.

The holder of this Note shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

This Note shall be registered on the register to be maintained by the Master Trustee and this Note shall be transferable only upon said register at said office by the registered owner or by his duly authorized attorney. Such transfer shall be without charge to the holder hereof, but any taxes 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 Borrower shall execute and the Master Trustee shall authenticate and deliver in exchange for this Note a new registered Note without coupons, registered in the name of the transferee.

The Borrower and the other Obligated Group Members, the Master Trustee and any paying agent may deem and treat the person in whose name this Note is registered as the absolute owner hereof for all purposes; and neither the Borrower and the other Obligated Group Members, any paying agent, the Master Trustee nor any Obligation 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 moneys payable on this Note.

No covenant or agreement contained in this Note or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any of the Obligated Group Members in his individual capacity, and neither the Board of Directors of any of the Obligated Group Members nor any officer executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

This Note shall not be entitled to any benefit under the Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director.

**LEXINGTON RETIREMENT COMMUNITY, INC.,
d/b/a Kendal at Lexington**

By: _____
Executive Director

Form of Master Trustee's Certificate of Authentication

The undersigned Master Trustee hereby certifies that this Series 2017A Obligation is one of the Obligations contemplated by the within-mentioned Indenture.

Date of Authentication: December ____, 2017.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), (1) hereby irrevocably assigns without recourse the foregoing Series 2017A Obligation to U.S. Bank National Association (the “Bond Trustee”), acting pursuant to a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the “Bond Indenture”), between the Authority and the Bond Trustee and (2) hereby directs Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, as the maker of the Series 2017A Obligation, to make all payments of principal of, premium, if any, and interest thereon directly to the Bond Trustee at its corporate trust office in Richmond, Virginia, or at such other place as the Bond Trustee may direct in writing. Such assignment is made as security for the payment of the Authority’s \$_____ Residential Care Facility Revenue Bonds (Kendal at Lexington), Series 2017A, issued pursuant to the Bond Indenture.

This ___ day of December, 2017.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

By: _____
Chairman

FORM OF SERIES 2017B OBLIGATION

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
OR ANY STATE SECURITIES LAW**

\$ _____

**KENDAL AT LEXINGTON PROMISSORY NOTE
CONSTITUTING THE SERIES 2017B OBLIGATION**

LEXINGTON RETIREMENT COMMUNITY, INC., d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the “Borrower”), for value received, hereby promises to pay to the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA**, or registered assigns, the principal sum set forth above and interest on the unpaid principal balance thereof to STI Institutional & Government, Inc. (the “Lender”) in Roanoke, Virginia, or at such other place as the Lender may direct in writing, in accordance with the terms of the Authority’s \$ _____ Residential Care Facility Revenue Bond (Kendal at Lexington), Series 2017B (the “Bond”).

Payments of principal and interest hereunder shall be identical to the payments, the rate of interest on, and the payment dates for the Bond.

This Note is issued as further evidence of the Borrower’s payment obligations in the Bond Purchase and Loan Agreement dated as of December 1, 2017 (the “Agreement”), among the Authority, the Borrower, the Lender and SunTrust Bank, as escrow agent, and is entitled to the benefits and subject to the conditions thereof, including the provisions thereof that the Borrower’s obligations thereunder and hereunder shall be unconditional. The Agreement provides that the holder of this Note may declare all payments hereunder immediately due and payable upon an Event of Default, as defined therein. All of the terms, conditions and provisions of the Agreement and the Bond are, by this reference thereto, incorporated herein as a part of this Note.

This Note is issued in the principal amount of \$ _____, is dated December __, 2017, and is designated as the “Kendal at Lexington Promissory Note Constituting the Series 2017B Obligation” (the “Note” and, together with all other Obligations issued under the Master Indenture, the “Obligations”) issued under and pursuant to the Supplemental Indenture for Series 2017 Obligations dated as of December 1, 2017 (the “Supplemental Indenture”), supplementing and amending the Master Trust Indenture dated as of October 1, 2016, as previously supplemented (the “Master Indenture”), between the Borrower and U.S. Bank National Association, as Master Trustee (the “Master Trustee”), and delivered pursuant to the Agreement. The Master Indenture, as supplemented and amended by the Supplemental Indenture, is herein called the “Indenture”.

Pursuant to the terms of the Indenture, each of the Obligated Group Members described therein will be jointly and severally liable for the payment of this Note and all other Obligations.

Copies of the Indenture are on file at the designated corporate trust office of the Master Trustee and reference is hereby made to the Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holder of this Note, the terms and conditions of which, and the purposes for which, this Note is issued and the rights, duties and obligations of the Obligor and the Master Trustee under the Indenture, to all of which the holder hereof, by acceptance of this Note, assents.

To the extent permitted by and as provided in the Indenture, modifications or changes of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Obligated Group Members (as defined in the Indenture) and of the holders of the Obligations in any particular may be made with the consent of the Master Trustee and the Obligated Group Members and, in certain circumstances, with the consent of the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. No such modification or change shall be made that will reduce the percentage of the Obligations, the consent of the holders of which is required to consent to such supplemental indenture, or permit a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or which will affect a change in the times, amount and currency of payment of the principal of, and premium, if any, or interest on any Note 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. Any such consent by the holder of this Note shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Note.

Payments with respect to the principal of and interest on this Note shall be made directly to the Lender for the account of the Authority pursuant to the Agreement and applied only to the principal of and interest on the Bond. All obligations of the Borrower hereunder shall terminate when all sums due and to become due pursuant to this Note, the Agreement and the Bond have been paid in full.

In addition to the payments of principal and interest specified above, the Borrower shall also pay such additional amounts, if any, that, together with any other moneys available therefor, may be necessary to provide for payment when due of all principal of (whether at maturity, by acceleration or call for prepayment or otherwise) and interest on the Bond and for the payment of sums due under the Agreement.

This Note may be prepaid only as provided herein and in the Bond. This Note is subject to prepayment in whole or in part in the amount, if any, prepaid on the Bond on the terms and conditions set forth in the Agreement and in the Bond.

The Authority, by execution of the assignment form at the foot of this Note is assigning this Note and the payments hereon to the Lender.

Form of Master Trustee's Certificate of Authentication

The undersigned Master Trustee hereby certifies that this Series 2017B Obligation is one of the Obligations contemplated by the within-mentioned Indenture.

Date of Authentication: December ____, 2017.

U.S. BANK NATIONAL ASSOCIATION,
as Master Trustee

By: _____
Authorized Signatory

Ordinance
Lexington Retirement Community, Inc. d/b/a Kendal at Lexington
Expansion and Renovation Project
Revised Proffers
January 13, 2017

AN ORDINANCE TO AMEND THE ZONING MAP OF THE CITY OF LEXINGTON, VIRGINIA TO AMEND PROFFERS ORDAINED IN ORDINANCE 98-2 AS TO PROPERTY IDENTIFIED AS CITY OF LEXINGTON TAX MAP PARCEL 21-1-1

WHEREAS, Lexington Retirement Community, Inc. d/b/a Kendal at Lexington (the "Applicant"), heretofore on March 18, 1998 submitted an application requesting a change in the zoning map classification from R-1A to R-M for tax map parcel 21-1-1 (the "Property") and in the course of those proceedings, made certain proffers; and

WHEREAS, the City Council ordained at its meeting May 7, 1998 that the Property be rezoned from R-1A to R-M subject to the following reasonable conditions (the "Original Proffers") authorized by Section 28-13 of the City Code which were proffered by the applicant:

1. The applicant shall develop a continuing care retirement community on the property.
2. Approximately 98% of the development will occur on adjacent land in Rockbridge County. A part of two cottage structures will be constructed in the City.
3. The general character of the development of the property shall be in conformance with the conceptual site plan dated 4-2-98 prepared by Dorsky Hodgson + Partners, Incorporated and submitted by the applicant.
4. The main entry road for this project is proposed from Enfield Road to the west of Confederate Cove
5. All undeveloped site area will remain open, similar to the existing farm and existing landscape buffers around the Rebel Ridge subdivision will not be altered.
6. Storm water management will be, created on site to avoid adding any undue storm water loads to the City's drainage network. The new Kendal at Lexington system will flow at the same rate, or less, than existing Storm water runoff generated by this site; and

WHEREAS, the Applicant has filed an Application for Rezoning to retain the R-M zoning classification and to amend the Original Proffers by repealing them in their entirety and replacing them with the following (the "New Proffers"):

1. The Applicant is authorized to expand its Continuing Care Retirement Community on the Property to add to the present development on the Property, among other things, 30 independent living cottages, a cottage to house maintenance

equipment, a small parking area, a portion of an emergency access road and a circular roadway.

2. While approximately 80% of the Applicant's Continuing Care Retirement Community will be located on adjacent land in Rockbridge County, the Applicant will develop 30 additional one-story independent living cottages on the Property as shown on conceptual site plan (the "Conceptual Site Plan") dated December 9, 2016, and prepared by Spectrum Design, PC and submitted by the Applicant incorporated herein and made a part hereof.

3. The general character of the expansion of the Applicant's Continuing Care Retirement Community shall be in substantial conformance with the Conceptual Site Plan.

4. The main entry road for this project from Enfield Road to the west of Confederate Cove will conform to the requirements of the Virginia Department of Transportation [which at the time of submission of this Proffer will likely be a raised median in the center of the Kendal Drive approach which would place all left turning vehicles in a better position for sight distance to the west and ensure that drivers can observe eastbound traffic approaching the turn].

5. The undeveloped site area shaded in green on the Conceptual Site Plan will remain open and may be landscaped in accordance with Proffer 7 below and may serve as part of the storm water management system serving the facility.

6. Storm water management will be configured on site to avoid adding any undue storm water loads to the City's drainage network. The new Kendal at Lexington storm water management system will flow at or less than the rate required by State Regulations currently in effect.

7. Kendal at Lexington will landscape the Property in substantial conformance with the Independent Living Landscape Plan dated December 9, 2016 and prepared by Spectrum Design, PC incorporated herein and made a part hereof.

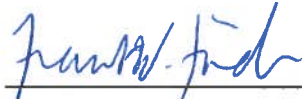
8. All new parking lot light fixtures shall be the Illuminating Engineering Society of North America (IESNA) standard cut-off type luminaries. A gate will be installed on the emergency access driveway off Rebel Ridge Drive near its intersection with Ross Road in order to restrict access to emergency personnel and emergency vehicles to be used only in the event of an emergency.

9. The General contractor will limit outside construction hours to 7:00 AM – 6:00 PM Monday through Friday and 8:00 AM -6:00 PM on Saturday. No outside work will be done on Sunday or on the Following Holidays: Christmas Day, Thanksgiving, Labor Day, Memorial Day, New Year, and the 4th of July.

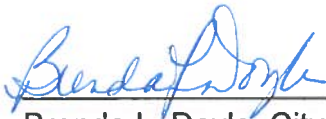
NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LEXINGTON, VIRGINIA that the R-M zoning classification is confirmed; that the above quoted Original Proffers are RESCINDED; and, that the above quoted New Proffers are ORDAINED and apply to the Property; and FURTHER, based upon the recommendation by the Planning Commission, the City Council does hereby find:

1. The proposed use will not adversely affect adversely the health or safety of persons residing or working in the neighborhood of the proposed use.
2. The proposed use will not be detrimental to the public welfare or unduly injurious to property values or improvements in the neighborhood.
3. The proposed use will not be in conflict with the policies and principles of the city's adopted Comprehensive Plan.
4. Adequate public services, including streets and other traffic ways, utilities, police and fire protection, are or reasonably will be available to support the proposed use.

Adopted: January 19, 2017

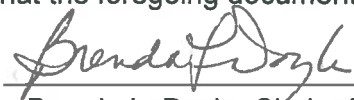


Frank W. Friedman, Mayor



Brenda L. Doyle, City Clerk

This will certify that the foregoing document has been publicly posted.



Brenda L. Doyle, Clerk of Council

November 9, 2017

Industrial Development Authority of the City of Lexington, Virginia
Attn: Noah Simon, Secretary
300 East Washington Street
Lexington, Virginia 24450

Dear Mr. Simon,

The Municipal Securities Rulemaking Board requires under Rule G-17 that the issuer acknowledge promptly upon the inception of our relationship that Davenport & Company LLC will be providing underwriter services as a co-manager to Ziegler related to the Kendal at Lexington, Series 2017 Residential Care Facility Refunding Revenue Bonds.

Rule G-17 requires that an underwriter disclose to the issuer that: (i) the underwriter is to deal fairly at all times with both municipal issuers and investors; (ii) the underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer and it has financial and other interests that differ from those of the issuer; (iii) unlike a municipal advisor, the underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the issuer without regard to its own financial or other interests; (iv) the underwriter has a duty to purchase securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and (v) the underwriter will review the official statement for the issuer's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

In addition, it is Davenport's expectation that our underwriting compensation will be contingent on the closing of a transaction. While our clients generally prefer this arrangement, Rule G-17 requires us to disclose that compensation that is contingent on the closing of a transaction or the size of a transaction presents a conflict of interest, because it may cause the underwriter to recommend a transaction that it is unnecessary or to recommend that the size of the transaction be larger than is necessary.


We would appreciate your acknowledgement of receiving this letter by signing and returning one copy to my attention.

Sincerely



James E. Sanderson, Jr.
Senior Vice President

Acknowledged By:

 11/20/17

Signature
IDA of City of Lexington, VA

City Manager & IDA secretary
Title

Acknowledged By:



Signature
Kendal at Lexington

11/12/2017
Title

**RESOLUTION OF THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF LEXINGTON, VIRGINIA**

**REVENUE BONDS FOR LEXINGTON RETIREMENT COMMUNITY, INC.
IN AN AMOUNT NOT TO EXCEED \$44,000,000**

RECITALS

A. The Industrial Development Authority of the City of Lexington, Virginia (the “Authority”), is a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) created and existing pursuant to the Virginia Industrial Development and Revenue Bond Act, being Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”).

B. The Act authorizes the Authority to, among other things, issue bonds to finance healthcare facilities and facilities for the residence or care of the aged.

C. The Authority has received a request from the Lexington Retirement Community, Inc., d/b/a Kendal at Lexington (the “Corporation”), to issue revenue bonds, in one or more series (the “Series 2017 Bonds”), and loan the proceeds thereof to the Corporation to (a) pay costs of the Project described below, (b) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Series 2017 Bonds, (c) fund interest on the Series 2017 Bonds prior to, during and up to one year after completion of the Project, (d) fund a debt service reserve fund for the Series 2017 Bonds, and (e) pay working capital and other routine capital expenditures.

D. In an appearance before the Authority by the Corporation’s representatives and in certain information filed with the Authority, has described the benefits of undertaking the acquisition, construction and equipping of an expansion and renovation to the residential and health care facility for the aged known as “Kendal at Lexington” (collectively, the “Facility”) including, but not limited to, (a) 30 new independent living cottages consisting of 20 single-family homes and 5 duplex homes and including related covered porches and garages, (b) an expansion and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion and renovation to the existing Benjamin Borden Health Center, (d) an expansion and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new emergency road access to the Facility, (f) the construction of a new maintenance facility and (g) the lowering of the road at the main entrance (collectively, the “Project”).

E. The Project will be constructed on the site of the Facility, which is located on an 84-acre tract owned by the Corporation that is generally situated between Enfield Road and Ross Road, a portion of which consisting of the Benjamin Borden Health Center has the address of 170 Kendal Drive, Lexington, Virginia 24450, and is located in Rockbridge County, Virginia (“Rockbridge County”), and the remaining portion of which has the address of 160 Kendal Drive, Lexington, Virginia 24450, and is located partially in Rockbridge County and partially in the City of Lexington, Virginia.

F. The Series 2017 Bonds are expected to be issued in multiple series, with (a) one or more series (the “Public Bonds”) being sold to the public through an underwriting by a group of underwriters including B.C. Ziegler and Company and Davenport & Company, LLC (collectively, the “Underwriter”) pursuant to the terms of a Bond Purchase Agreement (the

“Bond Purchase Agreement”) between the Corporation, the Authority and the Underwriter, and offered to the public pursuant to an Official Statement in preliminary and final forms (the “Preliminary Official Statement” and the “Official Statement,” respectively), and (b) one or more series (the “Bank Bonds”) being sold to SunTrust Bank (including an affiliate of SunTrust Bank) or another financial institution (the “Bank”) in a private placement.

G. The Public Bonds will be issued pursuant to the terms of a Bond Indenture dated as of October 1, 2016, as supplemented and amended (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Trustee”), and the proceeds of the Public Bonds will be loaned to the Corporation pursuant to the terms of a Loan Agreement dated as of October 1, 2016, as supplemented and amended, between the Authority and the Corporation (the “Loan Agreement”).

H. The Bank Bonds will be issued and the loan of the proceeds made pursuant to the terms of a Bond Purchase and Loan Agreement between the Authority, the Corporation and the Bank (the “Bond Purchase and Loan Agreement”).

I. The Series 2017 Bonds will be secured by one or more promissory notes (the “Notes”) of the Corporation in an aggregate amount equal to the aggregate principal amount of the Series 2017 Bonds, which Notes will be issued as obligations under the terms of one or more supplemental indentures (the “Supplements”) to the Master Trust Indenture dated as of October 1, 2016 (the “Master Trust Indenture”), between the Corporation and U.S. Bank National Association, as master trustee.

J. There have been presented to this meeting drafts of the Bond Purchase Agreement, the Preliminary Official Statement, a supplement to the Bond Indenture, an amendment to the Loan Agreement, the forms of the Notes (including the forms of assignments of the Notes as security for the Series 2017 Bonds) and the Bond Purchase and Loan Agreement (collectively, the “Documents”) that the Authority proposes to execute or approve to carry out the issuance and sale of the Series 2017 Bonds, copies of which instruments shall be filed with the records of the Authority.

K. The Series 2017 Bonds will be issued for the benefit of the Corporation, under and pursuant to the Documents, and will be limited obligations of the Authority, and the principal of, premium, if any, and interest on such bonds will be payable solely from the receipts and revenues of the Authority received under the Documents.

L. A public hearing has been held by the Authority as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and Section 15.2-4906 of the Act.

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA:

1. It is hereby found and determined that the financing of the Project and the issuance of the Series 2017 Bonds will be in the public interest of the Commonwealth of Virginia and the City of Lexington, Rockbridge County and their environs, will be consistent with the purposes of the Act and will benefit the City of Lexington, Rockbridge County and their inhabitants by providing for facilities for the residence and care of the aged. To induce the Corporation to undertake the Project, the Authority hereby agrees to assist the Corporation by issuing the Series 2017 Bonds, in one or more series, upon terms and conditions to be mutually

agreed upon between the Authority and the Corporation as provided below, and subject to the requirements of the Act.

2. The Authority hereby authorizes (a) the issuance of the Public Bonds pursuant to the Bond Indenture, (b) the sale of the Public Bonds pursuant to the Bond Purchase Agreement and (c) the loan of the proceeds of the Public Bonds to the Corporation pursuant to the Loan Agreement.

3. The Authority hereby authorizes the issuance and sale of the Bank Bonds and the loan of the proceeds thereof to the Corporation pursuant to the Bond Purchase and Loan Agreement.

4. Subject to the limitations set forth below, the Series 2017 Bonds shall have such principal amounts and maturities, bear such date or dates, bear interest at such rate or rates, be payable at such time or times and be sold in such manner and on such terms as specified by the Corporation and approved by the Chairman or the Vice Chairman of the Authority, either of whom may act (the "Authorized Officers") after consultation with counsel to the Authority, such approval being evidenced by the Authorized Officer's execution of the Documents to which the Authority is a party.

5. The Authorized Officers are each hereby authorized and directed, after consultation with counsel to the Authority, to approve the final principal amounts, dated dates, maturities, interest rates and redemption prices of the Series 2017 Bonds; provided, however, that (a) the aggregate principal amount of the Series 2017 Bonds shall not exceed \$44,000,000, (b) the final maturity of the Series 2017 Bonds shall not extend beyond January 1, 2053, (c) the true interest cost of the Public Bonds (including any original issue premium or discount) shall not exceed 5.25%, (d) the initial interest rate on the Bank Bonds shall not exceed 3.00% per year (subject to adjustment in accordance with the terms of the Bond Purchase and Loan Agreement), (e) the bond discount under the Bond Purchase Agreement shall not exceed 2.0% of the principal amount of the Public Bonds (without regard to any original issue premium or discount) and (f) the optional redemption premium shall not exceed 3% of the principal amount of the Series 2017 Bonds to be redeemed.

6. The Authorized Officers, after consultation with counsel to the Authority, are each hereby authorized to execute and deliver the Documents. The Documents and the Series 2017 Bonds shall be substantially in the forms submitted to this meeting, which are hereby approved, with such completions, omissions, insertions and changes that do not materially adversely affect the Authority's interests, as the executing Authorized Officer, after consultation with counsel to the Authority, may approve, with execution of any Document to which the Authority is a party constituting conclusive evidence of approval of any such completions, omissions, insertions and changes.

7. The Authorized Officers, after consultation with counsel to the Authority, are each hereby authorized to consent to the distribution by the Underwriter of the Preliminary Official Statement in a form deemed "final" as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), to prospective purchasers of the Public Bonds. The Preliminary Official Statement shall be in substantially the form submitted to

this meeting, which is hereby approved, with such completions, omissions, insertions and changes as may be approved by an Authorized Officer after consultation with counsel to the Authority. The distribution of the Preliminary Official Statement shall constitute conclusive evidence of the approval of any such completions, omissions, insertions and changes and that the Authority has deemed such Preliminary Official Statement to be “final” as of its date, except for the omission of items therein permitted by Rule 15c2-12. The Authorized Officers are each authorized and directed, after consultation with counsel to the Authority, to approve such completions, omissions, insertions and other changes to the Preliminary Official Statement necessary to reflect the terms of the sale of the Public Bonds, determined as set forth in paragraph 5, and appropriate to complete it as an official statement in final form (an “Official Statement”) and to execute and deliver such Official Statement to the Underwriter. Execution of the Official Statement by an Authorized Officer shall constitute conclusive evidence of such officer’s approval of any such completions, omissions, insertions and changes and that the Official Statement has been deemed final by the Authority as of its date within the meaning of Rule 15c2-12.

8. The Authorized Officers are each hereby authorized and directed to accept from the Corporation the Notes to evidence the Corporation's repayment obligation for the loans provided for in the Loan Agreement and the Bond Purchase and Loan Agreement, respectively, and to assign by endorsement and deliver the Notes as security for the Series 2017 Bonds.

9. The Authorized Officers are each hereby authorized and directed to execute the Series 2017 Bonds by manual or facsimile signature, and the Secretary of the Authority and the Assistant Secretary, either of whom may act, are authorized and directed to have the seal of the Authority affixed or printed thereon and to attest such seal by manual or facsimile signature. The Authorized Officers, together with the Secretary of the Authority and the Assistant Secretary, are authorized and directed to deliver the Series 2017 Bonds to the Trustee for authentication, to cause the Series 2017 Bonds so executed and authenticated to be delivered to or for the account of, in the case of the Public Bonds, the Underwriter upon terms provided in the Bond Purchase Agreement and, in the case of the Bank Bonds, the Bank upon terms provided in the Bond Purchase and Loan Agreement.

10. The Authorized Officers and such other officers of the Authority as requested are hereby authorized and directed, after consultation with counsel to the Authority, to execute, deliver and file all documents, certificates and instruments, including a non-arbitrage certificate and an Internal Revenue Service Form 8038, on behalf of the Authority and to take all such further action as may be necessary or desirable in connection with the issuance and sale of the Series 2017 Bonds.

11. Any authorization herein to execute a document shall include authorization to record such document where appropriate and to deliver it to the other parties thereto.

12. At the request of the Corporation, the Authority hereby approves the selection of Hunton & Williams LLP as bond counsel to supervise the proceedings and approve the issuance of the Series 2017 Bonds, and hereby approves B.C. Ziegler and Company and Davenport & Company, LLC as the Underwriter of the Public Bonds.

13. All costs and expenses in connection with the issuance of the Series 2017 Bonds, including the fees and expenses of the Authority, its counsel and bond counsel, shall be paid from the proceeds of the Series 2017 Bonds to the extent allowed by law. If for any reason the Series 2017 Bonds are not issued or if the proceeds thereof cannot be used to pay all such expenses, it is understood that all such costs and expenses shall be paid by the Corporation and that the Authority shall not have responsibility therefor.

14. The Corporation shall indemnify and save harmless the Authority, its officers, directors, employees and agents, from and against all liabilities, obligations, claims, damages, penalties, fines, losses, costs and expenses in any way connected with the Corporation or the issuance of the Series 2017 Bonds.

15. In adopting this resolution, the Authority intends to declare its “official intent” for the Corporation to reimburse itself for expenditures with respect to the Project from the proceeds of the Bonds within the meaning of regulations issued by the Internal Revenue Service pursuant to Section 103 of the Code.

16. The Authority hereby recommends that the City Council of the City of Lexington, Virginia, approve the issuance of the Series 2017 Bonds in accordance with the provisions of Section 147(f) of the Code and Section 15.2-4906 of the Act. The Authority hereby recommends further that, in accordance with the Act, the Board of Supervisors of Rockbridge County, Virginia, concur with the issuance of the Series 2017 Bonds.

17. The Authority hereby directs the Secretary or Assistant Secretary of the Authority to submit to the City Council of the City of Lexington and the Board of Supervisors of Rockbridge County copies of this resolution, the Corporation’s Fiscal Impact Statement, and a summary of the public hearing held by the Authority prior to the adoption of this resolution.

18. All other acts of the officers of the Authority that are in conformity with the purposes and intent of this resolution and in furtherance of the financing of the Project and the issuance and sale of the Series 2017 Bonds are authorized, ratified and approved.

19. This resolution shall become effective immediately and shall expire one year from the date of its adoption unless the Series 2017 Bonds are issued within such time.

CERTIFICATE

The undersigned Secretary of the Industrial Development Authority of the City of Lexington, Virginia (the "Authority"), hereby certifies that the foregoing is a true, correct and complete copy of a resolution adopted by a majority of the Directors of the Authority present and voting at a meeting duly called and held on November 29, 2017, in accordance with law, and that such resolution has not been repealed, revoked, rescinded or amended, and is in full force and effect on the date hereof.

WITNESS the following signature this ____ day of November, 2017.

(SEAL)

Secretary, Industrial Development Authority of the
City of Lexington, Virginia

**RESOLUTION OF THE COUNCIL OF THE CITY OF LEXINGTON, VIRGINIA
APPROVING A PLAN OF FINANCE TO BE UNDERTAKEN BY THE INDUSTRIAL
DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, VIRGINIA,
FOR THE BENEFIT OF LEXINGTON RETIREMENT COMMUNITY, INC.**

WHEREAS, Lexington Retirement Community, Inc., d/b/a Kendal at Lexington, a not-for-profit Virginia nonstock corporation (the “Corporation”), has requested the Industrial Development Authority of the City of Lexington, Virginia (“Authority”), to issue its revenue bonds (the “Bonds”) pursuant to the Industrial Development and Revenue Bond Act, as amended (the “Act”), and loan the proceeds thereof to the Corporation to (a) pay costs of the Project described below, (b) pay all or a portion of the costs of issuance incurred in connection with the issuance of the Bonds, (c) fund interest on the Bonds prior to, during and up to one year after completion of the Project, (d) fund a debt service reserve fund for the Bonds, and (e) pay working capital and other routine capital expenditures; and

WHEREAS, the Corporation has described the Project as consisting of the acquisition, construction and equipping of an expansion and renovation to the residential and health care facility for the aged known as “Kendal at Lexington” (collectively, the “Facility”) including, but not limited to, (a) 30 new independent living cottages consisting of 20 single-family homes and 5 duplex homes and including related covered porches and garages, (b) an expansion and renovation to the existing dining facility and the addition of a second floor exterior patio, (c) an expansion and renovation to the existing Benjamin Borden Health Center, (d) an expansion and renovation to the existing Webster Assisted Living Health Center, (e) the construction of new emergency road access to the Facility, (f) the construction of a new maintenance facility and (g) the lowering of the road at the main entrance (collectively, the “Project”); and

WHEREAS, the Project will be constructed on the site of the Facility, which is located on an 84-acre tract owned by the Corporation that is generally situated between Enfield Road and Ross Road, a portion of which consisting of the Benjamin Borden Health Center has the address of 170 Kendal Drive, Lexington, Virginia 24450, and is located in Rockbridge County, Virginia (“Rockbridge County”), and the remaining portion of which has the address of 160 Kendal Drive, Lexington, Virginia 24450, and is located partially in Rockbridge County and partially in the City of Lexington, Virginia; and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and Section 15.2-4906 of the Act require that the governmental unit on behalf of which the Authority will issue tax-exempt bonds approve the issuance of such bonds; and

WHEREAS, Section 147(f) of the Code and Section 15.2-4906 of the Act require that any such approval by the applicable governmental unit be given after a public hearing following reasonable public notice, which hearing may be held by the public authority issuing the Bonds; and

WHEREAS, on November 29, 2017, the Authority held a public hearing on the issuance of the Bonds and adopted a resolution approving the issuance of the Bonds for the purposes described above in an aggregate principal amount not to exceed \$44,000,000 (the “Authority Resolution”); and

WHEREAS, a copy of the Authority Resolution, a record of the public hearing and a fiscal impact statement with respect to the issuance of the Bonds have been filed with the Council; and

WHEREAS, the Corporation and the Authority have requested the City Council of the City of Lexington, Virginia (the “Council”), to approve the issuance of the Bonds to comply with Section 15.2-4906 of the Act and Section 147(f) of the Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LEXINGTON, VIRGINIA:

1. The Council hereby approves the issuance of the Bonds by the Authority in the aggregate amount and for the purposes described above, as required by Section 147(f) of the Code and Section 15.2-4906 of the Act.

2. The approval of the issuance of the Bonds does not constitute an endorsement of the Bonds or the creditworthiness of the Corporation. The Bonds shall provide that neither the Commonwealth of Virginia, nor any political subdivision thereof (including the City of Lexington, Virginia, and Rockbridge County), nor the Authority shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto except from revenues and moneys pledged therefor, and that neither the faith and credit nor the taxing power of the Commonwealth of Virginia, or any political subdivision thereof (including the City of Lexington, Virginia and Rockbridge County), shall be pledged thereto.

3. All acts and doings of the officers of the City of Lexington, Virginia, and the members of the Council that are in conformity with the purposes and intent of this Resolution shall be, and the same hereby are, in all respects approved and confirmed.

4. This Resolution shall take effect immediately upon its adoption.

Approved: December 7, 2017