

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

**UNRATED**

*In the opinion of Sell & Melton, L.L.P., Macon, Georgia, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and is excluded as a preference item for the alternative minimum tax imposed on individual taxpayers, but may be subject to a corporate alternative minimum tax. Interest on the Series 2015 Bonds is excluded from income for State of Georgia income tax purposes. Interest on the Series 2015B (Taxable) Bonds is not excluded from gross income and is fully subject to federal income taxation. See "Tax Matters" herein.*

**SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY**

**\$6,465,000 First Mortgage Revenue Bonds  
(Savannah ALF, LLC, Project)  
Series 2015A**

**\$535,000 First Mortgage Revenue Bonds  
(Savannah ALF, LLC, Project)  
Series 2015B (Taxable)**

**Dated: Date of Delivery**

**Due: See Inside Cover**

The Series 2015A Bonds and the Series 2015B (Taxable) Bonds (collectively, the "Series 2015 Bonds") will be issued pursuant to a Trust Indenture, dated as of January 1, 2015 (the "Indenture"), between the Savannah Economic Development Authority (the "Issuer"), and BOKF, N.A., dba Bank of Oklahoma, Tulsa, Oklahoma, as trustee (the "Trustee"). The Series 2015 Bonds will be issuable only as fully-registered bonds without coupons, in book-entry form only, in denominations of \$5,000 or any integral multiple of \$1,000 in excess of such amount. Interest on the Series 2015 Bonds will be payable monthly, at the interest rates set forth on the inside cover, on the first day of each month, beginning March 1, 2015. Such interest, and the principal of the Series 2015 Bonds, will be payable to The Depository Trust Company, New York, New York (the "DTC"). The DTC is obligated to remit such interest and principal to its Participants for subsequent disbursement to the beneficial owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS -- Book-Entry-Only-System". The Series 2015 Bonds will be subject to optional, mandatory and sinking fund redemption, prior to maturity, as described herein. See "THE SERIES 2015 BONDS" herein.

Pursuant to a Loan Agreement, dated as of January 1, 2015 (the "Loan Agreement"), the Issuer will lend the proceeds from the sale of the Series 2015 Bonds to Savannah ALF, LLC, a Georgia limited liability company (the "Borrower"), which will use such proceeds to undertake a project (the "Project"), consisting of: (a) financing the Borrower's costs of acquiring, renovating and expanding a 35-unit Alzheimer's facility, which is located in Savannah (Chatham County), Georgia (the "Facility"); (b) providing certain initial deposits into the funds and accounts established under the Indenture, including a debt service reserve fund for the Series 2015 Bonds; and (c) paying certain costs of issuance of the Series 2015 Bonds. See "PLAN OF FINANCING" herein.

Oxton Court of Savannah LLC (the "Management Company"), will manage the Facility on behalf of the Borrower, pursuant to a Management Agreement that will be entered into as a part of the Project (the "Management Agreement"). In the Management Agreement, the Management Company will agree that, so long as it, or any of its affiliates, shall manage the Facility, payment of its compensation thereunder will be fully subordinated to the payment of all debt service on the Series 2015 Bonds. See "THE MANAGEMENT COMPANY -- Summary of the Management Agreement" herein.

The Loan Agreement will require the Borrower to make all of its payment obligations thereunder (the "Loan Payments") directly to the Trustee in such amounts as will enable the Trustee to pay, when due, the principal of, premium if any, and interest on, the Series 2015 Bonds, together with all other amounts payable pursuant to the terms of the Indenture. As security for its obligation to make the Loan Payments, the Borrower will, pursuant to a Deed to Secure Debt and Security Agreement, dated as of January 1, 2015 (the "Security Deed"), convey to the Issuer, subject to "Permitted Encumbrances", title to the Facility, to the Borrower's personal property located therein, and to the Borrower's revenues generated by the operation of the Facility (the "Gross Revenues"). In addition, the members of the Borrower and the Management Company will, pursuant to a Limited Guaranty Agreement, dated as of January 1, 2015, guarantee (subject to a limiting provision as herein described) the prompt payment, as and when due, of all Loan Payments and the Borrower's other obligations under the Loan Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS" herein. The ability of the Borrower to generate sufficient Gross Revenues to make the Loan Payments is subject to certain risks which are discussed herein under the heading "CERTAIN RISKS OF INVESTMENT".

The Series 2015 Bonds will be limited obligations of the Issuer, payable solely from: (a) the Loan Payments; and (b) the monies, securities and funds, and the investment proceeds therefrom, held by the Trustee under the Indenture (except the Rebate Fund), all of which will be held by the Trustee for the equal and ratable benefit of all holders of the Series 2015 Bonds. To secure the payment of the principal of, premium, if any, and interest on, the Series 2015 Bonds, the Issuer will, pursuant to the Indenture, pledge to the Trustee, for the benefit of all holders of the Series 2015 Bonds, the Loan Agreement and the Security Deed, together with all of the Issuer's rights to receive all payments and other sums of money payable thereunder (except for the "Reserved Rights" of the Issuer). See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS" herein.

**THE SERIES 2015 BONDS ARE NOT RATED AND NO APPLICATION WILL BE MADE TO OBTAIN A RATING THEREON. THE SERIES 2015 BONDS ARE ONLY SUITABLE FOR, AND SHOULD ONLY BE PURCHASED BY, INVESTORS WHO: (A) CAN BEAR THE ECONOMIC RISK OF THE SERIES 2015 BONDS; (B) HAVE SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF THE SERIES 2015 BONDS; (C) UNDERSTAND THAT THE SERIES 2015 BONDS ARE HIGH YIELD, HIGH RISK SECURITIES; AND (D) HAVE UNDERTAKEN THE RESPONSIBILITY FOR OBTAINING ALL INFORMATION THAT IS DEEMED NECESSARY AND DESIRABLE TO FORM A DECISION TO PURCHASE THE SERIES 2015 BONDS.**

**NEITHER THE STATE OF GEORGIA, NOR THE COUNTY OF CHATHAM, NOR THE CITY OF SAVANNAH, IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF SUCH STATE, COUNTY OR CITY, IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE ISSUER PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS DO NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.**

*The Series 2015 Bonds will be offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without any notice, and subject to the approving opinion of Sell & Melton, L.L.P., Macon, Georgia, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Gray Pannell & Woodward LLP, Savannah, Georgia; for the Borrower by Daniel, Lawson, Tuggle & Jerles, L.L.P., Perry, Georgia; and for the Underwriter by Shackelford, Melton, McKinley & Norton, LLP, Austin, Texas. It is expected that the Series 2015 Bonds in definitive form will be available for delivery to the Underwriter in New York, New York, on or about January 16, 2015.*

**LAWSON FINANCIAL CORPORATION.**

## **MATURITY SCHEDULE**

### **Series 2015A Term Bonds**

<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity</u></b>	<b><u>Price</u></b>	<b><u>CUSIP No.<sup>†</sup></u></b>
\$ 6,465,000	7.250%	January 1, 2045	@ 100.00%	80483C LN9

### **Series 2015B (Taxable) Term Bonds**

<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity</u></b>	<b><u>Price</u></b>	<b><u>CUSIP No.<sup>†</sup></u></b>
\$ 535,000	8.250%	January 1, 2022	@ 100.00	80483C LP4

---

<sup>†</sup>CUSIP® is a registered trademark of the American Bankers Association. CUSIP® numbers are provided for convenience of reference only. The Underwriter assumes no responsibility for the accuracy of such numbers.

**NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER, THE BORROWER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THIS OFFERING, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2015 BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED BY THE BORROWER. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF ITS RESPONSIBILITIES TO INVESTORS PURSUANT TO, FEDERAL SECURITIES LAW AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, EXCEPT FOR THE INFORMATION PROVIDED BY THE UNDERWRITER UNDER THE CAPTIONS "UNDERWRITING" AND "PLAN OF FINANCING". NONE OF THE ISSUER, THE UNDERWRITER OR THE TRUSTEE MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2015 BONDS; OR (III) THE TAX STATUS OF THE INTEREST ON THE SERIES 2015 BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE BORROWER SINCE THE DATE HEREOF.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE BORROWER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**NO SALES MAY BE MADE UNTIL A COPY OF THE FINAL OFFICIAL STATEMENT HAS BEEN DELIVERED TO AND REVIEWED BY THE PROSPECTIVE INVESTOR. INDICATIONS OF INTEREST IN AN INVESTMENT ARE TENTATIVE AND NOT BINDING ON THE CUSTOMER PRIOR TO HIS OR HER RECEIPT AND REVIEW OF THE FINAL OFFICIAL STATEMENT.**

**PARTIES ASSOCIATED WITH THE FINANCING**

**ISSUER**

**SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY**  
Savannah, Georgia

**COUNSEL TO THE ISSUER**

**GRAY PANNELL & WOODWARD LLP**  
Savannah, Georgia

**BOND COUNSEL**

**SELL & MELTON, L.L.P.**  
Macon, Georgia

**BORROWER**

**SAVANNAH ALF, LLC**  
Madison, Georgia

**COUNSEL TO THE BORROWER**

**DANIEL, LAWSON, TUGGLE & JERLES, L.L.P.**  
Perry, Georgia

**MANAGEMENT COMPANY**

**OXTON COURT OF SAVANNAH LLC**  
Madison, Georgia

**TRUSTEE**

**BOKF, N.A., DBA BANK OF OKLAHOMA**  
Tulsa, Oklahoma

**TRUSTEE'S COUNSEL**

**RIGGS, ABNEY, NEAL, TURPEN, ORBISON & LEWIS**  
Tulsa, Oklahoma

**INDEPENDENT ACCOUNTANTS**

**CARR, RIGGS & INGRAM, LLC**  
Atlanta, Georgia

**UNDERWRITER**

**LAWSON FINANCIAL CORPORATION**  
Phoenix, Arizona

**UNDERWRITER'S COUNSEL**

**SHACKELFORD, MELTON, MCKINLEY & NORTON, LLP**  
Austin, Texas

## **SUMMARY STATEMENT**

**This summary of certain aspects of this Official Statement is intended only for quick reference. This Official Statement and the appendices attached hereto describe numerous aspects of the financing, including those summaries herein, that are material to investors. Therefore, the information set forth in this Summary Statement is subject in all respects to more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. The complete Official Statement and the Appendices attached hereto should be read and understood in their entirety by prospective investors. All capitalized terms used in this Summary Statement and not otherwise defined herein shall have the meanings given to such terms in "APPENDIX A -- DEFINITIONS OF CERTAIN TERMS AND COPIES OF PRINCIPAL DOCUMENTS" attached hereto. This Summary Statement may not be distributed separately from the Official Statement.**

**Purpose of this Official Statement.** The purpose of this Official Statement is to set forth information in connection with the offering, by the Savannah Economic Development Authority (the "Issuer"), of its \$6,465,000 First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Series 2015A (the "Series 2015A Bonds"), and its \$535,000 First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Series 2015B (Taxable) (the "Series 2015B (Taxable) Bonds" and, together with the Series 2015A Bonds, the "Series 2015 Bonds").

**The Issuer.** The Issuer is a public body, corporate and politic, organized under the laws of the State of Georgia. For further information, see "THE ISSUER" herein.

**The Series 2015 Bonds and Plan of Financing.** The Series 2015 Bonds will be issued under and secured by a Trust Indenture, dated as of January 1, 2015 (the "Indenture"), between the Issuer and BOKF, N.A., dba Bank of Oklahoma, Tulsa, Oklahoma (the "Trustee"). The Trustee will also be the Bond Registrar and Paying Agent. The Issuer will lend the proceeds from the sale of the Series 2015 Bonds to Savannah ALF, LLC, a Georgia limited liability company (the "Borrower"), pursuant to a Loan Agreement, dated as of January 1, 2015 (the "Loan Agreement"). The Borrower will use such proceeds to pay the costs of a project (the "Project"), consisting of: (a) financing the Borrower's costs of acquiring, renovating and expanding a 35-unit Alzheimer's facility, which is located in Savannah (Chatham County), Georgia (the "Facility"); (b) providing certain initial deposits into the funds and accounts established under the Indenture, including a debt service reserve fund for the Series 2015 Bonds; and (c) paying certain costs of issuance of the Series 2015 Bonds. See "PLAN OF FINANCING -- Estimated Sources and Uses of Funds" herein.

**Security for the Series 2015 Bonds.** The Series 2015 Bonds will be limited obligations of the Issuer, payable solely from the revenues, receipts, funds or moneys pledged therefore, and from any amounts otherwise available under the Indenture for the payment thereof, including those derived under the Loan Agreement, and the Deed to Secure Debt and Security Agreement, and the Limited Guaranty Agreement, which are described below, and those on deposit in all funds and accounts held under the Indenture (except the Rebate Fund), all of which will be held by the Trustee for the equal and ratable benefit of all holders of the Series 2015 Bonds.

The Borrower will be required to make all of its payment obligations under the Loan Agreement (the "Loan Payments") directly to the Trustee in such amounts as will enable the Trustee to pay, when due, the principal of, premium if any, and interest on, the Series 2015 Bonds and all other amounts, fees, penalties, premiums, adjustments, expenses, counsel fees and other payments due pursuant to the terms of the Indenture. The sole source of funds available to the Borrower to make the Loan Payments will be the revenues generated by the operation of the Facility (the "Gross Revenues").

As security for its obligations to make the Loan Payments, and its other obligations under the Loan Agreement, the Borrower will, pursuant to a Deed to Secure Debt and Security Agreement, dated as of January 1, 2015 (the "Security Deed"), grant and convey to the Issuer; (a) subject to "Permitted Encumbrances" (as defined herein) security title to all of the land, buildings and other improvements that constitute the Facility; and (b) a first lien on and security interest in and to, (i) the Borrower's personal property located therein, and (ii) the Gross Revenues. In addition, Dwayne A. Edwards and Todd Barker (the "Guarantors"), who are all of the members of the Borrower and the Management Company, will, pursuant to a Limited Guaranty Agreement, dated as of January 1, 2015 (the "Limited Guaranty Agreement"), guarantee the prompt payment and performance, as and when due, of all Loan Payments and other obligations of the Borrower under the Loan Agreement. **Potential investors should note, however, that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Borrower shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.**

To secure the payment of the principal of, premium, if any, and interest on, the Series 2015 Bonds, the Issuer will, pursuant to the Indenture, assign and pledge to the Trustee, for the benefit of all holders of the Series 2015 Bonds, (i) the Loan Agreement (except for the "Reserved Rights" of the Issuer, such as the right to receive administrative fees, costs and expenses and certain notices, the right to give certain consents, and its rights to indemnification and to enforce public purpose covenants), and (ii) the Security Deed and the Limited Guaranty Agreement, together with all of the Issuer's rights to receive all payments and other sums of money payable thereunder. The Facility, the Gross Revenues, the Loan Payments, and the other property covered by the Security Deed, and the Limited Guaranty Agreement, are referred to herein as the "Security Property". See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS" herein.

**NEITHER THE STATE OF GEORGIA, NOR THE COUNTY OF CHATHAM, NOR THE CITY OF SAVANNAH, IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF SUCH STATE, COUNTY OR CITY, IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE ISSUER PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS DO NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.**

**The Borrower.** The Borrower is a Georgia limited liability company, which was formed on July 8, 2014, for the purpose of owning and operating the Facility. At present, the Facility will be the Borrower's only asset, although it could acquire other facilities in the future. For further information concerning the Borrower, see the information under the caption "THE BORROWER" herein.

**The Facility.** The Facility is a 35-unit Alzheimer's facility (licensed for 46 beds), which is commonly known as "Shadowmoss Plantation". The Facility was constructed in 1989, and was expanded in 1998. The Facility is located on a 3.26 acre tract at 249 Holland Drive, in Savannah (Chatham County) Georgia. For further information, see "THE FACILITY" herein.

**The Management Company.** Oxton Court of Savannah LLC (the "Management Company") is a Georgia limited liability company, which was organized on July 8, 2014, for the purpose of providing management support services to assisted living facilities. Although the Facility will be the first assisted living facility for which the Management Company will provide such services, the owners of the Management Company have extensive experience in this area. For further information concerning the Management Company, see the information under the caption "THE MANAGEMENT COMPANY" herein.

**The Management Agreement.** The Management Company will render management support services for the Facility pursuant to a Management Agreement to be entered into as a part of the Project (the "Management Agreement"). The Management Agreement will have an initial term of approximately five years, unless terminated earlier pursuant to its terms. The Borrower may terminate the Management Agreement after the third year of its term, and the Management Company may do so at any time after giving the Borrower 60 days prior written notice, in both instances, without cause. The Management Company's compensation under the Management Agreement (the "Management Fee") will be a monthly fee in an amount equal to 6.00% of the Facility's Gross Revenues. Payment of the Management Fee will be fully subordinated to the payment of debt service on the Series 2015 Bonds. See "THE MANAGEMENT COMPANY -- Summary of the Management Agreement" herein.

**The Appraisal.** A Market Value Appraisal of the Facility (the "Appraisal") has been prepared by Province Consulting Group, of Atlanta, Georgia (the "Appraiser"). The Appraiser estimated that: (i) as of November 1, 2014, the "as-is" market value of the Facility was \$3,100,000, and (ii) after completion of the Renovations and Expansion Project, and the achievement of "stabilized occupancy" (97%), which is estimated to be reached in January of 2016, the market value of the Facility will be \$7,400,000. Such estimated values are based upon certain assumptions and conditions set forth in the Appraisal. Potential investors who desire to review the Appraisal may request a copy from the Underwriter.

**Environmental Assessment.** A Phase I Environmental Site Assessment of the Facility (the "Environmental Assessment") was prepared by Environmental Corporation of America, of Alpharetta, Georgia, in July of 2014. For further information concerning the scope of the Environmental Assessment, see "THE FACILITY -- Environmental Assessment" herein. The Environmental Assessment noted that a property, which is adjacent to the Facility, is listed in the leaking underground storage tank database, and that soil and groundwater contamination resulted from such leakage. However, according to the Environmental Assessment, the

topography is such that all contamination flowed away from the Facility, and it did not constitute a recognized environmental condition with respect to the Facility. The Environmental Assessment concluded that no further assessment of the Facility was warranted. Potential investors who desire to review the Environmental Assessment may request a copy from the Underwriter.

**The Renovations and Expansion Project.** During the twelve months following its acquisition of the Facility, and as part of the Project, the Borrower expects to spend approximately \$2,222,000 for renovations to, and expansion of, the Facility (the "Renovations and Expansion Project"). For further information, see "THE FACILITY-- The Renovations and Expansion Project" herein.

**The Land Use Agreement.** The exclusion of interest on the Series 2015A Bonds, from the gross income of the recipients thereof for federal income tax purposes, is based upon the Facility's providing "residential rental property" as such term is defined in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). Certain conditions must be satisfied, and must continue to be satisfied, in order for such exclusion of interest to be effective. Accordingly, the Borrower and the Trustee will enter into a Land Use Restriction Agreement, dated as of January 1, 2015 (the "Land Use Agreement"), in which the Borrower will covenant that it will cause the Facility to comply with the requirements of Section 142(d) of the Code, and that it will not knowingly take or permit any action to be taken that would adversely affect the exemption of interest on the Series 2015A Bonds from federal income taxation.

**Financial Covenants.** In the Loan Agreement, the Borrower will covenant that: (a) the Borrower will have: (i) for the Fiscal Year ending December 31, 2015, Funds Available for Debt Service in an amount not less than 110% of the Annual Debt Service Requirements on the Series 2015 Bonds; (ii) for the Fiscal Year ending December 31, 2016, Funds Available for Debt Service in an amount not less than 115% of the Annual Debt Service Requirements on the Series 2015 Bonds; (iii) for the Fiscal Year ending December 31, 2017, Funds Available for Debt Service in an amount not less than 120% of the Annual Debt Service Requirements on the Series 2015 Bonds; and (iv) for each Fiscal Year ending December 31, 2018, and thereafter, Funds Available for Debt Service in an amount not less than 125% of such Annual Debt Service Requirements; (b) the Borrower will have, as of the end of each of its fiscal quarters, beginning with such fiscal quarter ending December 31, 2015, not less than 15 Days Cash on Hand (as herein defined); and (c) no more than 10% of the Borrower's Trade Payables (as herein defined) will be outstanding for more than 90 days. **However, factors beyond the Borrower's control could adversely affect its ability to comply with these covenants.** See "FINANCIAL COVENANTS" herein.

**Selected Forecasted Financial Data.** The data set forth on the following page have been extracted from the Facility's Forecasted Financial Statements, which have been prepared by the Borrower, and which are included herein in their entirety as APPENDIX B. Such Forecasted Financial Statements have been examined by Carr, Riggs & Ingram, LLC, independent certified public accountants, whose report thereon is included in APPENDIX B.



**For the 12-Month Periods Ending December 31, 2015 through 2019**

Forecasted debt service coverage before payment of subordinated management fees	<u>1.59x</u>	<u>1.44x</u>	<u>1.54x</u>	<u>1.62x</u>	<u>1.71x</u>
Forecasted debt service coverage after payment of subordinated management fees	<u>1.46x</u>	<u>1.26x</u>	<u>1.35x</u>	<u>1.40x</u>	<u>1.48x</u>
Days cash on hand	<u>101</u>	<u>95</u>	<u>122</u>	<u>154</u>	<u>191</u>

THE TABLE SET FORTH ABOVE SHOULD BE CONSIDERED IN CONJUNCTION WITH THE ENTIRE FORECASTED FINANCIAL STATEMENTS, INCLUDED HEREIN AS APPENDIX B, TO UNDERSTAND THE FINANCIAL REQUIREMENTS OF THE BORROWER AND THE ASSUMPTIONS UPON WHICH THE FINANCIAL FORECAST IS BASED. THE ACHIEVEMENT OF ANY FINANCIAL FORECAST IS DEPENDENT UPON FUTURE EVENTS, THE OCCURRENCE OF WHICH CANNOT BE ASSURED. THEREFORE, THE ACTUAL RESULTS ACHIEVED USUALLY WILL VARY FROM THE FINANCIAL FORECAST. SUCH VARIATION COULD BE MATERIAL. THE FORECASTED FINANCIAL STATEMENTS SHOULD BE READ IN THEIR ENTIRETY. THERE CAN BE NO ASSURANCE THAT, IN FACT, THE REVENUES GENERATED BY THE FACILITY WILL BE SUFFICIENT FOR THE BORROWER TO MAKE ALL OF THE PAYMENTS REQUIRED OF IT BY THE LOAN AGREEMENT.

**Forward-Looking Statements.** This Official Statement includes various forward-looking statements about the Borrower, the Project and the Facility that are subject to risks and uncertainties. Statements made in this Official Statement that relate to anticipated financial performance, business prospects and plans, regulatory developments and similar matters are "forward-looking statements" as such term is defined in the Private Securities Litigation Reform Act of 1995. Statements in this Official Statement that are not historical information are forward-looking.

Statements preceded by, followed by, or that otherwise include the words "believes", "expects", "anticipates", "intends", "estimates", "plans", "may" and similar expressions, or future or conditional words such as "will", "should", "would" and "could" are generally forward-looking in nature and not historical. Potential investors should understand that many factors discussed in this Official Statement, including, but without limitation, those set forth under the captions "CERTAIN RISKS OF INVESTMENT" AND "THE ASSISTED LIVING INDUSTRY", could affect the future results of the Borrower and the Facility, and could cause actual results to differ materially from those expressed in such forward-looking statements.

Except for its ongoing obligation to disclose material information under the federal securities laws, as explained herein under the caption "CONTINUING DISCLOSURE OBLIGATION", the Borrower assumes no obligation to release publicly any revisions to any forward-looking statements, to report events or circumstances after the date of this Official Statement, or to report the occurrence of unanticipated events.

**Risks of Investment.** Investment in the Series 2015 Bonds will be highly speculative in nature and will be subject to numerous risks. See "CERTAIN RISKS OF INVESTMENT" and "THE ASSISTED LIVING INDUSTRY" herein.

**Additional Information.** Until the issuance and delivery of the Series 2015 Bonds, copies of the documents described in this Official Statement may be obtained at the office of the Underwriter, and copies of these documents may be obtained from the Trustee or the Borrower after delivery of the Series 2015 Bonds. Prospective investors and their advisers may contact the Underwriter at:

## **LAWSON FINANCIAL CORPORATION**

**3352 East Camelback Road  
Phoenix, Arizona 85018  
Telephone: (602) 381-8588**

## **TABLE OF CONTENTS**

THE PROJECT .....	1
THE ISSUER .....	2
THE BORROWER .....	4
THE MANAGEMENT COMPANY .....	6
THE FACILITY .....	7
THE ASSISTED LIVING INDUSTRY .....	12
THE SERIES 2015 BONDS .....	15
SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2015 BONDS .....	19
FINANCIAL COVENANTS .....	22
FORECASTED DEBT SERVICE COVERAGE .....	25
CERTAIN RISKS OF INVESTMENT .....	26
LITIGATION .....	38
CERTAIN RELATIONSHIPS .....	38
LEGAL MATTERS .....	39
TAX MATTERS .....	39
INDEPENDENT ACCOUNTANTS .....	42
UNDERWRITING .....	42
CONTINUING DISCLOSURE OBLIGATION .....	43
MISCELLANEOUS .....	44

### **APPENDIX A - DEFINITIONS OF CERTAIN TERMS AND COPIES OF PRINCIPAL DOCUMENTS**

### **APPENDIX B - FORECASTED FINANCIAL STATEMENTS**

### **APPENDIX C - DTC AND BOOK-ENTRY-ONLY SYSTEM**

### **APPENDIX D - FORM OF OPINION OF BOND COUNSEL**

## **OFFICIAL STATEMENT**

### **Relating to**

**\$6,465,000 First Mortgage Revenue Bonds  
(Savannah ALF, LLC, Project)  
Series 2015A**

**\$535,000 First Mortgage Revenue Bonds  
(Savannah ALF, LLC, Project)  
Series 2015B (Taxable)**

### **THE PROJECT**

The Savannah Economic Development Authority (the "Issuer"), will issue its \$6,465,000 First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Series 2015A (the "Series 2015A Bonds"), and its \$535,000 First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Series 2015B(Taxable) (the "Series 2015B (Taxable) Bonds" and, together with the Series 2015A Bonds, the "Series 2015 Bonds"). The Series 2015 Bonds will be issued under and secured by a Trust Indenture, dated as of January 1, 2015 (the "Indenture"), between the Issuer and BOKF, N.A., dba Bank of Oklahoma, Tulsa, Oklahoma, as trustee (the "Trustee"). The Trustee will also be the Bond Registrar and Paying Agent. The Issuer will lend the proceeds from the sale of the Series 2015 Bonds to Savannah ALF, LLC, a Georgia limited liability company (the "Borrower"), pursuant to a Loan Agreement, dated as of January 1, 2015 (the "Loan Agreement"). The Borrower will use such proceeds to pay the costs of a project (the "Project"), consisting of: (a) financing the Borrower's costs of acquiring, renovating and expanding a 35-unit Alzheimer's facility (licensed for 46 beds), which is located in Savannah (Chatham County), Georgia (the "Facility"); (b) providing certain initial deposits into the funds and accounts established under the Indenture, including a debt service reserve fund for the Series 2015 Bonds; and (c) paying certain costs of issuance of the Series 2015 Bonds. See "PLAN OF FINANCING -- Estimated Sources and Uses of Funds" herein. The Series 2015 Bonds will be limited obligations of the Issuer, payable solely from the revenues, receipts, funds or moneys pledged therefore, and from any amounts otherwise available under the Indenture for the payment thereof, including those derived under the Loan Agreement, and the Deed to Secure Debt and Security Agreement, and the Limited Guaranty Agreement, which are described below, and those on deposit in all funds and accounts held under the Indenture (except the Rebate Fund), all of which will be held by the Trustee for the equal and ratable benefit of all holders of the Series 2015 Bonds. The Borrower will be required to make all of its payment obligations under the Loan Agreement (the "Loan Payments") directly to the Trustee in such amounts as will enable the Trustee to pay, when due, the principal of, premium if any, and interest on, the Series 2015 Bonds and all other amounts, fees, penalties, premiums, adjustments, expenses, counsel fees and other payments due pursuant to the terms of the Indenture. The sole source of funds available to the Borrower to make the Loan Payments will be the revenues generated by the operation of the Facility (the "Gross Revenues"). As security for its obligations to make the Loan Payments, and its other obligations under the Loan Agreement, the Borrower will, pursuant to a Deed to Secure Debt and Security Agreement, dated as of January 1, 2015 (the "Security Deed"), grant and convey to the Issuer: (a) subject to

"Permitted Encumbrances"(as defined herein) security title to all of the land, buildings and other improvements that constitute the Facility; and (b) a first lien on and security interest in and to, (i) the Borrower's personal property located therein, and (ii) the Gross Revenues. In addition, Dwayne A. Edwards and Todd Barker (the "Guarantors"), who are all of the members of the Borrower and the Management Company, will, pursuant to a Limited Guaranty Agreement, dated as of January 1, 2015 (the "Limited Guaranty Agreement"), guarantee the prompt payment and performance, as and when due, of all Loan Payments and other obligations of the Borrower under the Loan Agreement. **Potential investors should note, however, that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Borrower shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.**

To secure the payment of the principal of, premium, if any, and interest on, the Series 2015 Bonds, the Issuer will, pursuant to the Indenture, assign and pledge to the Trustee, for the benefit of all holders of the Series 2015 Bonds, (i) the Loan Agreement (except for the "Reserved Rights" of the Issuer, such as the right to receive administrative fees, costs and expenses and certain notices, the right to give certain consents, and its rights to indemnification and to enforce public purpose covenants), and (ii) the Security Deed and the Limited Guaranty Agreement, together with all of the Issuer's rights to receive all payments and other sums of money payable thereunder. The Facility, the Gross Revenues, the Loan Payments, and the other property covered by the Security Deed, and the Limited Guaranty Agreement, are referred to herein as the "Security Property". See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS" herein.

### **THE ISSUER**

**Generally.** The Savannah Economic Development Authority (the "Issuer") is a public body, corporate and politic, and an instrumentality of the State of Georgia, duly organized and existing under the constitution and laws of the State of Georgia. The Issuer is authorized under Ga. Laws 1951, page 854, et seq., as amended (the "Act"), and other applicable provisions of law, to finance, acquire, purchase or construct capital projects, including health care facilities, industrial or manufacturing facilities and facilities for the control of air and water pollution, to promote the industrial economy of the State of Georgia.

Robert James is the Issuer's President, Stephen S. Green is the Issuer's Vice-President, and Cathy Hill is the Issuer's Treasurer. Their terms in such offices expire in January of 2016, 2020, and 2017, respectively.

Set forth on the following page are the names and the respective expiration dates of the present terms of the other members of the Issuer.

<u>Name of Member</u>	<u>Office</u>	<u>Term Expires</u>
Chad Barrow	Member	January, 2018
John Coleman	Member	January, 2016
Ken Bianco	Member	January, 2017
Shevon Carr	Member	January, 2017
Loretta Cockrum	Member	January, 2020
Nina Gompels	Member	January, 2019
Paul Hinchey	Member	January, 2020
William Hubbard	Member	January, 2019
Kevin Jackson	Member	January, 2018
Eric Johnson	Member	January 2016
Eli Karatassos	Member	January, 2017
Frank Macgill	Member	January, 2018
Monica Mastrianni	Member	January, 2019
David Paddison	Member	January, 2019
Greg Parker	Member	January, 2020
Willie Seymore	Member	January, 2018

Thomas S. Gray, Jr., Esquire, is the Issuer's general counsel. He serves at the pleasure of the Issuer.

On October 8, 2014, the Issuer authorized the issuance of the Series 2015 Bonds pursuant to a Resolution, after determining that the Project was a proper purpose for its issuance of bonds under the Act.

**NEITHER THE STATE OF GEORGIA, NOR THE COUNTY OF CHATHAM, NOR THE CITY OF SAVANNAH, IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF SUCH STATE, COUNTY OR CITY, IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE ISSUER PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS DO NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.**

**Other Bonds.** The Issuer has heretofore issued other series of bonds and notes, or may hereafter do so. Each series of bonds or notes issued by the Issuer is and will be payable only from revenues provided by the entity for which such series was issued, and the general funds of the Issuer are not and will not be pledged to the payment of such securities. Accordingly, moneys available for payment of such other issues will not be available for the payment of the Series 2015 Bonds, nor will the moneys available for the payment of the Series 2015 Bonds be available for payment of such other issues or any future Issuer bond or note issues (except to the extent that the Series 2015 Bonds are refunded thereby) unless issued under the Indenture.

Certain of such other revenue bonds issued or to be issued by the Issuer are in or may come into default. These defaults do not relate to the Borrower and do not affect the Series 2015 Bonds or the availability of sufficient revenues to pay debt service thereon. Because the bonds that are in or may come into default are special limited obligations of the Issuer payable only from revenues received from the entity in default and not from the general revenues of the Issuer or from moneys securing the Series 2015 Bonds, and because the full faith and credit of the Issuer is not pledged to secure the payment of such bonds, such default does not and will not affect the Series 2015 Bonds or the availability of revenues to pay debt service thereon.

**Limited Participation in Transaction.** The Issuer has not prepared or assisted in the preparation of this Official Statement except for the statements under this section in respect of the Issuer, and under the captions "SUMMARY STATEMENT--The Issuer" and "LITIGATION -- The Issuer". The Issuer is not responsible for any other statements made herein, and will not participate in, or otherwise be responsible for, the offer, sale or distribution of the Series 2015 Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosure set forth herein made in connection with the offer, sale and distribution of the Series 2015 Bonds.

The Issuer will have no obligation to see to or be responsible for the Trustee's exercise of rights assigned to it. Also, the Issuer will have no oversight responsibilities with respect to any persons or entities involved in the Facility or the Project, and the Issuer will have no obligation to see to or be responsible for compliance, by any other person or entity, with the terms of the Loan Agreement, the Indenture, the Security Deed, the Limited Guaranty Agreement, the Bond Purchase Agreement or any other document or agreement in connection with the Facility or the Project.

## **THE BORROWER**

**Organization.** Savannah ALF, LLC (the "Borrower") is a Georgia limited liability company, which was formed on July 8, 2014.

**Offices.** The Borrower's offices are located at 2151 Eatonton Road, Building H, Suite 1, Madison Georgia 30650.

**Statement of Purpose.** The Borrower was formed for the purpose of acquiring the Facility. In the future, the Borrower may develop, purchase, lease or manage other health care facilities.

**Ownership.** The Borrower's membership interests are owned by Dwayne A. Edwards and Todd Barker. Messrs. Edwards and Barker also own all of the membership interests in Oxtan Court of Savannah LLC, which will manage the Facility for the benefit of the Borrower. See "THE MANAGEMENT COMPANY" herein.

**Management.**

**Dwayne A. Edwards.** Mr. Edwards is the Borrower's manager. Mr. Edwards has over 35 years of experience in the assisted living business. Mr. Edwards was graduated from the University of South Carolina, with a Bachelor of Science degree in business management. Since then, he has owned or administered numerous assisted living and skilled nursing facilities in the Carolinas, Georgia, and Florida, including, at various times, as many as twelve of such facilities, with over 800 employees and annual revenues exceeding \$30 million. In such capacities, Mr. Edwards performed all business functions as they relate to these facilities, including primary responsibility for accounts receivable and payable, reimbursement policy and procedure, quality assurance, and all accounting functions.

**Todd Barker.** Mr. Barker has been involved with senior housing for more than twenty years. His experience includes all aspects of acquisitions, financing, operations, marketing, compliance, and dispositions. From 1993 to 2004, Mr. Barker owned and operated an assisted living facility in Perry, Georgia. In 2004, he co-founded Senior Solutions Management Group, which today manages independent living, assisted living and Alzheimer's care facilities in Georgia and Tennessee. These comprise 10 communities, 540 units, and 300 employees. Mr. Barker is active in volunteer and community functions. In addition, from 2004 until 2013, he was a commissioner for the City of Perry Planning and Zoning Commission, which was responsible for developing and interpreting local zoning regulations and applying them to cases brought before the commission.

**Affiliated Entities.** Messrs. Edwards and Barker own all of the membership interests in Senior Solutions of Social Circle, LLC ("Senior Solutions"), and Oxtan Senior Living, LLC ("Oxtan Senior Living"), both of which are Georgia limited liability companies. Since July of 2014, Senior Solutions has owned, and Oxtan Senior Living has managed, Oxtan Village of Social Circle (formerly known as "The Mews"), a facility comprising four independent living units and 91 personal care units, which is located in Social Circle, Georgia. Senior Solutions is in the process of renovating this facility (the "Social Circle Facility"). Senior Solutions believes that this facility's "break-even" occupancy is 83%, and reports that its actual occupancy, as of December 15, was 83%.

Messrs. Edwards and Barker also own all of the membership interests in Oxtan Place of Douglas LLC ("Oxtan Douglas") and Oxtan Place of Douglas Operations, LLC ("Oxtan Operations"), both of which are Georgia limited liability companies. Since August of 2014, Oxtan Douglas has owned, and Oxtan Operations has managed, Oxtan Place of Douglas, a 58-unit Alzheimer's facility (formerly known as "Summer's Landing of Douglas"). Oxtan Douglas is in the process of renovating this facility (the "Douglas Facility"). Oxtan Douglas believes that the Douglas Facility's "break-even" occupancy is 84%, and reports that its actual occupancy, as of December 15, 2014, was 81%.



Messrs. Edwards and Barker also own all of the membership interests in Rome ALF, LLC ("Rome ALF") and Oxton Place of Rome LLC ("Oxton Rome"), both of which are Georgia limited liability companies. Since December of 2014, Rome ALF has owned, and Oxton Rome has managed, Oxton Place of Rome, a 60-unit assisted living/Alzheimer's facility (formerly known as "Roman Court"). Rome ALF is in the process of renovating this facility (the "Rome Facility"). Rome ALF believes that the Rome Facility's "break-even" occupancy is 83%, and reports that its actual occupancy, as of December 15, 2014, was 88%.

### **THE MANAGEMENT COMPANY**

**Generally.** Oxton Court of Savannah LLC (the "Management Company"), is a Georgia limited liability company, which was organized on July 8, 2014. The Management Company will provide management support services for the Facility after the Borrower acquires it as a part of the Project.

**Ownership.** The Management Company's membership interests are owned by Dwayne A. Edwards and Todd Barker. Mr. Barker is the Management Company's manager. Messrs. Edwards and Barker also own all of the membership interests in the Borrower. See "THE BORROWER" herein.

**Management** . For information concerning Messrs. Edwards and Barker, see "THE BORROWER -- Management" herein.

**Other Facilities.** As set forth above, under the caption "THE BORROWER -- Affiliated Entities", affiliates of the Management Company provide management services for the Social Circle Facility, the Douglas Facility, and the Rome Facility. In addition, as noted above, under the caption "THE BORROWER -- Management", each of Messrs. Edwards and Barker has extensive experience in the management of assisted living facilities.

**Summary of the Management Agreement.** The Management Company will render management support services for the Facility pursuant to a Management Agreement to be entered into as a part of the Project (the "Management Agreement"). The Management Agreement will have an initial term of approximately five years, unless terminated earlier pursuant to its terms. The Borrower may terminate the Management Agreement after the third year of its term, and the Management Company may do so at any time after giving the Borrower 60 days prior written notice, in both instances without cause. The Management Company's compensation under the Management Agreement (the "Management Fee") will be a monthly fee in an amount equal to 6.00% of the Facility's Gross Revenues. Payment of the Management Fee will be fully subordinated to the payment of debt service on the Series 2015 Bonds.

During the term of the Management Agreement, the Management Company will, either directly or through supervision of employees of the Facility, and subject, when appropriate, to the Borrower's approval, assist the Borrower in: (a) hiring and maintaining an adequate staff of nurses, technicians, office and other employees at the Facility, including the Facility's administrator, evaluating the performance of such employees, and terminating employment when

appropriate; (b) recommending and instituting employee benefits; (c) designing and maintaining accounting, billing, patient and collection records, and preparing and filing insurance and other required reports and claims; (d) ordering, supervising and conducting a program of regular maintenance and repair of the Facility; (e) purchasing supplies, drugs, solutions, equipment, furniture and furnishings for the Facility; (f) supervising food service; (g) providing for the orderly payment of accounts payable, employee payroll, taxes and insurance premiums; (h) instituting standards and procedures for admitting patients, for charging patients for services, and for collection the charges from the patients or third parties; (i) advising and assisting in obtaining and maintaining adequate insurance coverage; (j) negotiating with any labor union lawfully entitled to represent employees at the Facility; (k) establishing and maintaining books of account; and (l) advising and assisting in designing a public and personnel relations program.

### **THE FACILITY**

**Generally.** The Facility is a 35-unit Alzheimer's facility (licensed for 46 beds), which is commonly known as "Shadowmoss Plantation". The Facility was constructed in 1989, and was expanded in 1998. The Facility is located on a 3.26 acre tract at 249 Holland Drive, in Savannah (Chatham County) Georgia.

**Acquisition of the Facility.** The Borrower will acquire the Facility from Chattahoochee Nursing, LLC, an unaffiliated third-party (the "Seller"), for the price of \$3,000,000, subject to adjustments, pursuant to a Lease/Purchase Agreement, dated October 22, 2014 (the "Lease/Purchase Agreement"). The Borrower, as lessee under the Lease/Purchase Agreement, took possession of the Facility on November 1, 2015. The Lease/Purchase Agreement provides that the lease thereunder is on a "triple-net" basis, and that the monthly base rent is \$20,000. After it acquires ownership of the Facility, the Borrower will change the name of the Facility to "Oxton Court of Savannah".

**Regional Information.** The Facility is located in the City of Savannah, Chatham County, Georgia, which is just west of the Atlantic Ocean in southeastern Georgia. Savannah is approximately 105 miles south of Charleston, South Carolina, and 130 miles north of Jacksonville, Florida. Savannah, which was the first city established in the State of Georgia, was founded in 1733. For a hundred years, Savannah grew and flourished as a port and trade center, and the Savannah Cotton Exchange set the world price for that product. The Civil War devastated the Savannah area, and it was not until the 1950's that restoration of the city's historic district began. Today, this part of the City of Savannah is the largest registered urban landmark district in the county. The Facility is approximately five miles south of Savannah's central business district, and is bordered on the north by Perimeter Road, on the south by the Savannah city limits, and on the west by Hunter Army Air Field. Savannah is the center of the region, and is the county seat of Chatham County. Chatham County is the sixth largest county in population in the State of Georgia. Hunter Army Air Field and Fort Stewart Army Base are both located within the Savannah Metropolitan Service Area.

**Neighborhood Information.** The area surrounding the Facility is improved with various commercial facilities, including banks, churches, doctor's offices, banks, retail strip shopping centers, drug stores, apartments and restaurants. Immediate adjacent sites are multi-family facilities and some vacant land. There are a few vacant sites around the Facility, but some of these are maintained for the extensive flood control and surface water diversion canals and areas provided by the City of Savannah. The Facility less than a mile from two fire stations and EMT locations. It is less than one-quarter of a mile east of Highway 204 (Abercorn Road), which is the major connector route to the interstate highway system and downtown Savannah. Abercorn Road is a major commercial artery in the area.

**Site Description.** The site of the Facility is an rectangularly shaped parcel containing 3.26 acres, with a mostly level topography that has been graded to provide surface water run-off to the southwest (the "Land"). The western boundary is Holland Drive, which provides access to the site. Multi-family facilities are located on the north and south, and the western boundary is a vacant wooded area.

**Description of the Building.** The Land is improved with a single-story Alzheimer's facility of approximately 15,084 square feet of gross area (the "Building"). The original part of the Building was constructed in 1989, and it was enlarged in 1998. The Building contains 35 units within three pods (12 units in each of two pods and ten units in the third pod). Units are approximately 250 square feet in size, with the front-most and rear-most pairs of units on each pod being slightly larger than the rest. The living units do not include kitchenettes, but these will be added as a part of the Renovations and Expansion Project. Each unit has a full bath, window treatments, carpeting, a closet, an emergency call system, and a smoke alarm and sprinkler system. The Facility is licensed for 46 beds. Therefore, some of the rooms can be double-occupied.

The main entrance to the Facility is located off Abercorn Street. The Building sits perpendicular to the road frontage with the entrance drive continuing along the front of the building and terminating into a small parking area to the right of the Building. The main entrance is protected by a pediment gable supported by two white columns. The wooden entry doors lead to a common reception and sitting area. Beyond the entry area is a main hallway that connects to the two resident pods (100 and 200) on the left and the resident pod (300), the staff offices, and the activity area on the right.

The resident pods are circular in design with an enclosed nursing center located in the center of the pod. This nursing center is designed like an octagonal gazebo with windows looking out onto the resident rooms. Each of the original pods (100, 200) is set up with six resident rooms on either side of the nursing center. The third resident pod (300) was added in 1998 and contains the beauty shop, the laundry room, and several administrative offices. The 300 pod does not have a nursing station. However, the central area is open and contains an activity center on one side and a private dining room on the other. Both areas flow together and feature a big screen television, surrounded by formal chairs and couches and a hardwood dining table and eight chairs.

Additional common areas include a dining room located at the rear of the central core and a commercial kitchen, as well as an outdoor patio. The lawn beyond the patio is dotted with individual sets of wrought iron tables and chairs for outdoor relaxation. There is also a mosquito net enclosed gazebo located in this area and the entire area is securely enclosed with a seven foot high wood fence.

Parking is located along the front and side of the Building. A total of four handicapped and 20 regular parking spots are provided.

**Zoning.** The Facility is located in an area zoned R-M-15 by the City of Savannah. Use of the Facility as a Alzheimer's facility is a legal use under this classification.

**Flood Zone.** The Land is not in a flood-prone area.

**Utilities.** All public utilities are available to the Facility.

**Real Estate Taxes.** Annual real estate taxes are, at present, approximately \$13,500. The Borrower estimates that, after completion of the Renovations and Expansion Project, such taxes will increase to approximately \$30,000.

**The Appraisal.** A Market Value Appraisal of the Facility (the "Appraisal") has been prepared by Province Consulting Group, of Atlanta, Georgia (the "Appraiser"). The Appraiser estimated that: (i) as of November 1, 2014, the "as-is" market value of the Facility was \$3,100,000, and (ii) after completion of the Renovations and Expansion Project, and the achievement of "stabilized occupancy" (97%), which is estimated to be reached in January of 2016, the market value of the Facility will be \$7,400,000. Such estimated values are based upon certain assumptions and conditions set forth in the Appraisal. Potential investors who desire to review the Appraisal may request a copy from the Underwriter.

**Environmental Assessment.** A Phase I Environmental Site Assessment of the Facility (the "Environmental Assessment") was prepared by Environmental Corporation of America, of Alpharetta, Georgia in July of 2014. The Environmental Assessment included: (i) review of historical data relative to the Facility's site; (ii) review of the Facility's use of hazardous products, and the disposition thereof; (iii) investigation as to surface or underground storage tanks and pipes; (iv) review of the applicable regulatory database; and (v) an examination of adjacent properties. The Environmental Assessment noted that a property, which is adjacent to the Facility, is listed in the leaking underground storage tank database, and that soil and groundwater contamination resulted from such leakage. However, according to the Environmental Assessment, the topography is such that all contamination flowed away from the Facility, and it did not constitute a recognized environmental condition with respect to the Facility. The Environmental Assessment concluded that no further assessment of the Facility was warranted. Potential investors who desire to review the Environmental Assessment may request a copy from the Underwriter.

**The Land Use Agreement.** The exclusion of interest on the Series 2015A Bonds, from the gross income of the recipients thereof for federal income tax purposes, is based upon the Facility providing "residential rental property" as such term is defined in Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"). Certain conditions must be satisfied, and must continue to be satisfied, in order for such exclusion of interest to be effective. Accordingly, the Borrower, the Management Company and the Trustee will enter into a Land Use Restriction Agreement, dated as of January 1, 2015 (the "Land Use Agreement"), in which the Borrower and the Management Company will covenant that they will cause the Facility to comply with the requirements of Section 142(d) of the Code, and that they will not knowingly take or permit any action to be taken that would adversely affect the exemption of interest on the Series 2015A Bonds from federal income taxation. These covenants may be more specifically summarized as follows:

(1) The Facility is being acquired and rehabilitated for the purpose of providing "residential rental property" as such phrase is used in Section 142(d) of the Code, and the Borrower and the Management Company will manage and operate the Facility as a project to provide residential rental property consisting of similarly constructed residential dwelling units and facilities functionally related and subordinate thereto, in accordance with Section 142(d);

(2) None of the dwelling units in the Facility will be used on a transient basis or leased or rented for a period of less than thirty (30) days;

(3) No part of the Facility will be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or court for use on a transient basis;

(4) The Borrower and the Management Company will rent continuously or make available for rent on a continuous basis the dwelling units in the Facility to members of the general public for so long as the Series 2015A Bonds remain outstanding, and will not give preference in renting dwelling units in the Facility to any particular class or group of persons, other than persons and families of low and moderate income (that is, persons with an income which is not in excess of 50% of the median gross income in the Atlanta, Georgia, metropolitan statistical area), elderly persons, and a resident manager and maintenance personnel;

(5) At least 20% of the completed and occupied dwelling units in the Facility shall be occupied or held for occupancy by low or moderate income tenants;

(6) The Borrower and the Management Company will maintain the Facility so that the dwelling units to be rented to low or moderate income tenants will be intermingled with all other dwelling units, and the tenants in such dwelling units will enjoy equal access to all common amenities of the Facility;

(7) The Borrower and the Management Company will obtain and maintain on file and available for inspection by the Issuer or the Trustee, income certifications from each low or moderate income tenant residing in the Facility, in the form and manner required by applicable rules, regulations, or policies promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code;

(8) The Borrower and the Management Company will provide in each lease to a low or moderate income tenant that a material misrepresentation in such tenant's income certification will (subject to applicable law) be grounds for default and eviction;

(9) To the extent permitted by law, the Borrower and the Management Company will obtain from each low or moderate income tenant residing in the Facility, and maintain on file and available for inspection by the Issuer or the Trustee, a copy of such tenant's federal income tax return (or other alternate independent evidence of such tenant's income; and

(10) The Borrower and the Management Company will prepare and submit to the Issuer and to the Trustee, at the end of each month, a certificate, executed by the Borrower and the Management Company, stating the percentage of the dwelling units of the Facility that were occupied by low or moderate income tenants (or that were during such month occupied by, or held vacant and available for occupancy by, low or moderate income tenants) at all times during such month.

**The Renovations and Expansion Project.** During the twelve months following its acquisition of the Facility, and as part of the Project, the Borrower expects to spend approximately \$2,222,000 for renovations to, and expansion of, the Facility (the "Renovations and Expansion Project"). Renovations to the existing Facility will include: (i) replacing the roof; (ii) replacing all heating and air conditioning units; (iii) replacing all water heaters and laundry equipment; (iv) replacing all resident room and dining room furniture; (v) replacing all carpeting and flooring; (vi) adding a kitchenette to each existing unit; (vii) installing new camera security and call systems; (viii) repaving the parking lot; and (ix) re-landscaping. The expansion will consist of the construction of a one-story wood-frame building of approximately 10,000 square feet, which will comprise 25 private memory care units, each with a private bath, an open central atrium, which will be used for dining and activities, and an island office area for use by nursing and administrative personnel. Parrish Construction Group of Perry, Georgia, which is one of Georgia's largest construction companies, will act as general contractor for this new construction, pursuant to a guaranteed maximum price contract. Although the maximum price has not yet been determined, the Borrower believes it will not exceed \$1,800,000.

**Services to Residents.** The monthly residence charge includes: (i) basic cable TV; (ii) daily housekeeping; (iii) three meals a day, plus snacks; (iv) wellness activities; (v) transportation to medical appointments; (vi) laundry services; (vii) medical monitoring and medication administration; and (viii) bathing, dressing and grooming assistance.

**Administration and Staff.** Lisa Myers is the Executive Director of the Facility and Shawn Leske is Assistant Director. Together, Ms. Myers and Mr. Leske have more than 25 years' experience in the management of assisted living facilities. They are assisted by an activities director, a dietary supervisor, and a building manager. In addition, there are approximately 23 other employees at the Facility, who work in maintenance, housekeeping, kitchen services, and resident care.

**Occupancy.** As of December 15, 2014, there were 34 residents (a 100% occupancy) in the Facility as it is now configured. The Borrower expects that, after completion of the Renovations and Expansion Project, occupancy of the expanded Facility will increase at the rate of four new residents a month until a stabilized occupancy of 93% is attained (see "APPENDIX B" hereto), and that, after such completion, the Facility's "break-even" occupancy will be 83%. All of the Facility's present residents are private-pay, and the Borrower expects that this will continue to be the case.

**Competition.** At present, there are three facilities which are located within the Facility's primary marketing area, and with which the Facility competes. They are:

<u>Facility</u>	<u>City</u>	<u>Units</u>	<u>Occupancy</u> <sup>(1)</sup>
Habersham House	Savannah	60	92 %
Buckingham Place	Savannah	84	90 %
Savannah Cottage	Savannah	32	92 %

(1) As of January 1, 2015.

**Marketing Strategy.** The primary market for the Facility will be the City of Savannah, with a population of 142,772. The secondary market will be Chatham County, which has a population of 347,641. The tertiary market will be the state of Georgia. The Facility has been approximately 95% occupied for the last two years. The Borrower intends a very aggressive marketing strategy. The Borrower plans to have daily ads in the local newspaper, and is using a Place for Mom for referrals. The Director is making daily visits and calls to all referral sources. The Facility has begun pre-marketing the new addition. Its goal is to have it 50% rented up by construction finish. The Borrower has budgeted \$3,500 a month for marketing until the Renovations and Expansion Project is completed, and \$5,000 a month thereafter.

## **THE ASSISTED LIVING INDUSTRY**

**Generally.** As the result of an aging population and other major social and demographic changes, as well as the increased technological support for preventing the premature institutionalization of senior adults, a variety of alternative living arrangements for such adults are being developed in America today. While a significant proportion of the elderly are able to, and choose to, remain in their own homes, some require the added support of home health care services to achieve this, and will continue to pursue this option so long as they are physically and financially able to do so.

A smaller percentage of seniors choose skilled nursing homes, where nursing care and other medical services are available on a 24-hour basis. However, some industry experts believe

that, for several reasons, as many as 20-30% of nursing home residents would be more appropriately placed in an assisted living facility ("ALF"), such as the Facility, which is a less clinical, more residential, environment. These reasons include the following: (1) a residential option, such as an ALF, is generally less expensive than a nursing home; (2) an ALF will offer a more social environment, which encourages greater human interaction and activities; and (3) an ALF will foster greater independence and self-esteem, which will help slow the aging and deterioration process.

For many seniors, ALF's fill an important housing and health care need. The assisted living industry is rapidly changing in response to resident needs, family expectations, and the evolving health care environment. Once characterized as "board and care" homes, providing minimal health services, today ALF's provide private apartments and 24-hour individual assistance designed to meet each resident's scheduled and unscheduled needs. While both board-and-care homes and ALF's may overlap in some services (such as providing three meals a day and various housekeeping and laundry services), ALF's are licensed to provide many more quasi-medical services, such as administering and assisting with medication reminders. However, the key distinguishing feature of an ALF, as compared to a board-and-care home, lies in the amount of personal help offered by ALF's to frail residents throughout the day.

**Regulation.** Healthcare is subject to extensive federal, state and, in some cases, local regulation with respect to reimbursement, licensure, certification and health planning. This regulation relates, among other things, to the adequacy of physical plant and equipment, qualifications of personnel, standards of medical care and operational requirements. Compliance with such regulatory requirements, as interpreted and amended from time to time, can increase operating costs and could thereby adversely affect the financial viability of the Facility. Failure to comply with current or future regulatory requirements could also result in restrictions on admission, the revocation of licensure, decertification or the closure of the Facility.

**Licensing and Certification.** Operation of the Facility as an assisted care facility requires licensure from the State of Georgia. Continued licensure depends upon many factors, including, among others, accommodations, equipment, services, resident care, safety, personnel, physical environment and adequate policies, procedures and controls. State agencies survey assisted living facilities on a regular basis to determine whether such establishments are in compliance with governmental operating and health standards. Such surveys include reviews of resident utilization and inspection to determine compliance with standards of resident care. To the extent such standards are not met, the Facility's license could be limited, suspended or revoked, or the Facility could be decertified.



## PLAN OF FINANCING

### Estimated Sources

	<u>2014A Bond Proceeds</u>	<u>2014B (Taxable)Bond Proceeds</u>	<u>Total Bond Proceeds</u>
Par Value of Bonds	\$6,465,000	\$ 535,000	\$7,000,000
Less: Underwriters' Discount	<u>(124,775)</u>	<u>( 10,326)</u>	<u>(135,100)</u>
<b>Total Estimated Sources</b>	<b><u>\$6,340,226</u></b>	<b><u>\$ 524,675</u></b>	<b><u>\$6,864,900</u></b>

### Estimated Uses

Purchase Price of the Facility <sup>(1)</sup>	\$3,000,000	--	\$3,000,000
Expansion Costs <sup>(2)</sup>	1,771,811	--	1,771,811
Renovation Costs <sup>(2)</sup>	450,000	--	450,000
Architecture	35,000	--	35,000
Debt Service Reserve Fund	538,947	44,600	583,547
Capitalized Interest	253,886	23,908	277,794
Working Capital	250,000	--	250,000
Marketing Fee	--	284,900	284,900
Costs of Issuance <sup>(3)</sup>	40,582	171,267	211,849
<b>Total Estimated Uses</b>	<b><u>\$6,340,226</u></b>	<b><u>\$ 524,675</u></b>	<b><u>\$6,864,900</u></b>

(1) The purchase price for the Facility is \$3,000,000, subject to adjustments, on account of which the Borrower has already paid \$50,000 from its own funds. All of this amount will be reimbursed to the Borrower on the Closing Date from the proceeds of the Series 2015 Bonds.

(2) The total renovation and expansion costs are estimated to be approximately \$2,222,000, of which amount the Borrower has already paid \$70,000 from its own funds. All of this amount will be reimbursed to the Borrower on the Closing Date from the proceeds of the Series 2015 Bonds.

(3) Includes fees and expenses of Bond Counsel, the Issuer and the Trustee and their respective counsel, and Underwriter's counsel; and certain fees and expenses of the Borrower's counsel.

## **THE SERIES 2015 BONDS**

**Generally.** The Series 2015 Bonds will be issued under, and pursuant to the provisions of, a Trust Indenture, dated as of January 1, 2015 (the "Indenture"), between the Issuer and BOKF, N.A., dba Bank of Oklahoma, Tulsa, Oklahoma, as trustee (the "Trustee"). The Series 2015 Bonds will be issuable only in fully-registered form, without coupons, in book-entry form only, in denominations of \$5,000 or in any integral multiple of \$1,000 in excess of such amount (each an "Authorized Denomination"). The Series 2015 Bonds will be dated the date of the issuance thereof and will bear interest from that date at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2015 Bonds will be subject to redemption prior to maturity as hereinafter described.

**Book-Entry-Only System.** The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series 2015 Bonds, in the aggregate principal amount of such maturity of the Series 2015 Bonds, and will be deposited with DTC. Further information concerning DTC and the Book-Entry-Only System is set forth in APPENDIX C hereto.

**Interest Payments.** Payments of interest on the Series 2015 Bonds are scheduled to be made on the first day of each month, beginning March 1, 2015 (each an "Interest Payment Date"), to the registered Bondholder thereof (Cede & Co., for so long as the Series 2015 Bonds are in book-entry form only, or each Beneficial Owner, if not) as of the fifteenth day of the calendar month preceding any Interest Payment Date (a "Record Date"). Such interest will be payable by check or draft mailed to the Bondholder at his address as it appears on the registration books maintained by or on behalf of the Issuer or at such other address as is furnished to the Trustee in writing by such Bondholder. Payment of interest on the Series 2015 Bonds may, at the option of any owner of at least \$1,000,000 in aggregate principal amount of Series 2015 Bonds, be transmitted by wire transfer in immediately available funds on the Interest Payment Date to such Bondholder through a deposit to the bank account number on file with the Trustee as of the Record Date.

**Interest Gross-Up.** From and after the occurrence of a Determination of Taxability, the Series 2015A Bonds will accrue interest at a per annum rate equal to twelve percent (12.00%) (the "Taxable Rate"). A Determination of Taxability will be deemed to have been made upon the occurrence of the first to occur of the following:

(a) The date on which the Trustee is notified that an attorney or a law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations is unable to deliver an opinion requested of it that the interest on the Series 2015A Bonds qualifies as exempt interest under Section 103 of the Code, it being understood that no such attorney or firm is under any obligation to deliver such opinion unless retained specifically to do so; or

(b) The date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public or private ruling, technical advice memorandum or any other written communication or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code; or

(c) The date on which the Borrower receives notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or is advised by any Bondholder or former Bondholder that the Internal Revenue Service has issued a notice of deficiency or similar notice which asserts that the interest on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code.

As an alternative to paying interest on the Series 2015A Bonds at the Taxable Rate, the Borrower may elect to redeem the Series 2015A Bonds in whole or in part, but subject, however, to the restrictions and requirements applicable to an optional redemption of Series 2015A Bonds, as described below.

**Nature of Bonds and Sources of Payment.** The Series 2015 Bonds will be payable as to principal, premium, if any, and interest solely out of the revenues, receipts, funds or moneys pledged therefor and from any amounts otherwise available under the Indenture for the payment thereof, including amounts derived under: (a) the Loan Agreement, dated as of January 1, 2015, pursuant to which the Issuer will lend the proceeds of the Series 2015 Bonds to the Borrower (the "Loan Agreement"); (b) the Deed to Secure Debt and Security Agreement, which is more fully described below; (c) the Limited Guaranty Agreement, dated as of January 1, 2015 ("the Limited Guaranty Agreement"), pursuant to which Dwayne A. Edwards and Todd Barker (the "Guarantors"), who are all of the members of the Borrower, will guarantee the prompt payment and performance, as and when due, of all Loan Payments and other obligations of the Borrower under the Loan Agreement; (d) monies on deposit in the Debt Service Reserve Fund and Capitalized Interest Account; and (e) moneys attributable to the proceeds of the Series 2015 Bonds, the income from temporary investments and, under certain circumstances, proceeds from insurance and condemnation awards, all of which will be pledged and assigned to the Trustee for the benefit of Bondholders, except that amounts on deposit in the Rebate Fund will not be subject to such pledge and assignment.

**Potential investors should note that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Borrower shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.**

The Borrower will be required to make all of its payment obligations under the Loan Agreement (the "Loan Payments") directly to the Trustee in such amounts as will enable the Trustee to pay, when due, the principal of, premium if any, and interest on, the Series 2015 Bonds and all other amounts, fees, penalties, premiums, adjustments, expenses, counsel fees and

other payments due pursuant to the terms of the Indenture. The sole source of funds available to the Borrower to make the Loan Payments will be the revenues generated by the operation of the Facility (the "Gross Revenues").

As security for the Series 2015 Bonds, the Issuer will, pursuant to the Indenture, assign to the Trustee all of the Issuer's rights under: (i) the Loan Agreement (except for the "Reserved Rights" of the Issuer, such as the right to receive administrative fees and certain notices, the right to give certain consents, and its rights to indemnification), but including all of its rights to collect and receive the Loan Payments thereunder; (ii) the Security Deed; and (iii) the Limited Guaranty Agreement. The Loan Agreement and the Loan Payments, the Security Deed, the Facility, the Gross Revenues and the other property covered by the Security Deed, together with the Limited Guaranty Agreement, are collectively referred to herein as the "Security Property".

**NEITHER THE STATE OF GEORGIA, NOR THE COUNTY OF CHATHAM, NOR THE CITY OF SAVANNAH, IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF SUCH STATE, COUNTY OR CITY, IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE ISSUER PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS DO NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.**

**Optional Redemption.** The Series 2015 Bonds maturing on or after January 1, 2018, will be subject to optional redemption by the Issuer, prior to maturity, at the direction of the Borrower, in whole at any time on or after such date, or in part on any Interest Payment Date on or after such date, in such order of maturities as shall be designated by the Borrower and within any such maturity by lot, out of moneys deposited with or held by the Trustee for such purpose, upon payment of the redemption prices set forth in the following table:

<b><u>Redemption Dates</u></b>	<b><u>Redemption Prices (expressed as a percentage of principal amount)</u></b>
January 1, 2018, through December 31, 2018	103%
January 1, 2019, through December 31, 2019	102%
January 1, 2020, through December 31, 2020	101%
January 1, 2021, and thereafter	100%

**Mandatory Sinking Fund Redemption.** The Series 2015 Bonds will be subject to mandatory sinking fund redemption prior to maturity, on January 1 of the years and in the amounts set forth in the table below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date:

**Series B (Taxable) 2022 Maturity**

2017	\$ 70,000	2018	\$ 80,000
2019	\$ 85,000	2020	\$ 90,000
2021	\$ 100,000	2022	\$ 110,000 ( maturity)

**Series A 2045 Maturity**

2023	\$ 115,000	2024	\$ 125,000
2025	\$ 135,000	2026	\$ 145,000
2027	\$ 155,000	2028	\$ 165,000
2929	\$ 180,000	2030	\$ 190,000
2031	\$ 205,000	2032	\$ 220,000
2033	\$ 235,000	2034	\$ 255,000
2035	\$ 270,000	2036	\$ 290,000
2037	\$ 310,000	2038	\$ 335,000
2039	\$ 360,000	2040	\$ 385,000
2041	\$ 415,000	2042	\$ 445,000
2043	\$ 475,000	2044	\$ 510,000
2045	\$ 545,000 (maturity)		

Generally, in the event of a partial redemption of Series 2015 Bonds, the amount of future mandatory sinking fund redemptions with respect to the Series 2015 Bonds will be reduced to take into account such partial redemption in inverse order of redemption dates.

The Borrower may purchase, and deliver to the Trustee for cancellation, Series 2015 Bonds in any aggregate principal amount and receive, at 100% of such principal amount, a credit against mandatory sinking fund payments next coming due in respect of such Series 2015 Bonds.

**Extraordinary Redemption.** The Series 2015 Bonds will be subject to extraordinary redemption prior to maturity in whole or in part, at a Redemption Price equal to 100% of their principal amount, plus interest accrued to the redemption date, at any time, if any substantial portion of the Facility is damaged, condemned, taken or conveyed in lieu of condemnation, or subject to a defect of title, to the extent that the proceeds of insurance or condemnation proceeds, are not to be applied pursuant to the Loan Agreement to the repair, reconstruction or replacement

of the affected portion of the Facility, or if the Loan Agreement should become unenforceable or impossible of performance in any material respect. The Series 2015 Bonds will also be subject to extraordinary redemption, in whole, if legal title to the Facility shall be transferred to any entity other than the Issuer or the Borrower, or if the Borrower's interest under the Loan Agreement shall be transferred to any other entity, in either such case at a Redemption Price equal to 103% of the principal amount of the Series 2015 Bonds, plus interest accrued to the redemption date, if such transfer shall be before January 1, 2019 and at the respective Redemption Prices set forth above in respect of an optional redemption of Series 2015 Bonds if such transfer shall be on or after such date.

**Selection of Series 2015 Bonds to Be Redeemed.** All Series 2015 Bonds to be redeemed (or purchased in lieu thereof) will be selected by the Trustee by lot in a manner undertaken at the reasonable discretion of the Trustee; provided, however that the portion of any Series 2015 Bond to be redeemed will be in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess of such amount. Any redemption of a part of the Series 2015 Bonds will be applied to reduce the final payment and mandatory sinking fund requirements on the particular series of the Series 2015 Bonds so redeemed in inverse order of payment.

**Procedure for and Notice of Redemption.** Unless otherwise provided in the Indenture, notice of redemption of Series 2015 Bonds will be given by mail, not less than 30 days, nor more than 45 days, prior to the redemption date. All Series 2015 Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Series 2015 Bonds in accordance with the Indenture are on deposit with the Trustee. Any notice of redemption, at the option of the Borrower, may state that the call for redemption is conditioned on the issuance of refunding bonds (or other debt issued to refinance the Series 2015 Bonds) or the deposit of sufficient funds with the Trustee to accomplish such redemption on or before the date fixed for redemption. On presentation and surrender of Series 2015 Bonds called for redemption at the place or places of payment, such Series 2015 Bonds will be paid and redeemed. Any such notice will be effective as to each Series 2015 to be redeemed when mailed to the Holder thereof, and any failure to receive any such notice by any such Holder will not affect the validity of any proceedings for the redemption of Series 2015 Bonds for which such notice was given.

## **SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2015 BONDS**

**Series 2015 Bonds Payable from Loan Payments.** The Series 2015 Bonds will be limited obligations of the Issuer, and will be payable solely from: (i) the Loan Payments made by the Borrower pursuant to the Loan Agreement; (ii) insurance or condemnation proceeds, if any; (iii) other amounts available under the Indenture (other than the Rebate Fund); and (iv) amounts payable pursuant to the provisions of the Security Deed.

**Security for the Series 2015 Bonds.** The following (the "Security Property") will be provided as security for the Series 2015 Bonds, all of which will be equally and ratably secured thereby:

(a) The Loan Agreement. The Borrower will borrow the proceeds of the Series 2015 Bonds from the Issuer pursuant to the Loan Agreement, which will obligate the Borrower to make the Loan Payments to the Issuer in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 2015 Bonds and other amounts set forth in the Indenture. Under the Indenture, to secure payment and performance of all obligations in respect of the Series 2015 Bonds, the Issuer will assign and pledge to the Trustee, as security for the payment of the Series 2015 Bonds (subject to the Reserved Rights), (i) all right, title and interest of the Issuer in and to the Loan Agreement; and (ii) all of the Issuer's rights to receive and enforce payment of the Loan Payments by the Borrower and all other amounts payable by the Borrower pursuant to the provisions of the Loan Agreement.

(b) The Security Deed. To secure its obligations under the Loan Agreement, the Borrower will, pursuant to a Deed to Secure Debt and Security Agreement, dated as of January 1, 2015 (the "Security Deed"), grant the Issuer (subject to Permitted Encumbrances) a first mortgage lien on all of the land, buildings and other improvements that constitute the Facility, and will grant the Issuer a first lien on and security interest in the Borrower's personal property located in the Facility and in the Gross Revenues. Under the Indenture, to secure payment and performance of all obligations in respect of the Series 2015 Bonds, the Issuer will assign and pledge the Security Deed to the Trustee, as security for the payment of the Series 2015 Bonds.

(c) The Limited Guaranty Agreement. Dwayne A. Edwards and Todd Barker (the ("Guarantors")), who are all of the members of the Borrower and the Management Company, will, pursuant to a Limited Guaranty Agreement, dated as of January 1, 2015, guarantee the prompt payment and performance, as and when due, of all Loan Payments and other obligations of the Borrower under the Loan Agreement. **Potential investors should note, however, that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Lessee shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.**

(d) The Debt Service Reserve Fund. From the proceeds of the Series 2015 Bonds, the approximate amount of \$583,547 (the "Debt Service Reserve Fund Requirement") will be deposited with the Trustee to provide a debt service reserve fund for the Series 2015 Bonds (The "Debt Service Reserve Fund"). The Debt Service Reserve Fund will secure the Series 2015 Bonds and will be held by the Trustee. If the balance in the Debt Service Reserve Fund is ever decreased because of a transfer therefrom or decline in value thereof, the Borrower shall thereafter make twelve (12) equal monthly deposits into the Debt Service Reserve Fund, the total of which shall be equal to the amount of such decrease. The Trustee shall value the Debt Service Reserve Fund as of April 1 and October 1. Monies in the Debt Service Reserve Fund may only be used to pay debt service on the Series 2015 Bonds.

(e) The Capitalized Interest Account. Proceeds of the Series 2015 Bonds in the approximate amount of \$277,794 will be deposited in the Capitalized Interest Account of the Bond Fund for the Series 2015 Bonds. All earnings on monies in the Capitalized Interest Account will be retained therein. The Capitalized Interest Account will secure all Series 2015 Bonds on an equal and ratable basis, and will be held by the Trustee. Monies in the Capitalized Interest Account may only be used to pay interest on the Series 2015 Bonds.

**Flow of Funds.** A Revenue Fund will be established pursuant to the Indenture and a Operating Account may be established pursuant to the Loan Agreement. Pursuant to the Loan Agreement, so long as no Event of Default has occurred and is continuing under the Loan Agreement, the Borrower may collect all Gross Revenues received in connection with the operation of the Facility and deposit them in the Operating Account. From such Gross Revenues, the Borrower will pay all Operating Expenses of the Facility pursuant to an operating budget filed with the Trustee or a certificate of the Borrower showing any deviation from such operating budget, and will, no later than the fifteenth day of each month, beginning with the respective months specified below, and continuing on each consecutive month thereafter, remit to the Trustee monies sufficient to permit the Trustee to make the payments or deposits set forth below in the order of priority set forth:

(a) First, beginning in February of 2015, for deposit into the Interest Account of the Bond Fund, an amount equal to one-sixth of the next interest payment coming due on the Series 2015 Bonds, but the foregoing payment obligations shall be reduced by, and to the extent of, monies paid from the Capitalized Interest Account for such purpose;

(b) Second, beginning in January of 2016, for deposit into the Principal Account of the Bond Fund, an amount equal to one-twelfth of the next principal or mandatory sinking fund redemption payment coming due on the Series 2015 Bonds;

(c) Third, beginning if and when required by the Code, for deposit into the Arbitrage Rebate Fund, the amount of any rebatable arbitrage;

(d) Fourth, beginning in February of 2015, for deposit into the Ad Valorem Tax Fund, an amount equal to one-twelfth of the estimated ad valorem taxes that will next become due on the Facility;

(e) Fifth, commencing the month next following the month in which there shall have occurred any transfer from, or decline in value of, the Debt Service Reserve Fund, for deposit into the Debt Service Reserve Fund, an amount equal to one-twelfth of the amount needed to restore the balance therein to the Debt Service Reserve Fund Requirement;

(f) Sixth, for payment to Management Company, the management fee for the forthcoming month, but the failure of the Borrower to remit to the Trustee an amount adequate for the Trustee to make all or any part of such management fee shall not constitute an Event of Default if, and to the extent that, such failure resulted from an insufficiency of Gross Revenues; and

(g) Seventh, for payment to any terminated manager of the Facility, an amount equal to all fees that remain due and owing to such terminated manager, but the failure of the Borrower to remit to the Trustee an amount adequate for the Trustee to make all or any part of such management fee shall not constitute an Event of Default if, and to the extent that, such failure resulted from an insufficiency of Gross Revenues.



If an Event of Default under the Loan Agreement shall have occurred and be continuing (a "Lock Box Trigger Event"), the Borrower will be required to transfer all amounts then on deposit in the Operating Account, and all other Gross Revenues held by it, to the Trustee for deposit in the Revenue Fund and, thereafter, on a daily basis, to collect and transfer all Gross Revenues to the Trustee for deposit in the Revenue Fund, except for an amount not to exceed \$5,000 which may be maintained in the Operating Account. Amounts transferred to the Trustee will be: (1) deposited in the Revenue Fund established under the Indenture; and (2) thereafter, on the fourth Business Day before the end of each month, used by the Trustee to make the payments and deposits set forth in the foregoing Clauses (a) through (e), in the order of priority set forth; and (3) thereafter, disbursed by the Trustee to pay all Operating Expenses of the Facility pursuant to the current budget then on file with the Trustee; and (4) thereafter, used by the Trustee to make the payments set forth in the foregoing Clauses (f) and (g), in such order of priority. The Borrower may resume use of the Operating Account only after no Event of Default shall have occurred and be continuing for seven consecutive months (the "Lock Box Release Requirement").

### **FINANCIAL COVENANTS**

**Debt Service Coverage Ratio.** In the Loan Agreement, the Borrower will agree to maintain, as calculated at the end of each Fiscal Year, a Debt Service Coverage Ratio on the Series 2015 Bonds of not less than: (a) 1.10 to 1 for the Fiscal Year ending December 31, 2015; (b) 1.15 to 1 for the Fiscal Year ending December 31, 2016; (c) 1.20 to 1 for the Fiscal Year ending December 31, 2017; and (d) 1.25 to 1 for each Fiscal Year ending on or after December 31, 2018. As used herein, (1) "Debt Service Coverage Ratio on the Series 2015 Bonds" means the ratio of Funds Available for Debt Service to Annual Debt Service Requirements on the Series 2015 Bonds (after payment of any Subordinated Fees) for the Fiscal Year for which such calculation is being made; and (2) "Funds Available for Debt Service" means in any period the Borrower's Gross Revenues for such period, minus the Borrower's Operating Expenses for such period, plus, to the extent included in such Operating Expenses, depreciation and amortization, interest on long-term indebtedness (including the Series 2015 Bonds), amortization of discount and financing expenses incurred in connection with the issuance of long-term indebtedness, and other non-cash expense deducted in accordance with generally accepted accounting principles consistently applied. If such ratio, as calculated at the end of any Fiscal Year, shall be below the required level, the Borrower will submit, to the Trustee, within 60 days following the end of such Fiscal Year, a Management Report, that sets forth in detail why the Borrower did not comply with such financial covenant, and the specific plan of correction to be implemented with respect to such non-compliance. So long as the Borrower shall submit such a Management Report, and shall comply to the extent practicable with the plan of correction set forth therein, and shall maintain, at all times, a Debt Coverage Ratio of at least 1.00 to 1 (the "Minimum Coverage Ratio"), this requirement shall be deemed to have been complied with even if such ratio, as calculated at the end of any subsequent Fiscal Year of the Borrower, is below the required level.

**Days Cash on Hand.** In the Loan Agreement, the Borrower will agree to have, as of the end of each of its fiscal quarters, beginning with such fiscal quarter ending December 31, 2015, not less than 15 Days Cash on Hand (as herein defined). If Days Cash on Hand, as calculated at the end of any two consecutive fiscal quarters, shall be less than the required level, the Borrower

will submit, to the Trustee, within 60 days following the end of the second such fiscal quarter, a Management Report, that sets forth in detail why the Borrower did not comply with such financial covenant, and the specific plan of correction to be implemented with respect to such non-compliance. So long as the Borrower shall submit such a Management Report, and shall comply to the extent practicable with the plan of correction set forth therein, and shall have, for each fiscal quarter, not less than seventy percent (70%) of the Days Cash on Hand otherwise required by this Paragraph, the requirements of this Paragraph shall be deemed to have been complied with.

**Trade Payables.** In the Loan Agreement, the Borrower will agree that, for each fiscal quarter, as calculated at the end of each such fiscal quarter, no more than 10% of its Trade Payables will be in excess of 90 days. If more than 10% of the Borrower's Trade Payables are in excess of 90 days for any two consecutive fiscal quarters, the Borrower will submit, to the Trustee, within 60 days following the end of the second such fiscal quarter, a Management Report, that sets forth in detail why the Borrower did not comply with such financial covenant, and the specific plan of correction to be implemented with respect to such non-compliance. So long as the Borrower shall submit such a Management Report, and shall comply to the extent practicable with the plan of correction set forth therein, and, for each fiscal quarter, no more than 25% of its Trade Payables shall be in excess of 90 days, the provisions of this Paragraph shall be deemed to have been complied with.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each twelve-month period ending January 2, the amounts that will be required for the payment of total debt service on the Series 2015 Bonds:

<u>Year</u>	<u>Series 2015A Bonds</u>		<u>Series 2015B (Taxable) Bonds</u>		<u>Total Debt Service</u>
	<u>Principal<sup>(1)</sup></u>	<u>Interest</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest</u>	
2016	\$	\$ 449,200	\$	\$ 42,300	\$ 491,500
2017		468,700	70,000	44,100	582,800
2018		468,700	80,000	38,400	587,100
2019		468,700	85,000	31,800	585,500
2020		468,700	90,000	24,700	583,400
2021		468,700	100,000	17,300	586,000
2022		468,700	110,000	9,100	587,800
2023	115,000	468,700			583,700
2024	125,000	460,300			585,300
2025	135,000	451,300			586,300
2026	145,000	441,500			586,500
2027	155,000	431,000			586,000
2028	165,000	419,800			584,800
2029	180,000	407,800			587,800
2030	190,000	394,800			584,800
2031	205,000	381,000			586,000
2032	220,000	366,100			586,100
2033	235,000	350,200			585,200
2034	255,000	333,100			588,100
2035	270,000	314,700			584,700
2036	290,000	295,100			585,100
2037	310,000	274,100			584,100
2038	335,000	251,600			586,600
2039	360,000	227,300			587,300
2040	385,000	201,200			586,200
2041	415,000	173,300			588,300
2042	445,000	143,200			588,200
2043	475,000	110,900			585,900
2044	510,000	76,500			586,500
2045	545,000	39,500			584,500
<u>Totals</u>	<u>\$6,465,000</u>	<u>\$10,274,400</u>	<u>\$535,000</u>	<u>\$207,700</u>	<u>\$17,482,100</u>

<sup>1</sup> Mandatory sinking fund redemption payments except for the payments at the maturities of the Series 2015B (Taxable) Bonds in 2022, and the Series 2015A Bonds in 2045.

## **FORECASTED DEBT SERVICE COVERAGE**

The information set forth below for 12-month periods ending December 31, 2015, through 2019, is derived from the Forecasted Financial Statements, which have been prepared by the Borrower, and which are included herein in their entirety as APPENDIX B. Such Forecasted Financial Statements have been examined by Carr, Riggs & Ingram, LLC, independent certified public accountants, whose report thereon is included in APPENDIX B. The information included below should be read in conjunction with the Forecasted Financial Statements, which should be read in their entirety. The table below reflects the Borrower's forecasted amounts available for debt service on the Series 2015 Bonds anticipated to be outstanding during the forecasted period. The Forecasted Financial Statements assume the issuance of the Series 2015A Bonds in the aggregate principal amount of \$6,465,000, with a final maturity of January 1, 2045, at an annual interest rate of 7.250%, and the Series 2015B (Taxable) Bonds in the aggregate principal amount of \$535,000, maturing on January 1, 2022, at an annual interest rate of 8.250%.

### **For the 12-Month Periods Ending December 31, 2015, through 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net operating income	\$ 305,400	\$ 606,900	\$ 792,400	\$ 820,200	\$ 861,000
Funded working capital and contingency	252,000	--	--	--	--
Funded interest	<u>147,800</u>	<u>130,000</u>	--	--	--
Amount available for debt service after payment of subordinate management fees	<u>715,800</u>	<u>736,900</u>	<u>792,400</u>	<u>820,200</u>	<u>861,000</u>
Management fees	<u>66,500</u>	<u>100,400</u>	<u>113,000</u>	<u>129,500</u>	<u>134,600</u>
Amount available for debt service before payment of subordinate management fees	\$ <u>782,300</u>	\$ <u>837,300</u>	\$ <u>905,400</u>	\$ <u>949,700</u>	\$ <u>995,600</u>
Bond interest payments	\$ 491,500	\$ 512,800	\$ 507,100	\$ 500,500	\$ 493,400
Bond principal payments	--	<u>70,000</u>	<u>80,000</u>	<u>85,000</u>	<u>90,000</u>
Total bond payments	\$ <u>491,500</u>	\$ <u>582,800</u>	\$ <u>587,100</u>	\$ <u>585,500</u>	\$ <u>583,400</u>
Forecasted debt service coverage before payment of subordinated management fees	<u>1.59x</u>	<u>1.44x</u>	<u>1.54x</u>	<u>1.62x</u>	<u>1.71x</u>
Forecasted debt service coverage after payment of subordinated management fees	<u>1.46x</u>	<u>1.26x</u>	<u>1.35x</u>	<u>1.40x</u>	<u>1.48x</u>
Days cash on hand	<u>101</u>	<u>95</u>	<u>122</u>	<u>154</u>	<u>191</u>

**THE ACHIEVEMENT OF ANY FINANCIAL FORECAST IS DEPENDENT UPON FUTURE EVENTS, THE OCCURRENCE OF WHICH CANNOT BE ASSURED. THEREFORE, THE ACTUAL RESULTS ACHIEVED USUALLY WILL VARY FROM THE FINANCIAL FORECAST, AND SUCH VARIATION COULD BE MATERIAL.**

### **CERTAIN RISKS OF INVESTMENT**

The purchase and ownership of the Series 2015 Bonds involves investment risks and considerations, and prospective purchasers of the Series 2015 Bonds should carefully consider all possible factors that may affect an investment in the Series 2015 Bonds. Legal counsel to the Borrower, the Issuer and Underwriter do not represent potential investors in the Series 2015 Bonds, and such investors must rely upon their own legal, tax and financial advisors when evaluating an investment in the Series 2015 Bonds.

**AN INVESTMENT IN THE SERIES 2015 BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK AND IS NOT APPROPRIATE FOR UNSOPHISTICATED INVESTORS. NO RATING OF THE SERIES 2015 BONDS HAS BEEN APPLIED FOR. PROSPECTIVE INVESTORS ARE ADVISED TO READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS” FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2015 BONDS.**

**General Risk Factors.** Payment of the principal of and interest on the Series 2015 Bonds will depend on the ability of the Borrower to generate sufficient Gross Revenues to pay such debt service and all other indebtedness, in addition to paying the Facility's operating expenses. The ability of the Borrower to maintain occupancy of the Facility sufficient to generate the necessary Gross Revenues may be adversely affected by unforeseen events and conditions, lack of, or changes in, demand for the Facility, competition, fluctuations in public confidence, both in the Facility and in the services provided by the Facility, and changes in government licensing procedures, regulation and competition. No representation or assurances can be made that the receipts derived from the operation of the Facility, as presently estimated or otherwise, will be realized in amounts necessary to pay debt service on the Series 2015 Bonds as well as the operating expenses of the Facility.

The following sections set forth some of the factors that may affect the development, renovation, operations of the Facility and the economic well-being of the Borrower, and they should be considered by prospective purchasers of the Series 2015 Bonds. The following discussion is not intended to be exhaustive, but includes certain significant factors that should be considered along with other factors set forth elsewhere in this Official Statement, including the appendices hereto. The order of inclusion of these risks and other investment considerations is not intended to be representative of the importance or probability of such risks or investment considerations. In order for prospective purchasers of the Series 2015 Bonds to identify risk factors and make an informed investment decision, prospective

purchasers should be thoroughly familiar with this entire Official Statement and the appendices hereto so as to make a judgment as to whether the Series 2015 Bonds are an appropriate investment. Prospective investors should obtain such additional information as they deem advisable in connection with their evaluation of the suitability of the Series 2015 Bonds for investments.

**Limited Obligations.** The Series 2015 Bonds will be limited obligations of the Issuer, payable solely from the revenues, receipts, funds or moneys pledged therefor.

**NEITHER THE STATE OF GEORGIA, NOR THE CITY OF SAVANNAH, OR THE COUNTY OF CHATHAM IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF GEORGIA, THE CITY OF SAVANNAH, OR THE COUNTY OF CHATHAM IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE ISSUER PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS DO NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.**

**Limited Sources of Payment.** The Series 2015 Bonds will be payable, principally, from the following sources: (1) Loan Payments received by the Trustee pursuant to the Loan Agreement; (2) payments made by the Guarantors under the Limited Guaranty Agreement; (2) revenues received by a receiver from the operation of the Facility upon the occurrence of an Event of Default under the Indenture; and (4) proceeds realized from the foreclosure, sale or lease of the Facility. Certain risks and other investment considerations related to each of these three sources of payment of debt service on the Series 2015 Bonds are described below:

(1) **Loan Payments Received by the Trustee from the Borrower Pursuant to the Terms of the Loan Agreement.** The Issuer will have no obligation to pay the Series 2015 Bonds except from payments derived under the Loan Agreement. The Series 2015 Bonds will be limited obligations of the Issuer and will never constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation and will never constitute or give rise to a pecuniary liability of the Issuer or the State or any political subdivision thereof or a charge against the general credit or taxing powers, if any, of any of them. The Issuer has no taxing power. The Series 2015 Bonds will be secured solely by the trust estate granted by the Issuer to the Trustee under the Indenture. Under the Loan Agreement, the Borrower will be required to make payments to the Trustee, as assignee of the Issuer, in amounts sufficient to enable the Trustee to pay debt service on the Series 2015 Bonds. Such payments will be derived solely from the operations of the Borrower and investment earnings. No assurance can be given that revenues will be realized by the Borrower in the amounts necessary to pay debt service on the Series 2015 Bonds.

(2) Payments Made by the Guarantors Under the Limited Guaranty Agreement. There is no assurance that, if called upon, the Guarantors would have the ability to make the payments required by the Limited Guaranty Agreement. Furthermore, even if they did, attempts to compel such payments could be met with defensive measures, such as protracted litigation or bankruptcy proceedings, and such defensive measures could greatly increase the expense and time involved in enforcing such payments. **Finally, potential investors should note that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Borrower shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.**

(3) Revenues Received From Operation of the Facility by a Receiver Upon a Default Under the Indenture. Attempts to appoint a receiver to take charge of properties pledged to secure loans are frequently met with defensive measures such as the initiation of protracted litigation or the initiation of bankruptcy proceedings. Such defensive measures may prevent the appointment of a receiver or greatly increase the expense and time involved in achieving a sale or other realization of the Facility should an Event of Default occur under the Indenture.

(4) Proceeds Realized From the Sale or Lease of the Facility to a Third Party by the Trustee. Attempts to sell or foreclose on commercial property or otherwise realize upon security for obligations may be met with defensive measures such as protracted litigation or bankruptcy proceedings, and such defensive measures can greatly increase the expense and time involved in achieving such foreclosure or other realization of the Facility should an Event of Default occur under the Indenture. The Facility is designed for use as a Alzheimer's facility. As a result of the nature and special purpose of the Facility, the Trustee could experience difficulty in selling or leasing the Facility upon an Event of Default under the Indenture. In addition, the proceeds of any such sale may not be sufficient to pay the Owners of the Series 2015 Bonds.

The best prospects for uninterrupted payment of principal and interest on the Series 2015 Bonds in accordance with their terms is the source described in (1) above, which is wholly dependent upon the success of the Borrower in renovating the Facility in a timely manner and within the budgeted cost, and in operating the Facility in a profitable manner. Even if the Facility is operating profitably, other factors could affect the ability of the Borrower to make payments under the Loan Agreement.

**Limited Resources of the Borrower.** The Borrower has been formed and established to acquire, own and operate the Facility, and, at the present time, that is the only business in which the Borrower contemplates engaging. The Borrower currently has no sources of funds should revenues from the operation of the Facility become insufficient to cover the expenses relating to the Facility, including the payment of principal of and interest on the Series 2015 Bonds when due. No representations or assurances can be made that revenues will be realized by the Borrower in amounts necessary to enable the Borrower to make payments pursuant to the Loan Agreement sufficient to pay the principal of and interest on the Series 2015 Bonds.

**THE BORROWER WILL BE DEPENDENT UPON THE SUCCESSFUL OPERATION OF THE FACILITY TO MEET ITS OBLIGATIONS UNDER THE LEASE AGREEMENT. NO ASSURANCES CAN BE MADE THAT REVENUES WILL BE REALIZED BY THE BORROWER IN AMOUNTS NECESSARY TO ENABLE IT TO MAKE PAYMENTS PURSUANT TO THE LEASE AGREEMENT SUFFICIENT TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015 BONDS.**

**Financial Feasibility of the Facility.** The Forecasted Financial Statements are based on certain assumptions made by the Borrower. As stated in the Forecasted Financial Statements, there usually will be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the Forecasted Financial Statements are only for the period ending December 31, 2019, and consequently do not cover the entire period during which the Series 2015 Bonds may be outstanding. The Forecasted Financial Statements included in APPENDIX B should be read in their entirety.

**BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO REPRESENTATION CAN BE MADE THAT THE FORECASTED FINANCIAL STATEMENTS WILL CORRESPOND WITH RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED RATES, EMPLOYEE RELATIONS, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATIONS, CHANGES IN DEMOGRAPHIC TREND, CHANGES IN THE HEALTH CARE INDUSTRY AND GENERAL ECONOMIC CONDITIONS.**

Neither the Issuer, the Underwriter, its counsel, Bond Counsel nor any other party other than the Borrower, have participated in developing and formulating the assumptions and the disclosures contained in the Forecasted Financial Statements.

**Construction Risks.** Renovation of the Facility and construction of the addition will entail 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 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 the Borrower or its contractors. Such events could result in delayed marketing, substantial completion of the Renovations and Expansion Project, or occupancy of the Facility, and thus negatively impact the revenue flow therefrom. In addition, the substantial completion of the Renovations and Expansion Project, marketing and occupancy of the Facility may be delayed by reason of changes authorized by the Borrower, delays due to



acts or neglect of the Borrower, or by independent contractors employed by the Borrower. Cost overruns could also result in the Borrower's needing to pay the excess costs from its own funds, if, in fact, it had any such funds, or there being insufficient not having sufficient money to complete the Renovations and Expansion Project, thereby materially affecting the receipt of revenues needed to pay the Series 2015 Bonds. The Borrower anticipates that the proceeds from the sale of the Series 2015 Bonds will be sufficient to complete the Renovations and Expansion Project, but there can be no assurances that such will be the case.

**Competition.** The assisted living industry is highly competitive. There are currently three competitive facilities located in the existing facility's service area, and no assurance can be given that other competitive facilities or services will not be established in such service area in the future. The principal methods of competition in the assisted living industry include, but are not necessarily limited to, daily rates charged and services available in relation to patient needs. The Borrower believes that the Facility will be able to effectively compete with any other skilled nursing facilities currently located in its service area. However, there can be no guarantee that in the future the Facility will be able to compete with other facilities that are able to significantly reduce or contain their costs through economies of scale or other methods not available to the Borrower.

The Facility may also encounter competition from hospitals which provide extended and short-term medical care, from skilled nursing facilities, from home health care agencies, and from other forms of housing facilities for the elderly, such as personal care homes, adult congregate living facilities, homes for the aged, condominiums, and apartment buildings, some of which may be designed to offer similar facilities, but not necessarily similar services, at lower prices.

**Census at the Facility.** Failure of the Facility to achieve the occupancy rates assumed in the financial forecast (four new residents a month, after completion of the Renovations and Expansion Project) could have a material adverse effect on the Facility's Gross Revenues and the ability of the Borrower to make the required debt service payments on the Series 2015A Bonds. Stabilized occupancy is projected to be 93%. Fill up and occupancy of the Facility may be affected by competition from existing competing facilities or from competing facilities that may be constructed in the areas served by the Facility. Circumstances may occur, including, without limitation, insufficient demand for skilled nursing housing for the aged in the location of the Facility, decreases in the population or targeted demographic, deterioration of the structure and living facilities, deterioration of the financial or reputation position of the Borrower, its affiliates and other senior living properties owned by its affiliates, change in expected primary market area of the Facility and construction of competing facilities for senior citizens or other more attractive living accommodations, which could adversely affect the absorption and a sustained rate of occupancy. If the Facility fails to achieve significant initial occupancy and thereafter maintain significant occupancy, there may be insufficient funds to pay debt service on the Series 2015 Bonds.

**Environmental Matters.** The Borrower is not aware of any releases of pollutants or contaminants at the site of the existing facility which would give rise to enforcement actions under applicable state or federal environmental statutes, nor is it aware of any enforcement actions currently in process with respect to any release of pollutants or contaminants at the site

of the existing facility. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the site of the Facility. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the Trustee's lien on behalf of the Bondholders could attach to the Facility, which would adversely affect the Trustee's ability to realize value from the disposition of the Facility upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Facility under the Indenture, the Trustee and the Bondholders would need to take into account the potential liability of any owner of the Facility, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

**Federal and State of Georgia Regulation.** Successful operation of the Facility will be highly dependent on the actions of the State of Georgia, which regulates Alzheimer's facilities and their activities. (See "THE ASSISTED LIVING INDUSTRY" herein).

**Malpractice Claims and Losses.** The operations of the Borrower and of the Facility may also be affected by increases in the incidence of malpractice lawsuits against physicians and assisted living facilities, in general, and increases in the dollar amount of resident damage recoveries, resulting in increased insurance premiums and increased difficulty in obtaining malpractice insurance. The Borrower will covenant to maintain malpractice insurance with private insurance carriers. It is not possible at this time to determine either the extent to which such malpractice coverage will continue to be available or the premiums at which such coverage can be obtained, or whether the malpractice insurance maintained by the Borrower will be sufficient to cover any claim or claims for damages that may be recovered against the Borrower.

**Unique Nature of the Facility.** The Facility will not be practically suited to uses other than as a healthcare facility. As a result, the remedies available to the Trustee in the event of a default under the Loan Agreement, the Indenture or the Security Deed may be limited and the realization of revenues from the sale or leasing of the Facility might thus be adversely affected.

**Limited Operating History.** The Borrower has limited experience in the ownership and operation of assisted living facilities. Accordingly, the operation of the Facility will be accomplished primarily through the efforts of the Management Company, pursuant to the Management Agreement. The future operation and management of the Facility will be dependent upon the ability of the Management Company to retain experienced and trained personnel, including trained administrators. The loss of the services of such parties may have a material adverse impact on the present and future prospects for the Facility. There is no assurance that the Management Company will have the resources (financial or otherwise) to carry out its obligations under the Management Agreement or that the Borrower will be able to obtain a replacement for the Management Company at an affordable cost.

**Effect of Bankruptcy.** If the Borrower were to file a petition for relief under Chapter 11 of the Federal Bankruptcy Code, ordinarily its revenues, its accounts receivable and other property acquired after the filing would not be subject to the security interests created under

the Loan Agreement and the Security Deed. The bankruptcy court could order that such property, including the Borrower's accounts receivable, proceeds thereof and other Gross Revenues, be used for the benefit of the Borrower despite the security interest of the Trustee in such Gross Revenues, provided that "adequate protection" was given to the Trustee. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Borrower and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property.

In a bankruptcy proceeding, the petitioning debtor may file a plan of reorganization which modifies the rights of creditors to receive payments of the debts owing to them by the debtor. The plan, when confirmed by the bankruptcy court, binds each creditor, whether or not the claim of that creditor is impaired under the plan, and whether or not such creditor has accepted the plan. With a few exceptions, the confirmation of a plan of reorganization 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 interest of creditors, is feasible and has been accepted (or has been deemed to have been accepted) by each class of claims impaired under the plan. 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 does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interests that is impaired under and has not accepted the plan.

Bankruptcy proceedings by the Borrower could adversely affect holders of the Series 2015 Bonds by reducing or delaying payments on the Series 2015 Bonds and may impede enforcement by the Trustee and such holders of their claims to the collateral assigned and pledged to secure the Series 2015 Bonds. Federal bankruptcy law also permits adoption of a reorganization plan without the approval of such Bondholders if they are provided with the benefit of their original security or the "indubitable equivalent." In addition, if a bankruptcy court concludes that such Bondholders have "adequate protection," the court may (1) substitute other security for the security of the Bondholders and (2) subordinate the security of the Bondholders to (a) claims by persons supplying goods, services or credit to the Borrower after bankruptcy and (b) the administrative expenses of the bankruptcy proceeding. In the event of such bankruptcy, the amount realized by the holders of the Series 2015 Bonds may depend on the court's interpretation of "indubitable equivalent" and "adequate protection" under then existing circumstances. The effect of these and other provisions of federal bankruptcy law cannot be predicted and may be significantly affected by judicial interpretation.

Furthermore, recent judicial decisions concerning the status of debt service reserve funds held by an indenture trustee have concluded that such reserves are "cash collateral" of a debtor in bankruptcy and have cast doubt on the ability of the Trustee to use moneys in the Debt Service Reserve Fund to make payments on the Series 2015 Bonds in the event of a bankruptcy of the Borrower.

In the event that the Trustee were to seek enforcement of any of the remedies provided by the Loan Agreement and the Security Deed upon the occurrence of a default thereunder, it

is impossible to predict, because of the exercise of judicial discretion in accordance with general principles of equity and public policy, the judicial resolution of competing claims between the Issuer or the Trustee and residents of the Facility who have fully complied with all the terms and conditions of the resident leases.

**Normal Risks Attending Any Investment in Real Estate.** Development, ownership and operation of real estate, such as the Facility, involves certain risks, including the risk of adverse changes in general economic and local conditions (such as the possible future oversupply and lagging demand for rental housing for the aged), adverse use of adjacent or neighboring real estate, initial and continued community acceptance of the Facility, increased competition from other senior living or health care facilities, changes in the cost of operation of the Facility, difficulties or restrictions in the Borrower's ability to raise rents charged, damage caused by adverse weather and delays in repairing such damage, population decreases, uninsured losses, failure of residents to pay rent, operating deficits and mortgage foreclosure, lack of attractiveness of the Facility to residents, adverse changes in neighborhood values, and adverse changes in zoning laws, federal and local rent controls, other laws and regulations and real property tax rates. Such losses also include the possibility of fire or other casualty or condemnation. If the Facility, or any parts of the Facility, become uninhabitable during restoration after damage or destruction, the residence units or common areas affected may not be available during the period of restoration, which could adversely affect the ability of the Borrower to generate sufficient revenues to pay debt service on the Series 2015 Bonds. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Facility difficult or unattractive. These conditions may have an adverse effect on the demand for the services provided by the Facility as well as the market price received for the Facility in the event of a sale or foreclosure of the Facility. Many other factors may adversely affect the operation of the Facility and cannot be determined at this time.

**Pledge of Gross Revenues.** Certain interests and claims of others may be on a parity with or prior to the pledge of the Gross Revenues made in the Indenture, and certain statutes and other provisions may limit the Borrower's right to make such pledges. Examples of such claims, interests and provisions are: (a) statutory liens and rights of set-off; (b) possible non-recognition under the Georgia Uniform Commercial Code of a security interest in future revenues; (c) rights arising in favor of the United States of America or any agency thereof on failure of the Borrower to comply with federal or state statutes regarding the assignment of certain claims; (d) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (e) state and federal bankruptcy or insolvency laws as they affect the enforceability of the security interest in Gross Revenues earned by the Borrower within the statutory prescribed preference period preceding and at any time after any effectual institution of bankruptcy proceedings by or against the Borrower; (f) as to those items in which a security interest, lien or pledge can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Borrower or any depository; (g) the security interest of third party creditors in "proceeds" of property subject to a Permitted Encumbrance, which "proceeds" may be deemed to constitute Gross Revenues; (h) items not in possession of the Trustee or any

depository, the records to which are located or moved outside the State, which are thereby not subject to or are removed from the operation of the State's laws; (i) claims that might arise if appropriate continuation statements are not filed in accordance with the Georgia Uniform Commercial Code as from time to time in effect. In addition, the pledge of the Gross Revenues may not be enforceable against third parties unless the Gross Revenues are actually transferred to the Trustee or any depository.

**Sale of Homes.** It is anticipated that many prospective residents of the Facility will be required to sell their current homes to meet their financial obligations as residents of the Facility. Housing prices have declined locally and nationally and in many areas longer time periods have been needed for homeowners to sell their homes. If prospective residents encounter difficulties in selling their current homes due to local or national economic conditions affecting the sale and finance of residential real estate, such prospective residents may not have sufficient funds to meet their financial obligations as residents of the Facility, which would have an adverse impact on the occupancy of the Facility and the revenues of the Borrower.

**Nature of Income and Assets of the Elderly.** A large percentage of the monthly income of the residents of the Facility is expected to be fixed in amount, consisting of income derived from savings, pensions, investments and Social Security payments. If, due to inflation or otherwise, substantial increases in monthly fees and service fees are required at the Facility to cover increases in operating costs and other expenses, residents of the Facility may experience difficulties paying or may be unable to pay such increased fees. In addition, some residents may need to convert assets to cash to pay the required fees, such as by selling a home. The inability of the Borrower to collect from residents the full amount of their payment obligations, either when due or at all, may jeopardize the ability of the Borrower to pay amounts due under the Loan Agreement.

**Insurance.** The Loan Agreement requires the Borrower to carry certain insurance. Uninsured claims and increases in insurance premiums, or the unavailability of insurance, could, to the extent not covered by increased revenues, adversely affect the financial condition of the Borrower. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in professional and general liability insurance premiums and, at times, in difficulty obtaining such insurance. Professional liability, elder abuse and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care and senior care providers such as the Borrower. Insurance does not provide coverage for judgments for punitive damages and may not provide coverage for allegations of elder abuse. Litigation may also arise from the corporate and business activities of the Borrower and from the status of the Borrower as an employer. As with professional liability, many of these risks are covered by insurance, but some are not.

While the Borrower is required by the Loan Agreement to have in effect at all times comprehensive general liability insurance providing insurance against liability for personal and bodily injury including death resulting therefrom, if a claim or judgment against the Borrower

for an amount in excess of the limits of such insurance were to arise, it would likely have a material adverse effect on the financial results of the Facility and the Borrower.

**Increases of Medical Costs.** The cost of providing services at the Facility may increase due to many reasons, including increasing regulation by the federal government and state and local governments, increasing insurance costs and litigation and increases in salaries paid to nurses and other senior living and healthcare personnel and due to shortages in such personnel that many require the use of employment agencies. Any increase in such costs may materially and adversely affect the ability of the Borrower to pay debt service on the Series 2015 Bonds.

**Limitations on Enforceability of Remedies.** The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Indenture, the Loan Agreement, the Security Deed and the Limited Guaranty Agreement. Any attempt by the Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law (including, without limitation, the United States Bankruptcy Code), certain of the legal and equitable remedies specified in the Indenture, the Loan Agreement, the Security Deed, and the Limited Guaranty Agreement may not be readily available or may be limited, including the right of the Borrower to assign any Medicare or Medicaid receivables in accordance with the current rules and regulations governing the Medicare and Medicaid program.

A court may decide not to order the specific performance of the covenants contained in the Indenture, the Loan Agreement or the Security Deed. The various opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

Any default in the performance of most of the covenants set forth in the Indenture, the Loan Agreement, the Security Deed, or the Limited Guaranty Agreement would constitute an Event of Default under such documents only following notice and lapse of time, as further set forth in APPENDIX A hereto. The Trustee may give notice of an Event of Default under the Indenture at any time in its discretion, but is not required to give such notice without the request of the holders of at least 51% of the Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided such Bondholders constitute the Owners of at least 35% in aggregate principal amount of the Series 2015 Bonds outstanding under the Indenture. Events of Default specified by the Indenture can be remedied through enforcement action taken by the Trustee in its discretion, subject to the right of the Owners of a majority in aggregate principal amount of Series 2015 Bonds then outstanding to direct all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture or any other proceedings thereunder.

**Possible Limitations on Security.** The pledge of and assignment by the Borrower of Security Property may be limited by the following: (a) statutory liens; (b) rights arising in favor of the United States of America or any agency thereof or the State or any agency thereof; (c) present or future prohibitions against assignment contained in any federal or state statutes or regulations (including those governing Medicare); (d) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (e) federal bankruptcy or state insolvency laws affecting assignments of revenues earned after any effective institution of bankruptcy or insolvency proceedings by or against the Borrower; (f) rights of third parties in any revenues, including revenues converted to cash, not in possession of the Trustee; (g) the requirement that appropriate continuation statements be filed in accordance with the applicable Uniform Commercial Code; and (h) rights of holders of Permitted Encumbrances. The priority of the Security Deed may be limited or restricted by law.

**The Series 2015 Bonds Have Not Been Rated.** The Issuer has not applied for or received a credit rating on the Series 2015 Bonds from any securities rating agencies. The absence of any such ratings could adversely affect the ability of registered Owners of Series 2015 Bonds to sell the Series 2015 Bonds or the price at which such Series 2015 Bonds can be sold.

**The Series 2015 Bonds will not be Registered under the Securities Act of 1933.** The Series 2015 Bonds will not be registered under the Securities Act of 1933 (the "1933 Act"), because they are exempt from such registration, pursuant to Section 3(a)(2) of the 1933 Act. Because the Series 2015 Bonds will not be registered under the 1933 Act, the ability of any Bondholder to transfer any of such Bondholder's Series 2015 Bonds in the future could be limited by federal or state securities laws.

**Market for the Series 2015 Bonds.** The Series 2015 Bonds should be purchased only as a long-term investment, as there can be no assurance that investors will be able to liquidate their investment in the event of an emergency or for any other reason. There is no assurance that a secondary market for the Series 2015 Bonds will develop or that holders who wish to sell their Series 2015 Bonds prior to the stated maturity will be able to do so. Additionally, there can be no assurance that, if they can be sold at all, the Series 2015 Bonds could be sold at a price comparable to their original purchase price. If a secondary market should develop for the Series 2015 Bonds, the price at which the Series 2015 Bonds could be sold will depend upon prevailing market conditions and other factors. Such factors will include the operating history of the Facility and prevailing and anticipated interest rates at the time of any such sale. For example, in periods of high interest rates or rising interest rates, the price that prospective purchasers would be willing to pay for bonds, including the Series 2015 Bonds, will be lower than the price they would be willing to pay during periods of low or falling interest rates.

**Liquidation of Security May Not Be Sufficient.** Because the Borrower will have no significant assets other than its interest in the Facility, the Trustee and the Issuer must look primarily to the Facility and the other security for the Series 2015 Bonds to pay and satisfy the Series 2015 Bonds in accordance with their terms. The Holders of the Series 2015 Bonds will

be dependent, primarily, upon the successful operation of the Facility and the value thereof for the payment of the principal, premium, if any, and interest on the Series 2015 Bonds. In the event the revenues from the Facility are insufficient to pay the Series 2015 Bonds, then once the other security for the Series 2015 Bonds (including the Limited Guaranty Agreement) and any other assets of the Borrower have been exhausted, the Holders of the Series 2015 Bonds will have no person or entity to pursue for any deficiency which may exist. **In addition, potential investors should note that the obligations of the Guarantors under the Limited Guaranty Agreement will be terminated if the Borrower shall attain a Debt Service Coverage Ratio of not less than 1.20 to 1 for two consecutive fiscal years, as shown by its audited financial statements.** Unless the Facility generates Gross Revenues sufficient to make payments due under the Loan Agreement, there is a very high likelihood that timely payments due on the Series 2015 Bonds will not be made.

**Possible Staffing Shortages.** In recent years, the healthcare industry has suffered from an increasing scarcity of skilled personnel to staff its facilities. Factors underlying this trend include an increase in the proportion of the population that is elderly and an increase in the tendency to institutionalize senior citizens as opposed to providing nursing care in the home. Both of these factors may be expected to intensify in years to come, aggravating the shortage of skilled personnel. Nationally there is a shortage of registered nurses and licensed practical nurses. This shortage of nurses could have the effect of significantly increasing the Borrower's personnel costs which could have a material adverse effect on the financial results of the Borrower. These trends could eventually force the Borrower to pay higher than anticipated salaries to nursing personnel as competition for such employees intensifies and, in extreme situations, could lead to difficulty in keeping the Facility adequately staffed.

**Possible Labor Risks.** There can be no assurance that employees of the Facility will not seek to establish collective bargaining agreements with the Borrower, and, if so established, such collective bargaining agreements could result in significantly increased labor costs to the Borrower.

**Tax-Exempt Status of Interest on the Series 2015A Bonds.** The tax-exempt status of interest on the Series 2015A Bonds is subject to continuing compliance by the Borrower with certain covenants contained in the Indenture, the Loan Agreement and a non-arbitrage and tax compliance certificate made by the Borrower relating to the Series 2015 Bonds (the "Tax Agreement"). These covenants relate generally to ownership, use and operation of the Facility, arbitrage limitations related to bond proceeds, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Series 2015A Bonds. Failure to comply with any of these covenants could result in the treatment of interest on the Series 2015A Bonds, in some cases, as taxable retroactive to the date of issuance. In the event of a Determination of Taxability, the interest rate on the Series 2015 Bonds will increase to 12% per annum. There is no assurance that the Gross Revenues will be sufficient to pay interest costs on the Bonds at 12% per annum.



**Bond Audits.** The Series 2015 Bonds may be, from time to time, subject to audits by the Internal Revenue Service (the "IRS"). The Borrower believes that the Series 2015 Bonds properly comply with the tax laws. In addition, Bond Counsel, will render opinions with respect to the tax-exempt status of interest on the Series 2015 Bonds, as described under the heading "TAX MATTERS" below. Such opinion speaks only as of its date and Bond Counsel has no obligation to monitor compliance following the issuance of the Series 2015 Bonds. No ruling with respect to the tax-exempt status of interest on the Series 2015 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an audit of the Series 2015 Bonds will not adversely affect the tax-exempt status of interest on the Series 2015 Bonds.

**Summary.** The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2015 Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto so as to make a judgment as to whether the Series 2015 Bonds are an appropriate investment, and obtain such additional information as they deem advisable in connection with their evaluation of the suitability of the Series 2015 Bonds for investments.

## **LITIGATION**

**The Borrower and the Management Company.** The Borrower and the Management Company have advised the Underwriter that no litigation or proceedings are pending or, to their knowledge, threatened against them which might have a material adverse effect on them, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement, the Security Deed, the Limited Guaranty Agreement, or any other document executed by them, the performance by them of their respective obligations thereunder, or the consummation of the transactions contemplated thereby.

**The Issuer.** There is not now pending nor, to the knowledge of the Issuer, threatened any litigation restraining or affecting the validity of the Series 2015 Bonds or the proceedings or authority under which the Series 2015 Bonds are to be issued. There is no litigation pending or, to its knowledge, threatened which in any manner questions the right of the Issuer to enter into the Indenture or the Loan Agreement, or to issue or secure the Series 2015 Bonds in the manner provided in the Indenture and the Act.

## **CERTAIN RELATIONSHIPS**

The Borrower and the Management Company are affiliated entities by virtue of common ownership. See, "THE BORROWER -- Ownership" and "THE MANAGEMENT COMPANY -- Ownership" herein. The Guarantors are the owners of the Borrower and the Management Company.

## **LEGAL MATTERS**

Legal matters incidental to the authorization and issuance of the Series 2015 Bonds will be passed upon by Sell & Melton, L.L.P., Macon, Georgia, bond counsel. Certain legal matters will be passed upon for the Issuer by Gray Pannell & Woodward LLP, Savannah, Georgia; for the Borrower by Daniel, Lawson, Tuggle & Jerles, LLP, Perry, Georgia; for the Trustee by Riggs, Abney, Neal, Turpen, Orbison & Lewis, Tulsa, Oklahoma; and for the Underwriter by Shackelford, Melton, McKinley & Norton, LLP, Austin, Texas.

## **TAX MATTERS**

### **Series 2015A Bonds.**

Tax Requirements in General. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds in order that interest on the Series 2015A Bonds be and remain excludable from gross income under Section 103 of the Code. For further information concerning some of these requirements, see "THE FACILITY -- The Land Use Agreement" herein. Noncompliance with such requirements may cause interest on the Series 2015A Bonds to become includable in gross income for purposes of federal income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance occurs or is ascertained.

Opinion of Bond Counsel. Assuming compliance with the covenants set forth in the Lease Agreement, and on the basis of certifications to be furnished at closing, Bond Counsel will render its opinion that, under present laws, interest on the Series 2015A Bonds is not includable in gross income of the owners thereof for federal income tax purposes and is excluded as a preference item for the alternative minimum tax imposed on individual taxpayers, but may be subject to a corporate alternative minimum tax. No opinion will be expressed by Bond Counsel with respect to any other federal tax consequences caused by receipt or accrual of interest on the Series 2015A Bonds or arising with respect to ownership of the Series 2015A Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to deduction for certain net operating losses).

The accrual or receipt of interest on the Series 2015A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015A Bonds, particularly purchasers that are

corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015A Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007, to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. Under the provisions of Section 512 of the Code, however, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2015B (Taxable) Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2015B (Taxable) Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2015B (Taxable) Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law. In addition, ERISA and the Code generally prohibit certain transactions

between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2015B (Taxable) Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Issuer or any dealer of the Series 2015B (Taxable) Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2015B Bonds (Taxable) are acquired by such plans or arrangements with respect to which the Issuer or any dealer is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2015B (Taxable) Bonds. The sale of the Series 2015B (Taxable) Bonds to a plan is in no respect a representation by the Issuer or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2015B (Taxable) Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**Series 2015B (Taxable) Bonds.** Interest on the Series 2015B (Taxable) Bonds is **not** excluded from gross income for federal income tax purposes.

**State Income Tax.** Under the laws of the State of Georgia, as enacted and construed on the date of the original delivery of the Series 2015 Bonds, interest thereon is excludable from gross income under Georgia tax laws.

**THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM RECEIPT OF INTEREST ON THE SERIES 2015 BONDS. BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE CALCULATION OF ALTERNATIVE MINIMUM TAX, OR FOREIGN BRANCH PROFITS TAX LIABILITY, THE INCLUSION OF SOCIAL SECURITY OR OTHER RETIREMENT PAYMENTS IN TAXABLE INCOME AND OTHER COLLATERAL TAX CONSEQUENCES.**

### **INDEPENDENT ACCOUNTANTS**

The Forecasted Financial Statements included in APPENDIX B have been compiled by Carr, Riggs & Ingram, LLC., independent certified public accountants. Their report has been included in this Official Statement in reliance on the experience of such firm in reporting on financial forecasts for assisted personal care facilities. As stated in the Forecasted Financial Statements, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

### **UNDERWRITING**

The Series 2015 Bonds are being purchased by Lawson Financial Corporation (the “Underwriter”), pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”) among the Issuer, the Borrower and the Underwriter. The Underwriter has agreed to purchase the Series 2015 Bonds at an underwriter discount in the amount \$135,100. The Borrower has also agreed to pay a marketing fee to the Underwriter in the amount of \$284,900. The obligation of the Underwriter to accept delivery of the Series 2015 Bonds is subject to various conditions contained in the Bond Purchase Agreement. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2015 Bonds if any are purchased. The Series 2015 Bonds may be offered and sold to certain dealers (including dealers depositing Series 2015 Bonds into unit investment trusts), banks, and others, at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter. The Underwriter has no obligation to make a secondary market for the Series 2015 Bonds.

## **CONTINUING DISCLOSURE OBLIGATION**

The Borrower has covenanted in the Continuing Disclosure Agreement to provide certain financial information and other operating data (the "Undertaking") as specified below to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") and to the State Information Depository (the "SID"), if any, annually and to provide notice to EMMA and the SID, if any, of certain events pursuant to Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule"). Capitalized terms used in this Section and not otherwise defined in the Continuing Disclosure Agreement shall have the meanings assigned under the Rule.

While any Series 2015 Bonds are Outstanding, the Borrower will provide the Annual Financial Information not more than 180 days after the end of each Fiscal Year (the "Report Date"), beginning in 2015, to EMMA and the SID, if any. The Borrower may adjust the Report Date if it changes its fiscal year, or to conform with a change in federal, state or local law, by providing written notice of the change in fiscal year, if applicable, and the new Report Date to each then existing EMMA and the SID, if any, provided that the new Report Date shall be no more than 200 days after the end of the Fiscal Year then in effect, and further provided that the period between the last Report Date prior to the change and the first Report Date after the change shall not be longer than one year. It shall be sufficient if the Borrower provides to EMMA and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to EMMA and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

If Audited Financial Statements are not provided as part of the Annual Financial Information, the Borrower will provide Audited Financial Statements when and if available while any of the Series 2015 Bonds are Outstanding to EMMA and the SID, if any.

If a Material Event occurs while any Series 2015 Bonds are Outstanding, the Borrower shall provide a Material Event Notice in a timely manner to EMMA and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Outstanding Series 2015 Bonds. Any of the following events would constitute a Material Event with respect to the Series 2015 Bonds: (i) principal and interest payment delinquencies; (ii) nonpayment-related Events of Default under the Indenture; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2015A Bonds; (vii) modifications to rights of Bondowners; (viii) bond calls (other than mandatory sinking fund redemptions); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series 2015 Bonds; (xi) rating changes; (xii) tender offers; (xiii) bankruptcy, insolvency, receivership or similar event of any "obligated person"; (xiv) consummation of a merger, consolidation, or acquisition involving an "obligated person", or the sale of all or substantially all the assets of an "obligated person" other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xv) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The Borrower has represented that it has not failed to comply with any prior Undertaking under the Rule. A failure by the Borrower to comply with the Undertaking will not constitute an Event of Default under the Indenture, or the Loan Agreement (although the Holders of the Series 2015 Bonds will have available remedies at law or in equity other than the collection of monetary damages). Nevertheless, such a failure must be reported in accordance with the Rule to the EMMA and the SID, if any, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2015 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2015 Bonds and their market price.

### **MISCELLANEOUS**

The references to the Act, the Indenture, the Series 2015 Bonds, the Loan Agreement, the Security Deed, the Land Use Agreement, the Limited Guaranty Agreement, and the other agreements described herein are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to the Act and the documents and agreements described herein. Copies of such documents and agreements are on file at the office of the Underwriter and following delivery of the Series 2015 Bonds will be on file at the offices of the Trustee.

The agreement of the Issuer with the Holders of the Series 2015 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2015 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2015 Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CUSIP identification numbers will be printed on the Series 2015 Bonds, but no error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2015 Bonds.

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

-45-



The Borrower has reviewed the information contained herein which relates to it and its property and operations, and has authorized all such information for use within this Official Statement. This Official Statement is deemed final as of the date set forth below.

SAVANNAH ALF, LLC

By: /s/ Dwayne A. Edwards  
Dwayne A. Edwards  
Manager

Date: January 16, 2015

**APPENDIX A**

**DEFINITIONS OF CERTAIN TERMS  
AND  
COPIES OF PRINCIPAL DOCUMENTS**

## **APPENDIX A**

### **DEFINITIONS OF CERTAIN TERMS AND COPIES OF PRINCIPAL DOCUMENTS**

The following sets forth certain terms, and copies of the Trust Indenture (the "Indenture"), the Loan Agreement (the "Loan Agreement"), the Deed to Secure Debt and Security Agreement (the "Security Deed"), and the Limited Guaranty Agreement (the "Limited Guaranty Agreement"). This section makes use of terms defined in the Indenture, certain of which are defined in "Definitions" which follows. This section does not purport to be final, complete or definitive, and is qualified by reference to the final, executed counterparts of the Indenture, the Loan Agreement, the Security Deed, and the Limited Guaranty Agreement for the complete and actual terms, provisions and covenants thereof.

#### **Definitions.**

"Act" means Ga. Laws 1951, page 854, et seq., as amended.

"Act of Bankruptcy" means the filing of a petition in bankruptcy under the United States Bankruptcy Code or the commencement of a proceeding under any other applicable law now or hereafter in effect concerning insolvency, reorganization or bankruptcy by or against the Borrower or the Issuer, as debtor.

"Ad Valorem Tax Fund" means the Ad Valorem Tax Fund created in the Indenture.

"Annual Debt Service Requirements" means, for any given Fiscal Year, the amount that will be required for the payment of total debt service, including principal and interest, on the Series 2015 Bonds during such Fiscal Year.

"Arbitrage Rebate Fund" means the Arbitrage Rebate Fund created in the Indenture.

"Authorized Attorney" means an attorney in good standing in any state who represents holders of at least ten percent (10%) of the Outstanding Bonds.

"Authorized Denomination" means \$5,000 or any integral multiple of \$1,000 in excess of such amount.

"Bond Documents" means the Indenture, the Loan Agreement, the Security Deed, and the Limited Guaranty Agreement.

"Bond Fund" means the Bond Fund created in the Indenture.

"Bond Payment Date" means any date on which, pursuant to the provisions of the Indenture, there shall be due and payable to the Bondholders any payment of principal (including any mandatory sinking fund payment), premium or interest on account of the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated January 13, 2015, among the Issuer, the Underwriter, and the Borrower.

"Bond Rates" means the interest rate of 7.250% per annum in the case of the Series 2015A Bonds, and the rate of 8.250% per annum in the case of the Series 2015B (Taxable) Bonds.

"Bond Registrar" means the Trustee.

"Bond Year" means January 2 of each year through January 1 of the next following year, during the period that the Bonds are Outstanding, except in the case of the first Bond Year, which shall begin on the date of the issuance of the Bonds and end on January 1, 2016.

"Bondholder" or "holder of the Series 2015 Bonds" or "holder" means the registered owner of any Bond.

"Bonds" means the Series 2015 Bonds, together with all other bonds issued pursuant to the Indenture or any supplement thereto.

"Borrower" means Savannah ALF, LLC, a Georgia limited liability company.

"Business Day" means any day other than a Saturday, Sunday or legal holiday in the State observed as such by the Trustee.

"Capitalized Interest Account" means the Capitalized Interest Account in the Bond Fund created in the Indenture.

"Closing Date" means the date of the issuance and delivery of fully executed and authenticated Series 2015 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable Income Tax Regulations thereunder.

"Completion Date" means the date of completion of the rehabilitation of the Facility as that date shall be certified as provided in the Loan Agreement.

"Condemnation Award" has the meaning given to that term in the granting clauses of the Security Deed.

"Co-Trustee" means any entity appointed as co-trustee by the Trustee pursuant to the Indenture, its successors or assigns.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Days' Cash on Hand" means the number determined, as of the last day of any fiscal quarter of the Borrower, by (a) multiplying (i) the number of days in such fiscal quarter by (ii) the amount of cash, cash equivalents or other short term investments of the Borrower as of such last day, and (b) dividing the product obtained pursuant to the foregoing Clause (a) by an amount equal to (i) the Borrower's actual Operating Expenses for such fiscal quarter, minus (ii) the sum of any bad debts included in such Operating Expenses, plus all depreciation and amortization attributed to the Facility for such fiscal quarter.

"Debt Service Coverage Ratio" means the ratio of Funds Available for Debt Service to the Annual Debt Service Requirements on the Series 2015 Bonds for the Fiscal Year for which such calculation is being made.

"Debt Service Requirement" means the maximum principal and interest coming due on the Series 2015 Bonds in the coming Bond Year.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created in the Indenture.

"Debt Service Reserve Fund Requirement" means the amount of \$583,547.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Determination of Taxability" means a determination that the interest income on any of the Series 2015A Bonds is subject to federal income taxation, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) The date on which the Trustee is notified that an attorney or a law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations is unable to deliver an opinion requested of it that the interest on the Series 2015A Bonds qualifies as exempt interest under Section 103 of the Code, it being understood that no such attorney or firm is under any obligation to deliver such opinion unless retained specifically to do so; or

(b) The date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public ruling or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code; or

(c) The date on which the Borrower receives notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or is advised by any Bondholder or former Bondholder that the Internal Revenue Service has issued a notice of deficiency or similar notice which asserts that the interest on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code.

Provided, however, that, should the Borrower elect to contest, at its own expense, any Determination of Taxability made pursuant to subparagraphs (a), (b) or (c) of this paragraph and shall deliver to the Trustee a letter of credit from a bank acceptable to the Trustee, and approved by the holders of more than fifty percent (50%) of the outstanding principal amount of the Series 2015A Bonds in an amount sufficient to provide for the payment of additional interest which would be required to be paid on the Series 2015A Bonds as a result of a Determination of Taxability (calculated at 12.00% per annum from the Event of Taxability), then no Determination of Taxability shall be deemed to have occurred unless such contest has been finally determined.

"Event of Default" means the events specified as such in the Indenture.

"Facility" means that certain 35-unit Alzheimer's facility, which is commonly known as "Shadowmoss Plantation", and which is located on a 3.26 acre tract at 249 Holland Drive, in Savannah (Chatham County) Georgia.

"Financing Statements" means financing statements (including continuation statements) filed for record from time to time to perfect the security interests created or assigned hereunder or pursuant hereto.

"Forecasted Financial Statements" means the forecasted financial statements of the Borrower, for and as of the 12-month periods ended December 31, 2015, through 2019, which are included as APPENDIX B to the Official Statement.

"Funds Available for Debt Service" means in any period the Gross Revenues for such period, minus the Operating Expenses for such period, plus, to the extent included in such Operating Expenses, depreciation and amortization, interest on long-term indebtedness (including the Series 2015 Bonds), amortization of discount and financial expenses incurred in connection with the issuance of long-term indebtedness, and other non-cash expense deducted in accordance with generally accepted accounting principles consistently applied.

"Government Obligations" means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Gross Revenues" means all accounts, revenues and receipts of the Borrower from all sources, whether in the form of proceeds of accounts receivable or contract rights or otherwise, including, without limitation, all rates, fees, rentals, receipts, revenues, income and other monies received by or on behalf of the Borrower in connection with the ownership or operation of the Facility, exclusive, however, of any amounts collected by the Borrower representing sales taxes or user fees which may be required by law or agreement to be paid to the State of Georgia, or gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated at the time of making thereof by the donor or maker as being for certain specified purposes inconsistent with the application thereof to the payment of debt service on the Bonds.

"Guarantors" means Dwayne A. Edwards and Todd Barker, who are the owners of the Borrower and the Management Company.

"Indenture" means the Trust Indenture, dated as of January 1, 2015, between the Issuer and the Trustee.

"Independent Auditor" means a certified public accountant, or firm thereof, who or which is "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to either the Issuer or the Borrower (but who or which may be regularly retained by either).

"Independent Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia and not an employee on a full-time basis of either the Issuer or the Borrower (but who or which may be regularly retained by either).

"Interest Payment Dates" mean the first day of each month, commencing February 1, 2015, that the Bonds are Outstanding.

"Issuer" means Savannah Economic Development Authority, a public body, corporate and politic, created and existing under the laws of the State of Georgia, its successors and assigns.

"Land Use Restriction Agreement" means that certain Land Use Restriction Agreement, dated as of January 1, 2015, between the Borrower, the Management Company and the Trustee.

"Limited Guaranty Agreement" means the Limited Guaranty Agreement, dated as of January 1, 2015, pursuant to which the Guarantors will guarantee (subject to a limiting provision as therein described) the prompt payment and performance of all of the Borrower's obligations under the Loan Agreement.

"Loan Agreement" means that certain Loan Agreement, dated as of January 1, 2015, between the Issuer and the Borrower, including any amendments thereto.

"Loan Payments" means the payments that the Borrower is required to make to the Issuer pursuant to the Loan Agreement, which payments are required to be in amounts sufficient to permit the Issuer to make all required payments of debt service on the Series 2015 Bonds.

"Management Agreement" means that certain agreement, entered into as a part of the Project, pursuant to which the Management Company will manage the Facility on behalf of the Borrower.

"Management Company" means Oxtion Court of Savannah LLC, a Georgia limited liability company.

"Management Report" means a report that sets forth in detail why the Borrower did not comply with a specified financial covenant, and the specific plan of correction to be implemented with respect to such non-compliance.

"Minimum Coverage Ratio" means a Debt Service Coverage Ratio on the Series 2015 Bonds of not less than 1.00 to 1.

"Minimum Liquidity Requirement" means Days Cash on Hand in an amount not less than 75% of that which is required by the Liquidity Covenant.

"Minimum Trade Payables Requirement" means that no more than 20% of the Borrower's Trade Payables shall be outstanding for in excess of 90 days.

"Security Deed" means the Deed to Secure Debt and Security Agreement, dated as of January 1, 2015, from the Borrower to the Issuer, and assigned to the Trustee, including any amendment thereto.

"Net Profits" means, for, and as calculated as at the end of any month, fiscal quarter or fiscal year (in accordance with generally accepted accounting principles consistently applied), the amount by which the Borrower's Gross Revenues for such month, fiscal quarter or fiscal year exceeded the aggregate of (a) all principal or redemption price of, premium, if any, and interest on the Series 2015 Bonds; (b) all fees and expenses, including those of the Trustee, required or permitted to be paid by the Bond Documents with respect to the Series 2015 Bonds or the Facility; (c) all deposits required, by the terms and conditions of any of the Bond Documents, to be made into or on account of any fund or account established under, or otherwise required by, any of the Bond Documents, with respect to the Series 2015 Bonds or the Facility; (d) all operating expenses incurred by the Borrower in connection with the Facility; which, in the case of each and every item of the foregoing obligations, became due and payable (whether or not paid in whole or in part) during such month, fiscal quarter or fiscal year; and (e) all reserves in respect of any of the foregoing obligations that the Borrower, in its reasonable judgment, deems desirable to be made as of the end of such month, fiscal quarter or fiscal year.

"Net Revenues" means Gross Revenues, minus the Borrower's indebtedness that becomes due and payable (whether or not paid in whole or in part) during a month, fiscal quarter, or fiscal year, as the case may be.

"Official Statement" means the Official Statement of the Issuer, dated January 16, 2015, which relates to the Series 2015 Bonds.

"Operating Account" means the account that the Borrower may establish outside of the Indenture pursuant to the Loan Agreement.

"Operating Expenses" means all expenses of the Borrower, determined in accordance with generally accepted accounting principles consistently applied, other than any gain or loss from (i) the extinguishment of any debt, or (ii) the sale of any asset not in the ordinary course of business, or (iii) not involving the receipt or expenditure of cash.



"Outstanding" when used with reference to the Series 2015 Bonds at any dates on which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee, except:

(a) Bonds canceled on or prior to such date.

(b) Bonds for the payment or redemption of which sufficient moneys and/or Government Obligations meeting the terms and conditions specified in Section 802 shall have been theretofore transferred or deposited into the special account established in the Bond Fund (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee.

(c) Bonds in lieu of which others have been authenticated under Section 207 or 208 of the Indenture; and

(d) For the purposes of any consent or other action to be taken by the holders of a specified percentage of outstanding Bonds, all Bonds held by or for the Issuer or the Borrower, except that for purposes of any such consent or action the Trustee shall be obligated to consider as not being outstanding only Bonds known by the Trustee to be so held.

"Permitted Encumbrances" means:

(a) Any lien arising by reason of any good faith deposit with the Borrower in connection with any lease of real estate, bid or contract (other than any contract for the payment of money), any deposit by the Borrower to secure any public or statutory obligation, or to secure, or in lieu of, any surety, stay or appeal bond, and any deposit as security for the payment of taxes or assessments or other similar charges;

(b) Any lien arising by reason of any deposit with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risk or in connection with workers' compensation, unemployment insurance, any pension or profit-sharing plan or other social security, or to share in the privileges or benefits required for the participation of the Borrower in such arrangements;

(c) Any judgment lien against the Borrower, so long as such judgment is being contested in good faith and is fully bonded, fully covered by a letter of credit or other surety, or covered by insurance;

(d) Any right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any property of the Borrower; any lien on any property of the Borrower for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic, materialman, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity of which is being contested and execution thereon stayed;

(e) The Indenture, the Loan Agreement and the Security Deed; and any lien or encumbrance disclosed in the title insurance policy delivered in connection with the issuance of the Series 2015 Bonds, and permitted to be excepted from coverage under such title insurance policy by counsel to the Underwriter, provided that such lien or encumbrance is not extended, renewed or modified to apply to any property of the Borrower not subject to such lien or encumbrance on the date such policy is delivered, unless the lien or encumbrance, as so extended, renewed or modified, otherwise qualifies as a Permitted Encumbrance without reference to this clause;

(f) Any lease permitted under the terms of the Loan Agreement or the Security Deed;

(g) Any lien placed upon any tangible real or tangible personal property being acquired by the Borrower to secure all or a portion of the purchase price thereof and any landlord's lien under any lease permitted under the Loan Agreement or the Security Deed;

(h) Such easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances which shall not materially impair the use of either Facility for its intended purposes or the value of either Facility as evidenced by a certificate of an independent engineer delivered to the Trustee;

(i) Such easements, servitudes, restrictions, licenses, restrictive covenants, rights-of-way (including the dedication of public highways or public or private utility easements) as may be required by governmental authorities or utility providers in connection with the construction of, or the furnishing of utilities to, the Facility, as described in a certificate signed by an authorized officer of the Borrower; and

(j) Any banker's lien arising in connection with the establishment and maintenance of depository bank accounts in the ordinary course of business.

"Permitted Investments" means any obligations which have been assigned to a rating category no less than an "investment grade" category assigned by Standard & Poor's Corporation, Moody's Investors Services, or any other similar rating service.

"Person" means any natural person, corporation, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity as in the context may be appropriate.

"Pledged Revenues" means and shall include:

(a) The Gross Revenues received by the Borrower in connection with the Borrower's ownership and or operation of the Facility;

(b) The payments required to be made by the Borrower under the Loan Agreement except payments to be made to the Trustee for services rendered as Trustee under the Indenture and as Bond Registrar and paying agent for the Series 2015 Bonds and except for expenses, indemnification and other payments required to be made to the Issuer pursuant to the Loan Agreement;

(c) The payments required to be made by the Guarantors under the Limited Guaranty Agreement;

(d) Any proceeds which arise upon the foreclosure of the Security Deed, or with respect to any disposition of the Trust Estate and from any action against the Borrower for any deficiency;

(e) The proceeds of insurance required to be carried pursuant to the Loan Agreement and the proceeds of condemnation awards or sale in lieu of condemnation also described in the Loan Agreement; and

(f) Amounts on deposit in the trust funds created under the Indenture.

"Premises" means the real and personal property and fixtures used in the trade or business described in the Security Deed.

"President" means the President of the Issuer.

"Principal" whenever used with reference to the Series 2015 Bonds or any portion thereof, shall be deemed to include "and the redemption premium (if any)".

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee in Tulsa, Oklahoma, at which, at any particular time, its corporate trust business shall be administered, which office, at the time of the execution of the Indenture, has an address of 1010 Grand Boulevard, 4th Floor, Tulsa, Oklahoma 64106.

"Project" means and includes: (a) financing the costs of acquiring, renovating and expanding the Facility; (b) providing certain initial deposits into the funds and accounts established under the Indenture, including a debt service reserve fund for the Series 2015 Bonds; and (c) paying certain costs of issuance of the Series 2015 Bonds.

"Project Fund" means the Project Fund created by the Indenture.

"Record Date" means, with respect to each semi-annual payment of interest on the Series 2015 Bonds, the fifteenth day of the month immediately preceding the month in which such payment of interest is to be made.

"Rehabilitation Period" means the period between the beginning of the rehabilitation of the Facility or the date of issuance and delivery of the Bonds (whichever is earlier) and the Completion Date.

"Redemption Date" means the date fixed, pursuant to the Indenture, for the redemption of any Bonds.

"Resolution" means that certain Bond Resolution adopted by the Issuer with respect to the Bonds on October 8, 2014.

"Reserved Rights" means (a) all rights of the Issuer set forth as such in the Loan Agreement, (b) the right of the Issuer to receive notices, reports or other information under the Indenture, the Loan Agreement, the Security Deed, and the Limited Guaranty Agreement, (c) all rights of the Issuer to enforce (other than the declaration of a default under the Loan Agreement or the Security Deed) the representations, warranties, covenants and agreements of the Borrower pertaining in any manner or way, directly or indirectly, to the tax-exempt status of interest on the Series 2015A Bonds set forth in the Loan Agreement or in any other certificate or agreement executed by the Borrower, (d) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Loan Agreement, the Security Deed, the Loan Agreement, or the Limited Guaranty Agreement, and (e) all enforcement remedies with respect to the foregoing.

"Revenue Fund" means the Revenue Fund created in the Indenture.

"Secretary" means the Secretary of the Issuer.

"Security interest" or "security interests" refers to the security interests created under the Indenture and in the Security Deed and shall have the meaning set forth in the U.C.C..

"Series 2015 Bonds" or "Bonds" means the aggregate of the Series 2015A Bonds and the Series 2015B Bonds.

"Series 2015A Bonds" or "Series A Bonds" means the \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF, LLC Project), Series 2015A.

"Series 2015B (Taxable) Bonds" or "Series B Bonds" means the \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF, LLC Project), Taxable Series 2015B.

"State" means the State of Georgia.

"Taxable Rate" means twelve percent (12.00%) per annum.

"Trade Payables" means amounts due vendors of goods and services to the Facility, but excluding payroll, payroll-related costs, accrued real estate taxes and amounts being contested in good faith by appropriate proceedings.

"Trustee" means the party so named and designated in the first paragraph of the Indenture and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Trust Estate" means the property described in the granting clauses of the Indenture.

"Underwriter" means Lawson Financial Corporation, the initial purchaser of the Series 2015 Bonds, provided however, that (i) in the event that such firm ceases active business leaving no successor, the provisions of the Indenture and the Loan Agreement that relate to the Underwriter shall no longer be in force and effect and (ii) in the event that any firm or corporation succeeds to the business of the Underwriter by assignment, merger or otherwise, such firm or corporation shall be deemed to be the Underwriter.

"U.C.C." means the Uniform Commercial Code of the State, as now or hereafter amended.

**Copies of Principal Documents.**

SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY,  
as Issuer

and

BOKF, NA DBA BANK OF OKLAHOMA,  
as Trustee

TRUST INDENTURE

\$6,465,000

SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY  
FIRST MORTGAGE REVENUE BONDS  
(SAVANNAH ALF LLC PROJECT),  
SERIES 2015A

and

\$535,000 SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY  
FIRST MORTGAGE REVENUE BONDS  
(SAVANNAH ALF LLC PROJECT),  
SERIES 2015B (TAXABLE)

Dated as of January 1, 2015

This instrument was prepared by:

Sell & Melton, L L P  
577 Mulberry Street  
Fickling & Co Building, 14th Floor  
P O Box 229  
Macon, Georgia 31202-0229  
Telephone: (478) 464-5342, direct  
Facsimile: (478) 464-5382, direct  
Email: [rcmiller@sell-melton.com](mailto:rcmiller@sell-melton.com)

SECTION	TITLE	PAGE
GRANTING CLAUSE I		3
GRANTING CLAUSE II		3
GRANTING CLAUSE III		3
GRANTING CLAUSE IV		3
GRANTING CLAUSE V		3
ARTICLE I	DEFINITIONS AND CERTAIN RULES OF INTERPRETATION	4
Section 101	Definitions	4
Section 102	Certain Rules of Interpretation	14
ARTICLE II	THE BONDS	14
Section 201	Authorized Amount of Bonds	14
Section 202	Issuance of Bonds	15
Section 203	Execution; Limited Obligation	16
Section 204	Authentication	17
Section 205	Form of Bonds	17
Section 206	Delivery of Bonds	39
Section 207	Mutilated, Lost, Stolen or Destroyed Bonds	40
Section 208	Exchangeability and Transfer of Bonds; Persons Treated as Owners	40
Section 209	Book - Entry - Only System	41
ARTICLE III	REDEMPTION OR PURCHASE OF BONDS BEFORE MATURITY	43
Section 301	Redemption Dates and Prices	43
Section 302	Notice of Redemption	44
Section 303	Cancellation	44
Section 304	Mandatory Redemption	44
Section 305	Optional Redemption Prior to Maturity	45
Section 306	Payment of Bonds Upon Redemption	46
Section 307	Redemption	46
Section 308	Option to Prepay Installment Amounts Under Agreement in Whole in Certain Events	46
ARTICLE IV	GENERAL AGREEMENTS	46
Section 401	Payment of Principal and Interest	46
Section 402	Performance of Agreements; Authority	47

Section 403	Priority of Pledge and Security Interest	47
Section 404	Rights Under Agreement and SecurityDeed	47
Section 405	Maintenance of Insurance; Payment of Taxes, Charges, etc	47
Section 406	Maintenance and Repair	47
Section 407	Insurance and Condemnation Proceeds	48
Section 408	Covenants Regarding Maintenance of Borrower's Existence	48
Section 409	Indemnification of Issuer and Trustee	48
ARTICLE V	REVENUES AND FUNDS	49
Section 501	Source of Payment of Bonds	49
Section 502	Creation of the Bond Fund	49
Section 503	Payments into the Bond Fund	50
Section 504	Use of Moneys in the Bond Fund	50
Section 505	Non-presentment of Bonds at Final Maturity	51
Section 506	Trustee's and Paying Agents' Fees, Charges and Expenses	51
Section 507	Moneys to Be Held in Trust	51
Section 508	Payments to the Borrower from the Bond Fund	51
Section 509	Creation of the Revenue Fund	52
Section 510	Creation of Ad Valorem Tax Fund	52
Section 511	Creation of Arbitrage Rebate Fund	52
ARTICLE VI	CUSTODY AND APPLICATION OF PROCEEDS OF BONDS	52
Section 601	Creation of the Project Fund	52
Section 602	Disposition of Bond Proceeds	52
Section 603	Disbursements from Project Fund	52
Section 604	Completion of the Project	53
Section 605	Creation of Special Fund	53
Section 606	Creation of Debt Service Reserve Fund	53
Section 607	Creation of Working Capital Fund	54
ARTICLE VII	INVESTMENTS	54
Section 701	Project Fund and Debt Service Reserve Fund Investments	54
Section 702	Bond Fund Investments	54
Section 703	Non-Arbitrage Covenant; Compliance with Special Arbitrage Rules	55
ARTICLE VIII	DISCHARGE OF LIEN	55
Section 801	Discharge of Lien and Security Interests	55

Section 802	Provision for Payment of Bonds	56
Section 803	Discharge of the Indenture	56
ARTICLE IX	DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS	57
Section 901	Defaults; Events of Default	57
Section 902	Other Remedies	57
Section 903	Rights of Bondholders	57
Section 904	Rights of Bondholders to Direct Proceedings	58
Section 905	Appointment of Receivers	58
Section 906	Waiver of Benefit of Laws	58
Section 907	Application of Moneys	58
Section 908	Rights and Remedies Vested in Trustee	60
Section 909	Rights and Remedies of Bondholders	60
Section 910	Termination of Proceedings	61
Section 911	Waivers of Events of Default	61
Section 912	Notice of Defaults; Opportunity of Issuer and Borrower to Cure Defaults	61
Section 913	Bondholder Lists	62
ARTICLE X	THE TRUSTEE	62
Section 1001	Acceptance of the Trusts	62
Section 1002	Fees, Charges and Expenses of Trustee	65
Section 1003	Notice to Bondholders If Default Occurs	66
Section 1004	Intervention by Trustee	66
Section 1005	Successor Trustee	66
Section 1006	Resignation by the Trustee	66
Section 1007	Removal of the Trustee	66
Section 1008	Appointment of Successor Trustee by the Bondholders; Temporary Trustee	67
Section 1009	Concerning Any Successor Trustee	67
Section 1010	Right of Trustee to Pay Taxes and Other Charges	67
Section 1011	Trustee Protected in Relying Upon Resolutions, etc	68
Section 1012	Successor Trustee, as Custodian of Funds, Paying Agent and Bond Registrar	68
Section 1013	Filing of Certain Continuation Statements	68

Section 1014	Supplying of Names and Addresses Bondholders Desiring Certain Financial Information	68
Section 1015	Trustee Entitled to Indemnity	68
Section 1016	Appointment of Co-Trustee	69
ARTICLE XI	MEETINGS OF BONDHOLDERS	70
Section 1101	Purposes for Which Bondholders' Meetings May Be Called	70
Section 1102	Place of Meetings of Bondholders	70
Section 1103	Call and Notice of Bondholders' Meetings	70
Section 1104	Persons Entitled to Vote at Bondholders' Meetings	71
Section 1105	Determination of Voting Rights; Conduct and Adjournment of Meetings	71
Section 1106	Counting Votes and Recording Action of Meetings	72
Section 1107	Revocation by Bondholders	72
ARTICLE XII	SUPPLEMENTAL INDENTURES	73
Section 1201	Supplemental Indentures Not Requiring Consent of Bondholders	73
Section 1202	Supplemental Indentures Requiring Consent of Bondholders	73
Section 1203	Trustee Authorized to Join in Supplements, Reliance on Counsel	74
ARTICLE XIII	AMENDMENT OF AGREEMENT AND SECURITY DEED	75
Section 1301	Amendments, etc , to Agreement and Security Deed Not Requiring Consent of Bondholders	75
Section 1302	Amendments, etc , to Agreement and Security Deed Requiring Consent of Bondholders	76
Section 1303	Trustee Authorized to Join in Amendments, Reliance on Counsel	76
ARTICLE XIV	MISCELLANEOUS	76
Section 1401	Consents, etc , of Bondholders	76
Section 1402	Issuer's Obligations Limited	77
Section 1403	Immunity of Directors, Officers or Employees of Issuer	77
Section 1404	Limitation of Rights	78
Section 1405	No Liability of Issuer	78
Section 1406	Severability	78
Section 1407	Notices	78
Section 1408	Trustee as Paying Agent and Bond Registrar	79
Section 1409	Payments Due on Saturdays, Sundays and Holidays	79
Section 1410	Counterparts	79
Section 1411	Laws Governing Indenture	79

#### TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture"), dated as of January 1, 2015, made and entered into between SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY, GEORGIA, a public body, corporate and politic created pursuant to Ga. Laws 1951, page 854, et seq., as amended, and other applicable provisions of law (the "Issuer") and BOKF, NA DBA BANK OF OKLAHOMA, a national banking association with a corporate trust office in Tulsa, Oklahoma (the "Trustee")

#### WITNESSETH:

WHEREAS, the Issuer, by due corporate action, has authorized (1) the funding of the acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419 with a twenty percent (20%) set aside for low to moderate income earners, (2) the funding of various trust accounts with the Trustee, including the Debt Service Reserve Fund (hereinafter defined), for the hereinafter defined Bonds, and (3) the payment of certain costs related to the issuance of the Bonds (hereinafter the "Project") to be financed through the Issuer for the benefit of Savannah ALF LLC, a Georgia limited liability company (the "Borrower"), pursuant to a Loan Agreement, dated as of January 1, 2015 (the "Agreement"); and

WHEREAS, after study and investigation of the nature of the proposed Project, the Issuer has determined that, in assisting with the financing of the Project, it will be acting in furtherance of the public purposes intended to be served by the Act, and

WHEREAS, the Issuer has been advised by the Borrower that the amount necessary to finance the cost of the Project, is \$7,000,000, and, by proper corporate action, the Issuer has authorized the issuance and sale of the \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the "Series 2015A Bonds") and \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the "Series 2015B Bonds") (the Series 2015A Bonds and Series 2015B Bonds being collectively referred to as the "Bonds"), the proceeds of which will be used to finance the cost of the Project; and

WHEREAS, the Issuer has entered into the Agreement with the Borrower under the terms of which the Issuer has agreed to finance the cost of the Project through the issuance of the Bonds and, in consideration thereof, the Borrower has agreed to pay to the Issuer moneys sufficient to pay the principal of, the redemption premium (if any) and the interest on, the Bonds as the same become due and payable and to pay certain administrative expenses in connection with the Bonds; and

WHEREAS, the Borrower and the "Management Company" (hereinafter defined) will enter into a "Management Agreement" (hereinafter defined) whereby any fees payable to the Management Company will be subordinated to the payment of the debt service on the Bonds; and

WHEREAS, the Borrower has executed and delivered a Deed to Secure Debt and Security Agreement, dated as of January 1, 2015 (the "Security Deed"), pursuant to the terms of which the Borrower has through the Issuer conveyed to the Trustee a security title to and security interest in that portion of the Project consisting of real property, all improvements thereon, and certain personal property as security for the payments required to be made under the Agreement; and

WHEREAS, as security for the payment of the Bonds, the Issuer has agreed to assign and pledge to the Trustee all right, title and interest of the Issuer in (a) the Agreement (except certain rights reserved by the Issuer under the terms of this Indenture), together with the Agreement and the Security Deed, (b) the "Pledged Revenues" (hereinafter defined), and (c) all amounts on deposit from time to time in the "Project Fund" (hereinafter defined); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued and delivered as in this Indenture provided, the legal, valid, binding and enforceable limited obligations of the Issuer, according to the import thereof, and to create a valid assignment and pledge of the Pledged Revenues to the payment of the principal of, and the redemption premium (if any) and the interest on, the Bonds and a valid assignment of certain of the rights, title and interest of the Issuer in the Agreement and the Security Deed, have been done and performed, and the execution and delivery of this Indenture and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been authorized;

NOW, THEREFORE, KNOW ALL BY THESE PRESENTS, THIS INDENTURE WITNESSETH:

That the Issuer, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the holders thereof, and of the sum of TEN DOLLARS (\$10 00), lawful money of the United States of America, to it paid by the Trustee, at or before the execution and delivery of these presents, and for other good and valuable consideration the receipt of which are hereby acknowledged, in order to secure the payment of the principal of, and the redemption premium (if any) and the interest on, the Bonds and all other amounts payable by the Issuer pursuant to the terms of the Bonds and/or this Indenture according to their tenor and effect and to insure the performance and observance by the Issuer of all the agreements expressed or implied herein and in the Bonds, has given, granted, assigned and pledged and does by these presents give, grant, assign and pledge to the Trustee, and to its successors in the trusts hereby created, and to them and their assigns forever:



#### GRANTING CLAUSE I

All right, title and interest of the Issuer in the Agreement, together with the Agreement itself, and all amendments, modifications and renewals thereof, reserving, however, the rights (a) providing that notices, approvals, consents, requests and other communications be given to the Issuer, and (b) of the Issuer under Sections 4.3, 5.2 and 6.4 of the Agreement

#### GRANTING CLAUSE II

All right, title and interest of the Issuer in the Limited Guaranty Agreement and Security Deed and the property described therein, together with the Security Deed itself

#### GRANTING CLAUSE III

All right, title and interest of the Issuer in the Pledged Revenues

#### GRANTING CLAUSE IV

All amounts on deposit from time to time in the Special Fund, Bond Fund, Revenue Fund, Debt Service Reserve Fund, Ad Valorem Tax Fund and Project Fund, subject to the provisions of this Indenture and the Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein

#### GRANTING CLAUSE V

Any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind, given, granted, assigned and pledged as and for additional security hereunder, by the Issuer or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby given, granted, assigned and pledged or agreed or intended so to be, to the Trustee and its successors in said trusts and to them and their assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all holders of the Bonds issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Bonds over any of the others except as herein expressly provided;

PROVIDED, HOWEVER, that when the principal of, and the interest on, all of the Bonds secured hereby have been paid or shall be deemed to have been paid in accordance with the terms and provisions of this Indenture, then this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture shall be of full force and effect

-3-

“Bond Rates” means the interest rates of 7.250% per annum in the case of the Series 2015A Bonds and at the interest rate of 8.250% per annum in the case of the Series 2015B Bonds;

“Bond Registrar” means the Trustee;

“Bond Year” means January 2 through January 1 of each year that the Bonds are Outstanding, except in the case of the first Bond Year, which shall begin on the date of the issuance of the Bonds and end on January 1, 2015;

“Bondholder” or “holder of the Bonds” or “holder” means the registered owner of any Bond;+

“Bonds” or “Series 2015 Bonds” means the Series 2015A Bonds and Series 2015B Bonds of the Issuer issued hereunder in the aggregate face amount of \$7,000,000. Any percentage of Bonds, specified herein for any purpose, is to be figured on the aggregate principal amount of Bonds then outstanding;

“Borrower” means Savannah ALF LLC, a Georgia limited liability company;

“Capitalized Interest Fund” means the Capitalized Interest Fund created by Section 607 hereof;

“Chairman” means the Chairman of the Issuer;

“City” means the City of Savannah, Georgia;

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable Income Tax Regulations thereunder;

“Completion Period” means the period between the date of issuance and delivery of the Bonds;

“Co-Trustee” means any entity appointed as co-trustee by the Trustee pursuant to Section 1016 hereof, its successors or assigns;

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia;

“County” means Chatham County, Georgia;

“Debt Service Requirement” means the maximum principal and interest coming due on the Bonds in the coming Bond Year;

-5-

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all property hereby given, granted, assigned or pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and DOES HEREBY AGREE with the Trustee and with the respective holders, from time to time, of the Bonds or any part thereof, as follows, that is to say:

#### ARTICLE I

##### DEFINITIONS AND CERTAIN RULES OF INTERPRETATION

Section 101. Definitions In addition to the words and terms elsewhere defined herein, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Agreement shall have the same meanings as assigned to them in the Agreement when used herein unless the context or use clearly indicates another or different meaning or intent:

“Act” means Ga. Laws 1951, page 854, et seq., as amended, and other applicable provisions of law (the “Act”);

“Act of Bankruptcy” means the filing of a petition in bankruptcy under the *United States Bankruptcy Code* or the commencement of a proceeding under any other applicable law now or hereafter in effect concerning insolvency, reorganization or bankruptcy by or against the Borrower or the Issuer, as debtor;

“Ad Valorem Tax Fund” means the Ad Valorem Tax Fund created in Section 510 hereof;

“Agreement” means the hereinbefore-mentioned Loan Agreement, of even date herewith, between the Issuer and the Borrower, including any amendments thereto;

“Arbitrage Rebate Fund” means the Arbitrage Rebate Fund created in Section 511 hereof;

“Bond Fund” means the Bond Fund created in Section 502 hereof;

“Bond Payment Date” means any date on which, pursuant to the provisions hereof, there shall be due and payable to the Bondholders any payment of principal (including any mandatory sinking fund payment), premium or interest on account of the Bonds;

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated January 13, 2015, among the Issuer, Lawson Financial Corporation, 3352 E. Camelback Road, Phoenix, Arizona 85018 (hereinafter “Underwriter”), and the Borrower;

-4-

“Debt Service Reserve Fund” means the Debt Service Reserve Fund created in Section 606 hereof;

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an event of default;

“Determination of Taxability” means a determination that the interest income on any of the Series 2015A Bonds is subject to Federal income taxation, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which the Trustee is notified that an attorney or a law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations is unable to deliver an opinion requested of it that the interest on the Series 2015A Bonds qualifies as exempt interest under Section 103 of the Code, it being understood that no such attorney or firm is under any obligation to deliver such opinion unless retained specifically to do so; or

(b) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public ruling or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code; or

(c) the date on which the Borrower receives notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or is advised by any Bondholder or former Bondholder that the Internal Revenue Service has issued a notice of deficiency or similar notice which asserts that the interest on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code; provided, however, that, should the Borrower elect to contest, at its own expense, any determination of taxability made pursuant to subparagraphs (a), (b) or (c) of this paragraph and shall deliver to the Trustee a letter of credit from a bank acceptable to the Trustee, and approved by the holders of more than fifty percent (50%) of the outstanding principal amount of the Series 2015A Bonds in an amount sufficient to provide for the payment of additional interest which would be required to be paid on the Series 2015A Bonds as a result of a Determination of Taxability (calculated at 12.00% per annum from the Event of Taxability), then no determination of taxability shall be deemed to have occurred unless such contest has been finally determined;

“Event of Default” means the events specified in Section 901, subject to the terms of Section 912;

“Event of Taxability” means the date on which the interest income on the Series 2015A Bonds becomes subject to Federal income taxation as a result of any of the following conditions or circumstances:

-6-

(a) the Series 2015A Bonds constitute an “arbitrage bond” within the meaning of Section 148 of the Code; or

(b) more than 25% of the net proceeds of the sale of the Series 2015A Bonds are used to provide a facility the primary purpose of which is one of the following: retail food and beverage services (including eating and drinking places, but excluding grocery stores), automobile sales or service, or the provision of recreation or entertainment; or

(c) any portion of the net proceeds of the sale of the Series 2015A Bonds is used to provide the following: any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack; or

(d) any portion of the net proceeds of the sale of the Series 2015A Bonds is used (directly or indirectly) for the acquisition of land (or an interest therein) to be used for farming purposes, or 25% or more of the net proceeds of the sale of the Series 2015 Bonds is used (directly or indirectly) for the acquisition of land (or an interest therein) other than land to be used for farming purposes; or

(e) any portion of the net proceeds of the sale of the Series 2015A Bonds is used for the acquisition of any property the first use of which property is not pursuant to such acquisition, except with respect to any building (and the equipment therefor) if the completion expenditures with respect to such building equals or exceeds 15% of the portion of the cost of acquiring such building (and equipment) financed with the proceeds of the issue; or

(f) any portion of the net proceeds of the sale of the Series 2015A Bonds is used to provide any airplane, skybox or other luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or

(g) the taking of any action by the Issuer, the Borrower or any person acting on the Borrower's behalf or upon the Borrower's direction, or the failure of the Issuer, the Borrower or any such person to take any action, or any mistake in or untruthfulness of any representation of the Issuer or the Borrower contained in this Indenture or in any certificate of the Issuer or the Borrower delivered pursuant to this Indenture or in connection with the issuance of the Series 2015A Bonds, if such act or omission, or such mistake in or untruthfulness of such representation, has the effect of causing the interest income on the Series 2015A Bonds to be or become subject to Federal income taxation; or

(h) as a result of a change in the tax laws of the United States; or

(i) any other condition or circumstance that results in a Determination of Taxability;

-7-

and not an employee on a full-time basis of either the Issuer or the Borrower (but who or which may be regularly retained by either);

“Interest Payment Date” means the first day of each month, commencing March 1, 2015, that the Bonds are Outstanding;

“Issuer” means Savannah Economic Development Authority a public body, corporate and politic organized and existing under the constitution and laws of the State of Georgia, its successors and assigns;

“Land Use Restriction Agreement” means that certain Land Use Restriction Agreement, dated as of January 1, 2015, between the Borrower and the Trustee;

“Land Use Restrictions” means certain general covenants, specific covenants and other agreements with respect to the Project and the use and operation thereof, described as the following:

(a) General Covenants - The Issuer and Borrower covenant to the following:

(i) to comply with respect to the Project with 142(d) of the Code and applicable regulations thereunder for the longer of the remaining term of the Series 2015A Bonds or the end of the Qualified Project Period, subject to prior termination upon the occurrence of certain events described in the Land Use Restrictions; and

(ii) to not knowingly take or permit any action to be taken which would adversely affect the exemption of interest under 142(d) of the Code from federal income taxation. The Issuer and the Borrower, each for its own part, agrees to take any lawful actions, including amending the Land Use Restrictions, as is necessary, in the opinion of a nationally-recognized bond counsel, to comply fully with all applicable requirements affecting the federal tax exemption of interest on the Series 2015A Bonds under 142(d) of the Code

(b) Specific Covenants - The Borrower makes certain representations, covenants, and warranties to the following:

(i) the Facility is being acquired, rehabilitated, and installed for the purpose of providing “residential rental property” as such phrase is used in 142(d) of the Code; the Borrower will own the entire Project for federal tax purposes; and the Borrower will own, manage, and operate the Project as a project to provide residential rental property consisting of similarly constructed residential dwelling units and facilities functionally related and subordinate thereto, in accordance with 142(d);

(ii) none of the dwelling units in the Facility will be used on a transient basis or leased or rented for a period of less than thirty (30) days;

-9-

provided, however, that no Event of Taxability shall be deemed to have occurred with respect to the Series 2015A Bonds if the interest income thereon shall be subject to Federal income taxation for any period solely because during that period the Series 2015A Bonds were held by a person who is a “Substantial User” or a “Related Person,” as those terms are defined in the Code;

“Facility” means the acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419;

“Financing Statements” means any and all financing statements (including continuation statements) filed for record from time to time to perfect the security interests created or assigned hereunder or pursuant hereto;

“Funds Available for Debt Service” means in any period the Pledged Revenues for such period, minus the Borrower's operating expenses (as set forth in the Operating Budget required by Section 5.4 of the Agreement), plus, to the extent included in such Operating Expenses, depreciation and amortization, interest on long-term indebtedness (including the Series 2015 Bonds), amortization of discount and financial expenses incurred in connection with the issuance of long-term indebtedness, and other non-cash expense deducted in accordance with generally accepted accounting principles consistently applied;

“Government Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, or (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and the interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any security described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations in either case, are not subject to redemption prior to maturity at less than par by anyone other than the holder;

“Gross Revenues” means the gross revenues received by the Borrower and/or Manager in connection with the management or operation of the Facility;

“Indenture” means this Trust Indenture and any indentures supplemental hereto;

“Independent Auditor” means a certified public accountant, or firm thereof, who or which is “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to either the Issuer or the Borrower (but who or which may be regularly retained by either);

“Independent Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia

-8-

(iii) no part of the Facility will be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or court for use on a transient basis;

(iv) the Borrower will rent continuously or make available for rent on a continuous basis the dwelling units in the Facility to members of the general public for the longer of the remaining term of the Series 2015A Bonds or the Qualified Facility Period (the “Rental Restrictions Period”); and will not give preference in renting dwelling units in the Facility to any particular class or group of persons, other than persons and families of low and moderate income, elderly persons, and a resident manager and maintenance personnel;

(v) for the Qualified Facility Period, at least 20% (15% if the Facility is, or subsequently becomes, a “targeted area project,” as defined in Treas Regs §1 103-8(b)(8)(iii)) of the completed and occupied dwelling units in the Facility shall be occupied or held for occupancy by Low or Moderate Income Tenants;

(vi) the Borrower has designed and will maintain the Facility so that the dwelling units to be rented to Low or Moderate Income Tenants will be intermingled with all other dwelling units in the Facility, and the tenants in such dwelling units will enjoy equal access to all common facilities of the Facility; the Borrower agrees that there will be no material changes to the design of the Facility hereafter without an unqualified opinion of nationally-recognized bond counsel, a copy of which shall be provided to the Issuer and the Trustee, that the proposed changes will not adversely affect the tax-exempt status of the interest payable on the Series 2015A Bonds;

(vii) to obtain and maintain on file and available for inspection by the Issuer or the Trustee, income certifications from each Low or Moderate Income Tenant residing in the Facility in the form and manner required by Treasury Regulation 1.167(k)-3(b) or in such other form and manner as may be required by applicable rules, regulations, or policies promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under 142(d) of the Code;

(viii) to provide in each lease to a Low or Moderate Income Tenant that a material misrepresentation in such tenant's income certification will be grounds for default and eviction (the enforcement of such provisions, however, being subject to limitations under applicable law);

(ix) to the extent permitted by law, to obtain from each Low or Moderate Income Tenant residing in the Facility and maintain on file and available for inspection by the Issuer or the Trustee, a copy of such Low or Moderate Income Tenant's federal income tax return (or other documents and records acceptable to the Trustee and the Issuer) for the taxable year immediately preceding such Low or Moderate Income Tenant's initial occupancy in the Facility, or, in the event that a Low or Moderate Income Tenant certifies that he or she did not file or did not retain a copy of such tax return, to obtain and maintain on file alternate independent evidence

-10-

of such Low or Moderate Income Tenant's income for such year, such as wage statements or employer records;

(x) to prepare and submit to the Issuer and to the Trustee, at the end of each month, a certificate executed by the Borrower stating the percentage of the dwelling units of the Facility that were occupied by Low or Moderate Income Tenants (or that were during such month occupied by, or held vacant and available for occupancy by, Low or Moderate Income Tenants) at all times during such month; and

(xi) immediately upon discovering any violation of any of the covenants, restrictions, and representations set forth in the Land Use Restrictions, to notify the Trustee and the Issuer in writing of such violation

For purposes of the Land Use Restrictions, a dwelling unit occupied by an individual or family who at the beginning of its occupancy is a Low or Moderate Income Tenant shall be treated as occupied by a Low or Moderate Income Tenant during such individual's or family's tenancy in such unit even if the individual or family, as the case may be, subsequently ceases to qualify as a Low or Moderate Income Tenant. In addition, such unit shall be treated as occupied by a Low or Moderate Income Tenant until reoccupied, other than for a temporary period of not exceeding thirty-one days, by another occupant, at which time the character of the unit shall be redetermined according to the provisions of this section

The Land Use Restrictions and the covenants contained therein shall run with the land and shall inure to the benefit of and shall be binding upon the legal representatives, successors, and assigns of all parties thereto. No part of the Facility shall be voluntarily transferred by the Borrower prior to expiration of both the Rental Restrictions Period and the Qualified Facility Period unless prior thereto or simultaneously therewith the transferee enters into an agreement, in form acceptable to the Issuer and the Trustee, assuming all obligations of the Borrower under the Land Use Restrictions with respect to the transferred property

"Limited Guaranty Agreement" means the Limited Guaranty Agreement, dated as of January 1, 2015, pursuant to which the Guarantors, subject to conditions set forth in the Limited Guaranty Agreement, have agreed to guarantee the prompt payment, as and when due, of all of the payments due under the Loan Agreement

"Management Agreement" means the Management Agreement between the Borrower and the Management Company for the management of the Facility on behalf of the Borrower, dated as of January 1, 2015;

"Management Company" means Oxton Court of Savannah LLC, a Georgia limited liability company;

"Official Statement" means the Official Statement of the Issuer, dated January 16, 2015, which relates to the Bonds;

-11-

all investment transactions made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The investments described in this paragraph of the definition of Permitted Investments may be made by the Trustee only if permitted by State law;

"Person" means any natural person, corporation, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity as in the context may be appropriate;

"Pledged Revenues" means and shall include:

(a) the Gross Revenues received by the Borrower and/or Management Company in connection with the management or operation of the Facility, the payments required to be made by the Borrower under the Agreement except payments to be made to the Trustee for services rendered as Trustee under the Indenture and as Bond Registrar and paying agent for the Bonds and except for expenses, indemnification and other payments required to be made pursuant to Sections 4.3, 5.2 and 6.4 of the Agreement;

(b) any proceeds which arise upon the foreclosure of the Security Deed, or with respect to any disposition of the Trust Estate and from any action against the Borrower for any deficiency;

(c) the proceeds of insurance required to be carried pursuant to Section 5.12 of the Agreement and the proceeds of condemnation awards or sale in lieu of condemnation also described in Section 5.13 of the Agreement; and

(d) amounts on deposit in the trust funds created herein;

"Premises" means the real and personal property and fixtures used in the trade or business described in the Security Deed;

"President" means the President of the Issuer;

"Principal" whenever used with reference to the Bonds or any portion thereof, shall be deemed to include "and the redemption premium (if any)."

"Principal office of the Trustee" means the principal corporate trust office of the Trustee in Tulsa, Oklahoma at which at any particular time its corporate trust business shall be administered, which office at the time of the execution of this Indenture has an address of One Williams Center, 10SW, Tulsa, Oklahoma 74012;

"Project" means the Project as defined in the Agreement, as it may at any time exist;

"Project Fund" means the Project Fund created by Section 601 hereof;

-13-

"Outstanding" when used with reference to the Bonds at any dates on which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee hereunder, except:

(a) Bonds canceled on or prior to such date;

(b) Bonds for the payment or redemption of which sufficient moneys and/or Government Obligations meeting the terms and conditions specified in Section 802 shall have been theretofore transferred or deposited into the special account established in the Bond Fund (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in lieu of which others have been authenticated under Section 207 or 208; and

(d) For the purposes of any consent or other action to be taken by the holders of a specified percentage of outstanding Bonds hereunder, all Bonds held by or for the Issuer or the Borrower, except that for purposes of any such consent or action the Trustee shall be obligated to consider as not being outstanding only Bonds known by the Trustee to be so held;

"Payment in full of the Bonds" specifically encompasses the situations referred to in Section 5.7 of the Agreement and in Section 802 hereof;

"Permitted Investments" means any obligations which have been assigned to a rating category no less than an "investment grade" category assigned by Standard & Poor's Corporation, Moody's Investors Services, or any other similar rating service;

The Trustee may make investments permitted by this definition through its own bond department or the bond department of any bank or trust company under common control with the Trustee. Investments will be made so as to mature or be subject to redemption at the option of the holder on or before the date or dates that the Trustee anticipates that moneys from the investments will be required. The Trustee, when authorized by the Borrower, may trade with itself in the purchase and sale of securities for such investment. Investments will be registered in the name of the Trustee and held by or under the control of the Trustee. The Trustee will sell and reduce to cash a sufficient amount of investments whenever the cash held by the Trustee is insufficient. The Trustee shall not be liable for any loss from such investments to the extent directed by the Borrower and to the extent such directions have been complied with by the Trustee. The Issuer (and the Borrower by its execution of the Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower acknowledge that such parties will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Issuer (if requested by it) and the Borrower periodic cash transaction statements which include detail for

-12-

"Record Date" means the fifteenth day of the calendar month next preceding each interest payment date on the Bonds;

"Revenue Fund" means the Revenue Fund created in Section 509 hereof;

"Secretary" means the Secretary or Assistant Secretary of the Issuer;

"Security Deed" means the Deed to Secure Debt and Security Deed, of even date herewith, from the Borrower to the Issuer and Trustee, including any amendment thereto;

"Security Interest" or "security interests" refers to the security interests created herein and in the Security Deed and shall have the meaning set forth in the U.C.C.;

"Series 2015A Bonds" or "Series A Bonds" means the \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC), Series 2015A;

"Series 2015B Bonds" or "Series B Bonds" means the \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B;

"Special Fund" means the Special Fund created in Section 605 hereof;

"State" means the State of Georgia;

"Taxable Rate" means twelve percent (12.00%) per annum;

"Trustee" means the party so named and designated in the first paragraph hereof and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party;

"Trust Estate" means the property described in the granting clauses hereof;

"Underwriter" means Lawson Financial Corporation, Phoenix, Arizona

"U.C.C." means the Uniform Commercial Code of the State, as now or hereafter amended; and

Section 102. Certain Rules of Interpretation The definitions set forth in Section 101 shall be equally applicable to both the singular and plural forms of the words and terms therein defined and shall cover all genders

"Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular Article, Section or subdivision hereof in which such word is used

-14-

Reference herein to an Article number (e.g., Article IV) or a Section number (e.g., Section 702) shall be construed to be a reference to the designated Article number or Section number hereof unless the context or use clearly indicates another or different meaning or intent

## ARTICLE II

### THE BONDS

**Section 201. Authorized Amount of Bonds** No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total principal amount of Bonds that may be issued hereunder is expressly limited to \$7,000,000, subject to the provisions of Sections 207 and 208

**Section 202. Issuance of Bonds** The Bonds (i) shall be designated “\$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC), Series 2015A” (the “Series 2015A Bonds”) and “\$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B” (the “Series 2015B Bonds”) (the Series 2015A Bonds and Series 2015B Bonds being collectively referred to as the “Bonds”), (ii) as originally issued hereunder shall be dated the date of original issuance and delivery, (iii) shall bear interest from date (or, in the event a Bond is authenticated after a Record Date but before the next interest payment date, such Bond shall bear interest from such next interest payment date), until paid, at the rates of 7.250% per annum in the case of the Series 2015A Bonds and at the interest rate of 8.250% per annum in the case of the Series 2015B Bonds, such interest to be payable on March 1, 2015, and continuing on the first day of each month thereafter, through January 1, 2045, in the case of the Series 2015A Bonds, and through January 1, 2023, in the case of the Series 2015B Bonds, and shall bear interest on overdue principal and, to the extent legally enforceable, on overdue installments of interest and other amounts payable under the Bonds, for each day until paid at the rate of interest borne by the Bonds, and (iv) shall finally mature on January 1, 2045, in the case of the Series 2015A Bonds, and on January 1, 2023, in the case of the Series 2015B Bonds, subject to extraordinary, optional and mandatory redemption prior to maturity in accordance with Article III. The interest rate on the Bonds (the “Bond Rate”) shall be that annual rate as set forth in each form of Bond and shall be based on a 360-day year comprised of twelve 30-day months

Anything herein or in the Bonds to the contrary notwithstanding, the obligation of the Issuer hereunder shall be subject to the limitation that payments of interest to the holder of any Bond shall not be required to the extent that the receipt of any such payment by such holder would be contrary to the provisions of law applicable to such holder which limit the maximum rate of interest which may be charged or collected by such holder

The Bonds are subject to the sinking fund provisions of Section 304

The Bonds (including Bonds issued in exchange therefor) shall be issued as registered Bonds without coupons in the minimum denomination of \$5,000 each or any higher integral multiple of \$1,000. The Bonds shall be numbered consecutively from R-1 for both the Series

-15-

The obligation of the Issuer to pay the Bonds and the interest thereon shall not be a general obligation of the Issuer but shall be a limited obligation which shall be payable from, and wholly secured by, the Trust Estate. The Bonds will constitute only a limited obligation of the Issuer and will be payable solely from the Pledged Revenues to be assigned and pledged to the payment thereof and will not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City and the County, and will not directly, indirectly, or contingently obligate said State or any political subdivision thereof, including the City and the County, to levy or to pledge any form of taxation whatever for the payment thereof

**Section 204. Authentication** Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinafter set forth executed by the Trustee shall be entitled to any right or benefit hereunder. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. Said certificate of authentication on any Bond shall be deemed to have been executed by the Trustee if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder

**Section 205. Form of Bonds** The Bonds, the Trustee's certificate of authentication, and the form of assignment shall, at the Trustee's discretion, be in substantially the forms and format hereinafter set forth (the Series A Bond form is followed by the Series B Bond form) with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby and may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon, as may be required to comply with any applicable laws or rules or regulations, or as may, consistently herewith, be determined by the officers executing such Bonds, as evidenced by their execution of the Bonds:

-17-

2015A Bonds and the Series 2015B Bonds upwards in order of issuance according to the records of the Bond Registrar

Every Bond issued in exchange for a Bond as originally issued shall be dated the date of its authentication. The first payment of interest on a Bond shall be due on the interest payment date next succeeding the date of such Bond unless such Bond is dated on an interest payment date, in which case the first payment of interest thereon shall be due on the next succeeding interest payment date, or unless such Bond is dated after a record date but before the next interest payment date, in which case the first payment of interest thereon shall be due on the second succeeding interest payment date. The interest to be paid on an interest payment date shall be computed from the date on which interest was last paid on the Bonds or, if interest has not previously been paid on the Bonds, from the date of original issuance and delivery thereof

Subject to the provisions of Section 208, the person in whose name a Bond is registered at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any transfer or exchange subsequent to such Record Date and prior to such interest payment date; provided, however, that if and to the extent that the Issuer shall default in the payment of interest due on such interest payment date, such past due interest shall be paid to the persons in whose name outstanding Bonds are registered on a subsequent Record Date established by notice given by mail by the Trustee or by or on behalf of the Issuer to the holders of the Bonds not less than thirty (30) days preceding such subsequent Record Date

The principal of the Bonds shall be payable in lawful money of the United States of America at the principal office of the Trustee upon surrender thereof and interest on the Bonds shall be payable by check drawn upon the account held by the Trustee for such purpose and mailed to the persons in whose names the Bonds are registered on the registration books maintained by the Trustee, as Bond Registrar, at the close of business on the Record Date next preceding such interest payment date. The Trustee shall maintain a record of the amount and date of any payment of principal and/or interest on the Bonds (whether at the maturity date or the redemption date prior to maturity or upon the maturity thereof by declaration or otherwise)

**Section 203. Execution Limited Obligation** The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of its Chairman or President and the Issuer's corporate seal shall be affixed thereto or printed or otherwise reproduced thereon and attested by the manual or facsimile signature of its Assistant Secretary. If any officer of the Issuer who shall have executed any Bond shall cease to be such officer before the Bond so executed (by manual or facsimile signature) shall be authenticated and delivered by the Trustee, such Bond nevertheless may be authenticated and delivered as though the person who executed such Bond had not ceased to be such officer of the Issuer, and also any Bond may be executed on behalf of the Issuer by such persons as at the actual time of such execution of such Bond shall be the proper officers of the Issuer, although at the date of such Bond such persons may not have been officers of the Issuer

-16-

UNITED STATES OF AMERICA

STATE OF GEORGIA

SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY

FIRST MORTGAGE REVENUE BONDS

(SAVANNAH ALF LLC PROJECT),

SERIES 2015A

No \_\_\_\_\_ Interest Rate: 7.250%

Dated: January 16, 2015 Maturity Date: January 1, 2045

Cusip Number: \_\_\_\_\_

Principal Amount: Six Million Four Hundred Sixty-Five Thousand Dollars (\$6,465,000)

Registered Owner: \_\_\_\_\_

FOR VALUE RECEIVED, Savannah Economic Development Authority, Georgia, (the “Issuer”), a public body, corporate and politic created and existing pursuant to Ga. Laws 1951, page 854, et seq., as amended, and other applicable provisions of laws (the “Act”), hereby promises to pay, on the date hereinabove set forth, to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, solely from the Pledged Revenues (defined in the Indenture) hereinafter described and from no other sources, and to pay to the registered owner hereof solely from said Pledged Revenues, interest on said principal sum at the interest rate set forth above (computed on the basis of a 360-day year, 30-day month), payable semiannually on each interest payment date, commencing March 1, 2015, and continuing on the first day of each consecutive month thereafter, from the latest interest payment date to which interest has been paid or duly provided for, or from the original issue date set forth above, until this Series 2015A Bond has been fully paid. Upon a Determination of Taxability (as defined in the Indenture) this Series 2015A Bond shall bear interest, commencing from and after the Event of Taxability (as defined in the Indenture) equal to twelve percent (12%) per annum (the “Taxable Rate”). This Series 2015A Bond shall bear interest on overdue installments of interest and other amounts payable hereunder, for each day

-18-

until paid at the rate of interest borne by this Series 2015A Bond. This Bond shall bear interest from the date hereof until payment in full of the principal amount hereof.

The first payment of interest on this Series 2015A Bond shall be due on the interest payment date next succeeding the date hereof unless this Series 2015A Bond is dated on an interest payment date, in which case the first payment of interest hereon shall be due on the next succeeding interest payment date, or unless this Series 2015A Bond is dated after a record date but before the next interest payment date, in which case the first payment of interest hereon shall be due on the second succeeding interest payment date. The interest to be paid on an interest payment date shall be computed from the date on which interest was last paid on this Series 2015A Bond or, if interest has not previously been paid on this Series 2015A Bond, from the date of original issuance and delivery hereof. As used herein, the term "interest payment date" means monthly payments on the first day of each month, commencing March 1, 2015, with the final scheduled interest payment date being the due date indicated on the face of this Series 2015A Bond.

The principal of this Series 2015A Bond shall be payable in lawful money of the United States of America at the corporate trust office of BOKF, NA dba Bank of Oklahoma, as trustee (the "Trustee") under the Indenture (hereinafter defined), upon surrender hereof and the interest hereon shall be payable by check drawn upon the Trustee and mailed on each interest payment date to the Bondholder at his address as it appears on the Series 2015A Bond registration books to be kept by the Trustee as of the close of business on the fifteenth day of the calendar month next preceding each interest payment date. Payment of and interest on this Series 2015A Bond shall be in any coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts.

Anything herein or in said Indenture to the contrary notwithstanding, the obligation of the Issuer hereunder and under said Indenture shall be subject to the limitation that payments of interest to the holder of this Series 2015A Bond shall not be required to the extent that the receipt of any such payment by the holder of this Series 2015A Bond would be contrary to the provisions of law applicable to such holder which limit the maximum rate of interest which may be charged or collected by such holder.

This Series 2015A Bond is one of a series in the aggregate principal amount of \$6,465,000 Savannah Economic Development Authority, Georgia First Mortgage Revenue Bonds (Savannah ALF LLC), Series 2015A (the "Series 2015A Bonds" or the "Bonds"), of like tenor except as to numbers and denominations issued under and secured by a Trust Indenture, dated as of January 1, 2015, between the Issuer and the Trustee (the "Indenture") and a resolution by the Issuer adopted on November 18, 2014, for the purpose of financing, in whole or in part (1) acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419 located thereon; (2) the funding of various trust accounts with the Trustee; and (3) the payment of the cost of the issuance of the Bonds (collectively, the "Project"). This Series 2015A Bond is issued on a parity basis with those certain \$535,000 Savannah Economic Development Authority First Mortgage

-19-

As security for the payments required to be made under the Agreement, the Borrower has conveyed first security title to that portion of the Project consisting of real property, all improvements thereon, and certain personal property pursuant to the terms of a Deed to Secure Debt and Security Agreement (the "Security Deed"), dated the date of the Indenture.

In addition, a Debt Service Reserve Fund, initially containing \$583,547 and a Capitalized Interest Fund, initially containing \$277,794, have been created to secure the payment of the Bonds, all as more particularly set forth in the Indenture.

As additional security for the payment of the Bonds, all right, title and interest of the Issuer in (a) the Agreement and the Security Deed (except certain rights reserved by the Issuer under the terms of the Indenture), together with the Agreement and the Security Deed, (b) the Pledged Revenues, (c) all amounts on deposit from time to time in the "Project Fund" (defined in the Indenture), have been assigned to the Trustee under the Indenture and pledged to the payment of the principal of, and the redemption premium (if any) and the interest on, the Bonds.

Reference to the Indenture is hereby made for a description of the aforesaid Project Fund which is charged with, and pledged to, the payment of the principal of, and the redemption premium (if any) and the interest on, the Bonds, the nature and extent of the security, the rights, duties and obligations of the Issuer, the Borrower, and the Trustee, the rights of the holders of the Bonds, the terms and conditions under and upon the occurrence of which the Indenture, the Agreement, and the Security Deed may be modified and the terms and conditions under and upon the occurrence of which the lien of the Indenture may be defeased as to this Series 2015A Bond prior to the maturity or redemption date hereof, to all of the provisions of which the holder hereof, by the acceptance of this Series 2015A Bond, assents.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Georgia to happen, exist and be performed precedent to and in the issuance of this Series 2015A Bond, the execution of the Indenture and the adoption of the aforesaid resolution by the Issuer, have happened, exist and have been performed in due time, form and manner as required by law.

This Series 2015A Bonds shall not be entitled to any benefit under the Indenture and shall not become valid or obligatory for any purpose until it shall have been authenticated by execution by the Trustee by manual signature of the certificate hereon endorsed

Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the "Series 2015B Bonds") also issued under the Indenture.

In order to enhance the marketability of the Series 2014 Bonds, Dwayne A. Edwards and Todd Barker, members of the Borrower, have agreed to guarantee the prompt payment, as and when due, of Borrower's obligations under the terms of the Loan Agreement pursuant to that certain Limited Guaranty Agreement, dated as of January 1, 2015 (the "Limited Guaranty Agreement").

THIS SERIES 2015A BOND AND THE REDEMPTION PREMIUM (IF ANY) AND THE INTEREST HEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, GEORGIA, THE STATE OF GEORGIA OR OF ANY POLITICAL SUBDIVISION OF THE STATE, AND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE SAID ISSUER, SAID CITY, SAID COUNTY, SAID STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR THE PAYMENT OF SUCH PRINCIPAL, REDEMPTION PREMIUM (IF ANY) AND INTEREST. NEITHER THE ISSUER, THE STATE OF GEORGIA, THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THIS SERIES 2015A BOND AS THIS SERIES 2015A BOND IS A SPECIAL, LIMITED OBLIGATION OF THE ISSUER AND IS PAYABLE SOLELY FROM THE "PLEDGED REVENUES" (AS DEFINED IN THE INDENTURE). THIS SERIES 2015A BOND DOES NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, OR THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, GEORGIA. THE ISSUER HAS NO TAXING POWER. NO HOLDER OF THIS SERIES 2015A BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, THE CITY OF SAVANNAH, GEORGIA OR CHATHAM COUNTY, GEORGIA, TO PAY THIS SERIES 2015A BOND OR THE REDEMPTION PREMIUM (IF ANY) OR THE INTEREST HEREON OR ANY OTHER COST INCIDENT THERETO, OR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF SAID CITY OR COUNTY GOVERNMENT OR SAID STATE OR ANY POLITICAL SUBDIVISION THEREOF. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, OR THE REDEMPTION PREMIUM (IF ANY) OR THE INTEREST ON, THIS SERIES 2015A BOND AGAINST ANY OFFICER OR DIRECTOR OF THE ISSUER.

This Series 2015A Bond is issued and the Indenture was authorized, executed and delivered by the Issuer under and pursuant to the Constitution and laws of the State of Georgia, including particularly the Act. Prior to the issuance hereof, the Issuer entered into a Loan Agreement, dated as of the date of the Indenture (the "Agreement"), with Savannah ALF LLC, a Georgia limited liability company (the "Borrower"), pursuant to the terms of which the Borrower has agreed to pay to the Issuer such amounts as will be fully sufficient to pay the principal of, and the redemption premium (if any) and the interest on, the Bonds as the same become due and to pay certain administrative expenses in connection with the Bonds.

-20-

IN WITNESS WHEREOF, Savannah Economic Development Authority, Georgia caused this Series 2015A Bond to be executed with the manual or duly authorized reproduced facsimile signature of its President, and the reproduced facsimile of its corporate seal to be imprinted hereon and attested by the manual or duly authorized reproduced facsimile signature of its Assistant Secretary.

Savannah Economic Development Authority

(SEAL)

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

-21-

-22-

\*\*\*\*\*

[FORM OF VALIDATION CERTIFICATE  
TO APPEAR ON FACE OF BOND]

VALIDATION CERTIFICATE

STATE OF GEORGIA

COUNTY OF CHATHAM

The undersigned Clerk of the Superior Court of Chatham County, Georgia, HEREBY CERTIFIES that the within Series A Bond was confirmed and validated by judgment of the Superior Court of Chatham County, Georgia, rendered on the 1<sup>st</sup> day of December, 2014, that no intervention or objection was filed thereof and that no appeal has been taken therefrom

WITNESS the manual or duly authorized reproduced facsimile of my signature and the reproduced facsimile seal of said Court

[SEAL]

\_\_\_\_\_  
Clerk, Superior Court,  
Chatham County, Georgia

\*\*\*\*\*

-23-

OPTIONAL REDEMPTION

The Series 2015A Bonds are subject to redemption prior to maturity on or after January 1, 2017 in whole at any time on or after such date, or in part on any Interest Payment Date, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest or interest due thereon on such redemption date; provided that no partial redemption may be made unless all debt service on the Series 2015A Bonds and Series 2015B Bonds shall have been paid on the due date

Dates of Redemption Inclusive

From January 1, 2017 through December 31, 2017  
From January 1, 2018 through December 31, 2018  
From January 1, 2019 through December 31, 2019  
From January 1, 2020 and thereafter

Redemption Prices  
(expressed as a  
percentage of  
principal amount)

103%  
102%  
101%  
100%

MANDATORY SINKING FUND REDEMPTION

The Series 2015 Bonds will be subject to mandatory sinking fund redemption prior to maturity, on January 1 of the years and in the amounts set forth in the table below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date:

Series B (Taxable) 2023 Maturity

2017	\$70,000	2018	\$80,000
2019	\$85,000	2020	\$90,000
2021	\$100,000	2022	\$110,000 (maturity)

Series A 2045 Maturity

2023	\$115,000	2024	\$125,000
2025	\$135,000	2026	\$145,000
2027	\$155,000	2028	\$165,000
2029	\$180,000	2030	\$190,000
2031	\$205,000	2032	\$220,000
2033	\$235,000	2034	\$255,000
2035	\$270,000	2036	\$290,000
2037	\$310,000	2038	\$335,000
2039	\$360,000	2040	\$385,000
2041	\$415,000	2042	\$445,000

-25-

\*\*\*\*\*

FORM OF REVERSE OF BOND

This Series 2015A Bond is transferable by the Bondholder in person or by his attorney duly authorized in writing at the principal corporate trust office or agency of the Trustee, in Tulsa, Oklahoma, all subject to the terms and conditions provided in the Indenture

The Bonds, upon the surrender thereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder or his duly authorized attorney, may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of any other authorized denomination, in the manner and subject to the conditions provided in the Indenture

The Trustee shall not be required to transfer or exchange any Series 2015A Bond after the giving of notice calling such Series 2015A Bond for redemption or partial redemption has been made

The Trustee may require payment of a service charge for any exchange or transfer of Series 2015A Bonds, together with any tax or other governmental charges required to be paid with respect to the Series 2015A Bond(s), and the same shall be paid by the holder of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege

This Series 2015A Bond is issued with the intent that the laws of the State of Georgia Chatham govern its construction

The Bonds may be called for redemption prior to maturity in the event the Borrower is required to prepay the installment amounts called for in the Agreement under the circumstances set forth in Sections 7.1 or 7.2 (i.e., after a Determination of Taxability) of the Agreement

If called for redemption prior to maturity as provided in the preceding paragraph, the Series 2015A Bonds may be redeemed in whole at any time on any interest payment date, at a redemption price equal to the principal amount of each Bond to be redeemed plus accrued interest or interest due thereon for the Series 2015A Bonds at the Taxable Rate and on such redemption date, and following the Determination of Taxability at a redemption price equal to:

(A) the principal amount of each Bond to be redeemed plus accrued interest thereon to the redemption date; plus

(B) an amount equal to any interest, penalties on overdue interest and additions to tax as referred to in Subchapter A of Chapter 68 of the Code owing by any holder of a Bond; plus

(C) all fees and expenses of the Issuer and Trustee incurred in connection with the redemption described above

-24-

2043	\$475,000	2044	\$510,000
2045	\$545,000 (maturity)		

Generally, in the event of a partial redemption of Series 2015 Bonds, the amount of future mandatory sinking fund redemptions with respect to the Series 2015 Bonds will be reduced to take into account such partial redemption in inverse order of redemption dates

The Borrower may purchase, and deliver to the Trustee for cancellation, Series 2015 Bonds in any aggregate principal amount and receive at 100% of such principal amount, a credit against mandatory sinking fund payments next coming due in respect of such Series 2015 Bonds

EXTRAORDINARY REDEMPTION

The Bonds are subject to redemption in whole, at any time, at a redemption price equal to 100% of the principal amount of each Bond redeemed, as of the redemption date, plus accrued interest to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation, which are directed to be applied to the redemption of Bonds pursuant to Section 301 of the Indenture

The Bonds are subject to mandatory redemption at any time, in whole, at a price of one hundred percent (100%) of the principal amount of the Bonds to be redeemed together with accrued interest to the date of redemption, in the event of any damage or destruction of the Facility to such extent that, in the opinion of an independent engineer, the Facility cannot be reasonably restored within a period of three (3) consecutive months, as more particularly set forth in Section 301 of the Indenture

The Series 2015 Bonds will be subject to extraordinary redemption prior to maturity in whole or in part, at a Redemption Price equal to 100% of their principal amount, plus interest accrued to the redemption date, at any time, if any substantial portion of the Facility is damaged, condemned, taken or conveyed in lieu of condemnation, or subject to a defect of title, to the extent that the proceeds of insurance or condemnation proceeds, are not to be applied pursuant to the Agreement to the repair, reconstruction or replacement of the affected portion of the Facility, or if the Agreement should become unenforceable or impossible of performance in any material respect. The Series 2015 Bonds will also be subject to extraordinary redemption, in whole, if legal title to the Facility shall be transferred to any entity other than the Issuer or the Borrower, or if the Borrower's interest under the Agreement shall be transferred to any other entity, in either such case at a Redemption Price equal to 103% of the principal amount of the Series 2015 Bonds, plus interest accrued to the redemption date, if such transfer shall be before January 1, 2017, and at the respective Redemption Prices set forth above in respect of any optional redemption of Series 2015 Bonds if such transfer shall be after January 1, 2017

The person in whose name this Series 2015A Bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, and payment of or on account of either principal or interest made to such registered holder shall be valid and effectual to satisfy and discharge the liability upon this Series 2015A Bond to the extent of the sum or sums so paid

-26-

The particular Series 2015A Bond of this series, or portion thereof in the case of certain Series 2015A Bonds of a principal amount greater than \$5,000 in integral multiples of \$1,000 in excess thereof, to be redeemed in the case of a partial redemption under any of the provisions of the Indenture, shall be selected by the Trustee by lot in such manner as may be determined by the Trustee

Written notice of the redemption in whole or in part of this Series 2015A Bond shall be given by the Trustee by first class mail, postage prepaid, mailed not less than thirty or more than sixty days prior to the redemption date to the Bondholder at the last address shown on the registration book kept by the Trustee

Upon deposit with the Trustee of the moneys required to effect any redemption, the Bonds or portion thereof thus called and provided for shall not bear interest after the redemption date and shall not be considered to be outstanding or to have any other rights under the Indenture other than the right to receive payment

By the acceptance of this Series 2015A Bond, the Bondholder agrees that if less than the entire principal amount of this Series 2015A Bond is to be redeemed, payment of the redemption price will be made only upon the surrender of this Series 2015A Bond to the Trustee Upon surrender hereof, there shall be issued to the Bondholder, without charge to the Bondholder therefor, for the unredeemed balance hereof, a Bond or Bonds in any of the authorized denominations as more fully set out in the Indenture

The holder of this Series 2015A Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the agreements therein, or to take any action with respect to any "event of default" as defined in the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture The stated maturity of this Series 2015A Bond and the stated dates for the payment of interest may be accelerated upon the occurrence of certain "events of default" as defined in the Indenture The occurrence of certain other such "events of default" will permit the acceleration of the stated maturity of this Series 2015A Bond and the stated dates for the payment of interest as provided in the Indenture Modifications, amendments or supplements to the Indenture may be made only to the extent and in the circumstances permitted by the Indenture

-27-

\* \* \* \* \*

FORM OF ASSIGNMENT  
TO APPEAR ON REVERSE OF BOND

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

the within Series 2015A Bond of Savannah Economic Development Authority and does hereby constitute and appoint \_\_\_\_\_ attorney to transfer the said Bond on the books of the within named Issuer, with full power of substitution in the premises

Dated:

In the presence of: \_\_\_\_\_  
Bondholder

Signature Guarantee

\_\_\_\_\_

Medallion Stamp

(END OF FORM OF BOND)

-29-

\*\*\*\*\*

FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE  
TO APPEAR ON FACE OF BOND

TRUSTEE'S AUTHENTICATION CERTIFICATE

The above Series 2015A Bond is one of the Bonds described in the within-mentioned Trust Indenture, and is hereby authenticated as of the date set forth below

BOKF, NA DBA BANK OF OKLAHOMA,  
as Trustee

By: \_\_\_\_\_

Authentication Date: \_\_\_\_\_

-28-

STATE OF GEORGIA

SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY

FIRST MORTGAGE REVENUE BONDS

(SAVANNAH ALF LLC PROJECT),

TAXABLE SERIES 2015B

No \_\_\_\_\_ Interest Rate: 8 250%

Dated: January 16, 2015 Maturity Date: January 1, 2022

Cusip Number: \_\_\_\_\_

Principal Amount: Five Hundred Thirty-Five Thousand Dollars (\$535,000)

Registered Owner: \_\_\_\_\_

FOR VALUE RECEIVED, Savannah Economic Development Authority (the "Issuer"), a public body, corporate and politic, created pursuant to Ga Laws 1951, page 854, et seq, as amended, and other applicable provisions of laws, as amended, or any successor statute; as amended (the "Act"), hereby promises to pay, on the date hereinabove set forth, to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, solely from the Pledged Revenues (defined in the Indenture) hereinafter described and from no other sources, and to pay to the registered owner hereof solely from said Pledged Revenues, interest on said principal sum at the interest rate set forth above (computed on the basis of a 360-day year, 30-day month), payable monthly, on each interest payment date, commencing on March 1, 2015, and continuing on the first day of each consecutive month thereafter, from the latest interest payment date to which interest has been paid or duly provided for, or from the original issue date set forth above, until this Series 2015B Bond has been fully paid This Series 2015B Bond shall bear interest on overdue installments of interest and other amounts payable hereunder, for each day until paid at the rate of interest borne by this Series 2015B Bond This Series 2015B Bond shall bear interest from the date hereof until payment in full of the principal amount hereof

The first payment of interest on this Series 2015B Bond shall be due on the interest payment date next succeeding the date hereof unless this Series 2015B Bond is dated on an interest payment date, in which case the first payment of interest hereon shall be due on the next succeeding interest payment date, or unless this Series 2015B Bond is dated after a record date but before the next interest payment date, in which case the first payment of interest hereon shall be due on the second succeeding interest payment date The interest to be paid on an interest payment date shall be computed from the date through which interest was last paid on this Series

-30-

2015B Bond or, if interest has not previously been paid on this Series 2015B Bond, from the date of original issuance and delivery hereof. As used herein, the term "interest payment date" means monthly payments, on, commencing March 1, 2015, with the final scheduled interest payment date being the due date indicated on the face of this Series 2015B Bond.

The principal of this Series 2015B Bond shall be payable in lawful money of the United States of America at the principal office of BOKF, NA dba Bank of Oklahoma, Tulsa, Oklahoma, as trustee (the "Trustee") under the Indenture (hereinafter defined), upon surrender hereof and the interest hereon shall be payable by check drawn upon the Trustee and mailed on each interest payment date to the Bondholder at his address as it appears on the Bond registration books to be kept by the Trustee as of the close of business on the first day of the calendar month next preceding each interest payment date. Payment of and interest on this Series 2015B Bond shall be in any coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts.

Anything herein or in said Indenture to the contrary notwithstanding, the obligation of the Issuer hereunder and under said Indenture shall be subject to the limitation that payments of interest to the holder of this Series 2015B Bond shall not be required to the extent that the receipt of any such payment by the holder of this Series 2015B Bond would be contrary to the provisions of law applicable to such holder which limit the maximum rate of interest which may be charged or collected by such holder.

This Series 2015B Bond is one of a series in the aggregate principal amount of \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the "Series 2015B Bonds"), of like tenor except as to numbers and denominations issued under and secured by a Trust Indenture, dated as of January 1, 2015, between the Issuer and the Trustee (the "Indenture"), and a resolution of the Issuer adopted on November 18, 2014, for the purpose of the financing (1) acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419 located thereon; (2) the funding of various trust accounts with bonds; and (3) the payment of the cost of the issuance of the Bonds (collectively, the "Project"). This Series 2015B Bond is issued on a parity basis with those certain \$6,465,000 Savannah Economic Development Authority, Georgia First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the "Series 2015A Bonds"), also issued under the Indenture.

In order to enhance the marketability of the Series 2015 Bonds, Dwayne A. Edwards and Todd Barker, members of the Borrower, have agreed to guarantee the prompt payment, as and when due, of Borrower's obligations under the terms of the Loan Agreement pursuant to that certain Limited Guaranty Agreement, dated as of January 1, 2015 (the "Limited Guaranty Agreement").

THIS SERIES 2015B BOND AND THE REDEMPTION PREMIUM (IF ANY) AND THE INTEREST HEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, GEORGIA, THE STATE

-31-

under the terms of the Indenture), together with the Agreement and the Security Deed, (b) the Pledged Revenues, (c) all amounts on deposit from time to time in the "Project Fund" (defined in the Indenture), have been assigned to the Trustee under the Indenture and pledged to the payment of the principal of, and the redemption premium (if any), and the interest on the Bonds.

Reference to the Indenture is hereby made for a description of the aforesaid Project Fund which is charged with, and pledged to, the payment of the principal of, and the redemption premium (if any) and the interest on, the Bonds, the nature and extent of the security, the rights, duties and obligations of the Issuer, the Borrower, and the Trustee, the rights of the holders of the Bonds, the terms and conditions under and upon the occurrence of which the Indenture, the Agreement, and the Security Deed may be modified and the terms and conditions under and upon the occurrence of which the lien of the Indenture may be defeased as to this Series 2015B Bond prior to the maturity or redemption date hereof, to all of the provisions of which the holder hereof, by the acceptance of this Series 2015B Bond, assents.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Georgia to happen, exist and be performed precedent to and in the issuance of this Series 2015B Bond, the execution of the Indenture and the adoption of the aforesaid resolution by the Issuer, have happened, exist and have been performed in due time, form and manner as required by law.

This Series 2015B Bond shall not be entitled to any benefit under the Indenture and shall not become valid or obligatory for any purpose until it shall have been authenticated by execution by the Trustee by manual signature of the certificate hereon endorsed

-33-

OF GEORGIA OR OF ANY POLITICAL SUBDIVISION OF THE STATE, AND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE SAID ISSUER, SAID CITY, SAID COUNTY, SAID STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER FOR THE PAYMENT OF SUCH PRINCIPAL, REDEMPTION PREMIUM (IF ANY) AND INTEREST. NEITHER THE ISSUER, THE STATE OF GEORGIA, THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF, OR INTEREST ON, THIS SERIES 2015A BOND AS THIS SERIES 2015A BOND IS A SPECIAL, LIMITED OBLIGATION OF THE ISSUER AND IS PAYABLE SOLELY FROM THE "PLEDGED REVENUES" (AS DEFINED IN THE INDENTURE). THIS SERIES 2015B BOND DOES NOT NOW AND NEVER SHALL CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, OR THE CITY OF SAVANNAH, GEORGIA, CHATHAM COUNTY, GEORGIA. THE ISSUER HAS NO TAXING POWER. NO HOLDER OF THIS SERIES 2015B BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, THE CITY OF SAVANNAH, GEORGIA OR CHATHAM COUNTY, GEORGIA, TO PAY THIS SERIES 2015B BOND OR THE REDEMPTION PREMIUM (IF ANY) OR THE INTEREST HEREON OR ANY OTHER COST INCIDENT THERETO, OR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF SAID CITY OR COUNTY GOVERNMENT OR SAID STATE OR ANY POLITICAL SUBDIVISION THEREOF. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, OR THE REDEMPTION PREMIUM (IF ANY) OR THE INTEREST ON, THIS SERIES 2015B BOND AGAINST ANY OFFICER OR DIRECTOR OF THE ISSUER.

This Series 2015B Bond is issued and the Indenture was authorized, executed and delivered by the Issuer under and pursuant to the Constitution and laws of the State of Georgia, including particularly the Act. Prior to the issuance hereof, the Issuer entered into an Agreement, dated the date of the Indenture (the "Agreement"), with Savannah ALF LLC, a Georgia limited liability company (the "Borrower"), pursuant to the terms of which the Borrower has agreed to pay to the Issuer such amounts as will be fully sufficient to pay the principal of, and the redemption premium (if any) and the interest on, the Bonds as the same become due and to pay certain administrative expenses in connection with the Bonds.

As security for the payments required to be made under the Agreement, the Borrower has conveyed first security title to that portion of the Project consisting of real property, all improvements thereon, and certain personal property pursuant to the terms of a Deed to Secure Debt and Security Agreement (the "Security Agreement"), dated the date of the Indenture.

In addition, a Debt Service Reserve Fund, initially containing \$583,547, and a Capitalized Interest Fund, initially containing \$277,794, have been created to secure the payment of the Bonds, all as more particularly set forth in the Indenture.

As additional security for the payment of the Bonds, all right, title and interest of the Issuer in (a) the Agreement and the Security Deed (except certain rights reserved by the Issuer

-32-

IN WITNESS WHEREOF, Savannah Economic Development Authority, Georgia has caused this Series 2015B Bond to be executed with the manual or duly authorized reproduced facsimile signature of its President, and the reproduced facsimile of its corporate seal to be imprinted hereon and attested by the manual or duly authorized reproduced facsimile signature of its Assistant Secretary.

SAVANNAH ECONOMIC DEVELOPMENT  
AUTHORITY

(SEAL)

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

-34-



\* \* \* \* \*

FORM OF REVERSE OF BOND

This Series 2015B Bond is transferable by the Bondholder in person or by his attorney duly authorized in writing at the principal corporate trust office or agency of the Trustee, in Tulsa, Oklahoma, all subject to the terms and conditions provided in the Indenture

The Bonds, upon the surrender thereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder or his duly authorized attorney, may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of any other authorized denomination, in the manner and subject to the conditions provided in the Indenture

The Trustee shall not be required to transfer or exchange any Bond after the giving of notice calling such Bond for redemption or partial redemption has been made

The Trustee may require payment of a service charge for any exchange or transfer of Series 2015B Bonds, together with any tax or other governmental charges required to be paid with respect to the Series 2015B Bond(s), and the same shall be paid by the holder of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege

EXTRAORDINARY REDEMPTION

The Bonds are subject to redemption in whole, at any time, at a redemption price equal to 100% of the principal amount of each Bond redeemed, as of the redemption date, plus accrued interest to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation, which are directed to be applied to the redemption of Bonds pursuant to Section 301 of the Indenture

The Bonds are subject to mandatory redemption at any time, in whole or in part, at a price of one hundred percent (100%) of the principal amount of the Bonds to be redeemed together with accrued interest to the date of redemption, in the event of any damage or destruction of the Facility to such extent that, in the opinion of an independent engineer, the Facility cannot be reasonably restored within a period of three (3) consecutive months, as more particularly set forth in Section 301 of the Indenture

The Bonds are subject to extraordinary redemption prior to maturity, in whole or in part, at a redemption price equal to one hundred percent (100%) of their principal amount, plus interest accrued to the redemption date, at any time, upon the sale of the Facility to a third-party purchaser unrelated to the Borrower

This Series 2015B Bond is issued with the intent that the laws of the State of Georgia shall govern its construction

-35-

\* \* \* \* \*

[FORM OF VALIDATION CERTIFICATE  
TO APPEAR ON FACE OF BOND]

VALIDATION CERTIFICATE

STATE OF GEORGIA

COUNTY OF CHATHAM

The undersigned Clerk of the Superior Court of Chatham County, Georgia, HEREBY CERTIFIES that the within Series B Bond was confirmed and validated by judgment of the Superior Court of Chatham County, Georgia, rendered on the 1st day of December, 2014, that no intervention or objection was filed thereof and that no appeal has been taken therefrom

WITNESS the manual or duly authorized reproduced facsimile of my signature and the reproduced facsimile seal of said Court

[SEAL]

\_\_\_\_\_  
Clerk, Superior Court,  
Chatham County Georgia

\* \* \* \* \*

-37-

The person in whose name this Series 2015B Bond is registered shall be deemed and regarded as the absolute owner hereof for all purposes, and payment of or on account of either principal or interest made to such registered holder shall be valid and effectual to satisfy and discharge the liability upon this Series 2015B Bond to the extent of the sum or sums so paid

The particular Bond of this series, or portion thereof in the case of certain Bonds of a principal amount greater than \$5,000 in integral multiples of \$1,000 in excess thereof, to be redeemed in the case of a partial redemption under any of the provisions of the Indenture, shall be selected by the Trustee by lot or at the discretion of the Trustee with the lowest numbers being chosen first

Written notice of the redemption in whole or in part of this Series 2015B Bond shall be given by the Trustee by first class mail, postage prepaid, mailed not less than thirty or more than sixty days prior to the redemption date to the Bondholder at the last address shown on the registration book kept by the Trustee

Upon deposit with the Trustee of the moneys required to effect any redemption, the Bonds or portion thereof thus called and provided for shall not bear interest after the redemption date and shall not be considered to be outstanding or to have any other rights under the Indenture other than the right to receive payment

By the acceptance of this Series 2015B Bond, the Bondholder agrees that if less than the entire principal amount of this Series 2015B Bond is to be redeemed, payment of the redemption price will be made only upon the surrender of this Series 2015B Bond to the Trustee Upon surrender hereof, there shall be issued to the Bondholder, without charge to the Bondholder therefor, for the unredeemed balance hereof, a Bond or Bonds in any of the authorized denominations as more fully set out in the Indenture

The holder of this Series 2015B Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the agreements therein, or to take any action with respect to any "event of default" as defined in the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture The stated maturity of this Series 2015B Bond and the stated dates for the payment of interest may be accelerated upon the occurrence of certain "events of default" as defined in the Indenture The occurrence of certain other such "events of default" will permit the acceleration of the stated maturity of this Series 2015B Bond and the stated dates for the payment of interest as provided in the Indenture Modifications, amendments or supplements to the Indenture may be made only to the extent and in the circumstances permitted by the Indenture

-36-

FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE  
TO APPEAR ON FACE OF BOND

TRUSTEE'S AUTHENTICATION CERTIFICATE

The above Series 2015B Bond is one of the Bonds described in the within-mentioned Trust Indenture, and is hereby authenticated as of the date set forth below

BOKF, NA DBA BANK OF OKLAHOMA,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

Authentication Date: \_\_\_\_\_

\* \* \* \* \*

-38-

FORM OF ASSIGNMENT  
TO APPEAR ON REVERSE OF BOND

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

the within Bond of Savannah Economic Development Authority, Georgia Authority, and does hereby constitute and appoint \_\_\_\_\_, attorney to transfer the said Bond on the books of the within named Issuer, with full power of substitution in the premises

Dated:

In the presence of:

\_\_\_\_\_  
Bondholder

Signature Guarantee

\_\_\_\_\_  
Medallion Stamp

END OF FORM OF BOND

-39-

(i) An original executed counterpart of the Management Agreement between the Borrower and the Management Company; and

(j) A marked-up title commitment for a standard American Land Title Association (ALTA) Issuer and Trustee Title Insurance Policy (1987 edition Form B) insuring the lien of the Trustee under the Security Deed

**Section 207. Mutilated, Lost, Stolen or Destroyed Bonds** If any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee (upon the receipt of a written authorization from the Issuer) may authenticate and deliver a new Bond of the same aggregate principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, as Bond Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence satisfactory to it of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to it. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the holder of such Bond with their reasonable fees and expenses in this connection

**Section 208. Exchangeability and Transfer of Bonds; Persons Treated as Owners** The Issuer shall cause books for the registration and for the transfer of the Bonds as provided herein to be kept by the Trustee which is hereby constituted and appointed the Bond Registrar of the Issuer

Bonds may be transferred on the books of registration kept by the Trustee by the holder in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the holder or his duly authorized attorney. Upon surrender for transfer of any Bond with all partial redemptions endorsed thereon at the principal office of the Trustee, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor and of any authorized denomination or denominations and numbered consecutively in order of issuance according to the records of the Bond Registrar

Bonds may be exchanged at the principal office of the Trustee for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor and of any authorized denomination or denominations. The Issuer shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding

The Trustee may require payment of a service charge for any exchange or transfer of Bond(s), together with a sum sufficient to cover any taxes or other governmental charges required to be paid with respect to the Bonds, and the same shall be paid by the holder of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege

-41-

**Section 206. Delivery of Bonds** Upon the execution and delivery hereof, the Issuer shall execute the Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Bonds and deliver them to the purchaser or purchasers as shall be directed by the Issuer as hereinafter in this Section provided

Prior to the delivery by the Trustee of any of the Bonds there shall be filed or presumed to be filed with the Trustee:

(a) A copy, certified by the Assistant Secretary of the Issuer of all resolutions adopted and proceedings had by the Issuer authorizing the issuance of the Bonds, including the resolution authorizing the execution, delivery and performance of this Indenture, the Agreement, the Security Deed, and the Bond Purchase Agreement;

(b) An original executed counterpart of this Indenture, the Agreement, the Security Deed and the Bond Purchase Agreement;

(c) Copies of the Financing Statements filed to perfect the security interests;

(d) An original executed counterpart of the certification of the Issuer establishing its reasonable expectations to the effect that the 2015A Bonds will not be "arbitrage bonds" within the meaning of Section 148 of the Code, together with an opinion of Sell & Melton, L L P., Bond Counsel, to the effect that the 2015A Bonds are not "arbitrage bonds;"

(e) An opinion of Counsel for the Borrower and Guarantors to the effect that the Agreement, the Bond Purchase Agreement, the Security Deed and the Limited Guaranty Agreement have been duly authorized, executed and delivered by the Borrower and enforceable according to their terms;

(f) An opinion of Sell & Melton, L L P., Bond Counsel, to the effect that the Bonds have been duly authorized, executed and delivered by the Issuer and constitute legal, valid, binding and enforceable limited obligations of the Issuer entitled to the benefits of and secured by this Indenture, and the Security Deed; and that the Bonds are exempt from registration under the Securities Act of 1933 and the Indenture is exempt from registration under the Trust Indenture Act of 1939;

(g) A request and authorization to the Trustee on behalf of the Issuer and signed by its Chairman or President to authenticate and deliver the Bonds in such specified denominations as permitted herein to the initial purchaser or purchasers therein identified upon payment to the Trustee, but for the account of the Issuer, of a specified sum of money. The proceeds from the sale of the Bonds shall be paid over to the Trustee and deposited to the credit of the Project Fund as hereinafter provided in Article VI;

(h) Certificates of insurance required under Section 5.12 of the Agreement;

-40-

The Trustee shall not be required to transfer or exchange any Bond after the giving of notice calling such Bond for redemption or partial redemption has been made

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid

The inclusion of the foregoing provisions shall constitute the appointment of the Trustee as agent for the Issuer to do any and all things necessary to effect any exchange or transfer

All Bonds issued upon any transfer or exchange of Bonds shall be the legal, valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture as the Bonds surrendered upon such transfer or exchange

**Section 209. Book – Entry – Only System** The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series 2015 Bonds, in the aggregate principal amount of such maturity of the Series 2015 Bonds, and will be deposited with DTC

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not

-42-

receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 2015 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2015 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 Bonds will be made to DTC. DTC's practice is immediately to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Trustee or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee; disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. The Issuer may decide to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

-43-

Agreement or unreasonable burdens or excessive liability are imposed upon the Borrower by reason of the operation of the Facility or any portion thereof.

Upon any redemption in part of the Bonds, the Bonds to be redeemed (or purchased in lieu thereof) will be selected by the Trustee by lot in a manner undertaken at the reasonable discretion of the Trustee; provided, however that the portion of any Bond to be redeemed will be in the principal amount of \$5,000 or any integral multiples of 1,000 in excess thereof. Any redemption of a part of the Bonds will be applied to reduce the final payment and mandatory sinking fund requirements on the particular series of the Bonds so redeemed in inverse order of payment.

**Section 302. Notice of Redemption.** Notice of redemption shall be given by the Trustee by first class mail, postage prepaid, mailed not less than fifteen (15) days or more than twenty (20) days prior to the redemption date to each holder of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Trustee. Failure so to mail any such notice to the holder of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption as to the holders of any Bonds to whom notice has been mailed. The Issuer agrees that it will execute and deliver to the Trustee such notice of redemption as may be required to accomplish the same.

**Section 303. Cancellation.** All Bonds which have been surrendered for the purpose of payment, redemption, exchange or transfer shall be cancelled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Bonds held by the Trustee shall be destroyed by the Trustee.

**Section 304. Mandatory Sinking Fund Redemption.** The Series 2015 Bonds will be subject to mandatory sinking fund redemption prior to maturity, on January 1 of the years and in the amounts set forth in the table below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date:

**Series B (Taxable) 2023 Maturity**

2017	\$70,000	2018	\$80,000
2019	\$85,000	2020	\$90,000
2021	\$100,000	2022	\$110,000

-45-

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

**ARTICLE III**

**REDEMPTION OR PURCHASE OF BONDS BEFORE MATURITY**

**Section 301. Redemption Dates and Prices**

**EXTRAORDINARY REDEMPTION**

The Bonds are subject to redemption in whole, at any time, at a redemption price equal to 100% of the principal amount of each Bond redeemed, as of the redemption date, plus accrued interest to the redemption date, from and to the extent of the property or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation, which are directed to be applied to the redemption of Bonds pursuant to the Indenture in the event: (a) the Facility shall have been damaged or destroyed to such extent that, in the opinion of an independent engineer (expressed in a certificate filed with the Issuer and the Trustee within sixty (60) days after such damage or destruction), (i) the Facility cannot be reasonably restored within a period of three (3) consecutive months from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (ii) the Borrower is thereby prevented or is reasonably expected to be thereby prevented from carrying on its normal operations within the Facility or such portion thereof for a period of one (1) year from the date of such damage or destruction, or (iii) the restoration cost of the Facility or any portion thereof would exceed the total amount of all insurance proceeds, including any deductible amount, in respect to such damage or destruction; or (b) title to, or temporary use of, all or substantially all of the Facility or any portion thereof shall have been taken by condemnation so that in the opinion of an independent engineer (expressed in a certificate filed with the Issuer and the Trustee within sixty (60) days after the date of such taking), the Borrower is thereby prevented from carrying on its normal operations therein for a period of one (1) year from the date of such taking or condemnation.

The Bonds are subject to extraordinary redemption prior to maturity, in whole or in part, at a redemption price equal to one hundred percent (100%) of their principal amount, plus interest accrued to the redemption date, at any time, upon the sale of the Facility to a third-party purchaser unrelated to the Borrower.

The Bonds are subject to redemption, in whole, at a redemption price equal to 100% of the principal amount of each Bond redeemed, as of the redemption date, plus accrued interest to the redemption date, in the event there is a change in the Constitution of the United States of America or the State of Georgia or of legislative or executive action of said State or any political subdivision thereof or the United States of America or by final decree or judgment of any court after the contest by the Borrower, the Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the

-44-

**Series A 2045 Maturity**

2023	\$115,000	2024	\$125,000
2025	\$135,000	2026	\$145,000
2027	\$155,000	2028	\$165,000
2029	\$180,000	2030	\$190,000
2031	\$205,000	2032	\$220,000
2033	\$235,000	2034	\$255,000
2035	\$270,000	2036	\$290,000
2037	\$310,000	2038	\$335,000
2039	\$360,000	2040	\$385,000
2041	\$415,000	2042	\$445,000
2043	\$475,000	2044	\$510,000
2045	\$545,000 (maturity)		

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such sinking fund payment date, the Borrower may (a) deliver to the Trustee for cancellation Bonds in any aggregate principal amount desired, or (b) receive a credit in respect of its sinking fund redemption obligation for any Bonds which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation. Each Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Issuer on such sinking fund redemption date and any excess shall be credited on future sinking fund redemption obligations in chronological order and the principal amount of such Bonds to be redeemed by operation of the sinking fund shall be accordingly reduced.

The Borrower may on or before the sixtieth (60th) day next preceding each sinking fund payment date furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of (a) and/or (b) of the preceding paragraph are to be availed of with respect to such sinking fund payment and confirm that moneys equal to the balance of such sinking fund payment will be paid on or before the next succeeding sinking fund payment date. In the event the Borrower shall satisfy entirely its then current sinking fund redemption obligation in accordance with the provisions of (a) and/or (b) of the preceding paragraph, the Trustee shall not be required to give the notice provided in Section 302.

The Trustee shall redeem, in the manner provided in Section 302, such an aggregate principal amount of the Bonds at a redemption price equal to the principal amount thereof plus the interest due thereon on the sinking fund payment date as will exhaust such cash sinking fund payment. Such redemption shall be in the manner set forth in Section 306.

-46-

Section 305. Optional Redemption Prior to Maturity The Series 2015A Bonds are subject to redemption by lot at the discretion by the Borrower pursuant to written direction to of the Issuer and the Trustee prior to maturity on or after January 1, 2017, in whole at any time or in part on any Interest Payment Date, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest or interest due thereon on such redemption date:

<u>Dates of Redemption</u>	<u>Redemption Price</u>
From January 1, 2017 through December 31, 2017	103%
From January 1, 2018 through December 31, 2018	102%
From January 1, 2019 through December 31, 2019	101%
From January 1, 2020 thereafter	100%

Section 306. Payment of Bonds Upon Redemption In the case of a redemption of any Bond or a portion thereof, on the date set for redemption in the written notice to Bondholders required to be given in Section 302, the Trustee, as paying agent, shall pay the redemption price upon surrender of such Bond to the Trustee in lawful money of the United States of America. Upon surrender of a Bond for partial redemption, there shall be issued to such Bondholder for the unredeemed balance thereof, a Bond or Bonds in any of the authorized denominations as provided in Section 202. The Trustee shall be compensated for issuing such Bonds pursuant to Section 1002 hereof.

Section 307. Redemption With respect to any redemption of Bonds, in whole or in part, the Trustee shall make such redemption by lot. Any partial redemption shall be in a multiple of \$5,000 or in integral multiples of \$1,000 in excess thereof.

Section 308. Option to Prepay Installment Amounts Under Agreement in Whole in Certain Events The Borrower shall have, and is hereby granted, the option to prepay at par in whole the installment amounts required to be made under Section 4.2(a) of the Agreement and to cancel or terminate the Agreement if any of the events described in Section 7.1(a) - (f) or Section 7.2 (i.e., a Determination of Taxability) of the Agreement shall have occurred.

#### ARTICLE IV

##### GENERAL AGREEMENTS

Section 401. Payment of Principal and Interest The Issuer agrees that it will promptly pay the principal of, and the interest on, the Bonds at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning hereof and thereof; provided, however, the Issuer is obligated to pay the principal of, and the interest on, the Bonds solely from payments received pursuant to the Agreement, the Management Agreement and the Security Deed. The Bonds and the interest thereon shall not be deemed to constitute a debt or a general obligation or a pledge of the faith and credit of the City, the County, the State or any political subdivision of the State and the Bonds do not directly, indirectly or contingently obligate the City, the County, the State or any political subdivision of the State to levy or to

-47-

thereunder to be maintained, preserved and kept in good condition, repair and working order, and that it will, from time to time, cause to be made all needed repairs so that said Premises shall at all times be kept in good condition and repair, and that the Borrower may, at its own expense, make, from time to time, additions, modifications and improvements to said Premises under the terms and conditions set forth in Section 5.1 of the Agreement.

Section 407. Insurance and Condemnation Proceeds Reference is hereby made to Sections 5.12 and 5.13 of the Agreement whereunder it is provided that under certain circumstances the respective proceeds of insurance and condemnation awards (or proceeds from a sale in lieu of condemnation) are to be paid to the Trustee and deposited in separate trust accounts (but not in the Bond Fund) and to be disbursed and paid out as provided in said Sections 5.12 and 5.13 of the Agreement. The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified.

Section 408. Covenants Regarding Maintenance of Borrower's Existence The Borrower has covenanted that so long as the Agreement is in effect, it will maintain its existence and will not merge or consolidate with any other corporation or sell or otherwise dispose of all or substantially all of its assets, provided that the Borrower may, without causing a default under the Agreement or this Indenture, merge or consolidate with another corporation or sell or otherwise transfer to another domestic partnership, corporation or other business entity all or substantially all of its assets as an entirety and thereafter dissolve, provided any surviving, resulting or transferee entity (i) is authorized to do business in the State of Georgia, (ii) is a domestic corporation, partnership, or other entity, or, if a natural person, is a resident of the United States of America, (iii) assumes in writing all of the obligations of the Borrower under the Agreement, and Security Deed, (iv) has net worth (after giving effect to such transaction) at least equal to that of the Borrower immediately prior to such transaction, and (v) provided further that the Borrower immediately shall furnish to the Trustee an opinion of nationally recognized bond counsel or ruling of the Internal Revenue Service to the effect that no "Determination of Taxability" has theretofore occurred or will occur or result from such transaction and (vi) provided further that the Borrower immediately shall furnish to the Trustee a certificate certifying that no default under the Agreement or under this Indenture theretofore occurred or resulted from such transaction.

##### Section 409. Indemnification of Issuer and Trustee

(a) Pursuant to Section 5.2 of the Agreement, Borrower has agreed to indemnify and save the Issuer and the Trustee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on the Project and against and from all claims arising from (i) any condition of or operation of the Project, (ii) any breach or default on the part of Borrower in the performance of any of its obligations under the Agreement, (iii) any act or negligence of Borrower or of any of its agents, contractors, servants, employees or licensees, or (iv) any act or negligence of any assignee or lessee of Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of Borrower, provided however, this indemnity shall not apply to any acts of gross negligence or willful misconduct of the Issuer or the Trustee.

-49-

pledge any form of taxation whatever for the payment of the principal of, or the interest on, the Bonds. No recourse shall be had for the payment of the principal of, or interest on, the Bonds against any officer, director or agent of the Issuer.

Section 402. Performance of Agreements Authority The Issuer agrees that it will faithfully perform at all times any and all agreements, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond, and in all proceedings of the Issuer pertaining thereto. The Issuer agrees that it is authorized under the Constitution and laws of the State (a) to issue the Bonds and to execute, deliver and perform this Indenture, and (b) to grant to the Trustee a security interest in the Trust Estate in the manner and to the extent herein set forth; and that all action on its part for the issuance of the Bonds and the execution, delivery and performance of this Indenture has been effectively taken; and that the Bonds are and will be legal, valid, binding and enforceable limited obligations of the Issuer according to the import thereof.

Section 403. Priority of Pledge and Security Interest The pledge herein made of the Trust Estate and the security interest created herein with respect thereto constitutes a first and prior pledge of, and a security interest in, the Trust Estate. Said pledge and security interest shall at no time be impaired directly or indirectly by the Issuer or the Trustee, and the Trust Estate shall not otherwise be pledged and, except as provided herein and in the Agreement and in the Security Deed no persons shall have any rights with respect thereto.

Section 404. Rights Under Agreement and Security Deed The Agreement and the Security Deed set forth the respective obligations of the Issuer and the Borrower, including a provision that subsequent to the initial issuance of the Bonds and prior to payment in full thereof, the Agreement and the Security Deed may not be effectively amended, changed, modified, altered or terminated (other than as provided thereon) without the written consent of the Trustee. Reference is hereby made to the Agreement and the Security Deed for detailed statements of the obligations of the Borrower thereunder, and the Issuer agrees that the Trustee in its own name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Borrower under and pursuant to the Agreement and the Security Deed (except certain rights reserved by the Issuer under the terms hereof) for and on behalf of the Bondholders, including the collection of attorneys' fees, whether or not the Issuer is in default hereunder.

Section 405. Maintenance of Insurance; Payment of Taxes, Charges, etc. Pursuant to the provisions of Section 5.12 of the Agreement, the Borrower has agreed to maintain certain insurance and to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Premises described and conveyed thereunder, or any part thereof, which might impair or prejudice the lien afforded by this Indenture as to the Trust Estate; provided, however, that nothing contained in this Section shall require the maintenance of such insurance or the payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of Section 5.1 of the Agreement.

Section 406. Maintenance and Repair Pursuant to the provisions of Section 5.1 of the Agreement, the Borrower has agreed at its own expense to cause the Premises described

-48-

The Borrower shall indemnify and save the Issuer and the Trustee harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid from (i), (ii), (iii) or (iv) supra, or in connection with any action or proceeding brought thereon, including reasonable attorneys' fees actually incurred, and upon notice from the Issuer or the Trustee, Borrower shall defend them or either of them in any such action or proceeding.

(b) Pursuant to Section 5.2 of the Agreement, Borrower has agreed that it will indemnify and hold the Trustee harmless from any and all liability, cost, or expense incurred without gross negligence or bad faith in the course of the Trustee's duties, including any act, omission, delay, or refusal of the Trustee in reliance upon any signature, certificate, order, demand, instruction, request, notice, or other instrument or document believed by it to be valid, genuine and sufficient.

(c) Notwithstanding the fact that it is the intention of the parties that the Issuer shall not incur any pecuniary liability by reason of the terms of the Agreement, or the undertakings required of the Issuer hereunder, by reason of (i) the issuance of the Bonds; (ii) the execution of the Indenture; (iii) the performance of any act required of it by the Agreement, the Security Deed, or the Indenture; (iv) the performance of any act requested of it by the Borrower; or (v) any other costs, fees, or expenses incurred by the Issuer with respect to the Project or the financing thereof, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the Issuer should incur any such pecuniary liability then in such event the Borrower, pursuant to the terms of Section 5.2 of the Agreement, has agreed to indemnify and hold harmless the Issuer against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses (including reasonable attorneys' fees of such attorneys selected by Issuer) incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Borrower has agreed to defend the Issuer in any such action or proceeding and pay the reasonable attorneys' fees actually incurred by the Issuer in defending any such action.

The provisions of this Section shall survive the termination of the Agreement.

#### ARTICLE V

##### REVENUES AND FUNDS

Section 501. Source of Payment of Bonds The obligation of the Issuer to pay the principal of, and the interest on, the Bonds is not a general obligation of the Issuer but is a limited obligation payable solely from the Pledged Revenues.

The installment amounts provided for in Section 4.2 of the Agreement are to be remitted directly to the Trustee for the benefit of the Bondholders and are to be deposited in the Bond Fund. Said installment amounts are sufficient in amount and become due in a timely manner so

-50-

as to insure the prompt payment of the principal (including redemption premiums) of, and the interest on, the Bonds

**Section 502. Creation of the Bond Fund** There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Savannah Economic Development Authority Bond Fund – Savannah ALF LLC Project," which shall be used to pay the principal of, and the interest on, the Bonds There shall be established within the Bond Fund a principal account and an interest account

**Section 503. Payments into the Bond Fund** There shall be paid into the Bond Fund, as and when received,

- (a) any amount remaining in the Project Fund to the extent provided in Section 3 3(h) of the Agreement,
- (b) all payments into the Bond Fund specified in Section 4 2 of the Agreement,
- (c) all moneys required to be so deposited pursuant to Section 304, and
- (d) all other moneys received by the Trustee under and pursuant to any of the provisions of this Indenture, the Agreement, or the Security Deed which are required or which are accompanied by directions that such moneys are to be paid into the Bond Fund; including accrued interest on the Bonds and monies from the Debt Service Reserve Fund

The Issuer agrees that so long as any of the Bonds are outstanding it will pay, or cause to be paid, into the Bond Fund solely from the sources of payment described in Section 501 sufficient moneys to promptly pay the principal of, and the interest on, the Bonds as the same become due and payable (including mandatory sinking fund redemption pursuant to Section 304) To this end, the Issuer agrees that if there occurs an event of default under this Indenture, the Agreement, or the Security Deed, the Issuer will fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders

**Section 504. Use of Moneys in the Bond Fund**

Except as provided in Sections 508, 702 and 1002, moneys in the Bond Fund shall be used solely for the payment of the principal (including redemption premiums) of, and the interest on, the Bonds No part of the payments to be made by the Borrower under the Agreement required to be paid into the Bond Fund (excluding prepayments under Section 7 2 of the Agreement and amounts paid in connection with the sinking fund requirements of Section 304) shall be used to redeem, prior to maturity, the Bonds or any portions thereof; provided, that whenever the moneys held in the Bond Fund from any source whatsoever are sufficient to redeem all of the Bonds and to pay interest to accrue thereon prior to such redemption, the Issuer agrees to take and cause to be taken the necessary steps to redeem all of the Bonds on the next succeeding redemption date for which the required redemption notice can be given; and,

-51-

(b) Any moneys held by the Trustee in the special account in the Bond Fund shall be retained by the Trustee for the payment or the redemption of Bonds not yet presented for payment or redemption If after three (3) years such moneys held for the holders of certain Bonds have not been claimed, it shall be the duty of the Trustee forthwith to return to the Borrower all moneys held by the Trustee in said special account, subject to any other requirements of law as may be applicable to such funds, and any such holder shall thereafter, as an unsecured general creditor, look only to the Borrower for the payment of any such Bond and all liability of the Trustee shall thereupon cease

**Section 509. Creation of the Revenue Fund** There is hereby created by the Issuer in order to establish with the Trustee a trust fund to be designated the "Chatham County Revenue Fund – Savannah ALF LLC Project" which shall be used, from time to time, upon the occurrence of a Lock Box Trigger Event as set forth in Section 4 2(b) of the Agreement for the purpose of paying the operating expenses of the Facility as well as for any and all other payments which are required to be made of Borrower under the Agreement

**Section 510. Creation of Ad Valorem Tax Fund** There is hereby created by the Issuer and ordered established with the Trustee an Ad Valorem Tax Fund to be designated "Chatham County Ad Valorem Tax Fund – Savannah ALF LLC Project," which shall be funded with regular deposits made by the Borrower pursuant to the provisions of Section 4 2(a)(iv) of the Agreement Such amounts shall be used by the Trustee to pay ad valorem taxes due to the City of Savannah and/or Chatham County on the Facility

**Section 511. Creation of Arbitrage Rebate Fund** There is hereby created by the Issuer and ordered established with the Trustee an Arbitrage Rebate Fund to be designated "Chatham County Arbitrage Rebate Fund – Savannah ALF LLC Project," which shall be used to receive and administer the Rebate Amount (defined in Section 5 10 of the Agreement), if any

**ARTICLE VI**

**CUSTODY AND APPLICATION OF PROCEEDS OF BONDS**

**Section 601. Creation of the Project Fund** There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated the "Chatham County Project Fund – Savannah ALF LLC Project"

**Section 602. Disposition of Bond Proceeds** Upon the issuance and delivery of the Bonds, the proceeds of the sale of the Bonds (exclusive of accrued interest, if any, those funds deposited into the Debt Service Reserve Fund pursuant to Section 606 hereof and those funds deposited into the Capitalized Interest Fund pursuant to Section 607 hereof) shall be deposited into the Project Fund

**Section 603. Disbursements from Project Fund** Moneys in the Project Fund shall be disbursed in accordance with the provisions of the Agreement, and particularly Sections 3 3 and 3 5 thereof The Trustee is hereby authorized and directed to issue its checks for each

-53-

provided, further, that any moneys in the Bond Fund other than the payments required of the Borrower under the Agreement may be used to redeem a portion of the Bonds so long as the Borrower has paid all required payments under the Agreement

The Issuer hereby authorizes and directs the Trustee to pay the principal of, and the interest on, the Bonds as the same become due and payable, to make any payments required to be made pursuant to Section 301, and to make any payments required to be made on any redemption date in connection with Bonds called for redemption, which authorization and direction the Trustee hereby accepts

**Section 505. Non-presentment of Bonds at Final Maturity** If any Bond shall not be presented for payment when the principal thereof or the final installment of principal thereof becomes due, either at maturity or at the redemption date, provided moneys sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the holder thereof, all liability of the Issuer to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, subject to the provisions of Section 508(b), in said account, without liability for interest thereon, for the benefit of the holder of such Bond, who shall thereafter be restricted exclusively to moneys held in said account, or paid by the Trustee to the Borrower pursuant to the provisions of Section 508(b), for any claim of whatever nature on his part hereunder or on, or with respect to, such Bond

**Section 506. Trustee's and Paying Agents' Fees, Charges and Expenses** Pursuant to the terms of the Agreement, the Borrower has agreed to pay directly to the Trustee:

- (a) an amount equal to the annual fee of the Trustee and expenses incurred by the Trustee hereunder; and,
- (b) the reasonable fees and charges of the Trustee for acting as paying agent and as Bond Registrar, and the reasonable fees of Trustee's Counsel, as and when the same become due

**Section 507. Moneys to Be Held in Trust** All moneys paid over to the Trustee for deposit into the Bond Fund under any provision hereof shall be held (subject to the provisions of Section 508) in trust by the Trustee for the benefit of the holders of the Bonds entitled to be paid therefrom

**Section 508. Payments to the Borrower from the Bond Fund**

(a) Any moneys remaining in the Bond Fund after payment in full of all Bonds (taking into account Section 702), the fees, charges and expenses of the Trustee, the paying agent(s) and the Bond Registrar which have accrued and which will accrue and all other items required to be paid hereunder shall be paid to the Borrower upon the expiration or sooner termination of the term of the Agreement as provided in Article VII of the Agreement

-52-

disbursement to be made pursuant to the provisions of the Agreement and the Trustee shall be relieved of all liability with respect to disbursements made in accordance with the provisions of Sections 3 3 and 3 5 of the Agreement

Pursuant to Section 144(a)(1) of the Code, 95% of the net proceeds of the 2015A Bonds (before subtracting costs of issuance) shall be used for qualifying costs In addition, pursuant to Section 147(g) of the Code, costs of issuance paid from the proceeds of the 2015A Bonds shall not exceed two percent (2%) of the net proceeds of the 2015A Bonds The Trustee has no obligation to insure compliance with the requirements of this paragraph

The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and after the Project has been completed and a certificate of payment of all costs filed as provided in Section 604, the Trustee shall file an accounting thereof with the Issuer and the Borrower if requested to do so by either such party

**Section 604. Completion of the Project** The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of the certificate signed by the Authorized Borrower Representative (designated pursuant to the terms of the Agreement), which certificate shall state that all costs and expenses in connection with the Project and payable out of the Project Fund have been paid except for costs and expenses not then due and payable with respect to which funds are being retained in the Project Fund with the approval of the Borrower for the payment of the same As soon as practicable, and in any event not later than sixty (60) days from the date of the latter certificate referred to in the preceding sentence, any moneys remaining in the Project Fund (other than moneys retained to pay costs and expenses not then due and payable) shall be used as specified in Section 3 3(h) of the Agreement relating to the use of moneys in the Project Fund Any balance remaining of moneys retained to pay costs and expenses after full payment of such costs and expenses shall be used as specified in Section 3 3(h) of the Agreement Unless there shall be delivered to the Trustee an opinion of nationally recognized bond counsel acceptable to the Issuer stating that the yield need not be so restricted, amounts held for application under this Section shall not, after the completion of the Project, be invested at a yield in excess of the yield on the 2015A Bonds

**Section 605. Creation of Special Fund** There is hereby created by the Issuer and ordered established with the Trustee, as part of and within the Bond Fund, a Special Fund to be designated the "Chatham County Special Fund – Savannah ALF LLC Project," which shall be used for the purpose of collecting, managing, and disbursing insurance and condemnation proceeds, if any, associated with the Project

**Section 606. Creation of Debt Service Reserve Fund** There is hereby created by the Issuer and ordered established with the Trustee a Debt Service Reserve Fund to be designated "Chatham County Debt Service Reserve Fund – Savannah ALF LLC Project," which shall be originally funded with a deposit of and maintained in an amount equal to \$583,547 from the proceeds of the Bonds Such amount shall be invested by the Trustee in Permitted Investments as directed in writing by the Borrower and used to pay principal and interest on the Bonds to the extent funds are otherwise unavailable therefore in the Bond Fund If any amount of the original

-54-

or replenished \$583,547 contained in the Debt Service Reserve Fund or additions to such fund as provided below must be used to make payments of principal and interest on the Bonds, such amount shall be replenished by the Borrower within twelve (12) months of withdrawal as hereinafter described. Beginning on the third business day of the first month in which funds have been withdrawn from the Debt Service Reserve Fund and continuing for twelve consecutive months, the Borrower shall make payments to the Debt Service Reserve Fund, each in an amount equal to one-twelfth of the amount so withdrawn. Any income earned from the investment of funds on deposit in the Debt Service Reserve Fund shall be paid into the Project Fund until the Completion Date of the Project; after the Completion Date said income shall be paid into the Debt Service Reserve Fund until such time as the amount on deposit in such fund equals \$583,547; thereafter, said income shall be deposited into the Bond Fund so long as the amount on deposit in the Debt Service Reserve Fund equals at least \$583,547.

**Section 607. Creation of Capitalized Interest Fund.** There is hereby created by the Issuer and ordered established with the Trustee a Working Capital Fund to be designated "Chatham County Capitalized Interest Fund – Savannah ALF LLC Project," which will be originally funded with a deposit of an amount equal to \$277,794 from the proceeds to the Bonds. Such amount may be drawn upon by the Borrower from time to time for working capital needs to operate the Facility.

## ARTICLE VII

### INVESTMENTS

**Section 701. Project Fund and Debt Service Reserve Fund Investments.** Moneys held in the Project Fund and Debt Service Reserve Fund shall be invested and reinvested by the Trustee in Permitted Investments as directed in writing by the Borrower. Such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Project Fund or Debt Service Reserve Fund, and the interest accruing thereon and any profit resulting therefrom shall be credited to the Project Fund or Debt Service Reserve Fund, as the case may be; any loss resulting therefrom shall be charged to the Project Fund or Debt Service Reserve Fund, as the case may be. The Trustee is directed to sell and convert to cash a sufficient amount of such investments whenever the cash held in the Project Fund or Debt Service Reserve Fund is insufficient to pay a requisition when presented or to otherwise make a timely disbursement required to be made therefrom. The provisions of this Section 701 shall be subject to the provisions of Section 703 of this Indenture.

**Section 702. Bond Fund Investments.** Moneys held in the Bond Fund shall be invested and reinvested by the Trustee in Permitted Investments as directed in writing by the Borrower. Such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to the Bond Fund. The Trustee is directed to sell and convert to cash a sufficient amount of such investments in the Bond Fund whenever the cash held in the Bond Fund is insufficient to provide for the payment of the principal of (whether at the maturity date or the redemption date prior to maturity), and the interest on, the Bonds as the same become due

-55-

**Section 802. Provision for Payment of Bonds.** Bonds shall be deemed to have been paid within the meaning of Section 801 if

- (a) there shall have been deposited irrevocably into the Bond Fund either:
  - (i) sufficient moneys, or
  - (ii) Government Obligations of such maturities and interest payment days and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings to be held in trust also), be sufficient together with any moneys referred to in subsection (i) above, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the interest to accrue thereon to such maturity or redemption dates, as the case may be;
- (b) there shall have been paid to the Trustee all Trustee's and paying agent's fees and expenses due or to become due in connection with the payment or redemption of the Bonds or there shall be sufficient moneys in said special account to make said payments; and
- (c) if any Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices.

Limitations elsewhere specified herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in said Bond Fund of the obligations described in the preceding subparagraph (a)(ii) for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable.

**Section 803. Discharge of the Indenture.** Notwithstanding the fact that the lien of this Indenture upon the Trust Estate may have been discharged and cancelled in accordance with Section 801, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and cancelled, shall nevertheless continue and subsist until the principal of, and the interest on, all of the Bonds shall have been paid in full or the Trustee shall have returned to the Borrower pursuant to Section 508(b) of this Indenture all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment.

-57-

and payable. Any interest or gain received from such investments shall be credited to and held in the Bond Fund and any loss from such investments shall be charged against the Bond Fund and paid by the Borrower.

Moneys held in the Ad Valorem Tax Fund shall be invested and reinvested by the Trustee in Permitted Investments as directed in writing by the Borrower. Such investments shall be held by or under the control of the Trustee and shall be deemed at all times part of the Ad Valorem Tax Fund, and the interest accruing thereon and any profit realized therefrom shall be credited to such funds respectively.

The provisions of this Section 702 shall be subject to the provisions of Section 703 of this Indenture.

**Section 703. Non-Arbitrage Covenant. Compliance with Special Arbitrage Rules.** The Issuer, relying entirely on the representations of Borrower, covenants for the benefit of the holders of any of the 2015A Bonds, present and future, that moneys on deposit in any fund or account created and held in connection with the 2015A Bonds, will not be used in a manner which will cause the 2015A Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code.

The Issuer further covenants and agrees with the Borrower and with the holders of any of the Bonds from time to time outstanding that so long as any of the Bonds remain outstanding, it will cooperate with the Borrower in complying with Section 5.10 of the Agreement.

## ARTICLE VIII

### DISCHARGE OF LIEN

**Section 801. Discharge of Lien and Security Interests.** If the Issuer shall pay or cause to be paid the principal of, and the interest on, the Bonds at the times and in the manner stipulated therein and herein, and if the Issuer shall keep, perform and observe all and singular the agreements in the Bonds and herein expressed as to be kept, performed and observed by it or on its part, then the lien hereof, these presents and the Trust Estate and the security interests shall cease, determine and be void, and thereupon the Trustee, upon receipt by the Trustee of an opinion of Counsel stating that in the opinion of the signer all conditions precedent to the satisfaction and discharge of this Indenture and the Security Deed, and the security interests have been met, shall execute and deliver such instruments in writing as shall be required to cancel and discharge this Indenture and the Security Deed, and the security interests, and reconvey to the Issuer the Trust Estate, and release so much of its interests in the Trust Estate as may be in its possession or subject to its control, except for moneys and Government Obligations held in the special account in the Bond Fund for the purpose of paying Bonds which have not yet been presented for payment; provided, however, such cancellation and discharge of the Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds.

-56-

## ARTICLE IX

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

**Section 901. Defaults. Events of Default.** If any of the following events occurs, subject to the terms of Section 912, it is hereby defined as and declared to be and to constitute an "event of default" hereunder:

- (a) default in the due and punctual payment of any interest on any Bond; or
- (b) default in the due and punctual payment of the principal of any Bond, whether at the maturity date or the redemption date prior to maturity (including mandatory sinking fund redemption pursuant to Section 304), or upon maturity thereof by declaration; or
- (c) subject to the provisions of Section 912, default in the performance or observance of any other of the agreements or conditions on the part of the Issuer herein or in the Bonds contained; or
- (d) the occurrence of an "event of default" under the Agreement as provided in Section 6.1 thereof, the Land Use Restriction Agreement or under the Security Deed.

**Section 902. Other Remedies.** Upon the occurrence of an event of default, the Trustee shall have the power to proceed with any right or remedy granted by the Constitution and laws of the State, as it may deem best in its sole discretion, including any suit, action or special proceeding in equity or at law for the specific performance of any agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, and the right to the appointment, a matter of right and without regard to the sufficiency of the security afforded by the Trust Estate or the solvency of the Borrower, of a receiver for all or any part of the Trust Estate; the rights herein specified are to be cumulative to all other available rights, remedies or powers and shall not exclude any such rights, remedies or power. Without intending to limit the foregoing rights, remedies and powers by virtue of such specification, the Trustee is authorized to exercise any and all rights available from time to time under the U.C.C. including the right to further assign the Issuer's right, title and interest in the Agreement and the Security Deed to a third party.

**Section 903. Rights of Bondholders.** Upon the occurrence of an event of default and if requested so to do by the holders of not less than fifty-one percent (51%) of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate of Bonds Outstanding) and if indemnified as provided in Section 1001(i), the Trustee shall be obliged to accelerate the maturity date for payment of principal and interest on the Bonds and declare all principal on the Bonds to be due immediately and exercise such one or more of the rights and remedies conferred by this Article as directed by such holders, or in the

-58-

absence of any such direction, as the Trustee, being advised by Counsel, shall deem to be in the interests of the Bondholders

No right or remedy by the terms hereof conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders or now or hereafter existing at law, in equity or by statute

No delay or omission to exercise any right or remedy accruing upon any event of default shall impair any such right or remedy or shall be construed to be a waiver of any such event of default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient

No waiver of any event of default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent event of default or shall impair any rights or remedies consequent thereon

**Section 904 Rights of Bondholders to Direct Proceedings** Anything herein to the contrary notwithstanding, the holders of a majority in principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions hereof and of law

**Section 905 Appointment of Receivers** Upon the occurrence of an event of default and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and remedies of the Trustee and of the Bondholders hereunder, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer

**Section 906 Waiver of Benefit of Laws** Upon the occurrence of an event of default, to the extent that such rights may then lawfully be waived, neither the Issuer, nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of the Security Deed or the foreclosure of the Security Deed, but the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that they lawfully may do so, the benefit of all such laws and all right of appraisal and redemption to which it may be entitled under the laws of the State

**Section 907 Application of Moneys** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including, without limitation,

-59-

Whenever all Bonds and the interest thereon have been paid under the provisions of this Section and all expenses and charges of the Trustee and paying agent have been paid, any balance remaining in the Bond Fund shall be paid to the Borrower as provided in Section 508

**Section 908 Rights and Remedies Vested in Trustee** All rights and remedies of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the holders of the Bonds

**Section 909 Rights and Remedies of Bondholders** No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in subsection (e)(iv) of Section 1001, or of which by said subsection it is deemed to have notice, and unless also such default shall have become an event of default and the holders of not less than fifty-one percent (51%) of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate of Bonds Outstanding) and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless also such Bondholders have offered to the Trustee indemnity as provided in Section 1001(i), and unless also the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other right or remedy hereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its, his or their action or to enforce any right or remedy hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds. Nothing herein contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, and the interest on, any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, and the interest on, each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds

In the event that any holder acts unilaterally contrary to the provisions set forth in this Section 909, the interest of such holder shall no longer be entitled to ratable protection under this Indenture, and all fees and expenses incurred by the Trustee or chargeable to the Trust Estate shall be paid by, or levied against the interest of such holder; it being the intent that neither the Trustee nor other holders should bear the costs associated with such unilateral action

-61-

fees and expenses of its attorneys and consultants, be deposited into the Bond Fund, and all moneys in the Bond Fund (other than moneys held pursuant to Section 505 or Section 802) shall be applied, as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due, in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege

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

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

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee

-60-

**Section 910 Termination of Proceedings** If the Trustee shall have proceeded to enforce any right or remedy hereunder by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Trustee, and the Borrower shall be restored to their former positions, rights and obligations hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken

**Section 911 Waivers of Events of Default** The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal upon the written request of the holders of a majority in principal amount of all Bonds then outstanding in the case of any event of default; provided, however, that there shall not be waived:

(a) any event of default pertaining to the payment of the principal of any Bond at its maturity date or redemption date prior to maturity (including any mandatory sinking fund redemption date),

(b) any event of default pertaining to the payment when due of the interest on any Bond, or

(c) any Act of Bankruptcy, insolvency proceedings, liquidation, dissolution, or reorganization, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate per annum borne by the Bonds in respect of which such event of default shall have occurred on overdue installments of interest, and all expenses of the Trustee in connection with such event of default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such event of default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Borrower, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other event of default, or impair any right consequent thereon. The Trustee shall not have any discretion to waive any event of default hereunder and its consequences except in the manner and subject to the terms expressed above

**Section 912 Notice of Defaults Opportunity of Issuer and Borrower to Cure Defaults** No default specified in Section 901(c) shall constitute an event of default hereunder until notice of such default by registered or certified mail shall be given by the Trustee to the Issuer and the Borrower, and the Issuer and the Borrower shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, further, that if a default specified in said Section 901(c) be such that it can be corrected but not within the period specified herein, it shall not constitute the basis of an event of default hereunder (a) if corrective action capable of remedying such default is instituted by the Issuer within the applicable period and diligently pursued until the default is corrected, but in any event within ninety (90) days after such notice and (b) if the Issuer shall within the applicable period furnish to the Trustee a certificate executed as provided in Section 1001(e)(ii) certifying that said default

-62-

is such that it can be corrected but not within the applicable period and that corrective action capable of remedying such default has been instituted and is being diligently pursued and will be diligently pursued until the default is corrected, but in any event within ninety (90) days after such notice. The Issuer shall notify the Trustee by certificate executed as above when such default has been corrected. The Trustee shall be entitled to rely upon any such certificate given pursuant to this Section.

With regard to any default concerning which notice is given to the Borrower or the Issuer under the provisions of this Section, the Issuer hereby grants to the Borrower full authority to perform any obligation the performance of which by the Issuer is alleged in said notice to be in default, such performance by the Borrower to be in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

**Section 913. Bondholder Lists.** In case at any time the holders of at least 10% in aggregate principal amount of the Bonds outstanding shall have so requested in writing, the Trustee shall, unless prohibited by law, provide a list of the current Bondholders to such Bondholders as have made the request.

## ARTICLE X

### THE TRUSTEE

**Section 1001. Acceptance of the Trusts.** The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an event of default and after the curing or waiver of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied agreement or obligations shall be read into this Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in a like situation.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified in subsection (a) above, and shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay and be reimbursed for such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Borrower), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

-63-

(iii) The right of the Trustee to do things enumerated herein shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(iv) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article V unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the holders of at least twenty-five percent (25%) in principal amount of the Bonds. All notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee shall conclusively assume there is no default except as aforesaid. In the event that any payment required to be made by Article V is not paid when due, the Trustee shall immediately notify the Borrower by telephone notice that such payment has not been made and shall immediately confirm such notice by registered letter to the Borrower.

(f) At reasonable times and as often as reasonably requested in connection with its rights under this Indenture, the Trustee and its duly authorized agents, attorneys or other representatives shall have the right but not the obligation to inspect the Project and all books, papers and records of the Issuer and the Borrower pertaining to the Project or Bonds and to make copies thereof and take such memoranda from and in regard thereto as may be desired.

(g) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(h) Notwithstanding anything elsewhere herein contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash or any action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee which the Trustee deems desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(i) Before taking such action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the gross negligence or willful misconduct of the Trustee by reason of any action so taken.

(j) All moneys received by the Trustee or any paying agent for the Bonds shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required herein or by law. Neither the Trustee nor any such paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

-65-

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of the Security Deed or the Indenture or for insuring the Trust Estate or any part of the Project, or for the validity of the execution hereof by the Issuer or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any agreements or conditions on the part of the Issuer or on the part of the Borrower under the Agreement or the Security Deed except as hereinafter set forth; but the Trustee may require but shall have no duty so to require of the Issuer or the Borrower full information and advice as to the performance of the agreements and conditions aforesaid and as to the condition of the Trust Estate.

(d) The Trustee shall not be liable or responsible because of the failure of the Issuer or of any of its employees or agents to perform any act herein required of the Issuer or because of the loss of any monies arising through the insolvency or the act or default or omission of any other depository in which such monies shall have been deposited under the provisions of this Indenture. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Sections 701 and 702. Except to the extent herein specifically provided, the Trustee shall not be accountable for the use of the proceeds of any of the Bonds. The Trustee in any capacity may become the holder or pledgee of any of the Bonds with the same rights which it would have if it were not Trustee.

(e) Except as is otherwise provided in subsection (a) above:

(i) The Trustee shall be protected and shall incur no liability in acting or refraining from acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed, presented or sent by the proper person or persons. Any action or nonaction taken by the Trustee, pursuant hereto upon the request, authority or consent of any person who at the time of making such request or giving such authority or consent is the holder of any Bond, shall be conclusive and binding upon all future holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(ii) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by its Chairman or President and attested by its Assistant Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (c)(iv) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee shall accept a certificate of the Assistant Secretary of the Issuer under its seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been adopted and is in full force and effect.

-64-

(k) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(l) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) Anything to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Project, and shall not be required to initiate foreclosure proceedings with respect to the Project and the Security Deed unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state or federal environmental laws or regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal of, or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

(n) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(o) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

(p) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(q) Although the Loan Agreement is subject to and subordinate to the Security Deed, by accepting the assignment of the Loan Agreement the Trustee agrees and acknowledges that so long as the Borrower is not in default under the Loan Agreement, the Guarantors are not in default under the Limited Guaranty Agreement or otherwise with the Trustee, the Borrower shall have peaceable possession of the Premises and the sole and exclusive use thereof.

### Section 1002. Fees, Charges and Expenses of Trustee

(a) The Trustee shall be entitled to payment of and reimbursement for customary fees for its services rendered hereunder and for all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in connection with such services including, but not limited to, the Trustee's extraordinary fees and expenses. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and Bond Registrar for the Bonds, if any, as herein above provided. The Trustee may charge its fees and expenses against any fund thirty (30) days following rendering of charges. Upon the

-66-



occurrence of an event of default, but only upon such occurrence, the Trustee shall have a first lien on the Trust Estate with right of payment prior to payment of, the principal of, and the interest on, any Bond for the foregoing advances, fees, costs and expenses incurred

(b) The Trustee shall be entitled to payment and reimbursement for special services and expenses (including but not limited to those listed herein), rendered on behalf of an individual Bondholder, which special services and expenses have been incurred at the written request of such individual Bondholder. The Trustee may, but is not obligated to, render such special services and expenses and to charge a reasonable fee for such special services and expenses which shall be paid for by such individual Bondholder. The Trustee may charge these expenses against any fund held on behalf of such individual Bondholder thirty (30) days following the rendering of charges

**Section 1003. Notice to Bondholders If Default Occurs** If a default occurs of which the Trustee is by subsection (e)(iv) of Section 1001 required to take notice or if notice of a default be given as in said subsection (e)(iv) provided, then the Trustee shall give written notice thereof by first class mail to the holders of all Bonds then outstanding, and, as to defaults described in Section 901(c), to the Borrower and the Issuer

**Section 1004. Intervention by Trustee** In any judicial proceeding to which the Issuer is a party which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interest of the Bondholders, the Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the holders of at least fifty-one percent (51%) of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate of Bonds Outstanding). The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction if such approval is required by law as a condition to such intervention

**Section 1005. Successor Trustee** Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, ipso facto, shall be and become successor Trustee hereunder and be vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding

**Section 1006. Resignation by the Trustee** The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving ninety (90) days written notice to the Issuer, the Borrower and each Bondholder, and such resignation shall take effect at the end of such ninety (90) day period, or upon the earlier appointment of a successor Trustee by the Bondholders or by the Issuer and the acceptance of such appointment by such Successor Trustee. Such notice may be served personally or sent by registered or certified mail

-67-

principal of, and the interest on, the Bonds and shall be paid out of the revenues and receipts from the Trust Estate if not otherwise caused to be paid; but the Trustee shall not be under obligation to make any such payment unless it shall have been requested to do so by at least fifty-one percent (51%) of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate of Bonds Outstanding) and shall have been provided with sufficient moneys for the purpose of making such payment

**Section 1011. Trustee Protected in Relying Upon Resolutions, etc.** The resolutions, opinions, certificates and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the withdrawal or payment of moneys or other action taken hereunder

**Section 1012. Successor Trustee as Custodian of Funds, Paying Agent and Bond Registrar** Upon a change in the office of Trustee the predecessor Trustee which has resigned or has been removed shall cease to be the holder of the Bond Fund, the Project Fund, and any other funds or accounts established pursuant hereto, paying agent for the principal of, and the interest on, the Bonds and Bond Registrar, and the successor Trustee shall become such holder, paying agent and Bond Registrar

**Section 1013. Filing of Certain Continuation Statements** From time to time, the Trustee shall file or cause to be filed continuation statements for the purpose of continuing without lapse the effectiveness of (i) those Financing Statements which shall have been filed at or prior to the issuance of the Bonds in connection with the security for the Bonds pursuant to the authority of the U C C , and (ii) any previously filed continuation statements which shall have been filed as herein required. Upon the filing of any such continuation statement the Trustee shall immediately notify the Issuer that the same has been accomplished

**Section 1014. Supplying of Names and Addresses Bondholders Desiring Certain Financial Information** The Trustee shall promptly notify the Borrower of the name and address of any Bondholder who has notified the Trustee of his desire to receive the financial information referred to in Section 5.4 of the Agreement, which information the Borrower has agreed to forward to each such Bondholder at the specified address

**Section 1015. Trustee Entitled to Indemnity**

(a) The Borrower shall indemnify the Trustee against any loss, liability or expense incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, except as set forth in subsection(b) below. The Trustee shall notify the Borrower promptly of any claim for which it may seek indemnity. Except where the Borrower is the claimant, the Borrower shall defend the claim, and the Trustee shall cooperate in the defense. The Trustee may have separate counsel, and the Borrower shall pay the reasonable fees and expenses actually incurred of such counsel

-69-

**Section 1007. Removal of the Trustee** The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, the Issuer, and the Borrower and signed by the holders of a majority in principal amount of the Bonds, provided that the fees and expenses of the Trustee have been paid in full

**Section 1008. Appointment of Successor Trustee by the Bondholders Temporary Trustee** If the Trustee shall resign, be removed, be dissolved, be in course of dissolution or liquidation, or shall otherwise become incapable of acting hereunder or in case it shall be taken under the control of any public officer, officers or a receiver appointed by a court, a successor may be appointed by the holders of a majority in principal amount of the Bonds, by an instrument or concurrent instruments in writing signed by such holders, or by their attorneys-in-fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer, by an instrument signed by its Chairman or President and attested by its Assistant Secretary under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided; and any such temporary Trustee shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank (having trust powers) in good standing, shall be located within or outside the State

**Section 1009. Concerning Any Successor Trustee** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Borrower an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee in order to more fully and certainly vest in such successor the estates, properties, rights, powers and trusts hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture, the Security Deed and the Financing Statements shall have been filed and/or recorded

**Section 1010. Right of Trustee to Pay Taxes and Other Charges** If any tax, assessment or governmental or other charge upon any part of the Trust Estate or the Project is not paid as required herein, the Trustee may pay such tax, assessment or charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate per annum borne by the Bonds, shall become so much additional indebtedness secured hereby, and the same shall be given a preference in payment over the

-68-

(b) The Borrower shall not be obligated to reimburse any expense or to indemnify against any loss or liability incurred by the Trustee through gross negligence, bad faith, or willful misconduct

(c) To secure the Borrower's payment obligations in this Section, the Trustee shall have a lien prior to the lien of the Trustee for the benefit of the owners of the Bonds on all money or property held or collected by the Trustee. Such obligations shall survive the satisfaction and discharge of this Indenture

(d) When the Trustee incurs expenses or renders services after an event of default, the expenses and compensation for the services are intended to constitute expenses of administration under any applicable bankruptcy law

(e) The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Borrower shall reimburse the Trustee from funds available therefor under the Agreement for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Borrower shall fail to make reimbursement, the Trustee may reimburse itself from any monies in its possession under the provisions of this Indenture and shall be entitled with respect thereto to a preference over the Bonds

**Section 1016. Appointment of Co-Trustee** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including without limitation, the laws of the State) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that, (a) if there is litigation under the Indenture or other instruments or documents relating to the Bonds and the Project, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a Co-Trustee. The following provisions of this Section are adapted to these ends

In the event that the Trustee appoints an individual or additional institution as a Co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that Co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that Co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that Co-Trustee shall run to and be enforceable by it

This Article X of this Indenture is hereby made applicable to any Co-Trustee appointed hereunder

-70-

Should any instrument or document in writing from the Issuer reasonably be required by any Co-Trustee for vesting and conveying more fully and certainly in and to that Co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Issuer. Any Co-Trustee may resign or be removed and a successor Co-Trustee appointed upon the same terms as provided for the Trustee.

## ARTICLE XI

### MEETINGS OF BONDHOLDERS

Section 1101 Purposes for Which Bondholders' Meetings May Be Called A meeting of Bondholders may be called at any time and from time to time for any of the following purposes:

(a) to give any notice to the Issuer, the Borrower, or the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default or event of default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to Section 909;

(b) to remove the Trustee pursuant to Section 1007, and to appoint a successor trustee pursuant to Section 1008;

(c) to consent to the execution of a supplemental indenture pursuant to Section 1202, or to consent to the execution of an amendment, change or modification of the Agreement pursuant to Section 1302; or

(d) to take any other action authorized to be taken by or on behalf of the holders of any specified principal amount of the Bonds under any other provision hereof or under applicable law.

Section 1102 Place of Meetings of Bondholders Meetings of Bondholders may be held at such place or places as the Trustee or, in case of its failure to act, the Bondholders calling the meeting shall from time to time determine.

### Section 1103 Call and Notice of Bondholders' Meetings

(a) The Trustee may at any time call a meeting of Bondholders to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be by first class mail postage prepaid, to the Bondholders at the address shown on the registration books.

(b) In case at any time at least fifty-one percent (51%) of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided

-71-

hereof to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of Bondholders called pursuant to Section 1103 may be adjourned from time to time by vote of the holders (or proxies for the holders) of a majority of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

Section 1106 Counting Votes and Recording Action of Meetings The vote upon any resolution submitted to any meeting of Bondholders shall be by written ballots on which shall be subscribed the signatures of the Bondholders or of their representatives by proxy and the number or numbers of the Bonds outstanding held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published or mailed as provided in Section 1103. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Issuer, another to the Borrower and another to the Trustee to be preserved by the Trustee, which copy shall have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 1107 Revocation by Bondholders At any time prior to (but not after) the evidencing to the Trustee, in the manner provided in Section 1106, of the taking of any action by the holders of the percentage in aggregate principal amount of the Bonds specified herein in connection with such action, any holder of a Bond the number of which is included in the Bonds the holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 1401, revoke such consent so far as concerns such Bond. Except as aforesaid any such consent given by the holder of any Bond shall be conclusive and binding upon such holder and upon all future holders of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the holders of the percentage in principal amount of the Bonds specified herein in connection with such action shall be conclusively binding upon the Issuer, the Borrower, the Trustee and the holders of all the Bonds.

## ARTICLE XII

### SUPPLEMENTAL INDENTURES

Section 1201 Supplemental Indentures Not Requiring Consent of Bondholders The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental hereto which shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes, provided that in the

-73-

that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate principal of Bonds Outstanding) shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within twenty (20) days after receipt of such request, then such Bondholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 1201 by giving notice thereof as provided in subsection (a) of this Section.

Section 1104 Persons Entitled to Vote at Bondholders' Meetings To be entitled to vote at any meeting of Bondholders, a person shall be a holder of one or more Bonds outstanding, or a person appointed by an instrument in writing as proxy for a Bondholder by such Bondholder. The only persons who shall be entitled to be present or to speak at any meeting of Bondholders shall be the persons entitled to vote at such meeting and their Counsel and any representatives of the Trustee and its Counsel and any representatives of the Borrower and its Counsel and any representatives of the Issuer and its Counsel.

### Section 1105 Determination of Voting Rights, Conduct and Adjournment of Meetings

(a) Notwithstanding any other provisions hereof, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Bondholders in regard to proof of the holding of Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Bonds shall be proved in the manner specified in Section 1401 and the appointment of any proxy shall be proved in the manner specified in Section 1401 or by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker or trust company authorized by Section 1401 to certify to the holding of Bonds. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 1401 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by Bondholders as provided in subsection (b) of Section 1103, in which case the Bondholders called the meeting shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority of the Bonds represented at the meeting and entitled to vote.

(c) At any meeting each Bondholder or proxy shall be entitled to one vote for each \$5,000 in principal amount of Bonds outstanding held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote, except as a Bondholder or proxy.

(d) At any meeting of Bondholders, the presence of persons holding or representing Bonds in an aggregate principal amount sufficient under the appropriate provision

-72-

opinion of Independent Counsel the change effected thereby is not to the prejudice of the interests of the Trustee or the Bondholders:

(a) to cure any ambiguity or formal defect;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge hereof additional payments, revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if they so determine, to add hereto or to any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute; or

(e) to evidence the appointment of a separate Trustee or co-trustee or the succession of a new Trustee hereunder.

Section 1202 Supplemental Indentures Requiring Consent of Bondholders Exclusive of supplemental indentures covered by Section 1201 and subject to the terms and provisions contained in this Section, and not otherwise, fifty-one percent (51%) or more of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate principal of Bonds Outstanding) shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, (a) an extension of the maturity date (or mandatory sinking fund redemption date) on which the principal of or the interest on any Bond is, or is to become, due and payable, (b) a reduction in the principal amount of any Bond, the rate of interest thereon or any redemption premium, (c) a privilege or priority of any bond or Bonds over any other Bond or Bonds, or (d) a reduction in the principal amount of the Bonds required for consent to such supplemental indenture.

If the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause written notice of the proposed execution of such supplemental indenture together with a copy of such proposed supplemental indenture to be given by first class

-74-

mail, postage prepaid, to the holders of the Bonds at their addresses shown on the Trustee's books of registration. If, within sixty (60) days or such longer period as shall be prescribed by the Issuer following the mailing of such notice, the holders of at least fifty-one percent (51%) or more of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate principal of Bonds Outstanding) shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII shall not become effective unless and until the Borrower shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Borrower at least fifteen (15) days prior to the proposed date of execution and delivery of any such supplemental indenture. The Borrower shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Borrower on or before 4:30 o'clock P.M., prevailing Eastern time, of the fifteenth (15th) day after the mailing of said notice and a copy of the proposed supplemental indenture.

This Indenture may not be amended, changed or modified except by the execution and delivery of a supplemental indenture entered into in accordance with the provisions of this Article XII.

Section 1203. Trustee Authorized to Join in Supplements, Reliance on Counsel. The Trustee is authorized to join with the Issuer in the execution and delivery of any supplemental indenture permitted by this Article XII and, in so doing, shall be fully protected by an opinion of Independent Counsel that such supplemental indenture is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding supplemental indenture have been done.

#### ARTICLE XIII

##### AMENDMENT OF AGREEMENT AND SECURITY DEED

Section 1301. Amendments, etc., to Agreement and Security Deed Not Requiring Consent of Bondholders. Upon receipt of the documents set forth in Section 405, the Trustee shall without the consent of, or notice to, the Bondholders consent to any amendment, change or modification of the Agreement, this Indenture and/or the Security Deed as may be required:

(a) by the provisions of the Agreement, this Indenture, or the Security Deed,

-75-

one or more instruments of substantially similar tenor signed by such Bondholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer and the Borrower. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose hereof and conclusive in favor of the Trustee, the Borrower, and the Issuer, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership of Bonds shall be conclusively proved for all purposes by the registration books kept by the Trustee as Bond Registrar.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Bondholder shall bind every future holder of the same Bond in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 1402. Issuer's Obligations Limited. No recourse under or upon any obligation or agreement contained in this Indenture or in any Bond or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Indenture, shall be had against the Issuer.

Anything in this Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (a) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer; (b) the Issuer shall not be under any obligation hereunder to perform any record-keeping or to provide any legal services, it being understood that such services shall be performed either by the Trustee or the Borrower; and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses and liability which may be incurred thereby.

Notwithstanding anything herein contained to the contrary, any obligation which the Issuer may incur under this Indenture or under any instrument executed in connection herewith

-77-

(b) for the purpose of curing any ambiguity or formal defect or omission in the Agreement, this Indenture, or the Security Deed; or

(c) in connection with any other change which is not to the prejudice of the Trustee or materially adverse to the holders of the Bonds;

provided that in the opinion of Independent Counsel satisfactory to the Trustee the amendment, change or modification effected thereby is not to the prejudice of the interests of the Trustee or the Bondholders.

Section 1302. Amendments, etc., to Agreement and Security Deed Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Agreement, the Security Deed, or the Indenture without (1) the giving of notice and the written approval or consent of the holders of at least fifty-one percent (51%) or more of Bondholders responding to a poll conducted by the Trustee of the holders of all Outstanding Bonds (provided that such responding Bondholders constitute the Owners of at least thirty-five percent (35%) of the aggregate principal of Bonds Outstanding), and (ii) the giving of notice in accordance with the procedure set forth in Section 1202; provided, however, nothing contained in this Article shall permit, or be construed as permitting, any amendment, change or modification of the Borrower's unconditional obligation to make the payments required under the Agreement or the Borrower's agreements with respect to the use of Bond proceeds. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement or, the Security Deed, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 1202 with respect to proposed supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by Bondholders.

Section 1303. Trustee Authorized to Join in Amendments, Reliance on Counsel. The Trustee is authorized to join with the Issuer in the execution and delivery of any amendment permitted by this Article XIII and, in so doing, shall be fully protected by an opinion of Independent Counsel that such amendment is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding agreement have been done.

#### ARTICLE XIV

##### MISCELLANEOUS

##### Section 1401. Consents, etc., of Bondholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided to be given or taken by Bondholders may be embodied in and evidenced by

-76-

which shall entail the expenditure of money shall not be a general obligation of the Issuer or the City or the County but shall be a limited obligation payable solely from the Pledged Revenues.

Section 1403. Immunity of Directors, Officers or Employees of Issuer. No recourse shall be had for the enforcement of any obligation, promise or agreement of the Issuer contained in the Agreement, this Indenture or in any Bond issued hereunder for any claim based thereon or otherwise in respect thereof, against any director, officer, employee or agent, as such, in his individual capacity, past, present or future, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assignment or penalty or otherwise; it being expressly agreed and understood that the Bonds, the Agreement, the Security Deed and this Indenture are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any director, officer, employee, or agent, as such, past, present or future, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, under or by reason of any of the obligations, promises or agreements entered into between the Issuer and the Borrower whether contained in this Indenture, the Agreement or the Security Deed or to be implied herefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such director, officer, employee, or agent is, by the execution of the Agreement, the Security Deed and this Indenture, and as a condition of, and as part of the consideration for, the execution of the Agreement, the Security Deed and this Indenture, expressly waived and released.

Section 1404. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied herefrom or from the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Borrower and the holders of the Bonds, any legal or equitable right, remedy or claim under or in respect hereto or any agreements, conditions and provisions herein contained; this Indenture and all of the agreements, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Borrower and the holders of the Bonds as herein provided.

Section 1405. No Liability of Issuer. Anything herein to the contrary notwithstanding, nothing contained in this Trust Indenture or in any other document that is a part of this transaction, including, but not limited to, the Bond Resolution of the Issuer, the Agreement and/or the Security Deed, shall, in any manner whatsoever be deemed to constitute a debt or a general obligation, or a pledge of the faith and credit of the Issuer, the City, the County, the State of Georgia, or any political subdivision of the State, and does not directly or indirectly or contingently, obligate said City, said County, said State or any political subdivision of the State to levy or to pledge any form of taxation whatever for the payment of the principal indebtedness, redemption premium (if any), interest, or any other indebtedness, costs, or expense. The Issuer has no taxing power.

Section 1406. Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision

-78-

or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever

Section 1407. Notices It shall be sufficient service of any notice, approval, consent, request, complaint, demand or other communication if the same shall be delivered or mailed by first class registered or certified mail, return receipt requested, postage prepaid, and addressed, as follows:

- (a) If to the Issuer: **Savannah Economic Development Authority**  
P O Box 128  
Savannah, Georgia 31402  
Attn: President
- with a copy to: Thomas S Gray, Jr., Esq  
**Gray Pannell & Woodward LLP**  
24 Drayton St #1000  
Savannah, Georgia 31401
- (b) If to the Borrower: **Savannah ALF LLC**  
249 Holland Drive  
Savannah, Georgia 31419  
Attn: Dwayne A Edwards
- (c) If to the Trustee: **BOKF, N.A. dba Bank of Oklahoma**  
One Williams Center, 10SW  
Tulsa, Oklahoma 74103  
Attn: Marrien Neilson
- (d) If to the Underwriter: **Lawson Financial Corporation**  
3352 E Camelback Road  
Phoenix, Arizona 85018  
Attn: Robert W Lawson

A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the Issuer, the Borrower or the Trustee, to any one of the others shall also be given to all of the others. The Issuer, the Borrower and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests, complaints, demands or other communications shall be sent or persons to whose attention the same shall be directed

Section 1408. Trustee as Paying Agent and Bond Registrar The Trustee is hereby designated and agrees to act as paying agent and Bond Registrar for and in respect to the Bonds

-79-

IN WITNESS WHEREOF, the Issuer has caused this Indenture to be executed in its corporate name and its corporate seal to be affixed hereto and attested by its authorized officers, and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be executed in its corporate name by its authorized officers, all as of the date first above written

(SEAL) SAVANNAH ECONOMIC DEVELOPMENT  
AUTHORITY

By: \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

Section 1409. Payments Due on Saturdays, Sundays and Holidays In any case where the date of maturity of principal of and/or interest on the Bonds or the date fixed for the redemption of any Bonds shall be, in the city of payment, a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized by law to close, then payment of principal and/or interest need not be made on such date in such city but may be made on the next succeeding business day not a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for the redemption, and if such payment is made on the next succeeding business day no interest shall accrue for the period after such date

Section 1410. Counterparts This Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument

Section 1411. Laws Governing Indenture The effect and meaning hereof and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of Georgia

Section 1412. Venue and Jurisdiction Jurisdiction for any litigation growing out of the enforcement of the provisions of this Indenture shall lie in the State of Georgia, and venue shall lie in the Superior Court of Chatham County

-80-

BOKF, NA DBA BANK OF OKLAHOMA,  
as Trustee

(CORPORATE SEAL)

By: \_\_\_\_\_  
Senior Vice President

# INDEX

## LOAN AGREEMENT

BETWEEN

SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY

and

SAVANNAH ALF LLC

Dated as of January 1, 2015

This Loan Agreement and certain rights of Savannah Economic Development Authority (the “Issuer”) under this Loan Agreement have been assigned and pledged to, and are subject to a security interest in favor of, BOKF, N A dba Bank of Oklahoma, Tulsa, Oklahoma, as trustee under the Trust Indenture (the “Trustee”), dated as of even date herewith, as amended or supplemented from time to time, between the Issuer and the Trustee, which secures \$7,000,000 in aggregate principal amount of (1) 6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the “Series 2015A Bonds”) and (2) \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the “Series 2015B Bonds”) (hereinafter collectively the “Bonds”) Information concerning such security interest may be obtained from the Trustee BOKF, N A dba Bank of Oklahoma, Tulsa, Oklahoma

This instrument was prepared by:

SELL & MELTON, L L P  
577 Mulberry Street, 14th Floor  
P O Box 229  
Macon, Georgia 31202-0229  
Telephone: (478) 464-5322  
Facsimile: (478) 464-5382  
Email: [rcmiller@sell-melton.com](mailto:rcmiller@sell-melton.com)

ARTICLE VI.	39
EVENTS OF DEFAULT AND REMEDIES	39
Section 6.1.	39
Events of Default Defined	39
Section 6.2.	39
Remedies	39
Section 6.3.	40
No Remedy Exclusive	40
Section 6.4.	40
Agreement to Pay Counsel Fees and Expenses	40
Section 6.5.	40
Waiver of Events of Default and Rescission of Acceleration	40
ARTICLE VII.	41
PREPAYMENT UNDER AGREEMENT	41
Section 7.1.	41
Option to Prepay Installment Amounts Under Agreement in Whole in Certain Events	41
Section 7.2.	42
Payment of Taxable Rate Upon a Determination of Taxability	42
Section 7.3.	43
Damage and Destruction	43
ARTICLE VIII.	43
MISCELLANEOUS	43
Section 8.1.	43
Term of Agreement	43
Section 8.2.	43
Notices	43
Section 8.3.	44
Binding Effect	44
Section 8.4.	44
Severability	44
Section 8.5.	44
Amounts Remaining in Project Fund or Bond Fund or Special Fund	44
Section 8.6.	44
Delegation of Duties and Assignment of Rights by Issuer	44
Section 8.7.	45
Amendments, Changes and Modifications	45
Section 8.8.	45
Counterparts	45
Section 8.9.	45
Captions	45
Section 8.10.	45
Payments Due on Saturday, Sundays and Holidays	45
Section 8.11.	45
Law Governing Construction of Agreement	45
ARTICLE IX.	45
OPTIONS IN FAVOR OF BORROWER	45
Section 9.01.	45
Option to Prepay and Redeem Bonds at Optional Redemption Dates	45
Section 9.02.	45
Option to Prepay and Redeem the Series 2006A Bonds upon Determination of Taxability	45

EXHIBIT A - Requisition and Certification – Series 2015A Bonds

EXHIBIT B – Requisition and Certification – Series 2015B Bonds

EXHIBIT C – Real Property Description

Section	
ARTICLE I.	1
DEFINITIONS AND CERTAIN RULES OF INTERPRETATION	1
Section 1.1.	1
Definitions	1
Section 1.2.	9
Certain Rules of Interpretation	9
ARTICLE II.	9
REPRESENTATIONS	9
Section 2.1.	9
Representations by the Issuer	9
Section 2.2.	10
Representations by the Lessee	10
ARTICLE III.	13
COMPLETION OF THE FACILITY ISSUANCE OF THE BONDS	13
Section 3.1.	13
Completion of the Facility	13
Section 3.2.	13
Agreement to Issue Bonds Application of Proceeds	13
Section 3.3.	13
Disbursement from the Project Fund	13
Section 3.4.	18
Obligation to Furnish Documents to Trustee and Issuer	18
Section 3.5.	18
Establishment of Completion Date	18
Section 3.6.	19
Lessee Required to Pay Project Costs If Project Fund Insufficient	19
Section 3.7.	19
Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties	19
Section 3.8.	20
Fund Investments	20
ARTICLE IV.	20
TITLE TO FACILITY PROVISIONS FOR PAYMENT	20
Section 4.1.	20
Title to the Facility	20
Section 4.2.	20
Payment Obligations of the Borrower	20
Section 4.3.	22
Other Payments, Trustee's Fees and Expenses	22
Section 4.4.	23
Obligations of the Borrower Absolute and Unconditional	23
Section 4.5.	23
Borrower Consents to Assignment of Agreement and Security Deed and	23
Execution of Indenture	23
Section 4.6.	24
Borrower's Performance Under Indenture	24
Section 4.7.	24
Permitted Encumbrances	24
ARTICLE V.	24
PARTICULAR AGREEMENTS	24
Section 5.1.	24
Maintenance and Operation of Facility Taxes, No Operation of Facility by Issuer	24
Removal of Equipment	24
Section 5.2.	25
Indemnification of Issuer and Trustee	25
Section 5.3.	25
Covenants Regarding Maintenance of Borrower's Existence	25
Section 5.4.	26
Annual Audit Provision of Reports and Financial Information	26
Section 5.5.	27
Agreement of Issuer Not to Assign or Pledge	27
Section 5.6.	28
Redemption of Bonds	28
Section 5.7.	28
Reference to Bonds Ineffective After Bonds Paid	28
Section 5.8.	28
Assignment, Sale or Lease of Facility	28
Section 5.9.	28
Covenants of Lessee and Issuer With Respect to Excludability from Gross	28
Income of Interest By the Series A Bonds From Federal Income Taxation	28
Section 5.10.	29
Non-Arbitrage Covenant Compliance With Special Arbitrage Rules	29
Section 5.11.	35
Notification of Act of Bankruptcy	35
Section 5.12.	35
Insurance	35
Section 5.13.	36
Condemnation of the Facility	36
Section 5.14.	37
Financial Covenants by Lessee	37
Section 5.15.	38
Inspections	38
Section 5.16.	38
No Liability of Issuer	38
Section 5.17.	38
Recordation of Security Deed and Financing Statements	38

## LOAN AGREEMENT

THIS LOAN AGREEMENT (the “Agreement”) is entered into as of January 1, 2015, by and between SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY, a public body, corporate and politic, organized and existing under the constitution and laws of the State of Georgia (the “Issuer”), as lender, and SAVANNAH ALF LLC (the “Borrower”), a Georgia limited liability company authorized to do business in the State of Georgia, as Borrower

## WITNESSETH:

In consideration of the respective representations, covenants and agreements hereinafter contained, the Issuer and the Borrower DO HEREBY AGREE, as follows;

## ARTICLE I

### DEFINITIONS AND CERTAIN RULES OF INTERPRETATION

Section 1.1. Definitions In addition to the words and terms elsewhere defined herein, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture shall have the same meanings when used herein as assigned them in the Indenture unless the context or use clearly indicates another or different meaning or intent:

“Act” means Ga Laws 1951, page 854, et seq., as amended, and other applicable provision of law (the “Act”);

“Act of Bankruptcy” means the filing of a petition in bankruptcy under the United States Bankruptcy Code or the commencement of a proceeding under any other applicable law now or hereafter in effect concerning insolvency, reorganization or bankruptcy by or against the Borrower or the Issuer, as debtor;

“Ad Valorem Tax Fund” means the Ad Valorem Tax Fund created in Section 510 of the Indenture;

“Agreement” means this Loan Agreement as it now exists and as it may hereafter be amended pursuant to Article XIII of the Indenture;

“Arbitrage Rebate Fund” means the Arbitrage Rebate Fund created in Section 511 of the Indenture;

“Authorized Borrower Representative” means the person at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by an authorized

officer or agent. Such certificate may designate an alternate or alternates;

“Bond Fund” means the Bond Fund created in Section 502 of the Indenture;

“Bond Purchase Agreement” shall have the meaning ascribed to the term in the Indenture;

“Bondholder” or “holder of the Bonds” or “holder” means the registered owner of any Bond;

“Bond Rate” means those rates of interest set forth in the Indenture;

“Bond Resolution” means that certain Bond Resolution adopted by the Issuer with respect to the Bonds on November 18, 2014;

“Bonds” or “Series 2015 Bonds” means the Series 2015A Bonds and Series 2015B Bonds of the Issuer issued hereunder in the aggregate face amount of \$7,000,000. Any percentage of Bonds, specified herein for any purpose, is to be figured on the aggregate principal amount of Bonds then outstanding;

“Borrower” means Savannah ALF LLC, a Georgia limited liability company;

“Business Day” means a day on which the Trustee is open to conduct general business at its corporate trust office;

“Chairman” means Chairman of the Issuer;

“Capitalized Interest Fund” means the Capitalized Interest Fund created by Section 607 hereof;

“Code” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Bonds under the Code and under the statutory predecessor of the Code and any successor provisions to the relevant provisions of the Code or regulations;

“Completion Date” means the date of completion of the Facility as that date shall be certified as provided in Section 3.5;

“Construction Period” means the period between the date of issuance and delivery of Bonds and the Completion Date;

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia;

2

by the holders of more than fifty percent (50%) of the outstanding principal amount of the Series 2015A Bonds in an amount sufficient to provide for the payment of additional interest which would be required to be paid on the Bonds as a result of a Determination of Taxability (calculated at 12.00% per annum from the Event of Taxability), then no determination of taxability shall be deemed to have occurred unless such contest has been finally determined

“Event of Default” means one of the events so denominated and described in Section 6.1;

“Event of Taxability” means the date on which the interest income on the Series 2015A Bonds becomes subject to Federal income taxation as a result of any of the following conditions or circumstances:

(a) the Series 2015A Bonds constitute an “arbitrage bond” within the meaning of Section 148 of the Code; or

(b) more than 25% of the net proceeds of the sale of the Series 2015A Bonds are used to provide a facility the primary purpose of which is one of the following: retail food and beverage services (including eating and drinking places, but excluding grocery stores), automobile sales or service, or the provision of recreation or entertainment; or

(c) any portion of the net proceeds of the sale of the Series 2015A Bonds is used to provide the following: any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack; or

(d) any portion of the net proceeds of the sale of the Series 2015A Bonds is used (directly or indirectly) for the acquisition of land (or an interest therein) to be used for farming purposes, or 25% or more of the net proceeds of the sale of the Series 2015A Bonds is used (directly or indirectly) for the acquisition of land (or an interest therein) other than land to be used for farming purposes; or

(e) any portion of the net proceeds of the sale of the Series 2015A Bonds is used for the acquisition of any property the first use of which property is not pursuant to such acquisition, except with respect to any building (and the equipment therefor) if the completion expenditures with respect to such building equals or exceeds 15% of the portion of the cost of acquiring such building (and equipment) financed with the proceeds of the issue; or

(f) any portion of the net proceeds of the sale of the Series 2015A Bonds is used to provide any airplane, skybox or other luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or

(g) the taking of any action by the Issuer, the Borrower or any person acting on the Borrower's behalf or upon the Borrower's direction, or the failure of the Issuer, the Borrower or any such person to take any action, or any mistake in or untruthfulness of any

4

“County” means Chatham County, Georgia;

“Days' Cash On Hand” means the number determined as of the last day of each fiscal quarter of the Borrower by (A) multiplying (i) the number of days in such fiscal quarter by (ii) the amount of cash and cash equivalents (determined by reference to the Borrower's financial statements for each such date), and (B) dividing the amount determined in clause (A) by an amount equal to the total operating expenses of the Facility for such fiscal quarter, less any bad debts to the extent included in such operating expenses and all depreciation and amortization attributed to the Facility for such fiscal quarter;

“Debt Service Coverage Ratio” has the meaning attributed thereto in Section 5.14 of this Agreement;

“Debt Service Reserve Fund” means the Debt Service Reserve Fund created in Section 606 of the Indenture;

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default;

“Determination of Taxability” means a determination that the interest income on any of the Series 2015A Bonds is subject to Federal income taxation, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which the Trustee is notified that an attorney or a law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations is unable to deliver an opinion requested of it that the interest on the Series 2015A Bonds qualifies as exempt interest under Section 103 of the Code, it being understood that no such attorney or firm is under any obligation to deliver such opinion unless retained specifically to do so; or

(b) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public ruling or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code; or

(c) the date on which the Borrower receives notice from the Trustee in writing that the Trustee has been notified by the Internal Revenue Service, or is advised by any Bondholder or former Bondholder that the Internal Revenue Service has issued a notice of deficiency or similar notice which asserts that the interest on any of the Series 2015A Bonds is not excludable from gross income of the Holders thereof for federal income tax purposes under Section 103 of the Code;

provided, however, that, should the Borrower elect to contest, at its own expense, any determination of taxability made pursuant to subparagraphs (a), (b) or (c) of this paragraph and shall deliver to the Trustee a letter of credit from a bank acceptable to the Trustee, and approved

3

representation of the Issuer or the Borrower contained in this Agreement or in any certificate of the Issuer or the Borrower delivered pursuant to this Agreement or in connection with the issuance of the Series 2015A Bonds, if such act or omission, or such mistake in or untruthfulness of such representation, has the effect of causing the interest income on the Series 2015A Bonds to be or become subject to Federal income taxation; or

(h) as a result of a change in the tax laws of the United States; or

(i) any other condition or circumstance that results in a Determination of Taxability; provided, however, that no Event of Taxability shall be deemed to have occurred with respect to the Series 2015A Bonds if the interest income thereon shall be subject to Federal income taxation for any period solely because during that period the Series 2015A Bonds were held by a person who is a “Substantial User” or a “Related Person,” as those terms are defined in the Code;

“Facility” means the acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419;

“Financing Statements” means any and all financing statements (including continuation statements) filed for record from time to time to perfect the security interests created or assigned, pursuant to the Indenture;

“Fiscal Year” means January 1 through December 31;

“Funds Available for Debt Service” means in any period the Facility's Gross Revenues for such period, minus the Facility's operating expenses (as set forth in the Operating Budget required by Section 5.4 of this Agreement), plus, to the extent included in such operating expenses, depreciation and amortization, interest on long-term indebtedness (including the Series 2015 Bonds), amortization of discount and financial expenses incurred in connection with the issuance of long-term indebtedness, and other non-cash expense deducted in accordance with generally accepted accounting principles consistently applied

“Gross Revenues” means the gross revenues received by the Borrower and/or Manager in connection with the management or operation of the Facility, exclusive, however, of any amounts collected by the Borrower representing sales taxes or user fees which may be required by law or agreement to be paid to the State of Georgia, or gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated at the time of making thereof by the donor or maker as being for certain specified purposes inconsistent with the application thereof to the payment of debt service on the Bonds;

“Indenture” means the Trust Indenture, of even date herewith, between the Issuer and the Trustee, including any indentures supplemental thereto;

“Independent Counsel” means an attorney or firm thereof, duly admitted to practice law before the highest court of any state in the United States of America or the District of Columbia

5

and not an employee on a full-time basis of either the Issuer or the Borrower (but who or which may be regularly retained by either);

“Independent Engineer” means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of the State and not an employee on a full-time basis of either the Issuer or the Borrower (but who or which may be regularly retained by either);

“Interest Payment Date” means the first day of each January and November, commencing January 1, 2015 (each, an “Interest Payment Date”) during the period that the Bonds are Outstanding;

“Issuer” means Savannah Economic Development Authority, a public body, corporate and politic and an instrumentality of the State duly organized and existing under the constitution and laws of the State, its successors and assigns;

“Land” means the parcel of land on which the Facility is located;

“Land Use Restriction Agreement” means that certain Land Use Restriction Agreement, dated as of January 1, 2015, by and between the Borrower and the Trustee;

“Loan Term” means the term of this Agreement as set forth in Section 8.1 hereof;

“Local Facilities” means “facilities” (as the term “facilities” is used in Section 144 of the Code) of which the Borrower or a Related Person thereto is or will be the Principal User and which are located wholly within the County. For purposes of this definition, a contiguous or integrated “facility” located on both sides of the border between any two or more political jurisdictions shall be considered as being located wholly within each such political jurisdiction;

“Lock Box Release Requirement” shall have the meaning ascribed to this term in Section 4.2 hereof;

“Lock Box Trigger Event” shall have the meaning ascribed to that term in Section 4.2 hereof;

“Management Agreement” means the Management Agreement between the Borrower and the Management Company for the management of the Facility on behalf of the Borrower, dated as of January 1, 2015;

“Management Company” means Oxton Court of Savannah LLC, a Georgia limited liability company;

“Management Consultant” means an expert Person of recognized standing, qualified and experienced in the field of assisted living management and acceptable to the Trustee;

“Net proceeds of the sale of the Bonds” means those proceeds of the sale of the Bonds

6

“Principal” whenever used with reference to the Bonds or any portion thereof, shall be deemed to include “and the redemption premium (if any);”

“Project” (i) acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer’s facility located at 249 Holland Drive, Savannah, Georgia 31419 located thereon with a twenty percent (20%) set aside for low to moderate income earners, (ii) the funding of various trust accounts with the Trustee, including the Debt Service Reserve Fund (hereinafter defined), for the Series 2015 Bonds, and (iii) the payment of certain costs related to the issuance of the Bonds (collectively, the “Project”);

“Project Fund” means the Project Fund created in Section 601 of the Indenture;

“Secretary” means the Secretary of the Issuer;

“Security Deed” means the Deed to Secure Debt and Security Agreement, of even date herewith, from the Issuer to the Trustee, including any amendments thereto;

“Security interest” or “security interests” shall refer to the security interests created in the Indenture and the Security Deed and shall have the meaning set forth in the U.C.C.;

“Series 2015A Bonds” or “Series A Bonds” means the \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A;

“Series 2015B Bonds” or “Series B Bonds” means the \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B;

“State” means the State of Georgia;

“Supplemental Statement” means any statement, supplemental statement or other tax schedule, return or document filed with the Internal Revenue Service (whether pursuant to Treasury Regulations Section 1.103-10(b)(2)(vi), as the same may be amended or supplemented, or otherwise);

“Taxable Rate” means twelve percent (12.00%) per annum;

“Trustee” means BOKF, N.A. dba Bank of Oklahoma, a national banking association having a principal corporate trust office in Tulsa, Oklahoma, or any co-trustee or any successor trustee under the Indenture; and

“Trust Estate” means the property described in the granting clauses of the Indenture;

“Underwriter” means Lawson Financial Corporation, Phoenix, Arizona; and

“U.C.C.” means the Uniform Commercial Code of the State, as now or hereafter

8

remaining after payment of all expenses in connection with the issuance of the Bonds and the deposit of all accrued interest (if any) received from the sale of the Bonds into the Bond Fund, together with investment earnings on such net proceeds earned prior to the Completion Date;

“Net Proceeds” when used with respect to any insurance or condemnation award, or with respect to any other recovery or a contractual claim or claims for damage to or for the taking of property, means the gross proceeds of such award remaining after payment of all expenses incurred in the collection of such gross proceeds;

“Operating Account” means an account to be opened and held by the Borrower for the purposes set forth in Section 4.2 hereof;

“Operating Budget” means the Operating Budget for the operation of the Facility submitted to the Trustee by the Borrower;

“Payment in full of the Bonds” specifically encompasses the situations referred to in Section 5.7 hereof and Section 802 of the Indenture;

“Permitted Encumbrances” means the permitted encumbrances set forth in Section 4.7 of this Agreement;

“Permitted Investments” means those “Permitted Investments” set forth in Section 101 of the Indenture;

“Person” means any natural person, corporation, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity as in the context may be appropriate;

“Pledged Revenues” means and shall include:

(a) the Gross Revenues received by the Borrower and/or Manager in connection with the management or operation of the Facility, the payments required to be made by the Borrower under this Agreement, except payments to be made to the Trustee for services rendered as Trustee under the Indenture and as Bond Registrar and paying agent for the Bonds and except for expenses, indemnification and other payments required to be made pursuant to Sections 4.3, 5.2 and 6.4 of this Agreement;

(b) any proceeds which arise upon the foreclosure of the Security Deed, or with respect to any disposition of the Trust Estate and from any action against the Borrower for any deficiency;

(c) the proceeds of insurance required to be carried pursuant to Section 5.12 of this Agreement and the proceeds of condemnation awards or sale in lieu of condemnation also described in Section 5.13 of this Agreement; and

(d) amounts on deposit in the trust funds created in the Indenture

7

amended

Section 1.2. Certain Rules of Interpretation The definitions set forth in Section 1.1 shall be equally applicable to both the singular and plural forms of the terms therein defined and shall cover all genders

“Herein,” “hereby,” “hereunder,” “hereof,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Agreement and not solely to the particular Article, Section or subdivision hereof in which such word is used

Reference herein to an Article number (e.g., Article IV) or a Section number (e.g., Section 6.2) shall be construed to be a reference to the designated Article number or Section number hereof unless the context or use clearly indicates another or different meaning or intent

## ARTICLE II

### REPRESENTATIONS

Section 2.1. Representations by the Issuer The Issuer makes the following representations as the basis for the undertaking on its part herein contained:

(a) Organization and Authority The Issuer is a public body, corporate and politic and an instrumentality of the State organized, created and validly existing pursuant to the Constitution and laws of the State, including particularly the provisions of the Act. The Issuer has all requisite power and authority under the Act to (i) issue the Bonds, (ii) lend the proceeds thereof to the Borrower to finance the Project, and (iii) enter into, and perform its obligations under, this Agreement, the Indenture and the Security Deed

(b) Pending Litigation There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or the Indenture or which, in any way, would adversely affect the validity or enforceability of the Bonds, the Indenture, this Agreement, the Security Deed or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby

(c) Issue, Sale and Other Transactions Are Legal and Authorized The issuance and sale of the Bonds and the execution and delivery by the Issuer of this Agreement, the Indenture and the Security Deed, and the compliance by the Issuer with all the provisions of each thereof and of the Bonds (i) are within the purposes, powers and authority of the Issuer, (ii) have been done in full compliance with the provisions of the Act, are legal and will not conflict with or constitute on the part of the Issuer a violation of or a breach of or default under, or result in the creation of any lien, charge or encumbrance upon any property of the Issuer (other than as contemplated by this Agreement, the Indenture, the Security Deed and Land Use Restriction Agreement) under the provisions of, any charter, instrument, by-law, indenture, mortgage, deed

9

of trust, note agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound, or any license, judgment, decree, law, statute, order, rule or regulation of any court of governmental agency or body having jurisdiction over the Issuer or any of its activities or properties, and (iii) have been duly authorized by all necessary corporate action on the part of the Issuer

(d) Governmental Consents. Neither the nature of the Issuer nor any of its activities or properties, nor any relationship between the Issuer and any other person, nor any circumstance in connection with the offer, issue, sale or delivery of any of the Bonds is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Issuer in connection with the execution, delivery and performance of this Agreement, the Indenture, the Security Deed and the Land Use Restriction Agreement or the offer, issue, sale or delivery of the Bonds, other than those already obtained; provided, however, that the Issuer makes no representation with respect to compliance with applicable federal or state securities laws or Blue Sky laws or any jurisdiction in connection with the issuance and sale of the Bonds

(e) No Defaults. No event has occurred and no condition exists with respect to the Issuer which would constitute an "Event of Default" as defined in this Agreement, the Indenture or the Security Deed or which, with the lapse of time or with the giving of notice or both, would become an "Event of Default" under this Agreement, the Indenture or the Security Deed. The Issuer is not in default under the Act or under any charter instrument, by-law or other agreement or instrument to which it is a party or by which it is bound

(f) No Prior Pledge. Neither this Agreement, the Security Deed nor any of the Pledged Revenues or the Trust Estate have been pledged or hypothecated by the Issuer in any manner or for any purpose other than as provided in the Indenture as security for the payment of the Bonds

(g) Nature and Location of Facility. The financing of the Facility is in furtherance of the public purpose intended to be served by the Act. The Facility will be located entirely within the County

(h) Official Action. By resolution duly adopted on September 9, 2014, the Issuer took "official action" (within the meaning of Section 1103-8(a)(5) of the Treasury Regulations under the Code) providing for the purchase and completion of the Facility and the financing of the cost of the Facility, in whole or in part, through the issuance of the Bonds

(i) No Personal Liability. No stipulation, obligation or agreement herein contained shall be deemed to be a stipulation, obligation or agreement of any officer, member, agent or employee of the Issuer in his/her individual capacity, and no such officer, member, agent or employee shall be personally liable on the Bonds or be subject to personal liability or accountability by reason of the issuance thereof

Section 2.2. Representations by the Borrower. The Borrower makes the following representations as the basis for the undertakings on its part herein contained:

10

authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain might materially and adversely affect the properties, business, prospects, profits or conditions (financial or otherwise) of the Borrower

(g) Restrictions on the Borrower. The Borrower is not a party to any contract or agreement that materially and adversely affects the business of the Borrower. The Borrower is not a party to any contract or agreement that restricts the right or ability of the Borrower to incur or guarantee indebtedness for borrowed money

(h) Inducement. The issuance of the Bonds by the Issuer to enable the Issuer to acquire and rehabilitate the Facility for the benefit of the Borrower will directly result in an increase in employment opportunities in the City and County

(i) Operation of Facility. The Borrower intends to operate the Facility, or cause the same to be operated, from the Completion Date to the expiration or sooner termination of this Agreement as provided herein as a "project" within the meaning of the Act and so long as the Bonds remain outstanding the Borrower agrees that it shall operate or cause the operation of the Facility as a "project" the primary purpose of which causes the Facility to comply with the requirements of the applicable provisions of Section 142 of the Code. The Facility will be located entirely within the County

(j) Nature of Facility. All property acquired with the net proceeds of the sale of the Bonds will be used to acquire land or property of a character subject to the allowance for depreciation under Section 167 of the Code and such costs representing proceeds so used are properly chargeable to a capital account of the Borrower for Federal income tax purposes or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct the costs

(k) IRS Form 8038 Information. The information furnished by the Borrower and used by the Issuer in preparing IRS Form 8038, "Information Return for Private Activity Bond Issues," which shall be filed by or on behalf of the Issuer with the Internal Revenue Service Center in Ogden, Utah, pursuant to Section 149 of the Code, was true and complete as of the date of filing thereof

(l) Limitation on Maturity. The weighted average maturity of the Bonds does not exceed the weighted average estimated economic life of the components comprising the Facility by more than 20%, determined pursuant to Section 147(b) of the Code

(m) Restrictions on Financing and Operation of Certain Facilities. At no time will:

(i) more than 25% of the net proceeds of the sale of the Series 2015A Bonds be used to provide a facility the primary purpose of which is automobile sales or service; or

(ii) any portion of the net proceeds of the sale of the Series 2015A Bonds be used to provide the following: any private or commercial golf course, country club,

12

(a) Organization and Power. The Borrower (i) is a Georgia limited liability company authorized to do business in the State of Georgia, and (ii) has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now being conducted and as presently proposed to be conducted

(b) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before any governmental authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Borrower, or the ability of the Borrower to perform its obligations under this Agreement, the Bond Purchase Agreement, the Security Deed or the Land Use Restriction Agreement. The Borrower is not in default with respect to an order of any court, governmental authority or arbitration board or tribunal

(c) Agreements Are Legal and Authorized. The execution and delivery by the Borrower of this Agreement, the Bond Purchase Agreement, the Security Deed and the Land Use Restriction Agreement and the compliance by the Borrower with all of the provisions hereof and thereof (i) are within the power of the Borrower, (ii) will not conflict with or result in any breach of any of the provisions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance (other than Permitted Encumbrances) upon any property of the Borrower under the provisions of, any agreement, charter document, by-law or other instrument to which the Borrower is a party or by which it may be bound, or any license, judgment, decree, law, statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities or properties, and (iii) have been duly authorized by all necessary action on the part of the Borrower

(d) Governmental Consent. Neither the Borrower nor any of its business or properties, nor any relationship between the Borrower and any other person, nor any circumstances in connection with the execution, delivery and performance by the Borrower of this Agreement, the Bond Purchase Agreement, and the Security Deed or the offer, issue, sale or delivery by the Issuer of the Bonds, is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Borrower other than those already obtained

(e) No Defaults. No event has occurred and no condition exists with respect to the Borrower that to the Borrower's knowledge would constitute an "Event of Default" under this Agreement, the Indenture, the Bond Purchase Agreement, the Security Deed, the Land Use Restriction Agreement or which, with the lapse of time or with the giving of notice or both, would become an "Event of Default" under this Agreement, the Indenture, the Security Deed, the Bond Purchase Agreement or the Land Use Restriction Agreement. The Borrower is not in violation in any material respect of any agreement, or other instrument to which it is a party or by which it may be bound

(f) Compliance with Laws. To the Borrower's knowledge, the Borrower is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject and has not failed to obtain any licenses, permits, franchises or other governmental

11

massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack; or

(iii) any portion of the net proceeds of the sale of the Series 2015A Bonds be used to provide any airplane, skybox or other private luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or

(iv) any portion of the net proceeds of the sale of the Series 2015A Bonds be used (directly or indirectly) for the acquisition of land (or an interest therein) to be used for farming purposes, or 25% or more of the net proceeds of the sale of the Series 2015A Bonds be used (directly or indirectly) for the acquisition of land other than land to be used for farming purposes; or

(v) any portion of the net proceeds of the sale of the Series 2015A Bonds be used for the acquisition of any property the first use of which property is not pursuant to such acquisition, except with respect to any building (and the equipment therefor) if the completion expenditures with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with the proceeds of the Series 2015A Bonds; or

(vi) the Facility be operated as a facility the primary purpose of which causes the Facility to constitute a prohibited facility within the meaning of Section 103(b) of the Code or fail to be a "project" under the Act

(n) Aggregation of Issues for Single Project. The Facility is not a part of a single building, an enclosed shopping mall or a strip of offices, stores or warehouses using substantial common facilities, and with respect to which any other bonds, notes or other obligations have been or will be issued under Section 103(b) of the Code

(o) Tax-Exempt Status of the Series 2015A Bonds. Borrower hereby represents, warrants and agrees that the Borrower's Tax and Non-Arbitrage Certification executed and delivered by the Borrower concurrently with the issuance and delivery of the Series 2015A Bonds is true, accurate and complete in all material respects as of the date on which executed and delivered

(p) Use and Operation of the Facility. The Borrower agrees that it shall use, maintain and operate, or cause to be used, maintained and operated, the Facility on a nonsectarian basis and consistently with the Borrower's obligations imposed under this Agreement

13



## ARTICLE III

### COMPLETION OF THE FACILITY ISSUANCE OF THE BONDS

**Section 3.1. Completion of the Facility.** The Borrower agrees that the Facility will be completed as promptly as practicable after receipt of the proceeds from the sale of the Series 2015A Bonds, delays incident to strikes, riots, acts of God or the public enemy or other causes beyond the reasonable control of the Borrower only excepted, but if the Facility is not completed, there shall be no resulting liability on the part of the Issuer and no diminution in or postponement of the payments required to be paid by the Borrower hereunder

**Section 3.2. Agreement to Issue Bonds; Application of Proceeds.** In order to provide funds for the payment of the cost of the acquisition and completion of the Facility, the Issuer agrees that as soon as reasonably possible it will authorize, sell and cause to be delivered to the initial purchaser or purchasers thereof, the Bonds, bearing interest and maturing as set forth in Article II of the Indenture, at a price to be approved by the Borrower, and it will thereupon deposit the proceeds received from said sale in the Project Fund

The Borrower may cause such changes to be made to the aforesaid plans and specifications for the Facility as it may desire provided that such changes shall not result in (i) the Facility not being a "project" within the meaning of the Act, (ii) the Facility constituting a prohibited facility within the meaning of Section 103(b) of the Code, (iii) less than substantially all of the net proceeds of the sale of the Series 2015A Bonds being used to pay the costs of land or property of a character subject to the allowance for depreciation under Section 167 of the Code, and (iv) a violation of the limitation on maturity of the Series 2015A Bonds under Section 147(b) of the Code

**Section 3.3. Disbursement from the Project Fund.** The Issuer will in the Indenture authorize and direct the Trustee to use the moneys in the Project Fund for the following purposes but, subject to the provisions of Section 3.8, for no other purposes:

(a) payment of the initial or acceptance fee of the Trustee and fees and expenses of its Counsel, the fees for recording the deeds whereby the appropriate title in and to the Land and Facility has been acquired by the Borrower, payments for title examination and insurance, and any title curative documents that the Issuer may deem desirable to file for record in order to perfect or protect its security interest in and to the Land and Facility and the fees and expenses in connection with any actions or proceedings that the Issuer may deem desirable to bring in order to perfect its security interest in and to the Land and Facility;

(b) payment to the Borrower of such amounts, if any, as shall be necessary to reimburse the Borrower in full for all advances and payments made by it prior to or after the delivery of the Bonds for expenditures in connection with the acquisition by the Borrower of appropriate title in and to the Land and Facility (including the cost of such acquisition and of any rights-of-way for the purpose of providing access to and from the Land and Facility), clearing the same, site improvement, the preparation of plans and specifications for the Facility (including any preliminary study or planning of the Facility or any aspect thereof), the acquisition,

14

than \$5,000 or integral multiples thereof, for the redemption of Bonds at the earliest date permitted by the Indenture or the purchase of Bonds for the purpose of cancellation at any time prior to the earliest date permitted by the Indenture for the redemption of Bonds, or (iii) paid into the Bond Fund to pay interest on the Bonds, or (iv) a combination of (i), (ii) or (iii) as is provided in such direction, provided that amounts approved by the Authorized Borrower Representative shall be retained by the Trustee in the Project Fund for payment of costs not then due and payable. Any balance remaining of such retained moneys after full payment of all such Facility costs shall be used by the Trustee as directed by the Borrower in the manner specified in clauses (i), (ii), (iii) or (iv) of this subsection. Amounts directed by the Borrower to be used by the Trustee to redeem Bonds or to purchase Bonds for the purpose of cancellation shall not, pending such use, be invested at a yield which exceeds the yield on the Series 2015A Bonds

The payments specified in subsections (a) through (g) of this Section (other than payment of interest on the Bonds accruing prior to the Completion Date) shall be made by the Trustee only upon receipt of the following:

(1) a written requisition for such payment in the forms attached hereto as Exhibits A and B respectively signed by the Authorized Borrower Representative certifying:

(i) that an obligation in the stated amount has been incurred in connection with the issuance of the Bonds or the completion of the Project;

(ii) that such obligation is a proper charge against the Project Fund and has not been the basis of any previous withdrawal from the Project Fund, and specifying the purpose and circumstances of such obligation in reasonable detail and the name and address of the person to whom such obligation is owed;

(iii) that (A) he has no notice of any vendors', materialmen's, mechanics', suppliers' or other similar liens or right to liens, chattel mortgages or conditional sales contracts, or other contracts or obligations which should be satisfied or discharged before payment of such obligation is made, or (B) such requisition is for the purpose of obtaining funds to be used to satisfy or discharge a lien or contract of the type described in (A) above;

(iv) that such requisition contains no request for payment on account of any portion of such obligation which the Borrower is, as of the date of such requisition, entitled to retain under any retained percentage agreements;

(v) that such obligation is for an item which is properly chargeable to the capital account of the Borrower for Federal income tax purposes or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct the costs and that payment of such obligation when added to all other payments previously made from the Project Fund will not result in less than substantially all of the net proceeds of the sale of the Bonds expended at such time being used to provide land or property of a character subject to the allowance for depreciation under Section 167 of the Code;

(vi) that such requisition contains no request for payment on account of

16

construction and installation of the rehabilitation of the Facility equipment and the acquisition, construction and installation necessary to provide utility services or other facilities including trackage to connect the Facility with public transportation facilities, and all real or personal properties deemed necessary in connection with the Facility, or any one or more of said expenditures (including architectural, engineering and supervisory services) with respect to any of the foregoing;

(c) payment of, or reimbursement of the Borrower and the Issuer for, the legal and accounting fees and expenses, financial consultants' fees, financing charges (including underwriting or placement fees) and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the preparation of this Agreement, the Security Deed, the Indenture, the Financing Statements and all other documents in connection therewith and in connection with the acquisition of appropriate title in and to the Land and Facility, including fees for recording the Indenture, the Security Deed, and the Financing Statements;

(d) payment of, or reimbursement of the Borrower for, labor, services, material, supplies and/or equipment used or furnished in site improvement and in the completion of the Facility, all as provided in the plans and specifications therefor, payment for the cost of the acquisition and installation of furniture, fixtures and equipment constituting part of the Facility, payment for the cost of acquisition, construction and installation of utility services or other facilities including trackage to connect the Facility with public transportation facilities, and all real and personal properties deemed necessary in connection with the Facility and payment for the miscellaneous expenses incidental to any of the foregoing;

(e) payment of, or reimbursement of the Borrower for, the fees, if any, for architectural, engineering and supervisory services with respect to the Facility;

(f) payment of, or reimbursement of the Borrower and the Issuer for, as such payments become due, the fees and expenses of the Trustee, the Bond Registrar, the paying agent, the fees and expenses of Counsel to bond purchaser, Lawson Financial Corporation, Phoenix, Arizona, or their affiliates or subsidiaries and the fees and expenses of their Counsel properly incurred under the Indenture that may become due during the Construction Period; and payment into the Bond Fund of sufficient moneys to pay interest on the Bonds accruing during the Construction Period;

(g) payment of, or reimbursement of the Borrower and the Issuer for, any other legal and valid costs and expenses relating to the Facility; and

(h) all moneys remaining in the Project Fund (including moneys earned on investments made pursuant to the provisions of Section 3.8) after the Completion Date and payment in full of the cost of the acquisition and completion of the Facility, and after payment of all other items provided for in the preceding subsections of this Section then due and payable, shall at the direction of the Borrower be (i) subject to Section 5.9(d), used to acquire, construct and install additions, extensions and improvements to the Facility in accordance with amended plans and specifications therefor duly filed with the Issuer, (ii) used by the Trustee, to the maximum extent practicable consistent with making partial redemptions in amounts of not less

15

any obligation paid or incurred by the Borrower prior to July 11, 2014;

(vii) that each and every representation of the Borrower set forth in this Agreement is true and correct on and as of the date of such requisition;

(viii) that no default or Event of Default has occurred and is then continuing; and

(ix) the Project costs then incurred and the estimated costs of completing the Project that the amount remaining in the Project Fund for disbursement, after giving effect to the requested disbursement, will be sufficient to complete the Project or, if that is not the case, stating that the Borrower has on hand or has the ability to obtain the additional funds required to complete the Project

(2) with respect to any such requisition for payment for labor, services, material, supplies or equipment, an additional certificate, signed by the Authorized Borrower Representative certifying that insofar as such obligation was incurred for labor, services, material, supplies and/or equipment in connection with the acquisition and completion of the Facility, such labor and/or services were actually performed in a satisfactory manner and such material, supplies and/or equipment were actually used in or about the completion or delivered (and remain) at the site of the Facility for that purpose

In making any such payment from the Project Fund the Trustee may rely on any such requisitions and any such certificates delivered to it pursuant to this Section and the Trustee shall be relieved of all liability with respect to making such payments in accordance with any such requisitions and such supporting certificate or certificates without inspection of the Facility or any other investigation. Disbursements from the Project Fund for deposit in the Bond Fund to pay interest on the Bonds accruing during the Construction Period may be made by the Trustee at the written request of the Borrower when interest is due on the Bonds without the necessity of receiving any such written requisition or supporting certificates pertaining thereto

The Borrower agrees for the benefit of the Issuer and for the benefit of the Trustee and the holders of the Bonds that the proceeds of the Bonds will not be used in any manner which would result in the loss of the exemption from Federal income taxation of the interest on the Series 2015A Bonds

In addition to the other requirements for disbursements from the Project Fund, the following shall be conditions precedent to the Trustee's duty to make such disbursements:

(a) The Borrower shall have submitted the requisition not less than five (5) Business days before the disbursement is to be made complying in form and substance with the requirements of this Section 3.3 and, in the case of the final disbursement, Section 3.5; and

(b) The Trustee shall not have received written notice that an Event of Default shall then exist or that an event or failure shall have occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default

17

**Section 3.4. Obligation to Furnish Documents to Trustee and Issuer** The Borrower agrees to furnish to the Trustee, and to the Issuer, upon Issuer's written request, the documents referred to in Section 3.3 that are required to effect payments out of the Project Fund, and to cause such requisitions and certificates to be directed by the Authorized Borrower Representative to the Trustee, and to the Issuer, upon Issuer's written request, as may be necessary to effect such payments. Such obligation of the Borrower is subject to any provisions hereof or of the Indenture requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Project Fund available for payment under the terms of the Indenture.

**Section 3.5. Establishment of Completion Date** The Completion Date shall be evidenced to the Trustee by a certificate signed by the Authorized Borrower Representative stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 3.3(h),

(a) the Facility has been completed substantially in accordance with the plans and specifications therefor and all labor, services, materials, supplies or equipment used in such completion have been paid for,

(b) all other facilities necessary in connection with the Facility have been acquired, constructed and installed substantially in accordance with the plans and specifications therefor and all costs and expenses incurred in connection therewith have been paid,

(c) the Facility and all other facilities in connection therewith have been acquired, constructed and installed to its satisfaction and are suitable and sufficient for the efficient operation of the Facility for its intended purposes,

(d) substantially all of the net proceeds of the sale of the Bonds have been used to acquire land or property of a character subject to the allowance for depreciation under Section 167 of the Code and such costs representing proceeds so used are properly chargeable to the capital account of the Borrower for Federal income tax purposes or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct the costs, and

(e) the original or a true and correct copy of a certificate of occupancy, if required, and any other permissions required of governmental authorities for the occupancy of the Facility have been obtained

(f) The following has been supplied to the Trustee:

(i) An as-built survey of the Facility within sixty (60) days of the issuance of the Bonds, prepared by a registered surveyor licensed by the State of Georgia acceptable to the Issuer, showing the dimensions and location of all improvements on the Facility, as completed;

(ii) A certificate of the Borrower stating (i) that the completion of the Facility, including all machinery, equipment, fittings and fixtures required to be installed by the plans and specifications, has been completed substantially in accordance with the plans and specifications

18

established against the Facility, and in such event may permit the items so contested to remain non-discharged and unsatisfied during the period of such contest and any appeal therefrom, unless by nonpayment of any items the lien of the Security Deed as to the Facility and as to the payments to be made hereunder will be materially endangered or the Facility, or any part thereof, will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items

**Section 3.8. Fund Investment** Any moneys held by the Trustee in trust funds created under the Indenture shall be invested or reinvested by the Trustee in Permitted Investments, to the extent permitted by the laws of the State as provided in the Indenture

#### ARTICLE IV

##### TITLE TO FACILITY; PROVISIONS FOR PAYMENT

**Section 4.1. Title to the Facility** The Borrower acknowledges that security title to the Facility land and improvements thereon will be conveyed to the Issuer by the Borrower pursuant to the Security Deed as security for the payments to be made by the Borrower pursuant to Section 4.2

##### **Section 4.2. Payment Obligations of the Borrower**

(a) So long as no Lock Box Trigger Event (defined below) has occurred and is continuing under this Agreement, the Borrower may collect or cause the collection of all Gross Revenues received in connection with the management or operation of the Facility and deposit them, or cause them to be deposited, into the Operating Account, which is to be established by Borrower for this purpose. From such Gross Revenues, the Borrower shall pay, or cause the payment of, all operating expenses of the Facility pursuant to an Operating Budget filed with the Trustee or a certificate of the Borrower showing any deviation from such Operating Budget, and will remit to the Trustee monies sufficient to permit the Trustee to make the payments of deposits set forth below in order of priority set forth:

(i) First, on the fifteenth (15th) day of each consecutive calendar month, beginning on February 15, 2015, for deposit into the Interest Account of the Bond Fund, of the amount equal to the interest coming due on the Series 2015 Bonds on the next interest payment date;

(ii) Second, on the fifteenth (15th) day of each consecutive calendar month, beginning on February 15, 2015, for deposit into the Principal Account of the Bond Fund, an amount equal to one-twelfth (one-eleventh in the case of the mandatory sinking fund payment coming due on January 1, 2016) of the next principal or mandatory sinking fund redemption payment coming due on the Series 2015 Bonds;

(iii) Third, beginning if and when required by the Code, for deposit into the Arbitrage Rebate Fund, the amount of any rebatable arbitrage;

20

and in accordance with all applicable governmental requirements relating to the completion of the Facility, and (ii) that direct connection has been made to all abutting public utilities necessary for full operation and use of the Facility, including, without limitation, water, storm and sanitary sewer, electricity, gas and telephone; and

(iii) A final affidavit of each contractor which furnished services or materials for the Facility, sworn to by an authorized agent of such contractor and dated not more than five (5) Business days prior to the date of such requisition for disbursement, in a form which shall include without limitation, (i) a specific representation and warranty that all payments made to the contractor by the Borrower have been used by the contractor solely to pay for costs of the Facility, (ii) a statement that the agreed price of work done, material furnished and services furnished or rendered has been paid, and (iii) a statement that there are no liens of such contractor or sub-contractors, mechanics' liens, or laborers' liens that have been filed of record

Notwithstanding the foregoing, such certificate by the Authorized Borrower Representative shall state that it is given without prejudice to any rights of the Borrower against third parties which exist on the date of such certificate or which may subsequently come into being. The Borrower shall furnish a copy of such certificate to the Issuer at the same time such document is furnished to the Trustee

**Section 3.6. Borrower Required to Pay Project Costs and Costs of Facility Completion If Project Fund Insufficient** If the moneys in the Project Fund available for payment of the cost of the Project and for the completion of the Facility are not sufficient to pay the cost thereof in full, the Borrower agrees to complete the Facility and to pay all that portion of the Project costs and the costs of the Facility completion as may be in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys which will be paid into the Project Fund and which, under the provisions of this Agreement, will be available for payment of the cost of the Project and the Facility completion will be sufficient to pay all costs which will be incurred for such purposes. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the cost of the Facility pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee or from the holders or owners of any of the Bonds, nor shall it be entitled to any diminution in or postponement of the payments required to be made hereunder

**Section 3.7. Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties** The Borrower may prosecute or defend any action or proceeding or take any other action involving any defaulting supplier, contractor, subcontractor or surety thereof which the Borrower deems reasonably necessary, and in such event the Issuer agrees to cooperate fully with the Borrower, to the extent it might lawfully do so, in any such action or proceeding. Any moneys recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall belong to the Borrower

Borrower will not permit any mechanics' or other liens to be established or remain against the Facility provided that if Borrower shall first notify the Trustee of Borrower's intention to do so, Borrower may in good faith contest any mechanics' or other liens filed or

19

(iv) Fourth, beginning in January 2015, for deposit into the Ad Valorem Tax Fund, an amount equal to one-twelfth of the estimated ad valorem taxes that will next become due on the Facility;

(v) Fifth, commencing the month next following the month in which there shall have occurred any transfer from, or decline in value of, the Debt Service Reserve fund, for deposit into the Debt Service Reserve Fund, an amount equal to one-twelfth of the amount needed to restore the balance therein to the Debt Service Reserve Fund Requirement;

(vi) Sixth, for payment to the Management Company, the management fee for the forthcoming month, but the failure of the Borrower to remit to the Trustee an amount adequate for the Trustee to make all or any part of such payment shall not constitute an Event of Default if, and to the extent that, such failure resulted from an insufficiency of such Gross Revenues; and

(vii) Seventh, (as specifically instructed by Borrower) for payment to any terminated manager of the Facility, an amount equal to all fees that remain due and owing to such terminated manager, but the failure of the Borrower to remit to the Trustee an amount adequate for the Trustee to make all or any part of such payment shall not constitute an Event of Default if, and to the extent that, such failure resulted from an insufficiency of such Gross Revenues

All such payments shall be made to the Trustee at its principal corporate trust office in Tulsa, Oklahoma, or such other location as is specified in writing by the Trustee, in lawful money of the United States of America which will be immediately available on the date each such payment is due. Each payment shall be sufficient to pay the total amount of principal of (whether at maturity, by mandatory sinking fund redemption pursuant to the provisions of Section 304 of the Indenture, or by acceleration, or optional redemption), and redemption premium (if any) and interest on, the Bonds due on such payment date. Anything herein to the contrary notwithstanding, if on any such payment date, the balance in the Bond Fund is insufficient to make the required payments of principal of, and redemption premium (if any) and interest on, the Bonds on such date, the Borrower shall forthwith pay any such deficiency

(b) In the event that (i) an Event of Default under this Agreement shall have occurred and be continuing, (ii) an unaudited financial statement is not provided to the Trustee in compliance with Section 5.4(b)(i) hereof, (iii) the Debt Service Coverage Ratio falls below 1.10 for two consecutive calendar quarters, or (iv) more than 25% of trade payables exceed 60 days overdue (any one of i through v shall be considered a "Lock Box Trigger Event"), the Borrower shall transfer all amounts then on deposit in the Operating Account, and all other Gross Revenues held by it, to the Trustee for deposit into the Revenue Fund and, thereafter, on a daily basis, shall collect and transfer all Gross Revenues to the Trustee for deposit into the Revenue Fund, except for an amount not to exceed \$2,000 which may be maintained in the Operating Account. Amounts transferred to the Trustee will be (1) deposited into the Revenue Fund established under the Indenture, and (2) thereafter, disbursed by the Trustee to pay all operating expenses of the Facility pursuant to the current Operating Budget then on file with the Trustee upon receipt of written directions from the Borrower, and (3) thereafter, on the fourth Business Day before the end of each month, used by the Trustee to make the payments and deposits set

21

forth in the foregoing clauses (a)(i) through (a)(v) in order of priority set forth. For so long as the Trustee shall be making such payments and deposits, the deposits set forth in the foregoing clauses (a)(i) and (a)(ii) shall be made monthly, in amounts equal to, respectively, one-sixth of the next interest payment coming due on the Series 2015 Bonds, and one-twelfth of the next principal payment coming due on the Series 2015 Bonds. The Borrower may resume use of the Operating Account only after no Event of Default shall have occurred and be continuing for seven consecutive months (the "Lock Box Release Requirement").

(c) The Borrower further agrees that in the event payment of the principal of, and the interest on, the Bonds is accelerated upon the occurrence of an Event of Default under the Indenture, all amounts payable under Section 4.2(a) for the remainder of the term hereof shall be accelerated.

For purposes of this Section, a "Lock Box Trigger Event" shall mean any Event of Default as set forth in this Agreement or any event of noncompliance with the requirements of Section 4.2(b) of this Agreement; provided, however, that, if such Event of Default is the failure by Borrower to make any monthly payment required to be made under Section 4.2(a) above, such Event of Default shall not qualify as a Lock Box Trigger Event unless and until Borrower fails to make such monthly payment for two consecutive months after receipt by the Borrower of five (5) days' written notice from the Trustee.

(d) Any amount held in the Bond Fund on any payment date specified in Subsection (a) above shall be credited against the payments required to be made by the Borrower on such payment date.

(e) If all of the Bonds then outstanding are called for redemption, any amounts held in the Project Fund and the Bond Fund on such redemption date shall be used to pay the principal of, the redemption premium (if any) and the interest on, the Bonds to be redeemed and shall reduce the amounts to be then paid by the Borrower pursuant to Subsection (a) above to effect such redemption.

(f) If the Borrower should fail to make any of the payments required in Subsection (a) above, the item or installment which the Borrower has failed to make shall continue as an obligation of the Borrower until the same shall have been fully paid.

Anything herein, in the Indenture or in the Bonds, to the contrary notwithstanding, the obligations of the Borrower hereunder shall be subject to the limitation that payments constituting interest under this Section shall not be required to the extent that the receipt of such payment by the holder of any Bond would be contrary to the provisions of law applicable to such holder which limit the maximum rate of interest which may be charged or collected by such holder.

**Section 4.3. Other Payments; Trustee' and Issuer Fees and Expenses.** In addition to payment of the amounts specified in Section 4.2(a), the Borrower agrees to pay to the Trustee, (a) an amount equal to the reasonable fees and charges of the Trustee incurred under the Indenture, and (b) the reasonable fees and charges of the Trustee and any other paying agent for

22

reimbursement and payment of administrative fees, costs and expenses under Sections 4.3, 5.2 and 6.4, and (c) to indemnification and to exemption from liability, both individual and corporate, under Section 5.2, and the Borrower hereby agrees and consents to such assignment and pledge. The Borrower acknowledges that it has received a copy of the Indenture and consents to the execution of the same by the Issuer and Trustee.

**Section 4.6. Borrower's Performance Under Indenture.** The Borrower agrees, for the benefit of the Bondholders, to do and perform all acts and things contemplated in the Indenture to be done or performed by it. Without limiting the generality of the foregoing, the Borrower, for good and adequate consideration, the receipt of which is acknowledged hereby, does hereby absolutely, irrevocably and unconditionally guarantee the prompt payment, as and when due, of the principal amount of the Bonds, together with all interest accrued from time to time thereon including any amounts due to Trustee by Issuer.

**Section 4.7. Permitted Encumbrances.** As of any particular time, the Borrower shall be permitted to suffer the following permitted encumbrances of the Facility: (i) liens for ad valorem taxes, special assessments, and other charges not then delinquent, or for taxes, assessments, and other charges being contested in accordance with Section 1.02 of the Security Deed; (ii) this Agreement, the Security Deed, the Indenture and the Land Use Restriction Agreement; (iii) presently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the title policy which shall be provided by the Borrower; (iv) liens for the financing of accounts receivable of the Borrower; (v) inchoate mechanics' and materialmen's liens which arise by operation of law, but which have not been perfected by the required filing of record for work done or material delivered after the date of recording the Security Deed and Assignment in connection with additions or alterations to the Facility; (vi) the mechanics' and materialmen's liens permitted by Section 1.02 of the Security Deed; and (vii) mortgages and other encumbrances which are junior to the lien of the Security Deed, subject to the written approval of the Issuer, which approval shall not be unreasonably withheld.

## ARTICLE V

### PARTICULAR AGREEMENTS

**Section 5.1. Maintenance and Operation of Facility. Taxes. No Operation of Facility by Issuer; Removal of Equipment.** The Borrower will at its own expense, keep the Facility in good repair and operating condition (normal wear and tear excepted) and keep the Facility free and clear of all encumbrances, except Permitted Encumbrances. Borrower will promptly comply in all material respects with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Facility or any part thereof. The Borrower may make any additions or alterations to the Facility which it may deem desirable for its efficient operation as an independent and assisted living facility which will not adversely affect the value or the revenue producing capability of the Facility, provided that all such additions and alterations are located wholly on the site of the Facility and comply in all material respects with all federal, state, and local laws, statutes, ordinances, rules and regulations as are applied to the Facility. The Borrower further agrees that it will pay all taxes levied with respect to the Facility and the income therefrom. Particularly, the Borrower agrees to pay (by means of Section 4.2(a)(iv)

24

acting as paying agent and Bond Registrar as provided in the Indenture, as and when the same become due, including the reasonable fees of Counsel, as and when the same become due; provided that no such payments shall be due if such payments are attributed to or occasioned by errors or mistakes committed by the Trustee or Trustee's counsel in connection with its duties as specifically set forth in the Indenture.

In addition, the Borrower shall pay directly to the Issuer the Issuer's annual administrative fees payable on January 1 of each year, beginning January 1, 2016, based upon the principal amount of Bonds outstanding on each such January 1, said fees to be calculated at 1/8% of 1% of such principal amount outstanding.

If the Borrower should fail to make any of the payments required in this Section, the item or installment which the Borrower has failed to make shall continue as an obligation of the Borrower until the same shall have been fully paid.

**Section 4.4. Obligations of the Borrower Absolute and Unconditional.** The obligations of the Borrower to make the payments required in Section 4.2 and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise. Until such time as the principal of, and the interest on, the Bonds shall have been paid in full, the Borrower (a) will not suspend or discontinue any payments provided for in Section 4.2 except to the extent the same have been prepaid, (b) will perform and observe all its other agreements contained herein, and (c) except as provided in Sections 7.1 and 7.2, will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, sale, loss, eviction or constructive eviction, destruction of or damage to the Facility, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any liability or obligation arising out of or in connection herewith or with the Indenture. Nothing contained in this Section shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained; and if the Issuer should fail to perform any such agreement, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance so long as such action shall not do violence to the agreements on the part of the Borrower contained in the preceding sentence.

Nothing contained herein shall be construed as a waiver of any rights which the Borrower may have against the Issuer under this Agreement, or against any person under this Agreement, the Indenture or otherwise, or under any provision of law.

**Section 4.5. Borrower Consents to Assignment of Agreement and Security Deed and Execution of Indenture.** The Borrower understands that the Issuer, as security for the payment of the principal of, and the interest on, the Bonds, will assign and pledge to, and create a security interest in favor of, the Trustee pursuant to the Indenture certain of its rights, title and interest in and to this Agreement including all Pledged Revenues and in the Security Deed, reserving, however, its rights (a) pursuant to this Agreement and the Security Deed providing that notices, approvals, consents, requests and other communications be given to the Issuer, (b) to

23

hereof) all ad valorem taxes to the appropriate governmental bodies, and the Borrower agrees that it shall not attempt to obtain any exemption from paying such taxes. If the Borrower determines that any items of equipment included in the Facility (the "Equipment") have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the items may be removed from the Facility provided the Borrower (1) substitutes and installs other furnishing or equipment of equal or greater utility, or (2) in lieu of such substitution pays into the Bond Fund an amount equal to any proceeds realized from the sale or scrapping of any such items or any amount equal to any credit received from trade-in for items not to be installed in the Facility, or (3) in the case of sale of the Equipment to the Borrower or an affiliate or other disposition, pays into the Bond Fund an amount equal to the greater of the amounts and credits received or the fair market value of the items disposed of. The requirement to pay to the Bond Fund is applicable only to the extent that the equipment to be sold or otherwise disposed of in the aggregate has a value of \$15,000 or more. Nothing contained in this Agreement shall be deemed to authorize or require the Issuer to operate the Facility or to conduct any business enterprise therewith.

### Section 5.2. Indemnification of Issuer and Trustee

(a) Borrower agrees to and shall indemnify and save the Issuer and the Trustee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on the Facility and against and from all claims arising from (i) any condition of or operation of the Facility, (ii) any breach or default on the part of Borrower in the performance of any of its obligations under this Agreement, (iii) any act or negligence of Borrower or of any of its agents, contractors, servants, employees or licensees, or (iv) any act or negligence of any assignee or Borrower of Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or Borrower of Borrower, provided however, this indemnity shall not apply to any acts of gross negligence or willful misconduct of the Issuer or the Trustee. The Borrower shall indemnify and save the Issuer and the Trustee harmless from and against all reasonable costs and expenses incurred in or in connection with any such claim arising as aforesaid from (i), (ii), (iii) or (iv) *supra*, or in connection with any action or proceeding brought thereon, including reasonable attorneys' fees actually incurred, and upon notice from the Issuer, or the Trustee, Borrower shall defend them or either of them in any such action or proceeding.

(b) The Borrower agrees that it will indemnify and hold the Trustee harmless, pursuant to Section 1015 of the Indenture, from any and all liability, cost, or expense, including attorneys' fees, incurred without gross negligence or bad faith in the course of the Trustee's duties, including any act, omission, delay, or refusal of the Trustee in reliance upon any signature, certificate, order, demand, instruction, request, notice, or other instrument or document believed by it to be valid, genuine and sufficient.

(c) Notwithstanding the fact that it is the intention of the parties that the Issuer shall not incur any pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the Issuer hereunder, by reason of (i) the issuance of the Bonds; (ii) the execution of the Indenture; (iii) the performance of any act required of it by this Agreement, the Security Deed or the Indenture; (iv) the performance of any act requested of it by the Borrower; or (v) any other costs, fees, or expenses incurred by the Issuer with respect to the Facility or the

25

financing thereof, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the Issuer should incur any such pecuniary liability then in such event the Borrower shall indemnify and hold harmless the Issuer against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Borrower shall defend the Issuer in any such action or proceeding and pay the reasonable attorneys' fees of the Issuer (of such attorneys selected by the Issuer) actually incurred in defending any such action

The provisions of this Section shall survive the termination of this Agreement

**Section 5.3. Covenants Regarding Maintenance of Borrower's Existence** The Borrower covenants that so long as this Agreement is in effect, it will maintain its existence and will not merge or consolidate with any other entity or sell or otherwise dispose of all or substantially all of its assets, provided that the Borrower may, subject to the written approval of the Issuer, which approval shall not be unreasonably withheld, merge or consolidate with another entity or sell or otherwise transfer to another domestic partnership, corporation or other business entity all or substantially all of its assets as an entirety and thereafter dissolve, provided any surviving, resulting or transferee entity (the "Surviving Entity") (i) is authorized to do business in the State of Georgia, (ii) is a domestic corporation, partnership, or other entity, or, if a natural person, is a resident of the United States of America, (iii) assumes in writing all of the obligations of the Borrower under this Agreement and the Land Use Restriction Agreement, (iv) has net worth (after giving effect to such transaction) at least equal to that of the Borrower immediately prior to such transaction, and (v) provided further that the Borrower immediately shall furnish to the Trustee an opinion of nationally recognized bond counsel or ruling of the Internal Revenue Service to the effect that no "Determination of Taxability" has theretofore occurred or will occur or result from such transaction

The Borrower shall preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business

**Section 5.4. Annual Audit; Provision of Reports and Financial Information**

(a) The Borrower shall file an Operating Budget with the Trustee and the Issuer (if requested) at least sixty (60) days before the beginning of each of its Fiscal Years. The Borrower will prepare, and file with the Trustee, a report with respect to any monthly expenditure for operating expenses that exceeds the amount thereof set forth in such Operating Budget by more than ten percent (10%)

(b) The Borrower shall provide the Issuer (if requested by the Issuer), and the Trustee with copies of the following items (each of which must show budgeted and actual results for the relevant period, the year-to-date and the corresponding period and year-to-date for the immediately preceding Fiscal Year):

- (i) Within 25 days after the end of each calendar month, unaudited

26

agrees that it will not attempt to further assign, pledge, transfer or convey its interest in or create any assignment, pledge, lien, charge or encumbrance of any form or nature with respect to the Trust Estate

**Section 5.6. Redemption of Bonds** The Issuer or the Trustee, at the request at any time of the Borrower and if the same are then redeemable, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or any portion of the Bonds, as may be specified by the Borrower, on the earliest redemption date on which such redemption may be made under such applicable provisions or upon the date set for the redemption by the Borrower pursuant to Sections 7.1 and 7.2. As long as the Borrower is not in default hereunder and the Issuer is not obligated to call Bonds pursuant to the terms of the Indenture, neither the Issuer nor the Trustee shall redeem any Bond prior to its stated maturity unless requested to do so in writing by the Borrower

**Section 5.7. Reference to Bonds Ineffective After Bonds Paid** Upon payment in full of the Bonds and all fees and charges of the Trustee, all references herein to the Bonds and the Trustee shall be ineffective and neither the Issuer, the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder and the Borrower shall have no further obligation hereunder, saving and excepting those that shall have theretofore vested and any right of the Issuer or the Trustee to indemnification under Section 5.2, which right shall survive the payment of the Bonds and the termination of this Agreement. Reference is hereby made to Section 802 of the Indenture which sets forth the conditions upon the existence or occurrence of which payment in full of the Bonds shall be deemed to have been made

**Section 5.8. Assignment, Sale or Lease of Facility** Subject to the provisions of Section 5.3, the Borrower may assign its interest in this Agreement and may sell or lease the Facility, in whole or in part, only with the prior written consent of the Issuer, which consent shall not be unreasonably withheld; provided that the Trustee shall be furnished with an opinion from Bond Counsel experienced and acceptable to the Issuer that such sale, lease, or assignment will not adversely affect the excludability from gross income for Federal income taxation purposes of interest on the Series 2015A Bonds. No assignment or lease or sale shall relieve the Borrower of primary liability for payments due hereunder and of the performance of all other obligations required hereunder. All fees and expense of Issuer in such an event shall be paid by the Borrower

**Section 5.9. Covenants of Borrower With Respect to Excludability from Gross Income of Interest By the Bonds From Federal Income Taxation** Consistent with the terms of the Land Use Restriction Agreement, the Series 2015A Bonds are being issued by the Issuer in compliance with the conditions necessary for the interest income on the Series 2015A Bonds to be excludable from gross income for Federal income taxation purposes pursuant to the provisions of Section 142(d) of the Code, and substantially all of the proceeds of which are to be used for the acquisition, construction, reconstruction or improvement of land or property of a character subject to the allowance for depreciation under Section 167 of the Code. It is the intention of the parties hereto that the interest on the Series 2015A Bonds be and remain excludable from gross income for Federal income taxation purposes, and, to that end, the Borrower does hereby covenant with the Trustee and each of the holders of any Series 2015A

28

monthly statements of the Borrower's operations, its balance sheet, a calculation of compliance with the financial covenants hereinafter set forth, payor mix, occupancy rate and statement of cash flows; and

(ii) Within 90 days after the end of each Fiscal Year, the Borrower's audited financial statements prepared in accordance with generally accepted accounting principles and a calculation of compliance with the financial covenants hereinabove set forth

(c) Concurrently with the delivery of any audited financial statements, the Borrower shall deliver or cause to be delivered to the Issuer (if requested by the Issuer) and the Trustee a certificate signed by the chief financial officer of the Borrower that, to the best knowledge of the signer, after a review of the provisions of the Agreement, no event has occurred which, with the giving of notice or the passage of time, would constitute an Event of Default thereunder and a certificate signed by the accountant which audited such financial statements that nothing came to the attention of such accountant during the course of such audit which caused such accountant to believe any such Event of Default had occurred

(d) The Borrower shall also furnish to the Issuer (if requested by the Issuer) and the Trustee, upon receipt thereof by the Borrower: (i) a copy of any letter or report with respect to the management of the Borrower's operations submitted to the Borrower by its accountants in connection with any annual or interim audit of the Borrower's accounts, and a copy of any written response of the Borrower to any such letter or report, (ii) evidence of the continued licensure by the State of Georgia and any other regulatory body, (iii) a copy of all inspection reports by any agency of the State of Georgia or any other regulatory body; and (iv) the amount of ad valorem taxes due on the Facility within thirty (30) days of notification from the applicable taxing agencies

(e) The Borrower shall also furnish to the Issuer (if requested by the Issuer) and the Trustee, on an annual basis, a report detailing all capital improvements to the Facility

(f) The Borrower shall send a copy of any written opinion, report or certificate provided to it by a Management Consultant to the Issuer (if requested by the Issuer) and the Trustee

(g) The Borrower shall send to the Underwriter, to each holder of not less than \$1,000,000 in aggregate principal amount of Series 2015 Bonds, and, upon request by any Bondholder, at such Bondholder's expense, a copy of any budget, statement, certificate or report referred to in this Section 5.4

The Trustee shall have no duty to review the foregoing items deposited with it and shall hold such items as a repository on behalf of the Bondholders and in the case of subsections (d), (e) and (f) above the Trustee is only required passively to receive and hold as repository for Bondholders

**Section 5.5. Agreement of Issuer Not to Assign or Pledge** Except for the assignment and pledge of the Trust Estate in the Indenture, and as provided by the Security Deed the Issuer

27

Bonds, as follows:

(a) that the Borrower will not cause or permit the proceeds of the Series 2015A Bonds to be used in a manner which will cause the interest on the Series 2015A Bonds to become includable in gross income for Federal income taxation purposes conferred by Section 142(d) of the Code;

(b) that, during the term of this Agreement, the Borrower will fully comply with all effective rules, rulings and regulations promulgated by the Department of the Treasury or the Internal Revenue Service, with respect to bonds issued under Section 142(d) of the Code so as to maintain the excludability of the interest payable as excludable from gross income for Federal income taxation purposes on the Series 2015A Bonds;

(c) that the Borrower will make no change in the plans and specifications for the Facility which would result in (i) the Facility not being a "project" within the meaning of the Act, (ii) less than substantially all (95%) of the net proceeds of the sale of the Series 2015A Bonds being used to pay the costs of land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or (iii) a violation of the limitation on maturity of the Series 2015A Bonds under Section 147(b) of the Code;

(d) that at no time will:

(i) any portion of the net proceeds of the sale of the Series 2015A Bonds be used to provide any airplane, skybox or other private luxury box, any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or

(ii) any portion of the net proceeds of the sale of the Series 2015A Bonds be used (directly or indirectly) for the acquisition of land (or an interest therein) to be used for farming purposes, or 25% or more of the net proceeds of the sale of the Series 2015A Bonds be used (directly or indirectly) for the acquisition of land other than land to be used for farming purposes; or

(iii) any portion of the net proceeds of the sale of the Series 2015A Bonds be used for the acquisition of any property the first use of which property is not pursuant to such acquisition, except with respect to any building (and the equipment therefor) if the completion expenditures with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with the proceeds of the Series 2015A Bonds

**Section 5.10. Non-Arbitrage Covenant; Compliance With Special Arbitrage Rules**

(a) The Borrower hereby covenants and agrees with the Issuer and the Trustee for the benefit of the holders of any of the Series 2015A Bonds, present and future, that it will proceed with due diligence to spend the "net sale proceeds" (hereinafter defined) of the Series 2015A Bonds in connection with the acquisition, completion and equipping of the Facility and

29

that it will not make, or permit, any use of the proceeds of the Series 2015A Bonds which will cause the Series 2015A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and any regulations promulgated thereunder as such regulations may apply to obligations issued as of the date of issuance and delivery of the Series 2015A Bonds. The Borrower shall deliver to the Issuer its certificate, evidencing the reasonable expectations of the Borrower, in such reasonable form as the Issuer shall specify and upon which the Issuer may rely in furnishing the certificate required by Section 206 of the Indenture.

(b) The Borrower hereby further covenants and agrees with the Issuer and the Trustee, and with the holders of any of the Series 2015A Bonds, present and future, as follows:

(1) All of the gross proceeds of the Series 2015A Bonds, other than gross proceeds held in a “bona fide debt service fund” (hereinafter defined) will be expended on the Project within twenty-four (24) months of the date of issuance and delivery of the Series 2015A Bonds, or

(2) If any part of the gross proceeds of the Series 2015A Bonds has not been expended on the Project within twenty-four (24) months of the date of issuance and delivery of the Series 2015A Bonds, the Borrower shall invest or cause such gross proceeds to be invested in the manner described in Subparagraph (A) below and shall pay or cause to be paid to the United States the amounts described in Subparagraph (B) below in accordance with the terms and conditions set forth therein.

(A) Except during any “temporary period” (hereinafter defined), the aggregate amount of gross proceeds of the Series 2015A Bonds which are invested in “nonpurpose obligations” (hereinafter defined) having a “yield” (hereinafter defined) higher than the yield on the Series 2015A Bonds shall at no time during any “bond year” (hereinafter defined) exceed one hundred fifty per centum (150%) of the “debt service” (hereinafter defined) on the Series 2015A Bonds for such bond year. In addition, the aggregate amount of gross proceeds of the Series 2015A Bonds invested hereunder in nonpurpose obligations having a yield higher than the yield on the Series 2015A Bonds shall be promptly and appropriately reduced as the amount of outstanding Series 2015A Bonds is reduced (whether by payment at maturity, mandatory sinking fund redemption, redemption prior to maturity or otherwise). The Series 2015A Borrower shall not be required to sell or dispose of nonpurpose obligations if such sale or disposition would result in the realization of a loss, for Federal income tax purposes, that exceeds the amount that would be rebated to the United States pursuant to the provisions of Subparagraph (b)(2)(B) below (but for such sale or disposition), at the time of such sale or disposition if a rebate were due at such time. The provisions of the foregoing sentence shall not apply to the extent that other nonpurpose obligations acquired with the gross proceeds of the Series 2015A Bonds may be sold or disposed of without incurring the loss described above, and in any event the provisions of the foregoing sentence shall cease to apply thirty (30) days after the last day of the first “computation period” (defined in Subparagraph (b)(2)(B) ending thereafter on which such nonpurpose obligations can be sold or disposed of without incurring the loss described hereinabove. The provisions of this Subparagraph (A) shall not apply to gross proceeds of the Series 2015A Bonds which are:

30

2015A Bonds remain outstanding. For purposes of this clause (II), an installment payment period shall commence on the last day on which a preceding installment of the Rebate Amount was required to be paid, and shall end on the day preceding the fifth (5th) anniversary of such payment date;

(III) anything herein to the contrary notwithstanding, the last installment shall be paid no later than thirty (30) days after the last of the Series 2015A Bonds has been retired; and

(IV) each installment shall be in an amount which, when aggregated with the amount of any prior installments paid to the United States hereunder, will equal at least ninety per centum (90%) of the total Rebate Amount payable to the United States hereunder as of the date such installment is paid; provided, however, that the last installment shall be in an amount equal to the entire remaining balance of the Rebate Amount payable to the United States hereunder.

The Borrower shall maintain or cause to be maintained records of such determinations for each computation period until six years after payment in full of the Series 2015A Bonds and shall make such records available to the Issuer, the Trustee and their representatives upon reasonable request therefor. The Issuer agrees to cooperate with the Borrower in making the determinations for each computation period required pursuant to this Subparagraph (b).

(3) For purposes of clause (a) of Subparagraph (2)(B)(i) of this Subparagraph (b), the Borrower, in determining the aggregate amounts earned on all nonpurpose obligations acquired with gross proceeds of the Series 2015A Bonds:

(A) will take into account any gain or loss incurred on the disposition of any such nonpurpose obligation, and

(B) unless the Issuer otherwise elects, will not take into account any amounts earned on nonpurpose obligations held in a bona fide debt service fund for the Series 2015A Bonds during any bond year in which the gross earnings on such fund do not exceed One Hundred Thousand Dollars (\$100,000).

(C) For purposes of construing this Section, the following definitions shall apply:

(1) “bona fide debt service fund” shall have the meaning set forth in Income Tax Regulation Section 1.148-1(a)(b)(12);

(2) “bond year” shall mean the one-year period commencing on the date of issuance and delivery of the Series 2015A Bonds and ending one year later, and each one-year period thereafter until payment in full of the Series 2015A Bonds;

(3) “debt service” shall have the meaning set forth in Code Section 148(d)(3)(D);

32

(i) invested for the initial temporary period provided in Section 1.148-2(e)(2) of the Income Tax Regulations;

(ii) held in a bona fide debt service fund for the Series 2015A Bonds and invested for the 13-month temporary period provided in Section 1.148-2(e)(5)(ii) of the Income Tax Regulations;

(iii) invested for the temporary periods provided for a sinking fund for the Series 2015A Bonds in Section 1.148-2(e)(8) and 1.148-2(e)(12) of the Income Tax Regulations;

(iv) invested during the one-year temporary period provided for investment earnings derived from invested proceeds of the Series 2015A Bonds and from the investment of amounts held in a sinking fund for the Series 2015A Bonds under Section 1.148-2(e)(6) and 1.148-2(e)(9) of the Income Tax Regulations;

(B) At the time or times hereinafter set forth, the Borrower shall pay to the Trustee for deposit into the Arbitrage Rebate Fund an amount, hereinafter referred to as the “Rebate Amount,” which is equal to the sum of:

(i) the excess of --

(a) the aggregate amount earned from the date of issuance and delivery of the Series 2015A Bonds on all nonpurpose obligations in which gross proceeds of the Series 2015A Bonds have been invested (other than nonpurpose obligations attributable to an excess described herein) over

(b) the aggregate amounts which would have been earned if the yield on such nonpurpose obligations (other than nonpurpose obligations attributable to an excess described herein) had been equal to the yield on the Series 2015A Bonds, plus

(ii) any income attributable to the excess described in clause (i) above.

The Rebate Amount payable to the United States shall be determined annually by the Borrower for each bond year during which Series 2015A Bonds remain outstanding and upon retirement of the last of the Series 2015A Bonds (each such period is hereinafter referred to as a “computation period”). The Rebate Amount determined for one bond year shall not be reduced or offset as a result of any determination of the Rebate Amount for any other bond year. The Rebate Amount shall be paid to the United States in installments, as follows:

(I) subject to clause (III) below, the first such installment shall be paid no later than thirty (30) days after the end of the fifth (5th) bond year of the Series 2015A Bonds;

(II) subject to clause (III) below, an additional installment shall be paid on or prior to the last day of each additional installment payment period during which any of the Series

31

(4) “yield” shall have the meaning set forth in Income Tax Regulation Section 1.148-1(b).

“Gross Proceeds” means amounts which are:

(1) sale proceeds of the Series 2015A Bonds (as defined in Income Tax Regulations §1.148-1) i.e., any amounts actually or constructively received from the sale of the Series 2015A Bonds, including amounts used to pay underwriters’ discount or compensation and accrued interest other than pre-issuance accrued interest;

(2) in the case of a refunding issue, transferred proceeds of the Series 2015A Bonds (as defined in Income Tax Regulations §1.148-9 (or the applicable corresponding provisions of prior law));

(3) investment proceeds of the Series 2015A Bonds (as defined in Income Tax Regulations §1.148-1), i.e., any amounts actually or constructively received from investing sale proceeds, transferred proceeds and investment proceeds of the Series 2015A Bonds in Investment Property, such as interest or dividends, other than amounts actually or constructively received with respect to a Purpose Investment that are properly allocable to the immaterially higher yield permitted under Income Tax Regulations §1.148-2(d) or to Qualified Administrative Costs under Income Tax Regulations §1.148-5(e), and

(4) replacement proceeds of the Series 2015A Bonds (as defined in Income Tax Regulations §1.148-1), i.e., amounts (excluding sale proceeds, transferred proceeds and investment proceeds of the Series 2015A Bonds) replaced by proceeds of the Series 2015A Bonds under Section 142(a)(2) of the Code, including amounts held in a sinking fund (including a debt service fund, reserve fund, replacement fund or any similar fund, to the extent reasonably expected to be used directly or indirectly to pay debt service on the Series 2015A Bonds), a pledged fund (i.e., any amount directly or indirectly pledged to pay principal or interest on the Series 2015A Bonds that in substance provides reasonable assurance that the amount will be available to pay principal or interest on the Series 2015A Bonds if the Issuer or the Borrower encounters financial difficulties), or “other replacement proceeds” (within the meaning of Income Tax Regulations §1.148-1(c)(4)).

For purposes hereof a pledge to a guarantor of the Series 2015A Bonds is an indirect pledge to secure payment of principal and interest on the Series 2015A Bonds. In addition, an amount is treated as pledged to pay principal and interest on the Series 2015A Bonds if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of Bondholders or a guarantor, unless (a) the Issuer or the Borrower may grant rights in the amount which are superior to the rights of the Bondholders or the guarantor, or (b) the amount does not exceed the reasonable needs for which it is maintained, the required level is tested no more frequently than every 6 months and the amount may be spent without any substantial restriction, other than a requirement to replenish the amount by the next testing date. “Investment Property” shall mean any investment which is:

(1) a “security” (as defined in Section 165(g)(2)(A) or (B) of the Code, i.e., a

33

share of stock in a corporation or a right to subscribe for or to receive a share of stock in a corporation, or

(2) an "obligation" (i.e., any evidence of indebtedness under general Federal income tax principles, including time or demand deposits,

(3) any annuity contract (as defined in Section 72 of the Code), or

(4) any investment-type property (within the meaning of Treasury Regulations Section 1.148-1), i.e., any property other than property described in clauses (1), (2) or (3) above, that is held principally as a passive vehicle for the production of income. A prepayment for property or services is investment-type property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made, provided that a prepayment is not investment-type property if (a) the prepayment is made for a substantial business purpose other than investment return and the Issuer or Borrower has no commercial alternative to the prepayment, or (b) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the Issuer or the Borrower but who are not beneficiaries of tax-exempt financing.

The term "Investment Property" shall not include (1) any obligation issued by or on behalf of a state or local governmental unit the interest on which is excluded from gross income under Section 103 of the Code (or any obligation that when issued purported to be excluded from gross income under Section 103 of the Code) (a "tax-exempt bond"), unless (if the Series 2015A Bonds are not "specified private activity bonds") such obligation is a "specified private activity bond" (as defined in Section 57(a)(5)(C) of the Code) i.e., a tax-exempt bond the interest on which is subject to the alternative minimum tax imposed on individuals and corporations, (2) any interest in a "regulated investment company" to the extent that at least 95 percent of the income to the holder of the interest is interest that is excludable from gross income under section 103(a) of the Code, unless (if the Series 2015A Bonds are not "specified private activity bonds") such "regulated investment company" invests in tax-exempt bonds which are "specified private activity bonds" to an extent in excess of the percentage permitted by the Internal Revenue Service to enable characterization of interest in such regulated investment company as not constituting Investment Property, (3) any "exempt demand deposit" (demand deposit SLG) (within the meaning of Treasury Regulations § 1.148-8(e)(4)), and (4) any qualified temporary investment (within the meaning of Internal Revenue Service Notice 87-22, 1987-10 IRB (March 9, 1987) or successor Treasury regulations) applicable to the Series 2015A Bonds.

"Nonpurpose Investment" means any Investment Property which is not acquired with the Gross Proceeds of the Series 2015A Bonds to carry out the governmental purpose for which the Series 2015A Bonds are being issued (within the meaning of Treasury Regulations § 1.148-1), i.e., all Investment Property acquired or otherwise allocated to Gross Proceeds of the Series 2015A Bonds other than the loan made by the Issuer to the Borrower under this Agreement.

"Purpose Investment" means an investment that is acquired to carry out the governmental purpose of the Series 2015A Bonds i.e., the loan made to the Borrower under this Agreement.

34

operation of the Facility cause by damage or destruction of the Facility;

(c) boiler explosion insurance or steam boilers, if any, pressure vessels, and pressure piping in an amount no less than 100% of the actual cost of repair or replacement of the Facility (with deductible provisions not to exceed \$1,000 in any one occurrence) provided, that such insurance need not be taken out until steam boilers, pressure vessels, or pressure piping have been installed in the Facility;

(d) comprehensive general liability insurance providing insurance (with deductible provisions not exceeding \$5,000) to the extent of not less than \$535,000 per occurrence against liability for personal and bodily injury including death resulting therefrom, \$100,000 per occurrence for damage to property, including loss of use thereof, occurring on or in any way related to the Facility or any part thereof, with excess liability or "umbrella" insurance for claims under such coverage in the aggregate of not less than \$2,000,000;

(e) worker's compensation coverage as required by the laws of the State of Georgia; and

(f) insurance under the Federal Flood Insurance Program will be maintained at all times within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Act of 1973, as amended, if the Facility is eligible under such program.

Proceeds of insurance required by (a), (c), and (f) in excess of \$25,000 will be paid to the Trustee and deposited into the Special Fund and disbursed by it in accordance with instructions from the Borrower for the restoration of the Facility except as otherwise provided in Section 7.1(a) hereof. All policies of insurance shall list Issuer and Trustee as additional insureds and provide for payment to the Issuer, the Borrower, and the Trustee as their respective interests may appear, and the policies required by (a), (c) and (f) shall name the Trustee as mortgagee. A copy of all policies of insurance shall be delivered to Issuer and Trustee along with receipts evidencing payment of the same.

At least thirty (30) days prior to the expiration date of each policy maintained pursuant to this Paragraph 5.12, a renewal or replacement thereof satisfactory to Issuer and Trustee shall be delivered to Issuer and Trustee. Borrower shall deliver to Issuer and Trustee receipts evidencing the payment for all such insurance policies and renewals or replacements. The delivery of any insurance policies hereunder shall constitute an assignment of all unearned premiums as further security hereunder. In the event of the foreclosure or any other transfer of title to the Facility, it is understood by Borrower that all right, title and interest of Issuer in and to all insurance policies then in force shall pass to the purchaser or Trustee.

The Trustee shall have no duty to review the insurance required by this Section 5.12 (or the certificates thereof) or to inquire as to the compliance thereof with this Section 5.12.

Section 5.13. Condemnation of the Facility. Unless the Borrower elects to exercise any option it may have to prepay the Bonds, and if prior to full payment of the Bonds, or provision

36

"Qualified Administrative Costs" with respect to a Nonpurpose Investment means such term as defined in Treasury Regulations § 1.148-5(e)(2) or successor regulations applicable to the Series 2015A Bonds. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody, and similar costs. General overhead costs and similar indirect costs of the Issuer or the Borrower such as employee salaries and office expenses and costs associated with computing the Rebate Amount under Section 148(f) of the Code are not Qualified Administrative Costs. In general administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than gross proceeds of tax-exempt bonds.

Qualified Administrative Costs include all reasonable administrative costs, without regard to the limitation on indirect costs described above if incurred by (1) a "publicly offered regulated investment company" (as defined in section 67(c)(2)(B) of the Code) and (2) a commingled fund in which the Issuer and the Borrower and any related parties do not own more than 10 percent of the beneficial interest in the fund. In the case of a guaranteed investment contract, a broker's commission paid on behalf of either the Issuer, the Borrower or the provider is not a Qualified Administrative Cost to the extent that the commission exceeds 0.05 percent of the amount reasonable expected to be invested per year.

Section 5.11. Notification of Act of Bankruptcy. The Borrower agrees to notify the Trustee and the Issuer as soon as possible of the occurrence of an Act of Bankruptcy or any event which, with the lapse of time, would constitute an Act of Bankruptcy. The Borrower further agrees to notify the Trustee within ninety-five (95) days following final payment of the Bonds, whether by redemption or otherwise, of the occurrence or non-occurrence of an Act of Bankruptcy during the period commencing ninety (90) days prior to such final payment and ending on the ninety-third (93rd) day following such final payment.

Section 5.12. Insurance. For the term of this Agreement, the Borrower shall maintain insurance of such type and in amounts as is customarily carried and against such risks as are customarily insured against by businesses of like size and character in the State of Georgia, including but not limited to the following:

(a) insurance upon the repair or replacement basis in an amount of not less than 100% of the then (at the time such insurance is obtained by Borrower) actual cost of replacement (excluding costs of replacing excavations and foundations but without deduction for depreciation) of the Facility against loss or damage by fire, lighting, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke and such other risks as are not or hereafter included in the uniform standard extended coverage endorsement in common use for similar structures (including vandalism and malicious mischief);

(b) business interruption insurance (also referred to as "use and occupancy insurance" or "rental income insurance") in an amount not less than the principal and interest payments required for the next succeeding twelve (12) months, covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in the

35

for payment thereof having been made, title to or temporary use of the Facility is taken in any condemnation proceeding, the proceeds of any condemnation award will be paid to the Trustee and applied, subject to Section 1.04 of the Security Deed and as directed by the Borrower, to (a) the restoration of the Facility, (b) the acquisition of a suitable replacement which must be approved by the Issuer, or (c) redemption of all or a portion of the Bonds. In the event of a conflict between the provisions of this Section and Section 1.04 of the Security Deed, the provisions of Section 1.04 of the Security Deed shall control. If less than all of the Bonds are redeemed, the Borrower must furnish a certificate of an independent consulting architect (who must be approved in writing by the Issuer) that the property taken was not essential to the Borrower's use and occupancy of the Facility or that the Facility has been restored to a condition substantially equivalent to its condition prior to such taking or that a suitable replacement has been found. Any condemnation award remaining after the costs of such restoration or replacement will be paid into the Bond Fund and used to redeem the Bonds. Any condemnation awards paid to the Borrower for damage to or taking of its own property not subject to the lien of the Indenture shall be retained by the Borrower.

If title to or the temporary use of a "substantial portion of the Facility" is taken in any condemnation proceeding, defined as such taking which results, in the opinion of an independent consulting architect, in the Borrower being thereby prevented from carrying on its normal operations for a period of three consecutive months, the Borrower will have the option to prepay the Bonds by paying to the Trustee an amount equal to 100% of the principal amount of the Bonds, plus accrued interest to the prepayment date.

#### Section 5.14. Financial Covenants by Borrower

(a) Debt Service Coverage Ratio. The Borrower agrees to maintain, as calculated at the end of each Fiscal Year, a Debt Service Coverage Ratio on the Series 2015 Bonds of not less than: (a) 1.10 to 1 for the Fiscal Year ending December 31, 2016; (b) 1.15 to 1 for the Fiscal Year ending December 31, 2017; (c) 1.20 to 1 for the Fiscal Year ending December 31, 2018; and (d) 1.25 to 1 for each Fiscal Year ending on or after December 31, 2019. As used herein, (1) "Debt Service Coverage Ratio on the Series 2015 Bonds" means the ratio of Funds Available for Debt Service to Annual Debt Service Requirements on the Series 2015 Bonds (after payment of any Subordinated Fees) for the Fiscal Year for which such calculation is being made; and (2) "Funds Available for Debt Service" means in any period the Borrower's Gross Revenues for such period, minus the Borrower's Operating Expenses for such period, plus, to the extent included in such Operating Expenses, depreciation and amortization, interest on long-term indebtedness (including the Series 2015 Bonds), amortization of discount and financing expenses incurred in connection with the issuance of long-term indebtedness, and other non-cash expense deducted in accordance with generally accepted accounting principles consistently applied. If such Debt Service Coverage Ratio, as calculated at the end of any Fiscal Year, shall fall below the above-required level, the Borrower will submit, to the Trustee within sixty (60) days following the end of such Fiscal Year, a Management Report, that sets forth in detail why the Borrower did not comply with such financial covenant, and the specific plan of correction to be implemented with respect to such non-compliance. So long as the Borrower shall retain a Management Consultant, shall comply to the extent practicable with the recommendations thereof, and shall maintain, at all times, a Debt Service Coverage Ratio of at least 1.00 (the "Minimum Coverage Ratio"), this requirement shall

37

be deemed to have been complied with even if such ratio, as calculated at the end of any subsequent Fiscal Year, is below the required level

(b) Days' Cash on Hand The Borrower agrees to have fifteen (15) Days' Cash on Hand, as of the end of each fiscal quarter, beginning with such quarter ending January 31, 2017, and thereafter. If Days' Cash on Hand, as calculated at the end of any two consecutive fiscal quarters, shall be less than the required level, the Borrower agrees to retain a Management Consultant, within sixty (60) days following the end of the second of such fiscal quarters, to evaluate the management of the Facility and to make recommendations with regard to increasing Days' Cash on Hand for subsequent fiscal quarters of the Borrower to at least the level required or, if in the opinion of the Management Consultant the attainment of such level is impracticable, to the highest practicable level. So long as the Borrower shall retain a Management Consultant and shall have, for each fiscal quarter, not less than seventy percent (70%) of the Days' Cash on Hand otherwise required by this paragraph, the requirements of this paragraph shall be deemed to have been satisfied

(c) Trade Payables The Borrower agrees that, for each fiscal quarter, as calculated at the end of each such fiscal quarter, no more than ten (10%) of its Trade Payables will be in excess of ninety (90) days. If more than ten percent (10%) of the Borrower's trade payables are in excess of ninety (90) days for any two consecutive fiscal quarters, the Borrower will retain a Management Consultant, within sixty (60) days following the end of the second of such fiscal quarters, to evaluate the management of the Facility and to make recommendations with respect to the management of the Borrower's trade payables. So long as the Borrower shall retain a Management Consultant and, for each fiscal quarter, no more than twenty percent (20%) of its trade payables shall be in excess of ninety (90) days, the provisions of this paragraph shall be deemed to have been satisfied

Section 5.15. Inspections The Borrower covenants that it shall permit the Issuer, Trustee, Underwriter, or any Bondholder holding, or group of Bondholders holding in the aggregate, twenty-five percent (25%) or more in principal amount of all outstanding Bonds, or any authorized representative of the foregoing, to examine, visit, and inspect, at any reasonable time, upon reasonable notice to the Management Company and Borrower, the Facility and their respective accounts, books and records, including their receipts, disbursements, contracts, investments and any other matters relating thereto and to their financial standing, and to supply such reports and information as the Issuer and the Trustee (provided the Trustee shall have no duty so to inspect) shall reasonably request

Section 5.16. No Liability of Issuer Anything herein to the contrary notwithstanding, nothing contained in this Agreement or in any other document that is a part of this transaction, including, but not limited to, the Bond Resolution of the Issuer, the Security Deed, and/or the Indenture, shall, in any manner whatsoever be deemed to constitute a debt or a general obligation, or a pledge of the faith and credit of the Issuer, the State of Georgia, the City, the County or any political subdivision thereof, and does not directly or indirectly or contingently, obligate the Issuer, the State, the City or any political subdivision thereof to levy or to pledge any form of taxation whatever for the payment of the principal indebtedness, redemption premium (if any), interest, or any other indebtedness, costs, or expense

38

required to be made under Section 4.2(a) are accelerated, the amount then due and payable by the Borrower as accelerated payments shall be the sum of (i) the aggregate principal amount of the outstanding Bonds, (ii) all interest on the Bonds then due and to become due to maturity whether by acceleration or otherwise, and (iii) all other amounts due and payable to the Bondholders and/or to the Trustee with respect to the payment of the Bonds including reasonable Counsel fees

(b) The Trustee may take whatever action at law or in equity may appear necessary or desirable to collect any sums then due and thereafter to become due hereunder or to enforce performance and the observance of any agreement of the Borrower hereunder

Any amounts collected pursuant to action taken under this Section shall be paid into the appropriate account in the Bond Fund and applied in accordance with the provisions of the Indenture and after payment in full of the Bonds and the payment of any costs occasioned by an Event of Default hereunder, any excess moneys in the Bond Fund shall be returned to the Borrower

Section 6.3. No Remedy Exclusive No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy hereunder or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. The Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all agreements herein contained

Section 6.4. Agreement to Pay Counsel Fees and Expenses If there should occur a default or an Event of Default hereunder and the Trustee and/or Issuer should employ Counsel or incur other expenses for the collection of sums due hereunder or the enforcement of performance or observance of any agreement on the part of the Borrower herein contained, the Borrower agrees that it will, on demand therefor, pay to the Trustee and Issuer the reasonable fees of such Counsel actually incurred and such other reasonable expenses so incurred by the Trustee and Issuer

If the Borrower should fail to make any payments required in this Section, such item shall continue as an obligation of the Borrower until the same shall have been paid in full, and the Borrower agrees to pay the same with interest thereon from the date such payment was due at the rate per annum borne by the Bonds until paid in full

The provisions of this Section shall survive the termination of this Agreement

Section 6.5. Waiver of Events of Default and Rescission of Acceleration If, in compliance with the requirements of Section 906 of the Indenture, the Trustee shall waive any Event of Default as therein defined and its consequences or rescind any declaration of acceleration of payments of the principal of and interest on the Bonds, such waiver shall also waive any Event of Default hereunder and its consequences and such rescission of a declaration

40

Section 5.17. Recordation of Security Deed and Financing Statements The Borrower agrees that it will cause the Security Deed, all Financing Statements (other than continuation statements), to be recorded and filed in such manner and in such a place as may be required by law in order fully to protect and preserve the priority of the interests of the holders of the Bonds in the Project conveyed thereunder to and the rights, privileges and options of the Trustee

## ARTICLE VI EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default Defined The following shall be "events of default" hereunder and the term "Event of Default" shall mean, whenever it is used herein, any one or more of the following events:

(a) failure by the Borrower to make any payment required to be made under Section 4.2(a) within five (5) Business days of when the same becomes due and payable;

(b) failure by the Borrower to observe and/or perform any agreement hereunder or under the Land Use Restriction Agreement or on its part to be observed and/or performed, other than as referred to in subsection (a) or (b) of this Section, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee; provided, however, in the case of any such default which can be cured with due diligence but not within such thirty-day period, the Borrower's failure to proceed promptly to cure such default and thereafter prosecute the curing of such default with due diligence

(c) any representation by or on behalf of the Borrower contained in this Agreement or the Land Use Restriction Agreement, or in any instrument furnished in compliance with or in reference to this Agreement or the Indenture proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(d) the occurrence of an Act of Bankruptcy, dissolution, liquidation, insolvency proceeding, or reorganization; and

(e) an "Event of Default" occurs and is continuing under the Indenture

Section 6.2. Remedies Whenever an Event of Default shall have happened and be continuing, the Trustee, as the assignee and pledgee of the Issuer under the Indenture, may take any one or more of the following remedial steps:

(a) If the Trustee has accelerated payment of the Bonds under the Indenture, the Trustee shall declare all payments required to be made under Section 4.2(a) to be immediately due and payable, whereupon the same shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default described in Subsections 6.1(a) or (b), all payments required to be made under Section 4.2(a) shall become immediately due and payable without any further act or action on the part of any person. If all payments

39

of acceleration of the principal of and interest on the Bonds shall also rescind any declaration of any acceleration of all payments required to be made under Section 4.2. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Borrower, the Trustee, and the holders of the Bonds shall be restored to their former positions and rights hereunder, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon

## ARTICLE VII

### PREPAYMENT UNDER AGREEMENT

Section 7.1. Option to Prepay Installment Amounts Under Agreement in Whole in Certain Events The Borrower shall have, and is hereby granted, the option to prepay at par in whole the installment amounts required to be made under Section 4.2(a) and to cancel or terminate this Agreement if any of the following shall have occurred:

(a) the Facility shall have been damaged or destroyed to such an extent that, in the judgment of the Borrower, (i) it cannot be reasonably restored within a period of three (3) consecutive months to the condition thereof immediately preceding such damage or destruction, (ii) the Borrower is thereby prevented from carrying on its normal operations at the Facility for a period of three (3) consecutive months, or (iii) to the extent that the cost of restoration thereof would exceed the net proceeds of insurance required to be carried thereto pursuant to Section 5.12 hereof

(b) title in and to, or the temporary use of, all or substantially all of the Facility shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person acting under governmental authority (including such a taking as, in the judgment of the Borrower, results in the Borrower being prevented thereby from carrying on its normal operations at the Facility for a period of three (3) consecutive months)

(c) as a result of any changes in the Constitution of the State of Georgia or the Constitution of the United States of America or of legislative or administrative action (whether state or federal), or by final decree, judgment, or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, the Agreement shall become void or unenforceable or impossible of performance

(d) legal curtailment of the Borrower's use and occupancy of all or substantially all of the Facility for any reason other than that set forth in Subsection (b), which curtailment shall, in the judgment of the Borrower, prevent the Borrower from carrying on its normal operations at the Facility for a period of three (3) consecutive months

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

(f) the Borrower shall exercise its option to prepay pursuant to Section 305 of

41

the Indenture

To exercise such option, the Borrower (i) shall, within ninety (90) days following the event giving rise to the Borrower's desire to exercise such option, deliver to the Issuer and the Trustee a certificate, executed by an officer of the Borrower, stating (A) the event giving rise to the exercise of such option, (B) that the Borrower has directed the Trustee to redeem all of the Bonds in accordance with the provisions of the Indenture, (C) that the Borrower has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility, and (D) the date upon which such prepayment is to be made, which date shall not be less than forty-five (45) days nor more than ninety (90) days from the date such notice is mailed; and (ii) shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption price which shall be paid to the Trustee by the Borrower upon its exercise of the option granted in this Section shall be the sum of the following:

(1) an amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to pay and redeem all of the then outstanding Bonds on the earliest applicable redemption date including, without limitation, principal plus accrued interest thereon to said redemption date, plus

(2) an amount of money equal to the Trustee's and paying agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds

**Section 7.2. Payment of Taxable Rate Upon a Determination of Taxability** If there occurs a Determination of Taxability, the Borrower shall be obligated to pay interest on the Bonds at the Taxable Rate from, after, and/or retroactive to the effective date of said Determination of Taxability

The Borrower shall give prompt written notice to the Issuer and the Trustee of (i) the filing by the Borrower of any Supplemental Statement which shows that a Determination of Taxability has occurred, and (ii) its receipt of any oral or written advice from the Internal Revenue Service that a Determination of Taxability has occurred

Promptly upon learning of an occurrence described in (a) or (b) of the definition of "Determination of Taxability" in Section 1.1, the Trustee shall cause notice thereof to be given to the Bondholders in the same manner as is provided in the Indenture for notices of redemption. In such notice to Bondholders, the Trustee upon written request of the Issuer may make provisions for obtaining advice from Bondholders, in such form as shall be deemed appropriate, respecting relevant assessments made on such Bondholders by the Internal Revenue Service, so as to be able, if appropriate, to verify the existence, present or future, of a Determination of Taxability

42

- (b) Borrower: **Savannah ALF LLC**  
249 Holland Drive  
Savannah, Georgia 31419  
Attn: Dwayne A. Edwards
- With copy to: William R. Jerles, Jr.  
**Daniel, Lawson, Tuggle & Jerles, L.L.P.**  
912 Main Street  
Post Office Box 89  
Perry, Georgia 31069
- (c) Trustee: **BOKF, N.A. dba Bank of Oklahoma**  
One Williams Center, 10SW  
Tulsa, Oklahoma 74103  
Attn: Marien Neilson
- (d) Underwriter: **Lawson Financial Corporation**  
3352 E. Camelback Road  
Phoenix, Arizona 85018  
Attn: Robert W. Lawson

A duplicate copy of each notice, approval, consent, request or other communication given hereunder by the Issuer, the Borrower, or the Trustee shall also be given to all of the others. The Issuer, the Borrower, or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed

**Section 8.3. Binding Effect** This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns

**Section 8.4. Severability** If any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof

**Section 8.5. Amounts Remaining in Project Fund or Bond Fund or Special Fund** It is agreed by the parties hereto that any amounts remaining in the Project Fund or the Bond Fund upon expiration or sooner termination of this Agreement, after payment in full of the Bonds and payment of the fees, charges and expenses of the Trustee; and any paying agents in accordance with the Indenture, shall belong to and be paid to the Borrower by the Trustee

**Section 8.6. Delegation of Duties and Assignment of Rights by Issuer** It is agreed that under the terms of this Agreement the Issuer has delegated certain of its duties thereunder to the Borrower and that under the terms of the Indenture the Issuer has assigned certain of its rights thereunder to the Trustee. The fact of such delegation shall be deemed a sufficient compliance by the Issuer to satisfy the duties so delegated herein and the Issuer shall not be liable in any way by reason of acts done or omitted by the Borrower, the Authorized Borrower Representative or

44

**Section 7.3. Damage and Destruction** Pursuant to Section 7.1 hereof, unless the Borrower elects to exercise any option it may have to prepay amounts payable under this Agreement, and if prior to full payment of the amounts payable under this Agreement, or unless provision for payment thereof has been made, the Facility is damaged or destroyed by fire or other casualty, all Net Proceeds, if in excess of \$5,000, will be paid to and held by the Trustee, whereupon (i) the Borrower will proceed promptly to repair, rebuild, or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction and (ii) the Trustee will apply so much as may be necessary of the Net Proceeds to the cost of repair, rebuilding and restoration. If Net Proceeds are not sufficient to pay for such repair, rebuilding, or restoration, the Borrower will nonetheless complete same at Borrower's sole cost and expense. Any Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration will be paid into the Bond Fund and used to redeem the Series 2015A and 2015B Bonds

If substantially all of the Facility is damaged or destroyed, the Borrower will have the option to prepay the Series 2015A and 2015B Bonds by paying to the Trustee an amount equal to 100% of the principal amount of the Series 2015A and 2015B Bonds outstanding plus accrued interest to the redemption date, but with no premium. If the Borrower exercises its option to prepay the Series 2015A and 2015B Bonds, "damage or destruction of substantially all of the Facility" is defined as such damage or destruction which prevents the Borrower from carrying on its normal operations in the Facility for more than three consecutive months, or if the Facility cannot be repaired, rebuilt or restored within three consecutive months or if the cost of repair, rebuilding or restoration exceeds the Net Proceeds

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.1. Term of Agreement** The term of this Agreement shall begin on the date of the delivery hereof and this Agreement shall terminate when payment in full of the Bonds shall have been made

**Section 8.2. Notices** All notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be deemed to have been given when delivered or mailed by First Class Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed as follows:

(a) Issuer: **Savannah Economic Development Authority**  
P O Box 128  
Savannah, Georgia 31402  
Attn: President

with a copy to: Thomas S. Gray, Jr., Esq  
**Gray Pannell & Woodward LLP**  
24 Drayton St #1000  
Savannah, Georgia 31401

43

the Trustee. The Issuer shall have the right at all times to act in reliance upon the authorization, representation or certification of the Authorized Borrower Representative and/or the Trustee

**Section 8.7. Amendments, Changes and Modifications** Except as otherwise provided herein or in the Indenture, subsequent to the date of issuance and delivery of the Bonds and prior to their payment in full, this Agreement may not be effectively amended except as provided in Article XIII of the Indenture and may not be effectively amended or terminated without the written consent of the Trustee and of all parties hereto

**Section 8.8. Counterparts** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument

**Section 8.9. Captions** The captions and headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions hereof

**Section 8.10. Payments Due on Saturday, Sundays and Holidays** In any case where the date for any payment required to be made hereunder or under the Indenture shall be, in the city of payment, a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized by law to close, then payment need not be made on such date in such city but may be made on the next succeeding Business day not a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if made on the date fixed for such payment, and if such payment is made on the next succeeding Business day no interest shall accrue for the period from and after the date on which payment was required to be made hereunder or under the Indenture

**Section 8.11. Law Govering Construction of Agreement** This Agreement shall be governed by, and construed in accordance with, the laws of the State

## ARTICLE IX

### OPTIONS IN FAVOR OF BORROWER

**Section 9.01. Option to Prepay and Redeem Bonds at Optional Redemption Dates** The Borrower shall also have the option to prepay amounts due under this Agreement in such manner and amounts as will enable the Issuer to redeem the Series 2015A Bonds prior to maturity on or after January 1, 2017, as provided in Section 305 of the Indenture. The amount payable by the Borrower in the event of its exercise of the option granted under this Section shall be (i), in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date, the applicable redemption premium, as provided in Section 305 of the Indenture, and any redemption expense, and (ii) in the case of a total redemption, the amounts set forth in Article VII of the Indenture and the applicable redemption premium, as provided in Section 305 of the Indenture

**Section 9.02. Option to Prepay and Redeem the Series 2015A Bonds upon Determination of Taxability** The Borrower shall also have the option to prepay amounts due

45



under this Agreement in such manner and amount as will enable the Issuer to redeem the Series 2015A Bonds prior to maturity, in whole and not in part, upon the occurrence of a Determination of Taxability as provided in Section 304 of the Indenture. Series 2015A Bonds redeemed pursuant to this Section shall be redeemed in accordance with the procedure set forth in Section 303 of the Indenture. The amount payable by the Borrower in the event of its exercise of the Option granted under this Section shall be the amount necessary to pay the principal of the Series 2015A Bonds and all interest thereon to accrue to the redemption date and any redemption expense.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be executed as of the date first above written.

SAVANNAH ECONOMIC DEVELOPMENT  
AUTHORITY

BY: \_\_\_\_\_  
President

[SEAL]

Attest:

\_\_\_\_\_  
Assistant Secretary

STATE OF GEORGIA)

COUNTY OF CHATHAM)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that \_\_\_\_\_ and \_\_\_\_\_, whose names as President and Assistant Secretary, respectively, of Savannah Economic Development Authority, a public corporation, are signed to the foregoing conveyance, and who are known to me and known to be such officers, acknowledged before me this day that they, in their respective capacities as such officers, being informed of the contents of the conveyance, and with full authority and of their own free will and accord, voluntarily executed the foregoing Agreement for and as the free and unrestrained act of said public corporation, for the purposes therein named and expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal of office this \_\_\_\_ day of January, 2015.

\_\_\_\_\_  
NOTARY PUBLIC

(SEAL)

My Commission Expires:

46

47

SAVANNAH ALF LLC

[SEAL]

BY: \_\_\_\_\_  
Dwayne A. Edwards  
Manager

STATE OF GEORGIA)

COUNTY OF BIBB)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that Dwayne A. Edwards, whose name as Manager of Savannah ALF LLC, a Georgia limited liability company, is signed to the foregoing conveyance, and who is known to me and known to be such official, acknowledged before me this day that he, in his capacity as such official, being informed of the contents of the conveyance, and with full authority and of his own free will and accord, voluntarily executed the foregoing Agreement for and as the free and unrestrained act of said limited liability company, for the purposes therein named and expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal of office this \_\_\_\_ day of January, 2015.

\_\_\_\_\_  
NOTARY PUBLIC

(SEAL)

My Commission Expires:

\_\_\_\_\_

48

EXHIBIT A

REQUISITION AND CERTIFICATION

Request No. \_\_\_\_\_ Date: \_\_\_\_\_

BOKF, N A dba Bank of Oklahoma as Trustee under the Trust Indenture dated as of January 1, 2015, relating to \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the "Series 2015A Bonds").

Attention: Corporate Trust Department

The undersigned Authorized Borrower Representative designated pursuant to the terms of a Loan Agreement, dated as of January 1, 2015 (the "Agreement"), between Savannah Economic Development Authority, a public corporation and instrumentality duly organized and existing under the laws of the State of Georgia (the "Issuer"), and Savannah ALF LLC, a Georgia limited liability company (the "Borrower"), hereby request that there be paid from the Project Fund (hereinbelow described) the sum of \$ \_\_\_\_\_, and in that connection with respect to the use of the proceeds of \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the "Series 2015A Bonds"), DOES HEREBY CERTIFY, as follows:

1 The requested payment is requested in order to satisfy an obligation in the stated amount that has been incurred in connection with the issuance of the Bonds or the acquisition or completion of the Facility and is a proper charge against Savannah Economic Development Authority Project Fund - Savannah ALF LLC Project, 2015, and has not been the basis of any previous withdrawal from said Project Fund.

2 Payment should be made to:

Name:

Address:

3 Attached hereto is a bill, statement of account or a schedule showing in reasonable detail the items with respect to which payment is being requested, and, if the Borrower or the Issuer is to be reimbursed, proof of payment of such items is attached hereto, which proof is satisfactory to the undersigned and the Trustee may act thereon.

4 The obligation is for an item which is properly chargeable to the capital account of the Borrower for Federal income tax purposes or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct the costs, and the payment of such obligation when added to all other payments previously made from the

49

Project Fund will not result in less than substantially all of the net proceeds of the sale of Bonds expended at such time being used to provide land or property of the character subject to the allowance for depreciation under Section 167 of the Code

5 (a) The Borrower has no notice of any vendors', materialmens', mechanics', suppliers' or other similar liens or right to liens, chattel mortgages or conditional sales contracts, or other contracts or obligations which should be satisfied or discharged before payment of such obligation is made, or (b) this requisition is for the purpose of obtaining funds to be used to satisfy or discharge a lien or contract of the type described in (a) above

6 This requisition contains no request for payment on account of any portion of such obligation which the Borrower is, as of the date hereof, entitled to retain under retained percentage agreements

7 The obligation does not represent a cost paid or incurred by the Issuer or the Borrower prior to July 11, 2014

8 Each and every representation of the Borrower set forth in the Agreement is true and correct on and as of the date of this requisition

9 No default or Event of Default under the Agreement has occurred and is now continuing

10 The costs incurred as of the date of this requisition, when added to the estimated cost of completing the "Facility" (defined in the Agreement) demonstrate that the amount remaining in the Project Fund for disbursement, after giving effect to the disbursement requested by this requisition, will be sufficient to complete the Facility or, if this is not the case, demonstrate that the Borrower has on hand or has the ability to obtain the additional funds required to complete the Facility

11 With respect to any such item representing payment for labor, services, material, supplies and/or equipment, insofar as such obligation was incurred for labor, services, material, supplies and/or equipment in connection with the acquisition, construction and installation of the Facility, (i) such labor and/or services were actually performed in a satisfactory manner, and (ii) such material, supplies and/or equipment were actually used in or about the construction of the Facility or delivered at the site of the Facility for that purpose and the item of equipment with respect to which such payment is requested constitutes a portion of the Facility

By: \_\_\_\_\_  
Authorized Borrower Representative

50

satisfy or discharge a lien or contract of the type described in (a) above

5 This requisition contains no request for payment on account of any portion of such obligation which the Borrower is, as of the date hereof, entitled to retain under retained percentage agreements

6 Each and every representation of the Borrower set forth in the Agreement is true and correct on and as of the date of this requisition

7 No default or Event of Default under the Agreement has occurred and is now continuing

8 With respect to any such item representing payment for labor, services, material, supplies and/or equipment, insofar as such obligation was incurred for labor, services, material, supplies and/or equipment in connection with the acquisition and construction of the Facility, (i) such labor and/or services were actually performed in a satisfactory manner, and (ii) such material, supplies and/or equipment were actually used in or about the construction of the Facility or delivered at the site of the Facility for that purpose and the item of equipment with respect to which such payment is requested constitutes a portion of the Facility

By: \_\_\_\_\_  
Authorized Borrower Representative

52

EXHIBIT B  
REQUISITION AND CERTIFICATION

Request No \_\_\_\_\_ Date: \_\_\_\_\_

BOKF, N A dba Bank of Oklahoma, as Trustee under the Trust Indenture dated as of January 1, 2015, relating to \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the "Series 2015B Bonds")

Attention: Corporate Trust Department

The undersigned Authorized Borrower Representative designated pursuant to the terms of a Loan Agreement, dated as of January 1, 2015 (the "Agreement"), between Savannah Economic Development Authority, a public corporation and instrumentality duly organized and existing under the laws of the State of Georgia (the "Issuer"), and Savannah ALF LLC, a Georgia limited liability company (the "Borrower"), hereby request that there be paid from the Project Fund (hereinbelow described) the sum of \$ \_\_\_\_\_, and in that connection with respect to the use of the proceeds of \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B, DOES HEREBY CERTIFY, as follows:

1 The requested payment is requested in order to satisfy an obligation in the stated amount that has been incurred in connection with the issuance of the Bonds or the acquisition or completion of the Facility and is a proper charge against The Savannah Economic Development Authority Project Fund - Savannah ALF LLC Project, 2015, and has not been the basis of any previous withdrawal from said Project Fund

2 Payment should be made to:

Name:

Address:

3 Attached hereto is a bill, statement of account or a schedule showing in reasonable detail the items with respect to which payment is being requested, and, if the Borrower or the Issuer is to be reimbursed, proof of payment of such items is attached hereto, which proof is satisfactory to the undersigned and the Trustee may act thereon

4 (a) The Borrower has no notice of any vendors', materialmens', mechanics', suppliers' or other similar liens or right to liens, chattel mortgages or conditional sales contracts, or other contracts or obligations which should be satisfied or discharged before payment of such obligation is made, or (b) this requisition is for the purpose of obtaining funds to be used to

51

EXHIBIT C

53

After Recording Return To:  
Richard B. Miller, Esq  
Sell & Melton, L L P  
P O Box 229  
Macon, Georgia 31202-0229

STATE OF GEORGIA,  
COUNTY OF CHATHAM

DEED TO SECURE DEBT AND SECURITY AGREEMENT

THIS DEED TO SECURE DEBT AND SECURITY AGREEMENT (hereinafter referred to as the "Security Deed") made and entered into as of the 1st day of January, 2015, by and between SAVANNAH ALF LLC, a Georgia limited liability company and borrower with respect to the "Bonds" hereinafter described, party of the first part (hereinafter referred to as "Borrower"), and SAVANNAH ECONOMIC DEVELOPMENT AUTHORITY, 131 Hutchinson Island Road, 4th Floor, Savannah, Georgia 31421, a public body, corporate and politic, created pursuant to Georgia Laws 1951, page 854, et seq, as amended, and other applicable provisions of the law (the "Act"), party of the second part, as Issuer (hereinafter referred to as "Issuer"):

THIS INSTRUMENT IS TO BE FILED AND INDEXED IN THE REAL ESTATE RECORDS

W I T N E S S E T H :

That for and in consideration of the sum of Ten and 00/100 Dollars (\$10.00) and other valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, and in order to secure the indebtedness and other obligations of Borrower hereinafter set forth, Borrower does hereby grant, bargain, sell, convey, assign, transfer and set over unto Issuer and the successors and assigns of Issuer all of the following described land and interests in land, estates, easements, rights, improvements, property, fixtures, equipment, furniture, furnishings, appliances and appurtenances comprising the "Project," which means acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419 (hereinafter referred to as the "Facility"):

(a) All that tract, or parcel of land located in Savannah, Chatham County, Georgia, more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (hereinafter referred to as the "Land")

other rights and assets now or hereafter owned, held, or possessed by the Borrower; and (iii) rentals received from the leasing of the Facility or units therein or from tangible personal property

This conveyance is intended to operate and is to be construed as a deed passing the title to the Facility to Issuer and is made under those provisions of the existing laws of the State of Georgia relating to deeds to secure debt, and not as a mortgage, and is given to secure the following described indebtedness (collectively, the "Combined Obligations"):

(a) The debt evidenced by the \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A (the "Series 2015A Bonds"), maturing not later than January 1, 2045, and the \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B (the "Series 2015B Bonds") issued simultaneously therewith, maturing not later than January 1, 2022 (the "Bonds"), including, without limitation, principal and interest at the rates of 7.250% per annum in the case of the Series 2015A Bonds and at the interest rate of 8.250% per annum in the case of the Series 2015B Bonds, issued on or about January 16, 2015, by the Issuer pursuant to the Loan Agreement (the "Loan Agreement") of even date herewith between Issuer and Savannah ALF LLC, a Georgia limited liability company (the "Borrower") and the Trust Indenture of even date herewith (the "Trust Indenture") between the Issuer and BOKF, N.A. dba Bank of Oklahoma (the "Trustee");

(b) All amounts payable by Borrower to Issuer pursuant to the provisions of the Loan Agreement or any of the other documents defined in the Loan Agreement;

(c) Any and all additional advances made by Issuer to protect or preserve the Facility or the lien hereof on the Facility, or for taxes, assessments or insurance premiums (whether or not the original Borrower remains the owner or less of any portion of the Facility at the time of such advances)

Should the Combined Obligations be paid according to the tenor and effect thereof when the same shall become due and payable, and should Borrower perform all covenants herein contained in a timely manner, then this Security Deed shall be canceled and surrendered

Borrower hereby further covenants and agrees with Issuer as follows:

ARTICLE I

1.01 Payment of Indebtedness Borrower will pay the Bonds according to the tenor thereof and all other Combined Obligations promptly as the same shall become due

(b) All buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all gas and electric fixtures, radiators, heaters, engines and machinery, boilers, ranges, elevators and motors, plumbing and heating fixtures, carpeting and other floor coverings, washers, dryers, water heaters, mirrors, mantels, air conditioning apparatus, refrigerating plants, refrigerators, cooking apparatus and appurtenances, window screens, awnings and storm sashes, which are or shall be attached to said buildings, structures or improvements and all other furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles and personal property of every kind and nature whatsoever, but excluding inventory, now or hereafter owned by Borrower and located in, on or about, or used or intended to be used with or in connection with the use, operation or enjoyment of the Facility, including all extensions, additions, improvements, betterments, renewals and replacements of any of the foregoing and all the right, title and interest of Borrower in any such furnishings, furniture, fixtures, machinery, equipment, appliances, vehicles and personal property subject to or covered by any prior security deed, conditional sales contract, chattel mortgage or similar lien or claim, together with the benefit of any deposits or payments now or hereafter made by Borrower or on behalf of Borrower, all of which are hereby declared and shall be deemed to be fixtures and accessions to the freehold and a part of the Facility as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein described and to be secured by this Security Deed

TOGETHER with all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating or appertaining to the Facility or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Borrower and the reversion and reversions, remainder and remainders, the rents, issues, profits and revenues of the Facility from time to time accruing (including without limitation all payments under leases or tenancies, proceeds of insurance, condemnation payments, tenant security deposits and escrow funds), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of Borrower of, in and to the same

TO HAVE AND TO HOLD the Facility, Gross Revenues (as defined below) and all parts, rights, members and appurtenances thereof, to the use, benefit and behoof of Issuer and the successors and assigns of Issuer, IN FEE SIMPLE forever, and Borrower covenants that Borrower is lawfully seized and possessed of the Facility as aforesaid, and has good right to convey the same, that the same is unencumbered, and that Borrower does warrant and will forever defend the title thereto against the claims of all persons whomsoever "Gross Revenues" means all revenues, income, receipts, and money (other than proceeds of borrowing) received with respect to the Facility in any period by or on behalf of the Borrower, including, but without limiting the generality of the foregoing, (i) revenues derived from operation of the Facility; (ii) proceeds derived from the Facility with respect to (a) insurance, except to the extent otherwise required by this Indenture, (b) rights to payment for goods sold or leased or for services rendered which are not evidenced by a chattel paper, whether or not they have been earned by performance, (c) securities and other investments, and the income earnings and gains thereon, (d) inventory and other tangible and intangible property, and (e) contract rights and

2

1.02 Taxes, Liens and Other Charges

(a) In the event of the passage of any state, federal, municipal or other governmental law, order, rule or regulation, subsequent to the date hereof, in any manner changing or modifying the laws now in force governing the taxation of debts secured by deeds to secure debt or the manner of collecting taxes so as to adversely affect Issuer, Borrower will promptly pay any such tax. If Borrower fails to make such prompt payment or if, in the opinion of Issuer, any such state, federal, municipal, or other governmental law, order, rule or regulation prohibits Borrower from making such payment or would penalize Issuer if Borrower makes such payment or if, in the opinion of Issuer, the making of such payment might result in the imposition of interest beyond the maximum amount permitted by applicable law, then the entire balance of the principal sum secured by this Security Deed and all interest accrued thereon shall, at the option of Issuer, become immediately due and payable

(b) Borrower will pay, before the same become delinquent, all taxes, liens, assessments and charges of every character including all utility charges, whether public or private, already levied or assessed or that may hereafter be levied or assessed upon or against the Facility; and upon demand will furnish Issuer receipted bills evidencing such payment

(c) Borrower will not permit any mechanics' or other liens to be established or remain against the Facility, provided that if Borrower shall first notify the Trustee and Issuer of Borrower's intention to do so, Borrower may in good faith contest any mechanics' or other liens filed or established against the Facility, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless by nonpayment of any items the lien of the Security Deed as to the Facility and as to the payments to be made hereunder will be materially endangered or the Facility, or any part thereof, will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items

1.03 Insurance

(a) Borrower shall procure for, deliver to and maintain for the benefit of Issuer during the term of this Security Deed, original paid up insurance policies of insurance companies as required by Section 5.12 of the Loan Agreement

(b) Issuer is hereby authorized and empowered, at its option, to adjust or compromise any loss under any insurance policies maintained pursuant to this Paragraph 1.03, and to collect and receive the proceeds from any such policy or policies. Each insurance company is hereby authorized and directed to make payment for all such losses directly to Issuer, instead of to Borrower and Issuer jointly. In the event any insurance company fails to disburse directly and solely to Issuer but disburses instead either solely to Borrower and Issuer jointly, Borrower agrees immediately to endorse and transfer such proceeds to Issuer. Upon the failure of Borrower to endorse and transfer such proceeds as aforesaid, Issuer may execute such endorsements or transfers for and in the name of Borrower and Borrower hereby irrevocably appoints Issuer as Borrower's agent and attorney-in-fact so to do. After deducting from said

insurance proceeds all of its expenses incurred in the collection and administration of such sums, including attorneys' fees, Issuer may apply the net proceeds or any part thereof, at its option, (i) to the payment of the Combined Obligations, whether or not due and in whatever order Issuer elects, (ii) to the repair and/or restoration of the Facility, or (iii) for any other purposes or objects for which Issuer is entitled to advance funds under this Security Deed; all without affecting the lien of this Security Deed. Issuer shall not be held responsible for any failure to collect any insurance proceeds due under the terms of any policy regardless of the cause of such failure.

(c) At least thirty (30) days prior to the expiration date of each policy maintained pursuant to this Paragraph 1 03, a renewal or replacement thereof satisfactory to Issuer shall be delivered to Issuer. Borrower shall deliver to Issuer receipts evidencing the payment for all such insurance policies and renewals or replacements. The delivery of any insurance policies hereunder shall constitute an assignment of all unearned premiums as further security hereunder. In the event of the foreclosure of this Security Deed or any other transfer of title to the Facility in extinguishment of all or any part of the Combined Obligations, all right, title and interest of Issuer in and to all insurance policies then in force shall pass to the purchaser or Issuer.

1 04 Condemnation If all or any portion of the Facility shall be damaged or taken through condemnation (which term when used in this Security Deed shall include any damage or taking by any governmental authority and any transfer by private sale in lieu thereof), either temporarily or permanently, then the Combined Obligations shall, at the option of Issuer, become immediately due and payable. Issuer shall be entitled to receive all compensation, awards and other payments or relief thereof. Issuer is hereby authorized, at its option, to commence, appear in and prosecute, in its own or in Borrower's name, any action or proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. All such compensation, awards, damages, claims, rights of action and proceeds and the right thereto are hereby assigned by Borrower to Issuer. After deducting from said condemnation proceeds all of its expenses incurred in the collection and administration of such sums, including reasonable attorneys' fees actually incurred, Issuer may apply the net proceeds or any part thereof, at its option, (a) to the payment of the Combined Obligations, whether or not due and in whatever order Issuer elects, (b) to the repair and/or restoration of the Facility, or (c) for any other purposes or objects for which Issuer is entitled to advance funds under this Security Deed, all without affecting the lien of this Security Deed; and any balance of such moneys then remaining shall be paid to Borrower. Borrower agrees to execute such further assignment of any compensation, awards, damages, claims, rights of action and proceeds as Issuer may require.

#### 1 05 Care of Facility

(a) If the Facility or any part thereof is damaged by fire or any other cause, Borrower will give prompt written notice (but in no event later than the second business day thereafter) thereof to Issuer.

(b) Issuer or its representative is hereby authorized to enter upon and inspect the Facility at any time upon reasonable notice (except for emergencies) during normal business hours.

5

1 08 Subrogation Issuer shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the indebtedness secured hereby.

1 09 Limit of Validity If from any circumstances whatsoever, fulfillment of any provision of this Security Deed, the Loan Agreement or the Bonds at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Security Deed, the Loan Agreement or the Bonds that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity. The provisions of this Paragraph 1 09 shall control every other provision of this Security Deed, the Loan Agreement and the Bonds.

1 10 No Default Affidavits At Issuer's request, all payment made under the Bonds, the Loan Agreement or hereunder shall be accompanied by the affidavits of an officer of Borrower, dated within five (5) days of the delivery of such payment to Issuer, swearing that it knows of no Default (as hereinafter defined), nor of any circumstance which after notice or lapse of time or both would constitute a Default, which has occurred and is continuing or, if any such Default has occurred and is continuing, specifying the nature and period of existence thereof and the action Borrower has taken or proposes to take with respect thereto and, except as otherwise specified, stating that Borrower has fulfilled all of Borrower's obligations under this Security Deed which are required to be fulfilled on or prior to the date of such affidavit.

1 11 Acquisition of Collateral Borrower shall not acquire any portion of the personal property covered by this Security Deed subject to any security interest, conditional sales contract, title retention arrangement or other charge or lien taking precedence over the security title and lien of this Security Deed except for purchase money security interests in items of personal property acquired by Borrower in the ordinary course of business.

#### 1 12 Security Deed

(a) With respect to the furnishings, furniture, fixtures, machinery, appliances, vehicles, inventory and personal property or in any way connected with the use and enjoyment of the Facility, this Security Deed is hereby made and declared to be a security deed encumbering, and granting a security interest in, each and every item of such property included herein as a part of the Facility, in compliance with the provisions of the Uniform Commercial Code as enacted in the State of Georgia. Upon request by the Issuer, at any time and from time to time, a financing statement or statements reciting this Security Deed to be a security deed affecting all of such property shall be executed by the Borrower and the Issuer and appropriately filed.

(b) As further security for the Combined Obligations, Borrower hereby pledges and assigns to Issuer the Gross Revenues of the Borrower and grants to Issuer a security interest in all existing and future accounts, Gross Revenues, contract rights, rights under the Loan Agreement and accounts receivable of the Borrower, all existing and future instruments, chattel paper and general intangibles of the Borrower and all proceeds of the above, but only to the

(c) Borrower will promptly comply in all material respects with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Facility or any part thereof.

(d) If all or any part of the Facility shall be damaged by fire or other casualty, Borrower will promptly restore the Facility to the substantial equivalent of its original condition; and if a part of the Facility shall be damaged through condemnation, Borrower will promptly restore, repair or alter the remaining portions of the Facility in a manner reasonably satisfactory to Issuer. Notwithstanding the foregoing, Borrower shall not be obligated to so restore unless in each instance Issuer agrees to make available to Borrower (pursuant to a procedure satisfactory to Issuer) any net insurance or condemnation proceeds actually received by Issuer hereunder in connection with such casualty loss or condemnation, to the extent such proceeds are required to defray the expense of such restoration; provided, however, that the insufficiency of any such insurance or condemnation process to defray the entire expense of restoration shall in no way relieve Borrower of its obligation to restore.

1 06 Further Assurances After Acquired Property At any time, and from time to time, upon request by Issuer, Borrower will make, execute and deliver or cause to be made, executed and delivered, to Issuer and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices and places as shall be deemed desirable by Issuer, any and all such other and further deeds to secure debt, security deeds, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of Issuer, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligation of Borrower under the Bonds, the Loan Agreement and under this Security Deed, and (b) the lien of this Security Deed as a first and prior lien upon and security title in and to all of the Facility and the Collateral (as hereinafter defined), whether now owned or hereafter acquired by Borrower. Upon any failure by Borrower so to do, Issuer may make, execute, record, file re-record and/or refile any and all such deeds to secure debt, security deeds, financing statements, continuation statements, instruments, certificates, and documents for and in the name of Borrower and Borrower hereby irrevocably appoints Issuer the agent and attorney-in-fact of Borrower so to do. The lien hereof will automatically attach, without further act, to all after-acquired property attached to and/or used in the operation of the Facility or any part thereof and to all after-acquired Collateral.

1 07 Expenses Borrower will pay or reimburse Issuer, upon demand therefor, for all reasonable attorney's fees actually incurred, and reasonable costs and expenses incurred by Issuer in any suit, action, legal proceeding or dispute of any kind in which Issuer is made a party or appears as party plaintiff or defendant, affecting the indebtedness secured hereby, this Security Deed or the interest created herein, or the Facility or Collateral, including, but not limited to, the exercise of the power of sale contained in this Security Deed, any condemnation action involving the Facility or any action to protect the security hereof, and any such amounts paid by Issuer shall be added to the indebtedness secured by the lien of this Security Deed.

6

extent that any such item is directly related to or directly arises from the Facility and/or the operations thereon (the property in which a security interest has been granted in this Paragraph (b) and the foregoing Paragraph (a) being herein called the "Collateral"). In addition to all other provisions of this Security Deed, Borrower will from time to time at the request of Issuer perform any and all steps requested by Issuer to perfect and maintain Issuer's security interest in the Collateral, including but not limited to transferring any part or all of the Collateral to Issuer or any nominee of Issuer, placing and maintaining signs, executing financing statements and notice of lien, delivering to Issuer documents of title representing the Collateral or any of the Collateral in which the security interest of Issuer can only be perfected by possession of such Collateral or evidencing the Issuer's security interest in any other manner acceptable to and requested by Issuer. Borrower will from time to time at the request of Issuer execute and deliver to Issuer assignments of accounts in form satisfactory to Issuer but should Borrower fail in any one or more instances to execute and deliver such assignment of accounts, such failure shall not constitute a waiver or limitation of the security interest of Issuer in all the Collateral, which shall remain in full force and effect.

(c) The remedies of any violation of the covenants, terms and conditions of the security deed contained in this Security Deed shall be (i) as prescribed herein, or (ii) as prescribed by general law, or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in said Uniform Commercial Code, all at the Issuer's sole election. The Borrower and the Issuer agree that the filing of any such financing statement or statements in the records normally having to do with personal property shall not in any way affect the agreement of the Borrower and the Issuer that everything used in connection with the production of income from the Facility or adapted for use therein or which is described or reflected in this Security Deed, is, at all times and for all purposes and in all proceedings, both legal or equitable, shall be, regarded as part of the real estate conveyed hereby regardless of whether (i) any such item is physically attached to the improvements, (ii) serial numbers are used for the better identification of certain items capable of being thus identified in an exhibit to this Security Deed, or (iii) any such item if referred to or reflected in any such financing statement or statements so filed at any time. Similarly, the mention of any such financing statement or statements of the rights in and to (i) the proceeds of any fire and/or hazard insurance policy, or (ii) any award in eminent domain proceedings for a taking or for loss of value, or (iii) the Issuer's interest as lessor in any present or future lease or right to income growing out of the use and/or occupancy of the Facility, whether pursuant to lease or otherwise, shall not in any way alter any of the rights of the Issuer as determined by this Security Deed or affect the priority of the Issuer's security interest granted hereby or by any other recorded document, it being understood and agreed that such mention in such financing statement or statements is solely for the protection of the Issuer in the event any court shall at any time hold with respect to the foregoing clauses (i), (ii), or (iii) of this sentence, that notice of the Issuer's priority of interest, to be effective against a particular class of persons, must be filed in the Uniform Commercial Code records.

(d) The Borrower warrants that (i) the Borrower's name, identity or corporate structure and principal place of business are as set forth in Exhibit "B" hereof, on the title page hereof and on the execution page hereof; (ii) except as set forth on Exhibit AB, the Borrower has been using or operating under said name, identity or corporate structure without change; and (iii) the location of the Collateral is upon the Land. The Borrower covenants and agrees that the

7

8

Borrower will furnish the Issuer with notice of any change in the matters addressed by clauses (i) or (iii) of this subparagraph 1 12(d) within thirty (30) days of the effective date of any such change and the Borrower will promptly execute any financing statements or other instruments deemed necessary by the Issuer to prevent any filed financing statement from becoming misleading or losing its perfected status

1 13 Due on Transfer Borrower hereby acknowledges to Issuer that (i) the identity and expertise of Borrower were and continue to be material circumstances upon which Issuer has relied in connection with, and which constitute valuable consideration to Issuer for, the extending to Borrower of the indebtedness evidenced by the Bonds and (ii) any change in such identity or expertise could materially impair or jeopardize the security for the payment of the Indebtedness granted to Issuer by this Security Deed. Borrower therefore covenants and agrees with Issuer, and part of the consideration for the extending to Borrower of the indebtedness evidenced by the Bonds, that Borrower shall not encumber (other than by Permitted Encumbrances, as defined in the Loan Agreement), pledge, convey, transfer or assign any or all of its interest in the Facility or the Collateral without the prior written consent of Issuer, except as specifically provided herein

1 14 Release of Furnishings, Fixtures and Equipment In any instance where Borrower and its sound discretion determines that any items of furnishings, fixtures and equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, Borrower may, provided it is not in Default hereunder, remove such items of furnishings, fixtures and equipment from the Facility and sell, trade-in, exchange or otherwise dispose of them, free and clear of the lien hereof, provided that in the event any of the Bonds are outstanding at the time of such removal, Borrower shall either:

Purchase with its own funds (as defined in clause (b) below) within a reasonable time and install within a reasonable time thereafter anywhere in the Facility other furnishings, fixtures and equipment having equal or greater fair market value and utility (but not necessarily having the same function) in the operation of the Facility as a skilled nursing facility all of which substituted furnishings, fixtures and equipment shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Facility, and therefore subject to the lien hereof; provided, however, that Borrower may not proceed under this clause (a) if such removal and substitution would impair operating unity or otherwise adversely affect the fair market value of the Facility; or

(b) Not make any such substitution and installation, provided that Borrower shall promptly deposit into the Project Fund cash in an amount equal to the proceeds of the sale or scrapping of the furnishings, fixtures and equipment so removed or the credit received for the trade-in thereof, or the fair market value thereof, whichever is higher. Borrower shall not be required to replace any furnishings, fixtures and equipment which constitute a part of the Facility and which are removed from the Facility after compliance by Borrower with the provision of this subsection and so long as Borrower complies with the provisions of this subsection with respect to the removal from the Facility of any furnishings, fixtures and equipment constituting a part of the Facility, any furnishings and equipment which Borrower purchases and installs in or on the Facility with its own funds shall not, unless such furnishings and equipment are necessary for the Facility to remain an assisted living facility be deemed to be part of the Facility or subject to the

9

## 2 03 Right to Enter and Take Possession

(a) If an Event of Default shall have occurred and be continuing, Borrower upon demand of Issuer, shall forthwith surrender to Issuer the actual possession of the Facility and if, and to the extent permitted by law, Issuer itself, or by such officers or agents as it may appoint, may enter and take possession of all the Facility without the appointment of a receiver, or an application therefor, and may exclude Borrower and their agents and employees wholly therefrom, and may have joint access with Borrower to the books, papers and accounts of Borrower that are related to the Facility

(b) If Borrower shall for any reason fail to surrender or deliver the Facility or any part thereof after such demand by Issuer, Issuer may obtain a judgment or decree conferring upon Issuer the right to immediate possession or requiring Borrower to deliver immediate possession of the Facility to Issuer to the entry of which judgment or decree Borrower hereby specifically consents. Borrower will pay to Issuer upon demand, all expenses of obtaining such judgment or decree, including reasonable compensation to Issuer, its attorneys and agents; and all such expenses and compensation shall, until paid, be secured by the lien of this Security Deed

(c) Upon every such entering upon or taking of possession, Issuer may hold, store, use, operate, manage and control the Facility and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Facility insured; (iii) manage and operate the Facility and exercise all the rights and powers of Borrower to the same extent as Borrower could in its own name or otherwise with respect to the exercise by others of any of the powers herein granted Issuer, all as Issuer from time to time may determine to be in its best interest. Issuer may collect and receive all the rents, issues, profits and revenues from the Facility, including those past due as well as those accruing thereafter, and, after deducting (aa) all expenses of taking, holding, managing and operating the Facility (including compensation for the services of all persons employed for such purposes); (bb) the cost of such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions; (cc) the cost of such insurance; (dd) such taxes, assessments and other similar charges as Issuer may at its option pay; (ee) other proper charges upon the Facility or any part thereof; and (ff) the reasonable compensation, expenses and disbursements of the attorneys and agents of Issuer, Issuer shall apply the remainder of the moneys and proceeds so received by Issuer first to the payment of accrued interest, and second to the payment of overdue installments of principal

(d) Whenever all that is due upon such interest, deposits and principal installments and under any of the terms, covenants, conditions and agreements of this Security Deed shall have been paid and all Events of Default made good, Issuer shall surrender possession of the Facility to Borrower, its successors or assigns. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing

11

lien of this Security Deed even though such furnishings and equipment might "replace" furnishings, fixtures and equipment so removed

## ARTICLE II

2 01 Events of Default The terms "Default," "Event of Default" or "Events of Default," wherever used in this Security Deed, shall mean any one or more of the following events:

(a) Failure by Borrower to pay as and when due and payable after the expiration of any applicable cure periods any installment of principal or interest as required by the Bonds or any other amount payable by this Security Deed or as part of the other Combined Obligations; or

(b) Failure by Borrower to duly observe or perform any other term, covenant, condition or agreement of this Security Deed, provided that Borrower shall have the right to cure such failure within 30 days after receipt of written notice from the Issuer specifying such failure; provided, however, in the case of such failure which can be cured with due diligence but not within such thirty-day period, the Borrower's failure to proceed promptly to cure such failure and thereafter prosecute the curing of such failure with due diligence; or

(c) Failure by Borrower to duly observe or perform any term, covenant, condition or agreement in any other agreement given or made as additional security for the performance of the Bonds or this Security Deed, provided that Borrower shall have the right to cure such failure within 30 days after receipt of written notice from the Issuer specifying such failure; provided, however, in the case of such failure which can be cured with due diligence but not within such thirty-day period, the Borrower's failure to proceed promptly to cure such failure and thereafter prosecute the curing of such failure with due diligence; or

(d) Any representation or warranty of Borrower contained in this Security Deed, the Loan Agreement, or in any of the other documents referred to therein (collectively, the "Combined Documents"), or in any certificate, instrument or other writing furnished pursuant to or in connection with any of the foregoing, proves to be untrue or misleading in any material respect; or

(e) Any default or Event of Default shall occur under the Loan Agreement or any of the other Combined Documents

2 02 Acceleration of Maturity If an Event of Default shall have occurred and be continuing, then the entire Combined Obligations shall, at the option of Issuer, immediately become due and payable without notice or demand, time being of the essence of this Security Deed; and no omission on the part of Issuer to exercise such option when entitled to do so shall be construed as a waiver of such right

10

2 04 Performance by Issuer If Borrower shall default in the payment, performance or observance of any term covenant or condition of this Security Deed, Issuer may, at its option, pay, perform or observe the same, and all payments made or costs or expenses incurred by Issuer in connection therewith, shall be secured hereby and shall be, without demand, immediately repaid by Borrower to Issuer with interest thereon at a default rate of twelve percent (12.00%) per annum. Issuer shall be the sole judge of the necessity for any such actions and of the amounts to be paid. Issuer is hereby empowered to enter and to authorize others to enter upon the Facility or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to Borrower or any person in possession holding under Borrower

2 05 Receiver If an Event of Default shall have occurred and be continuing, Issuer upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the occupancy or value of any security for the indebtedness secured hereby or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Facility and to collect and apply the rents, issues, profits and revenues thereof. The receiver shall have all of the rights and powers permitted under the laws of the state wherein the Land is situated. Borrower will pay to Issuer upon demand all expenses, including receiver's fees, reasonable attorneys' fees actually incurred, and reasonable costs and agent's compensation, incurred pursuant to the provisions of this Paragraph 2 05; and all such expenses shall be secured by this Security Deed

## 2 06 Enforcement

(a) If an Event of Default shall have occurred and be continuing, Issuer at its option, may sell the Facility or any part of the Facility at public sale or sales before the door of the courthouse of the county in which the Facility or any part of the Facility is situated, to the highest bidder for cash, in order to pay the indebtedness secured hereby and accrued interest thereon and insurance premiums, liens, assessments, taxes and charges, including utility charges, if any, with accrued interest thereon, and all expenses of the sale and of all proceedings in connection therewith, including reasonable attorney's fees, if incurred, after advertising the time, place and terms of sale once a week for four (4) consecutive weeks immediately preceding such sale (but without regard to the number of days) in a newspaper in which Sheriff's sales are advertised in said county, such sale to be conducted in the manner as required by Georgia Law. At any such public sale, Issuer may execute and deliver to the purchaser a conveyance of the Facility or any part of the Facility or any part of the Facility in fee simple, with full warranties of title and to this end, Borrower hereby constitutes and appoints Issuer the agent and attorney-in-fact of Borrower to make such sale and conveyance, and thereby to divest borrower of all right, title or equity that Borrower may have in and to the Facility and to vest the same in the purchaser or purchasers at such sale or sales, and all the acts and doing of said agent and attorney-in-fact are hereby ratified and confirmed and any recitals in said conveyance or conveyances as to facts essential to a valid sale shall be binding upon Borrower. The aforesaid power of sale and agency hereby granted are coupled with an interest and are irrevocable by death or otherwise, are granted as cumulative of the other remedies provided hereby or by law for collection of the Combined Obligations and shall not be exhausted by one exercise thereof but may be exercised until full payment of all of the Combined Obligations

12

(b) If an Event of Default shall have occurred and be continuing, Issuer may, in addition to and not in abrogation of the rights covered under subparagraph (a) of this Paragraph 2 06, either with or without entry or taking possession as herein provided or otherwise, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (i) to enforce payment of the Bonds and the other Combined Obligations or the performance of any term, covenant, condition or agreement of this Security Deed or any term, covenant, condition or agreement of this Security Deed or any other right, and (ii) to pursue any other remedy available to it, all as Issuer shall determine most effectual for such purposes

2 07 Purchase by Issuer Upon any foreclosure sale, Issuer may bid for and purchase the Facility and shall be entitled to apply all or any part of the indebtedness secured hereby as a credit to the purchase price

2 08 Application of Proceeds of Sale In the event of a sale under power or a foreclosure sale of the Facility, the proceeds of said sale shall be applied first to the expenses of such sale and of all proceedings in connection therewith, including reasonable attorney's and trustee's fees actually incurred, then to insurance premiums, liens, assessments, taxes and charges including utility charges advanced by Issuer then to payment of the outstanding principal balance of the indebtedness secured hereby, then to the accrued interest on all of the foregoing, and finally the remainder, if any, shall be paid to Borrower

2 09 Borrower as Tenant Holding Over In the event of any such sale under power or foreclosure sale by Issuer, Borrower shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over

2 10 Waiver of Appraisal, Valuation, Stay, Extension and Redemption Laws Borrower agrees to the full extent permitted by law that in case of a Default on the part of Borrower hereunder, neither Borrower nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Security Deed, or the absolute sale of the Facility, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Borrower for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof

2 11 Leases Issuer at its option, is authorized to foreclose this Security Deed subject to the rights of any tenants of the Facility, and the failure to make any such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Borrower, as a defense to any proceedings instituted by Issuer to collect the sums secured hereby

13

might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings

2 15 Suits to Protect the Facility Issuer shall have power (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Facility by any acts which may be unlawful or any violation of this Security Deed, (b) to preserve or protect its interest in the Facility and in the rents, issues, profits and revenues arising therefrom, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interest of Issuer

2 16 Issuer May File Proofs of Claim In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Borrower, their creditors or their property, Issuer, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Issuer allowed in such proceedings for the entire amount of the Combined Obligations due and payable at the date of the institution of such proceedings and for any additional amount which may become due and payable by Borrower hereunder after such date

#### 2 17 Waiver of Borrower's Rights

BY EXECUTION OF THIS DEED BORROWER EXPRESSLY:

(A) ACKNOWLEDGES THE RIGHT TO ACCELERATE THE INDEBTEDNESS EVIDENCED BY THE BONDS AND ALL OTHER COMBINED OBLIGATIONS AND THE POWER OF ATTORNEY GIVEN HEREIN TO ISSUER TO SELL THE FACILITY BY NONJUDICIAL FORECLOSURE UPON DEFAULT BY BORROWER WITHOUT ANY JUDICIAL HEARING AND WITHOUT ANY NOTICE OTHER THAN SUCH NOTICE (IF ANY) AS IS SPECIFICALLY REQUIRED TO BE GIVEN UNDER THE PROVISIONS OF THIS DEED;

(B) WAIVES ANY AND ALL RIGHTS WHICH BORROWER MAY HAVE UNDER THE CONSTITUTION OF THE UNITED STATES (INCLUDING THE FIFTH AND FOURTEENTH AMENDMENTS THEREOF, THE VARIOUS PROVISIONS OF THE CONSTITUTIONS FOR THE SEVERAL STATES, OR BY REASON OF ANY OTHER APPLICABLE LAW), (1) TO NOTICE AND TO JUDICIAL HEARING PRIOR TO THE EXERCISE BY ISSUER OF ANY RIGHT OR REMEDY HEREIN PROVIDED TO ISSUER EXCEPT SUCH NOTICE (IF ANY) AS IS SPECIFICALLY REQUIRED TO BE PROVIDED IN THIS DEED; AND (2) CONCERNING THE APPLICATION, RIGHTS OR BENEFITS OF ANY STATUTE OF LIMITATION OR ANY MORATORIUM, REINSTATEMENT, MARSHALLING, FORBEARANCE, APPRAISEMENT, VALUATION, STAY, EXTENSION, HOMESTEAD, EXEMPTION OR REDEMPTION LAWS; (C) ACKNOWLEDGES THAT BORROWER HAS READ THIS DEED AND ANY AND ALL QUESTIONS REGARDING THE LEGAL EFFECT OF THIS DEED AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO BORROWER AND BORROWER HAS CONSULTED WITH COUNSEL OF BORROWER'S CHOICE PRIOR TO EXECUTING THIS DEED; AND (D) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID

15

2 12 Discontinuance of Proceedings and Restoration of the Parties In case Issuer shall have proceeded to enforce any right, power or remedy under this Security Deed by sale under power, foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Issuer, then and in every such case Borrower and Issuer shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Issuer shall continue as if no such proceeding had been taken

2 13 Remedies Cumulative No right, power or remedy conferred upon or reserved to Issuer by this Security Deed is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute or under the Combined Documents

2 14 Waiver  
(a) No delay or omission of Issuer or any holder of the Bonds to exercise any right, power or remedy accruing upon any default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such default, or acquiescence therein; and every right, power and remedy given by this Security Deed to Issuer may be exercised from time to time and as often as may be deemed expedient by Issuer No consent or waiver, expressed or implied, by Issuer to or of any breach or default by Borrower in the performance of the obligations thereof shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of the sale or any other obligations of Borrower hereunder Failure on the part of Issuer to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Issuer of its rights hereunder or impair any rights, powers or remedies consequent on any breach or default by Borrower

(b) If Issuer (i) grants forbearance or an extension of time for the payment of any Combined Obligations; (ii) takes other or additional security for the payment of any Combined Obligations; (iii) waives or does not exercise any right granted herein or in any of the Combined Documents; (iv) releases any part of the Facility from the lien and security title of this Security Deed or otherwise changes any of the terms, covenants, conditions or agreements of any of the Combined Documents; (v) consents to the filing of any map, plat or replat affecting the Facility; (vi) consents to the granting of any easement or other right affecting the Facility; or (vii) makes or consents to any agreement subordinating the lien and security title hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under the Bonds, the Loan Agreement, this Security Deed or any other Combined Obligations of or any subsequent purchaser of the Facility or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude Issuer from exercising any right, power or privilege herein granted or intended to be granted in the event of any default then made or of any subsequent default; nor, except as otherwise expressly provided in an instrument or instruments executed by Issuer, shall the lien of this Security Deed be altered thereby In the event of the sale or transfer by operation of law or otherwise of all or any part of the Facility, Issuer, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Facility or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it

14

RIGHTS OF BORROWER HAVE BEEN MADE KNOWINGLY, INTENTIONALLY AND WILLINGLY BY BORROWER AS PART OF A BARGAINED FOR LOAN TRANSACTION AND THAT THIS DEED IS VALID AND ENFORCEABLE BY ISSUER AGAINST BORROWER IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS HEREOF

#### ARTICLE III

3 01 Successors and Assigns This Security Deed shall inure to the benefit of and be binding upon Borrower and Issuer and their respective heirs, executors, legal representatives, successors and assigns Whenever a reference is made in this Security Deed to Borrower or Issuer such reference shall be deemed to include a reference to the heirs, executors, legal representatives successors and assigns of Borrower or Issuer It is specifically agreed and understood that this Security Deed may be assigned to the Trustee

3 02 Terminology All personal pronouns used in this Security Deed, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa Titles and Articles are for convenience only and neither limit nor amplify the provisions of this Security Deed itself, and all references herein to Articles, Paragraphs or subparagraphs thereof, shall refer to the corresponding Articles, Paragraphs or subparagraphs thereof, of this Security Deed unless specific reference is made to such Articles, Paragraphs or subparagraphs thereof of another document or instrument

3 03 Severability If any provision of this Security Deed or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Security Deed and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law

3 04 Applicable Law This Security Deed shall be interpreted, construed and enforced according to the laws of the State of Georgia

3 05 Notices Any and all notices, elections or demand permitted or required to be made under this Security Deed shall be in writing, signed by the party giving such notice, election or demand, and shall be delivered personally, or sent by registered or certified United States mail, postage prepaid, to the other party at the address set forth below, or at such other address within the continental United States of America as may have theretofore been designated in writing The date of personal delivery or the date of mailing, as the case may be, shall be the date of such notice, election or demand For the purposes of this Security Deed:

16

Borrower: **Savannah ALF LLC**  
249 Holland Drive  
Savannah, Georgia 31419  
Attn: Dwayne A Edwards

with copies to: William R Jerles, Jr  
**Daniel, Lawson, Tuggle & Jerles, L.L.P.**  
912 Main Street  
Post Office Box 89  
Perry, Georgia 31069

Issuer: **Savannah Economic Development Authority**  
131 Hutchinson Island Road, 4th Floor  
Savannah, Georgia 31421  
Attn: Chairman

with a copy to: Thomas S Gray, Jr., Esq  
**Gray Pannell & Woodward LLP**  
24 Drayton St #1000  
Savannah, Georgia 31401

3 06 Assignment This Security Deed is assignable by Issuer, and any assignment hereof by Issuer shall operate to vest in the assignee all rights and powers herein conferred upon and granted to Issuer To the extent the interest of the Issuer is assigned or pledged to the Trustee, or any successor thereto under the Indenture, all provisions of the Indenture and the Loan Agreement relating to the rights, powers, privileges and protections of the Trustee thereunder, and to the rights of the holders of the Bonds in respect to the Trustee's exercise of its rights and remedies thereunder, shall apply with equal force and effect to all actions taken by the Trustee in connection with this Security Deed No duties or obligations shall be imposed upon Trustee beyond those contained in the Indenture It is understood and acknowledged that the Trustee is not required to exercise any rights or discretion granted to it hereunder and all rights to consent, direct and approve matters granted herein to the Trustee as assignee or pledgee of Issuer pursuant to the Indenture are subject to the provisions of the Indenture and the rights afforded to the Trustee thereunder

3 07 Time of the Essence Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower under this Security Deed, the Bonds and any and all other instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness

17

EXHIBIT A

IN WITNESS WHEREOF, Borrower has executed this Security Deed under seal, as of the day and year first above written

SAVANNAH ALF LLC

By: \_\_\_\_\_  
Dwayne A Edwards  
Manager

(SEAL)

Signed, sealed and delivered  
this \_\_\_\_ day of January, 2015,  
by the manager of the Borrower  
in the presence of:

\_\_\_\_\_  
Unofficial Witness

\_\_\_\_\_  
Notary Public  
Commission Expiration Date:  
(NOTARIAL SEAL)

18

EXHIBIT B

BORROWER: **Savannah ALF LLC**  
249 Holland Drive  
Savannah, Georgia 31419  
Attn: Dwayne A Edwards

SECURED PARTY: **Savannah Economic Development Authority**  
131 Hutchinson Island Road, 4th Floor  
Savannah, Georgia 31421

TRUSTEE: **BOKF, N.A. dba Bank of Oklahoma**  
One Williams Center, 10SW  
Tulsa, Oklahoma 74103  
Attn: Marrien Neilson

**APPENDIX B**

**FORECASTED FINANCIAL STATEMENTS**



**FORECASTED FINANCIAL STATEMENTS**

**SAVANNAH ALF, LLC**

**For the years ending  
December 31, 2015, 2016, 2017, 2018 and 2019**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRlcpa.com](http://CRlcpa.com) | [blog.cricpa.com](http://blog.cricpa.com)

Savannah ALF, LLC  
Table of Contents  
December 31, 2015, 2016, 2017, 2018 and 2019

---

<b>Independent Accountants' Report</b>	3
<b>Financial Statements</b>	
Forecasted Balance Sheets	4
Forecasted Statements of Income (Loss)	5
Forecasted Statements of Cash Flows	6
Forecasted Schedules of Debt Service Coverage	7
Summary of Significant Accounting Policies and Assumptions	8-18

## INDEPENDENT ACCOUNTANTS' REPORT

To the Members  
Savannah ALF, LLC  
Madison, Georgia

We have examined the accompanying forecasted balance sheets, statements of income (loss) and members' equity and cash flows of Savannah ALF, LLC as of December 31, 2015, 2016, 2017, 2018 and 2019, and for the years then ending and the forecasted schedules of debt service coverage for the years ending December 31, 2015, 2016, 2017, 2018 and 2019. The management and owners are responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examinations provide a reasonable basis for our opinion.

In our opinion, the accompanying forecasts are presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.



Atlanta, Georgia  
January 12, 2015

**Savannah ALF LLC**

**Forecasted Balance Sheets**

December 31,	2015	2016	2017	2018	2019
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 387,600	\$ 447,700	\$ 597,700	\$ 770,700	\$ 978,400
Trade receivables	16,700	25,100	28,400	29,500	30,800
Prepaid expenses	20,000	20,000	20,000	20,000	20,000
Inventory	7,200	7,400	7,600	7,800	8,000
Restricted bond funds	110,900	122,800	127,300	131,800	141,200
Total current assets	542,400	623,000	781,000	959,800	1,178,400
Other assets					
Debt service reserve fund	583,500	583,500	583,500	583,500	583,500
Deferred bond costs, at amortized cost	460,600	437,200	414,000	391,100	368,500
Bond discount, net of amortization	130,600	126,100	121,600	117,100	112,600
Total other assets	1,174,700	1,146,800	1,119,100	1,091,700	1,064,600
Property and equipment, at cost					
Land	200,100	200,100	200,100	200,100	200,100
Building	4,567,000	4,567,000	4,567,000	4,567,000	4,567,000
Equipment	489,700	529,700	569,700	609,700	649,700
	5,256,800	5,296,800	5,336,800	5,376,800	5,416,800
Less accumulated depreciation	201,100	404,200	611,300	822,400	1,037,500
Total property and equipment	5,055,700	4,892,600	4,725,500	4,554,400	4,379,300
<b>Total Assets</b>	<b>\$ 6,772,800</b>	<b>\$ 6,662,400</b>	<b>\$ 6,625,600</b>	<b>\$ 6,605,900</b>	<b>\$ 6,622,300</b>
<b>Liabilities and Members' Equity</b>					
Current liabilities					
Current maturities of bonds payable	\$ -	\$ 70,000	\$ 80,000	\$ 85,000	\$ 90,000
Accounts payable	73,600	85,900	77,500	67,300	55,600
Accrued expenses	73,600	85,900	77,500	67,300	55,600
Accrued interest	40,900	42,800	42,300	41,800	41,200
Total current liabilities	188,100	284,600	277,300	261,400	242,400
Bonds payable	7,000,000	6,930,000	6,850,000	6,765,000	6,675,000
Total liabilities	7,188,100	7,214,600	7,127,300	7,026,400	6,917,400
Members' Equity	(415,300)	(552,200)	(501,700)	(420,500)	(295,100)
<b>Total liabilities and Members' Equity</b>	<b>\$ 6,772,800</b>	<b>\$ 6,662,400</b>	<b>\$ 6,625,600</b>	<b>\$ 6,605,900</b>	<b>\$ 6,622,300</b>

**Savannah ALF LLC**

**Forecasted Statements of Income (Loss)**

For the years ending December 31,	2015	2016	2017	2018	2019
Resident days - Assisted Living	-	6,196	8,030	8,030	8,030
Resident days - Memory Care	12,349	12,349	12,410	12,410	12,410
Revenues					
Assisted living and extended care	\$ -	\$ 560,200	\$ 755,000	\$ 784,100	\$ 815,800
Memory care	1,218,000	1,266,700	1,321,900	1,375,000	1,428,000
Interest income	7,800	7,800	7,900	7,800	7,900
	1,225,800	1,834,700	2,084,800	2,166,900	2,251,700
Operating expenses					
Resident services	430,100	578,300	598,600	616,600	635,100
Dietary	141,300	171,500	190,600	196,300	202,200
Housekeeping, maintenance and utilities	74,600	88,000	91,300	94,000	96,800
Marketing	36,700	90,000	93,100	95,900	98,800
Administrative	119,600	148,000	152,700	159,700	166,900
Management fees	66,500	100,400	113,000	129,500	134,600
Property taxes and insurance	51,600	51,600.00	53,100	54,700	56,300
Total operating expenses	920,400	1,227,800	1,292,400	1,346,700	1,390,700
Net operating income	305,400	606,900	792,400	820,200	861,000
Property and related expenses:					
Interest - bond debt	491,500	512,800	507,100	500,500	493,400
Depreciation	201,100	203,100	207,100	211,100	215,100
Amortization - bond costs	23,600	23,400	23,200	22,900	22,600
Amortization - bond discount	4,500	4,500	4,500	4,500	4,500
Total property and related expenses	720,700	743,800	741,900	739,000	735,600
Net income (loss)	(415,300)	(136,900)	50,500	81,200	125,400
Beginning members' equity		(415,300)	(552,200)	(501,700)	(420,500)
Ending members' equity	\$ (415,300)	\$ (552,200)	\$ (501,700)	\$ (420,500)	\$ (295,100)

**Savannah ALF LLC**

**Forecasted Statements of Cash Flows**

For the years ending December 31,	2015	2016	2017	2018	2019
<b>Cash flows from operating activities</b>					
Cash received from residents	\$ 1,201,300	\$ 1,818,500	\$ 2,073,600	\$ 2,158,000	\$ 2,242,500
Cash paid to employees and suppliers	(800,400)	(1,203,400)	(1,309,400)	(1,367,300)	(1,414,300)
Interest paid - bond debt	(450,600)	(510,900)	(507,600)	(501,000)	(494,000)
Interest income	7,800	7,800	7,900	7,800	7,900
Net cash provided by (used in) operating activities	(41,900)	112,000	264,500	297,500	342,100
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	(5,256,800)	(40,000)	(40,000)	(40,000)	(40,000)
Bond issuance costs	(484,200)				
Net cash (used in) investing activities	(5,741,000)	(40,000)	(40,000)	(40,000)	(40,000)
<b>Cash flows from financing activities</b>					
Proceeds from issuance of bonds	6,864,900				
Principal payments on long-term borrowings			(70,000)	(80,000)	(85,000)
Funding of restricted bond funds from proceeds of bond issuance	(277,800)				
Other changes in restricted bond funds	166,900	(11,900)	(4,500)	(4,500)	(9,400)
Deposits to Debt Service Reserve Fund	(583,500)				
Net cash provided by (used) in financing activities	6,170,500	(11,900)	(74,500)	(84,500)	(94,400)
Increase in cash	387,600	60,100	150,000	173,000	207,700
Cash and cash equivalents at beginning of year		387,600	447,700	597,700	770,700
Cash and cash equivalents at end of year	\$ 387,600	\$ 447,700	\$ 597,700	\$ 770,700	\$ 978,400
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities</b>					
Net income (loss)	\$ (415,300)	\$ (136,900)	\$ 50,500	\$ 81,200	\$ 125,400
Reconciling adjustments:					
Depreciation	201,100	203,100	207,100	211,100	215,100
Amortization - bond costs	23,600	23,400	23,200	22,900	22,600
Amortization - bond discount	4,500	4,500	4,500	4,500	4,500
(Increase) decrease in assets:					
Trade receivables	(16,700)	(8,400)	(3,300)	(1,100)	(1,300)
Prepaid expenses	(20,000)	0	0	0	0
Inventory	(7,200)	(200)	(200)	(200)	(200)
Increase (decrease) in liabilities					
Accounts payable	73,600	12,300	(8,400)	(10,200)	(11,700)
Accrued expenses	73,600	12,300	(8,400)	(10,200)	(11,700)
Accrued interest	40,900	1,900	(500)	(500)	(600)
Net cash provided by (used in) operating activities	\$ (41,900)	\$ 112,000	\$ 264,500	\$ 297,500	\$ 342,100

See Summary of Significant Accounting Policies and Assumptions

**Savannah ALF LLC**

**Forecasted Schedule of Debt Service Coverage**

For the years ending December 31,	2015	2016	2017	2018	2019
Net operating income	\$ 305,400	\$ 606,900	\$ 792,400	\$ 820,200	\$ 861,000
Funded working capital and contingency	262,600				
Funded interest	147,800	130,000			
Amount available for debt service after payment of subordinated management fees	715,800	736,900	792,400	820,200	861,000
Management fees	66,500	100,400	113,000	129,500	134,600
Amount available for debt service before payment of subordinated management fees	\$ 782,300	\$ 837,300	\$ 905,400	\$ 949,700	\$ 995,600
Bond interest payments	\$ 491,500	\$ 512,800	\$ 507,100	\$ 500,500	\$ 493,400
Bond principal payments (1)		70,000	80,000	85,000	90,000
Total bond principal and interest payments	\$ 491,500	\$ 582,800	\$ 587,100	\$ 585,500	\$ 583,400
Forecasted debt service coverage before subordinated management fees	1.59	1.44	1.54	1.62	1.71
Forecasted debt service coverage after subordinated management fees	1.46	1.26	1.35	1.40	1.48
Days cash on hand	101	95	122	154	191

(1) Principal and interest payments on the Series 2015 Bonds include amounts required to be funded into the Bond Fund for payment of principal and interest on the scheduled payment dates.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS**

These financial forecasts present, to the best of Savannah ALF, LLC's (Borrower's) and Oxtan Court of Savannah LLC (Manager's) (See Note 2 - Proposed Organization and Contractual Relationships) knowledge and belief, the Borrower's and Manager's expected combined financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecast reflects Borrower's and Manager's judgment of the expected conditions and expected course of action as of the date of this forecast. The financial forecast is based on Borrower's and Manager's assumptions concerning future events and circumstances. The assumptions disclosed herein are those which Borrower and Manager believe are significant to the forecast or are key factors upon which the financial results of the enterprise depend. This forecast includes only the operations related to the assets owned by the Borrower and leased to the Manager described in Note 2.

Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to January 9, 2015, the date of this forecast. Therefore, the actual results achieved during the forecast period will vary from the forecast and the variations may be material. The Borrower and Manager do not intend to revise this forecast to reflect changes in circumstances or the occurrence of unanticipated events.

This financial forecast has been prepared in conjunction with the related offering memorandum and supporting legal documents. That memorandum and supporting legal documents (referenced to in the Summary of Significant Accounting Policies and Assumptions by use of capitalization in their title) should be consulted for a more detailed description of the transaction, its financing, restrictions on its use, income tax considerations and other factors. The Series 2015A and Series 2015B Bonds are forecast to be dated and sold on or about January 16, 2015. The forecast period includes the five years ending December 31, 2015, 2016, 2017, 2018 and 2019. Operations are assumed to begin January 1, 2015.

**Property and Equipment**

Property and equipment is carried at cost. Replacements and betterments will be capitalized and repairs will be charged to expense as incurred. Depreciation is calculated on the straight line method over the estimated useful lives for the building of thirty (30) years and for the furniture, fixtures and equipment of ten (10) years.

**Bond Costs and Bond Discount**

Bond costs and bond discount associated with the issuance of the Series 2015A and Series 2015B Bonds will be amortized over the thirty year term of the bonds. Costs will be amortized using the interest method and discount amortized using the straight line method.

**Accounting for Bad Debts**

Bad debts are accounted for by the direct write-off method; therefore, no allowance for uncollectible accounts is provided in the forecasted balance sheets. The effect on net income of the direct write-off method is not materially different from the allowance method.



Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (CONTINUED)**

**Revenue and Expense Recognition**

Revenue from independent and memory care services will be recognized as the services are rendered. All residents are private pay and will be billed in advance at the beginning of each month.

Expenses will be recorded as incurred.

It is anticipated that these accounting policies will be followed in the future historical financial statements for the periods covered by these forecasted financial statements.

**NOTE 2 - PROPOSED ORGANIZATION AND CONTRACTUAL RELATIONSHIPS**

**Facility**

The operational assets of Savannah ALF, LLC, (The Borrower) (currently called Shadowmoss Plantation but to be renamed Oxton Court of Savannah) (Facility) consists of a 34 unit Memory Care facility located on an approximate 3.26 acre tract of land in Savannah, Chatham County, Georgia. The Facility will be acquired from its current owner pursuant to a Lease/Purchase agreement with a stated purchase price of \$3,000,000. The Lease/Purchase agreement was effective November 1, 2015, and the Borrower took control of the Facility on that date. The sale transaction will close with the funding of the Bonds expected to be January 16, 2015. The purchase price will be funded using funds from the proceeds of the sale of the Series 2015 Bonds. Bond proceeds will also be used to renovate the Facility after it is acquired. Borrower expects to spend \$450,000 on the renovation. The Borrower will also construct, using funds from the Series 2015 Bonds, an additional 24 units that will be used as Assisted Living beds. Construction is estimated to take twelve months, including permitting, and occupancy of the new units will begin January 2016. In addition, bond proceeds will be used to pay the costs of financing, reimburse certain costs already paid by the Borrower, provide funds for a debt service reserve fund, an interest reserve and working capital during construction and rent up.

**The Issuer**

The Savannah Economic Development Authority (the Issuer) is a public body, corporate and politic, and an instrumentality of the state of Georgia, duly organized under the constitution and laws of the state of Georgia. The Issuer is authorized to finance, acquire, purchase or construct capital projects, including health care facilities, industrial or manufacturing facilities and facilities for the control of air and water pollution, to promote the industrial economy of the State of Georgia.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 2 - PROPOSED ORGANIZATION AND CONTRACTUAL RELATIONSHIPS  
(CONTINUED)**

**The Borrower**

Savannah ALF, LLC, (the Borrower) is a Georgia Limited Liability Company formed on July 8, 2014, for the specific purpose of acquiring the Facility. In the future, the Borrower may purchase or develop other health care facilities. Dwayne A. Edwards and Todd Barker are equal members of the Borrower and the Manager.

**The Manager**

Oxton Court of Savannah LLC (the Manager), is a Georgia limited liability company which was formed on July 8, 2014. The Manager was formed for the specific purpose of managing the Facility for the Borrower. Because the license to provide assisted care/Alzheimer's services at the Facility is held by the Manager, and because the State of Georgia requires the holder of such a license to have a possessory interest in the facility at which such services are provided, the Borrower will lease the real property component of the Facility to the Manager, and the Manager will join in the Security Deed. The term of this lease will expire on December 31, 2044. This lease will not convey to the Management Company any interest in the business to be conducted at the Facility, nor in the personal property component of the Facility, nor in the Facility's Gross Revenues. All obligations of ownership in the Facility will remain with the Borrower, and the Manager will be required to make an annual lease payment to the Borrower in only a nominal amount.

The Manager will manage the Facility for the Borrower pursuant to a Management Agreement effective October 1, 2014, the effective date of the Lease/Purchase agreement. The Borrower took over operations of the Facility on October 1, 2014, and will operate it as a lease from the current owner until the closing of the bonds. The financial statements included in this forecast include only the operations of the Facility after the closing of the bonds.

The Management Agreement will have an initial term of five years, unless terminated earlier pursuant to its terms. The Borrower may terminate the Management Agreement after the third year of its term, and Manager may do so at any time after giving 60 days prior written notice. Manager's compensation under the Management Agreement will be a monthly fee in the amount of 6% of the Facility's gross revenues for the preceding month. Payment of the management fee will be fully subordinated to the payment of debt service on the Series 2015 Bonds.

The Manager will subcontract certain of its management functions to Oxton Senior Living LLC (Senior). Senior is owned by the same members, and in the same proportions, as the members for the Borrower and the Manager. Currently Senior has under management for the Members three assisted living facilities with a total of 213 units. The managed facilities are located in Georgia in the cities of Social Circle, Rome and Douglas.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 2 - PROPOSED ORGANIZATION AND CONTRACTUAL RELATIONSHIPS  
(CONTINUED)**

**Series 2015 Bonds**

The Issuer will issue \$6,465,000 aggregate principal amount of First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Tax Exempt Series 2015A and \$535,000 aggregate principal amount of First Mortgage Revenue Bonds (Savannah ALF, LLC Project) Taxable Series 2015B. The Series 2015A and 2015B Bonds will be parity bonds that are equally and ratably secured by the Indenture.

The Series 2015A Bonds will bear interest from their date of issue until maturity at the fixed rate of 7.25% per annum. The Series 2015B Bonds will bear interest from their date of issue until maturity at the fixed rate of 8.25% per annum. Specific interest rates and the maturity schedule for the Series 2015A and Series 2015B Bonds are shown in Note 11 of this forecast.

Interest on the Series 2015 Bonds will be payable beginning on March 1, 2015, with monthly payments due on the 1<sup>st</sup> day of each month thereafter until all bonds are paid in full January 1, 2045. Principal payments on the Series 2015 Bonds will be due on January 1<sup>st</sup> of each year beginning January 1, 2017, and ending at maturity on January 1, 2045.

The proceeds from the sale of the Series 2015 Bonds will be used to acquire and complete renovation and equipping of the Facility and to fund construction of an additional 24 units. Proceeds from the Bonds will also be used to pay costs of issuance of the Series 2015 Bonds and provide certain initial deposits into the funds and accounts established under the Indenture (Note 6).

The Series 2015A and 2015B Bonds will be limited obligations of the Issuer payable solely from the revenues, receipts, funds or moneys pledged, and from any amounts otherwise available under the Indenture including those funds derived under the Loan Agreement, Deed to Secure Debt and Security Agreement, and those funds on deposit in all funds held under the Indenture, all of which will be held by the Trustee for the equal and ratable benefit of all holders of the Series 2015A and 2015B Bonds.

The Series 2015 Bonds will be secured by a first mortgage lien on the real estate portion of the Facility and a first security interest in the furniture, furnishings, equipment, and other personal property constituting part of the Facility. In addition, the Bonds will be secured by a pledge and assignment of the gross revenue of the Facility and a grant of a security interest in all existing and future accounts, instruments and chattel paper from the Facility and general intangibles of the Borrower arising from the Facility. Such mortgage lien and security interest will be subject to permitted encumbrances as defined in the Deed to Secure Debt and Security Agreement.

In the event of a foreclosure, a sale of the Facility may not provide sufficient funds to repay the Series 2015 Bonds. As additional security for the Series 2015 Bonds, all funds in the respective Bond Funds will be pledged as security for the bonds.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 2 - PROPOSED ORGANIZATION AND CONTRACTUAL RELATIONSHIPS  
(CONTINUED)**

**Series 2015 Bonds (continued)**

The Series 2015 Bonds will not constitute a general debt, liability, or obligation of the Issuer, or a debt, liability, or obligation of the State of Georgia, or any political subdivision thereof, and neither the State of Georgia, nor any such subdivision, shall be directly, indirectly or contingently obligated to levy or to pledge any form of taxation for the payment of the Series 2015 Bonds or make any appropriation for their payment.

The Series 2015 Bonds maturing after January 1, 2018, will be subject to optional redemption, at the direction of the Borrower, in whole on any date after January 1, 2018, or in part on any interest payment date on or after January 1, 2018, at the redemption price (expressed as a percentage of the principal amount of the Series 2015 Bonds to be redeemed) set forth in the following table, plus accrued interest through the redemption date:

Dates of Redemption	Redemption Prices
January 1, 2018 through December 31, 2018	103%
January 1, 2019 through December 31, 2019	102%
January 1, 2020 through December 31, 2020	101%
January 1, 2021 and thereafter	100%

From and after the occurrence of a Determination of Taxability, as outlined in the agreements, the Series 2015A Bonds will accrue interest at an annual rate of 12%.

**Trustee**

BOKF, N. A., dba Bank of Oklahoma, Tulsa, Oklahoma, will be Trustee, Registrar, and Paying Agent for the Series 2015A and Series 2015B Bonds.

**NOTE 3 - CASH**

The forecasted cash balances at the end of each period are the residual cash balances that result from the application of the assumptions and estimates contained in this forecast. The forecasted statements of cash flows provide the detail of the sources and uses of cash for each forecast period.

**NOTE 4 - TRADE RECEIVABLES**

Borrower and Manager have forecast accounts receivable from the rental of assisted living and memory care units to approximate five (5) days of revenue at the end of each forecast period.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 5 - PREPAID EXPENSES AND INVENTORIES**

Based on an estimate of future operations, Borrower and Manager expect prepaid expenses to be \$20,000 at the end of each forecast period. Inventories are forecast to be seven (7) days of operating supplies and food at the end of each forecast period.

**NOTE 6 - RESTRICTED BOND FUNDS**

Pursuant to the Trust Indenture between the Issuer and the Trustee, certain trust funds will be established into which proceeds from the sale of the Series 2015 Bonds and the Facility's revenues will be deposited. The Borrower will be required to deposit \$2,256,800 at closing from the proceeds of the bonds into the Project Fund to be used for renovations at the Facility and construction of an additional 24 units. These funds will be released upon substantiation that qualified expenditures have been made by the Borrower. The renovation is expected to be completed within three months from the closing of the Series 2015 bonds. Normal operations will continue during the renovation. The construction of the new units is expected to be completed within eight months. Occupancy of the new units is forecast to start January 1, 2016.

At closing, from the proceeds of the Series 2015 Bonds, \$277,800 will be deposited to the Interest fund to pay for interest during the initial year of operations. Additionally, deposits to the Bond Fund will be required to be made in advance of all Principal and/or Interest Payment dates. Deposits will be required monthly to be equal to the amount of the next month's interest payment plus one-twelfth of the amount of the next principal payment. Deposits will be made on the established payment dates, whether at final maturity or at mandatory redemption of the Bonds. Deposits to an Ad Valorem Tax Fund will be required to be one-twelfth of the estimated ad valorem taxes that are payable annually.

An additional \$583,500 will be deposited to the Debt Service Reserve Fund to be used in the event funds are not available in the Bond Fund to make required principal and interest payments when they come due. These deposits will be made at closing from the proceeds of the Series 2015 Bonds and will remain on deposit until the bonds are paid in full. If the balance in the Debt Service Reserve Fund is ever decreased because of a transfer or decline in value, the Borrower will be required to make twelve (12) equal monthly deposits into the respective fund to restore the balance to the original amount.

**NOTE 7 - PROPERTY AND EQUIPMENT**

The forecasted cost of the property and equipment is based on the acquisition price of the Facility, \$3,000,000, plus renovations made from funds deposited to the Project Fund at closing totaling \$450,000 and the construction cost of the additional 24 units totaling \$1,806,800. The Borrower estimates that there will be capital additions required totaling \$40,000 per year during the last four years of the forecast period.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 7 - PROPERTY AND EQUIPMENT (CONTINUED)**

Acquisition, renovation and construction costs at inception are forecast as follows:

Land	\$ 200,100
Buildings and improvements	4,567,000
Furniture, fixtures and equipment	489,700
<hr/>	
Total	<u>\$5,256,800</u>

**NOTE 8 - DEFERRED BOND COSTS**

Expenses incident to the purchase transaction and issuance of the Series 2015 Bonds are forecast to total \$484,200, including the underwriter's commission. These costs will be amortized over the term of the Series 2015 Bonds using the interest method.

**NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Based on Borrower's, Lessee's and Manager's estimate of future operations, accounts payable and accrued expenses at the end of each forecast year are estimated to range from 8% (eight) of total annual operating expenses in the initial year to 4% (four) in year five (5) of the forecast.

**NOTE 10 - SOURCES AND USES OF SERIES 2015 BOND PROCEEDS**

Sources:

Series 2015A bonds	\$6,465,000
Series 2015B bonds	535,000
Less: Underwriter's discount	<u>(135,100)</u>
	<u>\$6,864,900</u>

Uses:

Purchase of Facility	\$3,000,000
Construction of additional 24 units	1,771,800
Architect fees	35,000
Renovation costs	450,000
Capitalized interest	277,800
Debt Service Reserve Fund	583,500
Working capital	250,000
Legal, accounting, consulting and other issuance costs	484,200
Contingency	<u>12,600</u>
	<u>\$6,864,900</u>

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 11 - LONG-TERM FINANCING**

Long term financing includes the Series 2015A Bonds (\$6,465,000) and Series 2015B Bonds (\$535,000) as described in Note 2 above. The table on the following page represents the mandatory principal redemption and interest payment requirements for the Series 2015 Bonds assuming a closing and sale on or about January 16, 2015.

**Debt Coverage Ratio**

The schedule of debt service coverage provides details of the debt service coverage for the proposed debt for the five fiscal years covered by the forecast. The amount available for debt service is generally comprised of net income before depreciation, amortization and interest expense. Included in the debt coverage ratio calculation for the first year of the forecast is the amount of funded working capital and interest. The resulting amount available for debt service is divided by the total principal and interest payments required by the Series 2015A and 2015B Bonds.

Debt service coverage, after payment of management fees, on the Series 2015 Bonds in each forecast year is as follows:

Forecast Year	Debt Coverage Ratio
2015	1.46
2016	1.26
2017	1.35
2018	1.40
2019	1.48

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

**NOTE 11 - LONG-TERM FINANCING (CONTINUED)**

Bond Year	SERIES A BONDS			SERIES B BONDS			TOTAL		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest	Principal	Payments
01/01/16			\$ 449,200			\$ 42,300	\$ 491,500	\$ 70,000	\$ 491,500
01/01/17			468,700	8.25%	\$ 70,000	44,100	512,800	70,000	582,800
01/01/18			468,700	8.25%	80,000	38,400	507,100	80,000	587,100
01/01/19			468,700	8.25%	85,000	31,800	500,500	85,000	585,500
01/01/20			468,700	8.25%	90,000	24,700	493,400	90,000	583,400
01/01/21			468,700	8.25%	100,000	17,300	486,000	100,000	586,000
01/01/22	7.250%	\$	468,700	8.25%	110,000	9,100	477,800	110,000	587,800
01/01/23	7.250%	115,000	468,700				468,700	115,000	583,700
01/02/24	7.250%	125,000	460,300				460,300	125,000	585,300
01/01/25	7.250%	135,000	451,300				451,300	135,000	586,300
01/01/26	7.250%	145,000	441,500				441,500	145,000	586,500
01/01/27	7.250%	155,000	431,000				431,000	155,000	586,000
01/02/28	7.250%	165,000	419,800				419,800	165,000	584,800
01/01/29	7.250%	180,000	407,800				407,800	180,000	587,800
01/01/30	7.250%	190,000	394,800				394,800	190,000	584,800
01/01/31	7.250%	205,000	381,000				381,000	205,000	586,000
01/02/32	7.250%	220,000	366,100				366,100	220,000	586,100
01/01/33	7.250%	235,000	350,200				350,200	235,000	585,200
01/01/34	7.250%	255,000	333,100				333,100	255,000	588,100
01/01/35	7.250%	270,000	314,700				314,700	270,000	584,700
01/02/36	7.250%	290,000	295,100				295,100	290,000	585,100
01/01/37	7.250%	310,000	274,100				274,100	310,000	584,100
01/01/38	7.250%	335,000	251,600				251,600	335,000	586,600
01/01/39	7.250%	360,000	227,300				227,300	360,000	587,300
01/02/40	7.250%	385,000	201,200				201,200	385,000	586,200
01/01/41	7.250%	415,000	173,300				173,300	415,000	588,300
01/01/42	7.250%	445,000	143,200				143,200	445,000	588,200
01/01/43	7.250%	475,000	110,900				110,900	475,000	585,900
01/02/44	7.250%	510,000	76,500				76,500	510,000	586,500
01/01/45	7.250%	545,000	39,500				39,500	545,000	584,500
		<u>\$ 6,465,000</u>	<u>\$10,274,400</u>		<u>\$ 535,000</u>	<u>\$ 207,700</u>	<u>\$ 10,482,100</u>	<u>\$ 7,000,000</u>	<u>\$ 17,482,100</u>



Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 12 - FACILITY REVENUES AND OPERATING EXPENSES**

**Facility Revenues**

A market value appraisal of the Facility has been prepared by Province Capital Group, a certified real property appraiser located in Atlanta, Georgia (Appraiser / Appraisal). The Appraiser estimated that, as of November 1, 2014, the as is market value of the Facility, was \$3,100,000. After completion of the renovations and expansion, and the achievement of stabilized occupancy, the market value of the Facility will be \$7,400,000. These estimated values are based upon assumptions and conditions set forth in the Appraisal.

The forecasted revenues for the Facility are based on multiplying the anticipated occupancy by the expected rental rate to be charged. The Facility currently has 34 residents (100%). After completion of the additional 24 assisted living units, Borrower and Manager forecast 4 additional residents per month until stabilized occupancy of 55 units, or 93%, is attained. The Appraisal included a market analysis of the area surrounding the Facility. The market analysis in the Appraisal supports stabilized occupancy at 93% in the Savannah market area.

Rental rates for the memory care living units are forecast to begin at an average rate of \$3,000 per month which is based on the current rent roll at the Facility. The assisted living units are forecast to be rented at rates beginning at \$2,750 per month. The construction period for the new units is expected to be one (1) year, including permitting. Occupancy for the new units is forecast to begin in January 2016. Rental rates are forecast to increase 4% per year.

**Facility Expenses**

The forecasted Facility expenses are based on expected costs to be incurred in the operations of the facility based on the services provided. The amounts are based on historical operating results of the existing facility and other comparable facilities owned and operated by the Members. Expenses have been indexed by 3% per year in years two (2) through five (5) of the forecast.

**Revenue and Expense Indexing**

Inflationary indexing is included for revenues and expenses of the Facility as outlined specifically above. The rates used are estimated based on historical experience and Borrower's and Manager's estimate of inflation influence on revenues, wages, services and supplies.

Savannah ALF, LLC

Summary of Significant Accounting Policies and Assumptions  
December 31, 2015, 2016, 2017, 2018 and 2019

---

**NOTE 13 - CONTINGENCIES AND POSSIBLE REGULATORY CHANGES**

The Facility's revenues, and thus the ability of the Borrower to meet debt service payment requirements, will be affected by events and circumstances not contemplated by this financial forecast. Such things as continued demand for assisted living and memory care services for the senior community in the service area, the ability of the Facility to provide the services required by residents, continued local support and confidence in Borrower's and Manager's ability, economic developments within the service area, competition and government regulations may have a material and possible adverse effect on future operations. In addition, healthcare is subject to extensive federal, state and, in some cases, local regulation with respect to reimbursement, licensure, certification and health planning. This regulation relates, among other things, to the adequacy of physical plant and equipment, qualifications of personnel, standards of medical care and operational requirements. Compliance with such regulatory requirements, as interpreted and amended from time to time, can increase operating costs and thereby adversely affect the financial viability of the Facility which could affect the ability of the Borrower to make the periodic loan payments. Failure to comply with current or future regulatory requirements could also result in restrictions on admission, the revocation of licensure, decertification or the closure of the Facility.

**NOTE 14 - INCOME TAXES**

Savannah ALF, LLC is a two member LLC and, as such, all items of revenue and expense will be reported on the income tax returns of the members. Accordingly, no income taxes have been considered in this forecast.

## **APPENDIX C**

### **DTC AND BOOK-ENTRY-ONLY SYSTEM**

### **DTC and Book-Entry-Only System**

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 2015 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2015 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 Bonds will be made to DTC. DTC's practice is immediately to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Trustee or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. The Issuer may decide to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

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

**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

MITCHEL P. HOUSE, JR.  
ED S. SELL, III  
JOHN A. DRAUGHON, SR.  
R. CHIX MILLER  
JULIA H. MAGDA  
M. DEVLIN COOPER  
DALLAS J. ROPER  
R. LEE DISCHER  
CHRISTOPHER B. MCDANIEL

## SELL & MELTON, L.L.P.

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP  
FICKLING & CO. BUILDING, FOURTEENTH FLOOR  
577 MULBERRY STREET  
MACON, GEORGIA 31201

**RCMILLER@SELL-MELTON.COM**  
**DIRECT LINE (478) 464-5342**  
**DIRECT FAX (478) 464-5382**

E. S. SELL, JR.  
1917-2007  
BUCKNER F. MELTON  
1923-2014  
ANDREW W. MCKENNA  
1918-1981  
DOYE E. GREEN, SR.  
1932-2007

OF COUNSEL  
JOHN D. COMER  
JOSEPH W. POPPER, JR.  
LAMAR W. SIZEMORE, JR.

**MAILING ADDRESS:**  
**POST OFFICE BOX 229**  
**MACON, GEORGIA 31202-0229**

TELEPHONE (478) 746-8521  
FAX (478) 745-6426  
WEBSITE: WWW.SELL-MELTON.COM

January 16, 2015

**Savannah Economic Development Authority**  
Post Office Box 128  
Savannah, Georgia 31402

**Savannah ALF LLC**  
249 Holland Drive  
Savannah, Georgia 31401

**BOKF, NA dba Bank of Oklahoma**  
One Williams Center, 10SW  
Tulsa, Oklahoma 74103

**Lawson Financial Corporation**  
3352 E. Camelback Road  
Phoenix, Arizona 85018

Re: Re: \$6,465,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Series 2015A and \$535,000 Savannah Economic Development Authority First Mortgage Revenue Bonds (Savannah ALF LLC Project), Taxable Series 2015B

Ladies and Gentlemen:

The Bonds described above (collectively, the "Bonds") have been issued this date to finance the (i) the acquisition, rehabilitation and expansion (by 24 new assisted living units) of the 46-bed Alzheimer's facility located at 249 Holland Drive, Savannah, Georgia 31419 with a twenty percent (20%) set aside for low to moderate income earners, (ii) the funding of various trust accounts with the Trustee, including the Debt Service Reserve Fund, for the Bonds, and (iii) the payment of certain costs related to the issuance of the Bonds (collectively, the "Project"), and in connection with their issuance, we have served as bond counsel, and we have drafted, reviewed, and examined various documents. We have reviewed the Constitution and Laws of the State of Georgia, including specifically an amendment to the Constitution of the State of Georgia (Ga. Laws 1951, page 854, *et seq.*), as amended, and other applicable provision of law (the "Act");

Further, we have reviewed and examined the following documents:

- (a) The Bond Resolution of the Issuer (the "Resolution") dated November 18, 2014;

(b) The Loan Agreement, dated as of January 1, 2015 (the “Loan Agreement”) between the Savannah Economic Development Authority (the “Issuer”) and Savannah ALF LLC, a Georgia limited liability company (the “Borrower”);

(c) The Trust Indenture (the “Indenture”), dated as of January 1, 2015, between the Issuer and BOKF, NA dba Bank of Oklahoma (the “Trustee”);

(d) The Deed to Secure Debt and Security Agreement (the “Security Deed”) executed by the Issuer in favor of the Trustee, joined in by the Borrower and dated as of January 1, 2015;

(e) The Bonds described in the caption hereto;

(f) The Bond Purchase Agreement, dated January 13, 2015 (the “Purchase Agreement”), among the Issuer, the Borrower, and Lawson Financial Corporation (hereinafter the “Underwriter”);

(g) The Official Statement dated January 16, 2015 (hereinafter the “Official Statement”);

(h) The Non-Arbitrage Certificates of the Borrower and Issuer of even date herewith;

(i) A notice to the public, together with minutes of a public hearing held pursuant thereto, and approval of the Chairman of the Chatham Board of Commissioners, all in accordance with Section 215 of the Tax Equity and Fiscal Responsibility Act of 1982;

(j) A Land Use Restriction Agreement between BOKF, NA dba Bank of Oklahoma and Savannah ALF LLC, dated as of January 1, 2015; and

(k) Other documents and papers related to the issuance of the Bonds, as we have deemed necessary, proper and appropriate to form the opinions herein expressed.

The Bonds are issued in the aggregate principal amount of \$7,000,000 and are subject to registration in the names of registered owners provided in a list furnished by the Underwriter and as to principal and interest on the books of the Trustee.

Based on our examination of these aspects of this transaction, we now certify to you the following:

(1) The Issuer is a public body corporate and politic, created and validly existing and in good standing under the Constitution and laws of the State of Georgia, and has all requisite power and authority (i) to issue, sell and deliver the Bonds, (ii) to lend the proceeds thereof to the Borrower, (iii) to execute and deliver the Purchase Agreement, the Indenture and the Loan Agreement, and (v) to carry out the transactions contemplated by the Loan Agreement, the Indenture, the Purchase Agreement and the Security Deed.

(2) Under the Constitution and laws of the State of Georgia, the Loan Agreement, the Indenture and the Purchase Agreement have been duly authorized, executed, and delivered and constitute the valid, binding and enforceable obligation of the Issuer.



(3) The Bonds have been duly authorized, executed, issued and delivered by the Issuer and are the legal, valid, binding and enforceable special obligation of the Issuer, entitled to the benefits and security of all related documents described herein, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

(4) The issuance and seal of the Bonds, the adoption of the Resolution and the execution and delivery by the Issuer of its contracts described above, and the compliance by the Issuer with the terms thereof and of the Bonds will not conflict with, or result in any breach of any provisions of, or constitute a default under any charter instrument or bylaw of the Issuer or any constitutional provision, statute, Loan Agreement, indenture, note, mortgage, deed of trust, resolution or other agreement or other instrument to which the Issuer is a party or by which it is bound, or any license, judgment, decree, order, law, statute, ordinance or governmental law or regulation applicable to the Issuer, or result in the creation or imposition of any lien, charge, encumbrance or security interest on the property of the Issuer (other than as contemplated by this transaction).

(5) To the best of our knowledge, the Issuer is not in default in any material respect under any Loan Agreement or other instrument to which it is a party or by which it may be bound.

(6) To the best of our knowledge, all consents, approvals or authorizations, if any, of any governmental authority required on the part of the Issuer in connection with the adoption of the Resolution, the execution and delivery of the instruments described hereinabove and the issuance and delivery of the Bonds and the consummation of the transactions contemplated thereby have been obtained, and to the best of our knowledge, the Issuer has complied with all applicable provisions of law requiring any designation, declaration, filing, registration and/or qualification with any governmental authority in connection with the foregoing and the offer, sale, execution or delivery of the Bonds.

(7) There are no proceedings pending or, to the best of our knowledge, threatened against the Issuer in any court or before any governmental authority or arbitration board or tribunal, which would adversely affect the validity and enforceability of the Bonds or any Loan Agreement or instrument to which the Issuer is a party and which is used or contemplated by the foregoing, or the exemption from taxation in the State of Georgia, the City of Savannah or Chatham County, Georgia of the Indenture, the Loan Agreement, the rentals, receipts or revenues derived by the Issuer from the Loan Agreement and the Bonds and the income therefrom.

(8) Except for the security interest created by this transaction, the Issuer has not created, or permitted to be created, any lien, charge, encumbrance or security interest in the Facility or any rentals, revenues and receipts arising out of or in connection with the Issuer's providing financing of the Project.

(9) All actions taken by the Issuer in connection with the Project are legal and valid in all respects and none of the proceedings or actions taken by the Issuer with respect to any of the foregoing have been repealed, revoked, or rescinded.

(10) The Bonds were sold at par and bear annual interest calculated at the interest rate of 7.250% per annum in the case of the Series 2015A Bonds and at the interest rate of 8.750% per annum in the case of the Series 2015B Bonds, fixed, and the interest payable on the Bonds will not be in violation of the usury laws of the State of Georgia. Said Bonds provide for amortization of proceeds over a thirty-year period, repayment of interest to bondholders to begin on March 1, 2015, and of principal to begin on January 1, 2017. The Bonds are payable in full as to principal and interest by no later than the first day of January, 2045.

(11) The Bonds are subject to registration as to principal and interest on the books of the Trustee.

(12) The Bonds are issued for the purpose of financing the Project.

(13) The Bonds constitute only a special obligation of the Issuer as therein provided and do not constitute a debt or general obligation or pledge of the faith and credit of the State of Georgia, the City of Savannah, Chatham County, Georgia, or any political subdivision thereof. The Bonds are payable solely from the special funds provided therefor and neither the City of Savannah, Chatham County, Georgia, nor any political subdivision thereof nor the Issuer, shall be obligated to pay the Bonds or the interest or costs thereof except from the payments pledged therefor; and neither the faith and credit nor the taxing power of the City of Savannah, Chatham County, Georgia, or any political subdivision thereof is pledged to the payment of the principal of the Bonds, the interest or the costs thereon. The Issuer has no taxing power.

(14) Interest on the Series 2015A Bonds does not constitute a preference item for purposes of the alternative minimum tax imposed on individual taxpayers. The Series 2015A Bonds may be subject to a corporate alternative minimum tax and/or environmental tax.

(15) Section 265(b) of the Code denies financial institutions any deduction for interest earned in taxable years ending after May 31, 1986, allocable to tax-exempt obligations acquired after August 6, 1986.

(16) Interest on the Series 2015B Bonds is not excludable from gross income for Federal tax purposes.

(17) (A) The Series 2015A Bonds are exempted securities within the meaning of Sections 3(a)(3) of the Securities Act of 1933, as amended (the "1933 Act") and may be offered and sold without registration under the 1933 Act, and it is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended, (B) the Issuer has complied with the provisions of the 1933 Act and with all other laws of the State of Georgia in connection with the adoption of the Resolution and the execution and delivery of the Indenture, the Loan Agreement, the Security Deed, the Official Statement and the Purchase Agreement, (C) the Resolution has been duly adopted, and the Indenture, the Loan Agreement, and the Purchase Agreement have been duly approved, executed and delivered by the Issuer, and the Resolution, the Bonds, the Indenture, the Loan Agreement, and the Purchase Agreement each constitute a valid and binding agreement of the Issuer, enforceable according to its respective terms, except as the enforcement thereof may be limited by Creditors' Rights Limitations, (D) by official action of the Issuer taken prior hereto, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution, (ii) the issuance and sale of the Bonds upon the terms set forth therein and in the Resolution, the Indenture and the Official Statement, and (iii) the execution, delivery and due

performance by the Issuer of its obligations contained in the Indenture, the Loan Agreement, and the Purchase Agreement, and any and all other agreements and instruments that may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated by each of such documents, the Resolution, the Indenture and the Official Statement, (E) the adoption of the Resolution by the Issuer and the execution, delivery and performance by the Issuer of its obligations pursuant to the Bonds, the Indenture, the Loan Agreement, and the Purchase Agreement, and compliance by the Issuer with the provisions thereof, will not violate any provision of Federal or state law nor will such action result in any violation of the constitution or laws of the State of Georgia relating to the establishment of the Issuer or its affairs, or any statute, order, rule or regulation applicable to the Issuer, any order of any Federal, state or other regulatory agency or other governmental body having jurisdiction over the Issuer, and all consents, approvals, authorizations and orders of any governmental or regulatory agency, which are required for the consummation by the Issuer of the transactions contemplated by the Resolution, the Bonds, the Official Statement, the Indenture, the Loan Agreement, the Security Deed and the Purchase Agreement have been obtained or will be obtained prior to the delivery of the Bonds, and are or will be in full force and effect on the date of the issuance of the Bonds (it being understood that no opinion need be expressed with respect to the securities or Blue Sky laws of any state).

(18) Based upon existing statutes, regulations, rulings, and court decisions, the interest on the Series 2015A Bonds will not be includable for Federal and Georgia income tax purposes in the gross income of the owners of the Series 2015A Bonds pursuant to Section 103 of the Code. The Series 2015A Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code or the applicable regulations promulgated thereunder. The laws of the State of Georgia relating generally to State income taxation effectively provide that the aforesaid exemption from State income taxation does not exist unless the interest is exempt from Federal income taxation under the Code. We have examined the form of the Bonds, as executed by the Issuer, and find their form, execution, and authentication to be regular and proper. We assume all the Bonds have been so executed and authenticated.

(19) The Code imposes certain requirements which may have to be met or must be met on a continuing basis subsequent to the issuance of the Series 2015A Bonds in order for interest on the Bonds (assuming no interim change in the law) to be excluded from gross income under Section 103 of the Code. The Issuer and the Borrower have covenanted to comply with the provisions of the Code applicable to the Series 2015A Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the Series 2015A Bonds (assuming no interim change in the law) to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code. We have assumed continuing compliance by the Issuer and the Borrower with the above covenants in rendering our Federal income tax opinion with respect to the exclusion of interest on the Series 2015A Bonds from gross income for Federal income tax purposes and assuming no interim change in the law.

(20) We note with respect to our foregoing opinion regarding treatment of interest on the Series 2015A Bonds for Federal income tax purposes, that interest on the Series 2015A Bonds will be included in determining the amount of certain Federal income taxes which are calculated by including items, such as interest on the Series 2015A Bonds, that are not included in gross income. Such taxes include the alternative minimum tax imposed on corporations under Section 55 of the Code and the environmental tax imposed on corporations under Section 59A of the Code, as a minimum taxable income due to the “book income adjustment” or adjustment for “adjusted earnings and profits,” the

branch profits tax imposed on certain foreign corporations under Section 884 of the Code, as a result of the inclusion of interest on the Series 2015A Bonds in the “dividend equivalent amount” of such corporation, and the tax on “excess net passive income” imposed on certain S corporations under Section 1375 of the Code. Bondholders should consult with their own tax advisers as to the applicability and effect on their Federal income tax liability of the alternative minimum tax, foreign branch profits tax liability, the inclusion of social security or other retirement payments in taxable income, the environmental tax or any other collateral Federal income tax consequences. This opinion does not cover such collateral Federal income tax consequences.

(21) Notwithstanding Bond Counsel’s opinion that interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to deduction for certain net operating losses). The accrual or receipt of interest on the Series 2015A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015A Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015A Bonds.

(22) Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

(23) Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. Under the provisions of Section 512 of the Code, however, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2015B Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2015B Bond is urged to consult its own tax advisor regarding the application of these provisions.

(24) ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2015B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. Such plans may, however, be subject to similar or other restrictions under state or local law. In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2015B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Issuer or any dealer of the Series 2015B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2015B Bonds are acquired by such plans or arrangements with respect to which the Issuer or any dealer is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2015B Bonds. The sale of the Series 2015B Bonds to a plan is in no respect a representation by the Issuer or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2015B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

(25) Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015 Bonds, and

Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Very truly yours,

SELL & MELTON, L.L.P.

By: \_\_\_\_\_  
Bond Counsel

