Exhibit B

Credit Agreement

SENIOR SECURED
SUPER-PRIORITY DEBTOR IN POSSESSION
LOAN AGREEMENT

dated March 1, 2013

by and between

VIRGINIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC. ***dba*** **WINDSORMEADE**, as Borrower, Debtor, and
Debtor in Possession under Chapter 11 of Title 11 of the United States Code

and

VIRGINIA UNITED METHODIST HOMES, INC., as Lender

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SENIOR SECURED SUPER-PRIORITY DEBTOR IN POSSESSION LOAN AGREEMENT

THIS SENIOR SECURED SUPER-PRIORITY DEBTOR IN POSSESSION LOAN AGREEMENT ("**Agreement**"), is made and entered into as of March 1, 2013, by and between **VIRGINIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC.** ***dba*** **WINDSORMEADE**, a Virginia not-for-profit corporation, as Borrower, Debtor, and Debtor in Possession under Chapter 11 of Title 11 of the United States Code ("**Borrower**"), and **VIRGINIA UNITED METHODIST HOMES, INC.**, a Virginia not-for-profit corporation, together with its successors and assigns ("**Lender**").

RECITALS:

A. On March 1, 2013 ("**Filing Date**"), Borrower commenced a case ("**Chapter 11 Case**") under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the "**Bankruptcy Court**"). Borrower has retained possession of its assets and is authorized under the Bankruptcy Code to continue the operation of its business as debtor in possession.

B. On March [___], 2013, the Bankruptcy Court entered an Interim Order (i) authorizing Borrower to obtain postpetition financing on a senior secured super-priority basis pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 and (ii) granting related relief ("**Interim Order**").

C. Borrower has requested that Lender provide a debtor in possession term loan to Borrower in an aggregate principal amount not to exceed Three Million Dollars ($3,000,000.00) ("**Loan**"), available in multiple Advances, the aggregate proceeds of which shall be used as provided in Sections 3.2 and 8.2(d).

D. Lender has indicated its willingness to extend the Loan to Borrower, all on the terms and conditions set forth herein and in the other Loan Documents and in accordance with the Bankruptcy Code, so long as, inter alia, such postpetition loan obligations are (i) secured by Liens on all of the property and interests, real and personal, tangible and intangible, of Borrower, whether now owned or hereafter acquired, as set forth herein, and subject in priority only to the Carve Out and certain rights of residents solely as hereinafter provided, and (ii) given super-priority status as provided in the Orders.

E. Lender has agreed to provide the Loan made pursuant to this Agreement with the express understanding that Borrower has agreed to the super-priority status and priming liens subject to approval of the Bankruptcy Court.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements herein contained, the sufficiency of which hereby is acknowledged, the parties hereto represent and agree as follows:

ARTICLE 1

INCORPORATION AND DEFINITIONS

1.1 **Incorporation and Definitions.** The foregoing recitals and all exhibits hereto are hereby made a part of this Agreement. The following terms shall have the following meanings in this Agreement:

Advance: An advance of Loan Proceeds made by Lender to Borrower hereunder.

Affiliate: Any Person which, directly or indirectly, controls or is controlled by or is under common control with Borrower. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of ten percent (10%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, any other equity interest or membership interest, by contract or otherwise.

Aggregate Commitment: The aggregate of the Commitment, as reduced from time to time pursuant to the terms hereof. The Aggregate Commitment as of the Closing Date is Three Million Dollars ($3,000,000.00), provided, that in no event shall the Aggregate Commitment exceed the maximum principal amount of the Loan approved by the Bankruptcy Court pursuant to the then-effective Order.

Agreement: As defined in the Preamble.

Asset Sale: With respect to any Person, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of a sale-leaseback transaction and including the sale or other transfer of any of the equity interests or membership interests of any Subsidiary of such Person).

Availability Period: The period commencing on the Closing Date and ending on the Maturity Date.

Avoidance Actions: Claims and causes of action that arise on or subsequent to the Filing Date under Chapter 5 of the Bankruptcy Code and the proceeds thereof and property received thereby, whether by judgment, settlement or otherwise.

Bank: Bank of America, N.A., as the letter of credit provider in respect of certain of Borrower's Bonds.

Bankruptcy Code: Title 11 of the United States Code.

Bankruptcy Court: The United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division or any other court having jurisdiction over the Chapter 11 Case from time to time.

Borrower: As defined in the Preamble.

Borrower's Bonds: Those certain (i) Economic Development Authority of James City County, Virginia Residential Care Facilities Revenue Bonds (Virginia United Methodist Homes of Williamsburg, Inc.), Series 2007A, in the aggregate outstanding principal amount of $43,325,000.00; (ii) Economic Development Authority of James City County, Virginia Residential Care Facilities Revenue Bonds (Virginia United Methodist Homes of Williamsburg, Inc.), Series 2007B, in the aggregate outstanding principal amount of $5,000,000.00; and (iii) Economic Development Authority of James City County, Virginia Residential Care Facilities Revenue Bonds (Virginia United Methodist Homes of Williamsburg, Inc.), Series 2007C, in the aggregate outstanding principal amount of $13,332,665.00.

Borrowing Date: Any date on which an Advance hereunder is made.

Budget: The cash flow projections prepared from time to time by Borrower showing anticipated cash receipts and disbursements on a rolling thirteen (13) week basis, together with any amendments, modifications or updates to such projections, provided that no such projections, amendments, modifications or updates shall constitute the Budget until (and only to the extent) the same have been approved by Lender in its sole but reasonable discretion. The initial Budget (which has been approved by Lender) is attached hereto as **Exhibit A**.

Business Day: Any day other than a Saturday, Sunday, or other day on which lenders in the Commonwealth of Virginia are required or permitted to close.

Capitalized Lease: Means, with respect to any Person, any lease of property by such Person (as lessee) which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

Carve Out: Means: (a) all accrued but unpaid fees and expenses of the attorneys, accountants or other professionals retained by the Borrower and any statutory committee of unsecured creditors (including, without limitation, any committee of residents) appointed in the Chapter 11 case under section 327 or 1103(a) of the Bankruptcy Code , allocable to the Borrower under and to the extent set forth in the Budget and incurred prior to the delivery of a Termination Notice, as such Termination Notice is defined in any cash collateral order entered by the Bankruptcy Court in the Chapter 11 Case; (b) such professional fees and expenses in the amount of $100,000.00 incurred after delivery of a Termination Notice; and (c) the payment of fees pursuant to 28 U.S.C. § 1930 to the extent related to the Chapter 11 Case, provided that all such fees and expenses shall be subject to approval by a final order of the Bankruptcy Court pursuant to Sections 326, 328, 330, 331 or 363 of the Bankruptcy Code.

Cash Collateral: All cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents now or hereafter in the possession, custody or control of Borrower. For the avoidance of doubt, Cash Collateral does not include the Trustee-Held Funds or Initial Entrance Fee Deposits.

Chapter 11 Case: As defined in the Recitals.

Closing Date: The date, not later than ten (10) days after the Filing Date, on which (i) the Interim Order is granted and (ii) all conditions precedent to the Initial Advance are satisfied or waived.

Collateral: All property and interests in property (whether tangible or intangible, real property or personal property), whether now owned or hereafter acquired by Borrower, whether acquired before or after the Filing Date, in or upon which a security interest, lien or mortgage is granted to Lender, whether under this Agreement, under any of the other Loan Documents, or under the Final Order or any other order of the Bankruptcy Court. The definition of Collateral shall be deemed to include, without limitation, cash and cash equivalents, rights in deposit accounts, management contracts, accounts, inventory, equipment and other tangible personal property of every kind, receivables, or other ownership interest in Subsidiaries of Borrower, investment property, instruments, chattel paper, real estate (including the Land and Tenant's Improvements (as defined in the Lease)), leasehold interests (including under the Lease), contracts, patents, copyrights, trademarks and other general intangibles, and all products and proceeds thereof. For the avoidance of doubt, the Collateral shall also include (i) all Entrance Fees (whether existing or new), subject to the rights of residents pursuant to residency agreements and deposit agreements with such residents; and (ii) all other accounts of Borrower, and all proceeds and products of all of the foregoing. Notwithstanding the foregoing or any other terms of this Agreement, any other Loan Document or the Orders, Collateral shall not include (a) Initial Entrance Fee Deposits; and (b) the Trustee-Held Funds. Collateral shall not include Avoidance Actions, except that (1) actions under section 549 of the Bankruptcy Code (and the proceeds thereof) shall be included in the Collateral, and (2) any lien or security interest avoided pursuant to sections 550, 551 and/or 552 of the Bankruptcy Code shall have the same priority as such avoided lien.

Commitment: Lender's commitment to make the Loan under this Agreement.

Contingent Obligation: As applied to any Person, (i) any Contractual Obligation, contingent or otherwise, of that Person with respect to any Indebtedness of another or other obligation or liability of another, including, without limitation, any such Indebtedness, obligation or liability of another directly or indirectly guaranteed, endorsed (other than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income or other financial condition or to make payment other than for value received, and (ii) any other contingent obligation or liability of such Person, whether or not reflected in financial statements of such Person as a liability.

Contractual Obligation: As applied to any Person, any provision of any equity or debt securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument, in any case in writing, to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

Customary Permitted Liens:

(a) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or (if foreclosure, distraint, sale or other similar proceedings shall not have been commenced) which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in each case, with respect to which adequate reserves or other appropriate provisions are being maintained;

(b) Statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained;

(c) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds; provided that (i) all such Liens do not in the aggregate materially detract from the value of Borrower's assets or property taken as a whole or materially impair the use thereof in the operation of Borrower's business taken as a whole, and (ii) all Liens securing bonds to stay judgments or in connection with appeals do not secure at any time an aggregate amount exceeding One Hundred Thousand Dollars ($100,000.00);

(d) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of Borrower;

(e) Liens of a collection bank arising on items in the course of collection;

(f) Normal and customary rights of setoff against deposits of cash in favor of banks and other depository institutions; and

(g) Any interest or title of the lessor in the property subject to any operating lease entered into by Borrower in the ordinary course of business.

Debt Issuance: The incurrence by Borrower or any of its Subsidiaries of any Indebtedness after the Closing Date.

Default: A condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

Default Rate: Eight percent (8.0%) per annum.

Entrance Fee: A transfer from a resident that occupies, or is permitted to occupy, a unit at the Project to Borrower of a sum of money or other property as full or partial consideration for that resident's acceptance at the Project, which sum of money shall be maintained in an escrow account for the benefit of such resident pending the successful reorganization of Borrower through this Chapter 11 Case.

Event of Default: One or more of the events or occurrences referred to in Article 10 of this Agreement.

Exchange Act: The Securities Exchange Act of 1934, as amended, and regulations promulgated thereunder.

Filing Date: As set forth in the Recitals.

Final Order: A final order of the Bankruptcy Court entered in the Chapter 11 Case after a final hearing under Bankruptcy Rule 4001(c)(2), granting final approval of this Agreement and the other Loan Documents and granting the priming liens and super-priority claims and other benefits and protections with respect to Borrower described herein and in the other Loan Documents (including the Interim Order) in favor of Lender, substantially on the terms provided in the Interim Order, with such changes thereto, consistent with common practice and local rules in the jurisdiction of the Bankruptcy Court, as are satisfactory to Lender.

Final Order Entry Date: The date that the Final Order is entered in the Chapter 11 Case.

First Day Orders: As defined in Section 6.1(d).

GAAP: Generally accepted accounting principles in the United States of America in effect from time to time as applied by nationally recognized accounting firms.

Governmental Authority: Any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Highest Lawful Rate: The maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the laws applicable to Lender or Borrower which are presently in effect or, to the extent allowed by law, under such applicable laws which hereafter may be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

Indebtedness: As to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(d) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(e) capital leases and synthetic lease obligations;

(f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interest or membership interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(g) all guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

Initial Advance: The Advance during the Interim Availability Period of a principal amount not exceeding the Interim Availability Amount.

Initial Entrance Fee Deposit: Any portion or advance of an Entrance Fee, maintained by Borrower in an escrow account, for the benefit of a prospective resident at the Project, who neither occupies a unit nor has permission to occupy a unit at the Project. Pursuant to the Code of Virginia, including, without limitation, Virginia Code § 38.2-4904.1, funds or assets that comprise Initial Entrance Fee Deposits shall not be subject to any liens, judgments, garnishments, or creditor's claims or process against Borrower.

Interest Rate: Four percent (4%) per annum.

Interim Availability Amount: One Million Dollars ($1,000,000.00).

Interim Availability Period: The period commencing on the date of entry of the Interim Order and ending on the Final Order Entry Date.

Interim Order: As set forth in the Recitals.

Land: All real estate in which Borrower held an interest on the Filing Date, including, without limitation, the interests of Borrower under and pursuant to the Lease, Borrower's leasehold estate thereunder and Borrower's interest in all Tenant's Improvements (as defined in the Lease).

Lease: That certain Ground Lease between Virginia United Methodist Homes, Inc., as Landlord, and Borrower, as Tenant, dated as of July 1, 2007, as in effect as of the Closing Date and as amended or supplemented after the Closing Date with the consent of Lender.

Legal Requirements: As to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Lender: As identified in the Preamble.

Lien: With respect to any property or assets, any right or interest therein of a creditor to secure liabilities owed to it or any other arrangement with such creditor which provides for the payment of such liabilities out of such property or assets or which allows such creditor to have such liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business with trade creditors.

Loan: As set forth in the Recitals.

Loan Documents: This Agreement, all agreements, instruments and documents executed in connection with this Agreement that evidence the Obligations or that are intended to create, perfect or evidence Liens to secure the Obligations, including, without limitation, all applicable court final or interim orders entered by the Bankruptcy Court, all security agreements, pledge agreements, mortgages, deeds of trust, loan agreements, notes, guarantees, subordination agreements, pledges, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements and all other written matter whether heretofore, now, or hereafter executed by or on behalf of Borrower and delivered to Lender, together with all agreements and documents referred to therein or contemplated thereby.

Loan Notice: A request for an Advance made by Borrower in accordance with this Agreement and substantially in the form of **Exhibit C** hereto.

Loan Proceeds: All amounts advanced as part of the Loan, whether advanced directly to Borrower or otherwise.

Lockup Agreement: That certain Restructuring, Lockup, Plan Support and Forbearance Agreement, dated as of February 13, 2013, by and among the Borrower, Virginia United Methodist Homes, Inc., and the holders of $32,310,000.00 in aggregate principal amount of 2007A Bonds.

Material Adverse Effect: Any event, condition, obligation, liability or circumstance or set of events, conditions, obligations, liabilities or circumstances or any change(s) which:

(a) has or reasonably could be expected to have a material adverse effect upon or change in (i) the legality, validity or enforceability of any Loan Document, or (ii) the perfection or priority of any Lien granted to Lender under any of the Loan Documents;

(b) has or reasonably could be expected to have a material and adverse effect upon the value of any of the Collateral or the business, operations, prospects, properties, assets, liabilities or condition (financial or otherwise) of Borrower; or

(c) materially impairs or reasonably could be expected to materially impair the ability of Borrower to pay or perform any of the Obligations, or to consummate the transactions, under the Loan Documents;

provided, for the avoidance of doubt, any changes attributable solely to the commencement of the Chapter 11 Case or any defaults under the Prepetition Indebtedness or prepetition defaults under the Lease which, in each case, have been disclosed in writing to Lender relating to the Chapter 11 Case shall not constitute a Material Adverse Effect.

Maturity Date: The earlier of:

(d) August 30, 2013;

(e) the effective date of a plan of reorganization in the Chapter 11 Case; or

(f) the date to which payment and performance of the Obligations is accelerated pursuant to Section 10.2(b).

Net Cash Proceeds: Cash or cash equivalents (including securities) received by any Person from any Asset Sale by any Person (including cash received as consideration for the assumption or incurrence of liabilities incurred in connection with or in anticipation of such Asset Sale), after (i) in connection with any Asset Sale, provision for all income or other taxes actually paid by such Person with respect to such Asset Sale in the taxable year thereof or in the following taxable year, (ii) payment of all reasonable brokerage and underwriting commissions and other fees and expenses related to such Asset Sale, including, without limitation, transaction fees payable to Borrower's professional advisors, financial advisors and restructuring advisors, (iii) in connection with any Asset Sale, all amounts used to repay Indebtedness secured by a prior Lien on any asset disposed of in such Asset Sale or which is or may be required (by the express terms of a postpetition instrument governing such Indebtedness or an order of the Bankruptcy Court) to be repaid in connection with such Asset Sale (including payments made to obtain or avoid the need for the consent of any holder of such Indebtedness), and (iv) in connection with any Asset Sale, deduction of

appropriate amounts to be provided by such Person as a reserve, in accordance with GAAP, against any liabilities associated with the assets sold or disposed of in such Asset Sale and retained by such Person after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with the assets sold or disposed of in such Asset Sale.

Non-Excluded Taxes: Has the meaning set forth in Section 4.6.

Note: Collectively, the promissory note or notes made by Borrower and payable to Lender substantially in the form of **Exhibit B** hereto.

Obligations: All obligations of every nature of Borrower from time to time owed to Lender, or any indemnitee under any Loan Document, whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to Borrower, would have accrued on any Obligation, whether or not a claim is allowed against Borrower for such interest in the related bankruptcy proceeding), fees, expenses, indemnification or otherwise. For the avoidance of doubt, Obligations includes only those obligations between Lender and Borrower arising under, arising from, or related to this Agreement or the Loan Documents.

Orders: The Interim Order and the Final Order.

Permitted Existing Liens: The Liens on assets of Borrower existing on the Filing Date in favor of the Trustee or the Bank (and Virginia United Methodist Homes, Inc. by assignment) with respect to Borrower's Bonds.

Permitted Lien: Any Lien of the type identified in Sections 8.3(c)(i) through (vi) that is found by the Bankruptcy Court to be legal, valid, enforceable, perfected and non-avoidable.

Permitted Purchase Money Indebtedness: As defined in Section 8.3(a)(iv).

Person: Natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other legal entities, and Governmental Authorities.

Prepetition Collateral: All collateral securing the Prepetition Indebtedness.

Prepetition Indebtedness: All Indebtedness and any other obligations of Borrower outstanding on the Filing Date.

Project: The continuing care retirement community known as Virginia United Methodist Homes of Williamsburg, Inc. *dba* WindsorMeade, located at 3900 Windsor Hall Drive, Williamsburg, Virginia 23188.

Regulatory Change: As to Lender, the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any Governmental Authority or any central bank or other fiscal, monetary, or other authority having jurisdiction over Lender.

Subsidiary: As to any Person, (i) any corporation more than fifty percent (50%) of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than fifty percent (50%) of the membership or ownership interests of which shall at the time be so owned or controlled. For purposes of this Agreement, a Person or Persons shall be deemed to have a majority ownership interest in a partnership, association, joint venture, or similar business organization if such Person or Persons shall be allocated a majority of the partnership, association, joint venture, or similar business organization gains or losses or shall be or control the managing general partner of such partnership, association, joint venture or similar business organization.

Trustee: UMB Bank, N.A., or any successor trustee, as bond trustee and master trustee with respect to Borrower's Bonds.

Trustee-Held Funds: All cash, cash equivalents, investments, and other financial assets on deposit in or credited to funds and accounts established pursuant to the Bond Financing Documents, as such Bond Financing Documents are defined in any cash collateral order entered by the Bankruptcy Court, which are held by the Trustee, including, without limitation, (i) a certain "Bond Fund", (ii) a certain "Purchase Fund", and (iii) a certain "Debt Service Reserve Fund" (each as defined in that certain Bond Trust Indenture, dated as of July 1, 2007 (as supplemented and amended from time to time), governing the Borrower's Bonds).

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 **Representations and Warranties.** To induce Lender to execute and perform this Agreement, Borrower hereby represents, covenants and warrants to Lender as follows:

(a) As of the Closing Date and at all times thereafter until the Loan is paid in full and the Commitment is terminated, Borrower will have (i) fee simple title or a good and indefeasible leasehold interest in the Land and good title to the personal property that serves as Collateral hereunder, subject only to the Permitted Liens, (ii) good title, or valid and enforceable rights under one or more licenses, to any and all intellectual property necessary to the conduct of Borrower's business, and (iii) good title to all intellectual property represented as owned by Borrower.

(b) Borrower is a not-for-profit corporation, duly formed under the laws of the Commonwealth of Virginia and is duly qualified to do business under the laws of each jurisdiction in which failure to be so qualified could reasonably be expected to have a

Material Adverse Effect. Borrower has no Subsidiaries. The sole member of Borrower is Virginia United Methodist Homes, Inc.

(c) Subject to the approval of the Bankruptcy Court, the execution, delivery and performance of this Agreement and the other Loan Documents have been duly authorized by all necessary action on the part of Borrower, and no consent of any other party is required for the performance by Borrower of its Obligations hereunder and under the other Loan Documents.

(d) The Loan Documents and any other documents and instruments required to be executed and delivered by Borrower in connection with this Loan, when executed and delivered, will constitute the duly authorized, valid, and legally binding obligations of Borrower and will be enforceable strictly in accordance with their respective terms, subject to the approval of any applicable written Order entered by the Bankruptcy Court in the Chapter 11 Case.

(e) The execution, delivery and performance of the Loan Documents and any other documents or instruments to be executed and delivered by Borrower pursuant to this Agreement or in connection with the Loan will not, and the construction, occupancy and use of the Collateral by Borrower do not and will not: (i) violate any Legal Requirements, or (ii) upon entry of the Orders as final orders, conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions or provisions of any Contractual Obligation of any kind to which Borrower is a party or by which it may be bound.

(f) No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or to the best knowledge of Borrower, litigation threatened) exists which does or could (i) adversely affect the validity or priority of the Liens and security interests granted Lender under the Loan Documents; (ii) reasonably be expected to have a Material Adverse Effect; or (iii) constitute an Event of Default or a Default under any of the Loan Documents.

(g) All governmental permits and licenses required by applicable law to conduct Borrower's business are validly issued and in full force and effect.

(h) The financial reports and other information provided by Borrower to Lender are true, correct and accurate in all material respects.

(i) There is no claim, action, litigation, arbitration or other proceeding pending or, to the best of Borrower's knowledge, threatened, against Borrower which (i) relates to the Collateral or which could result in the imposition of a Lien against the Collateral, which Lien is either *pari passu* or senior to the Liens granted to Lender or (ii) if adversely determined, could give rise to an event, condition, liability or circumstance that would constitute a Material Adverse Effect.

(j) Borrower is in full and complete compliance with the Interim Order during the Interim Availability Period, and the Final Order after the Final Order Entry Date.

(k) Borrower is not, as of the Closing Date and, after giving effect to the transactions contemplated by the Loan Documents, will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(l) Borrower maintains and has paid all necessary premiums for the insurance required to be maintained pursuant to Section 8.2(f).

2.2 **Continuation of Representations and Warranties.** Borrower represents and warrants to Lender that each of the foregoing statements is true and correct on the date hereof and will be true and correct at all times thereafter until the Commitment has terminated and the Obligations have been paid or performed in full.

ARTICLE 3

AMOUNT AND TERMS OF COMMITMENT

3.1 **Agreement to Lend and to Borrow; Note.**

(a) Subject to the terms and conditions set forth herein, Lender agrees to make Advances of the Loan to Borrower from time to time in an aggregate amount not exceeding the Aggregate Commitment. During the Interim Availability Period, Lender shall not have any Obligation (i) to make more than one (1) Advance hereunder; or (ii) to Advance any amount in excess of the Interim Availability Amount. Subject to the terms of this Agreement, Borrower may request and borrow Advances.

(b) Subject to Section 3.6 hereof, on the Maturity Date, Borrower shall repay the Loan in full in cash, together with all accrued and unpaid interest thereon and all fees and other amounts payable to Lender hereunder and under the other Loan Documents.

(c) The Loan and all Advances thereof shall be evidenced by a Note executed by Borrower, substantially in the form of **Exhibit B**, attached hereto, and payable to the order of Lender. The date and amount of each Advance and the payment or prepayment of principal and/or interest with respect thereto shall be recorded by Lender on its books. Each such recordation shall constitute prima facie evidence of the accuracy of the information so recorded in the absence of manifest error. The Note shall (i) be dated the date hereof or, if the Lender's interest in the Note hereafter is assigned, the effective date of such assignment, (ii) be stated to mature on the Maturity Date, and (iii) provide for the payment of interest in accordance with Article 4 hereof.

3.2 **Use of Loan Proceeds.** Loan Proceeds may be used solely in accordance with the Budget, and as required under the Loan Documents. Loan Proceeds shall be used for the following purposes:

(a) to pay interest, fees and expenses in connection with the Loan to Lender in accordance with the Loan Documents;

(b) to fund the postpetition operating expenses incurred by Borrower in the ordinary course of business;

(c) to pay certain costs and expenses in connection with the administration of the Chapter 11 Case; and

(d) the refund and return of Entrance Fees to residents, or the estates of residents, entitled to refunds thereof, but solely to the extent that the aggregate amount of Entrance Fees available to the Debtor is insufficient to pay such due and owing refunds and returns to residents.

3.3 **Prepayments and Reduction of Aggregate Commitment.**

(a) **Optional Prepayments.** Borrower may, upon notice to Lender and the Trustee, at any time or from time to time (but not more frequently than once per calendar week), voluntarily prepay all or part of the Loan, without premium or penalty; provided that (i) such notice must be received by Lender not later than 11:00 a.m., Eastern Standard Time, on the date that is three (3) Business Days prior to any date of prepayment; and (ii) any prepayment shall be in a principal amount of Two Hundred Fifty Thousand Dollars ($250,000.00) or a whole multiple of Two Hundred Fifty Thousand Dollars ($250,000.00) in excess thereof or, if less, the entire principal amount of the Loan then outstanding. Each such notice shall specify the date and amount of such prepayment, and Borrower shall make such prepayment in the amount and on the date specified in such notice. Any prepayment shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required hereunder.

(b) **Optional Reduction of Aggregate Commitment.** Borrower may, upon notice to Lender and the Trustee, at any time or from time to time, voluntarily reduce the Aggregate Commitment; provided that (i) such notice must be received by Lender not later than 11:00 a.m., Eastern Standard Time, on the date that is five (5) Business Days prior to the date of such reduction; (ii) any such reduction shall be in a principal amount of Two Hundred Fifty Thousand Dollars ($250,000.00) or a whole multiple of Two Hundred Fifty Thousand Dollars ($250,000.00) in excess thereof; and (iii) any mandatory prepayment resulting from such reduction shall have been made. Any reduction of the Aggregate Commitment shall be permanent and irrevocable.

(c) **Mandatory Prepayments.** Each of the following shall require that Borrower make a mandatory prepayment of the Loan. The mandatory prepayments shall not exceed the Obligations owing under this Agreement.

(i) Asset Sale Prepayments. Upon the consummation of any Asset Sale, other than sales of assets to the extent permitted pursuant to Section 8.3(b), by Borrower, Borrower shall make a mandatory prepayment of the Loan from the Net Cash Proceeds in an amount equal to the aggregate outstanding Obligations.

(ii) Extraordinary Receipt Proceeds. Upon receipt of any proceeds not customarily received in Borrower's ordinary course of business, including, without limitation, proceeds arising from insurance (subject to any contrary terms of the Lease, if applicable), condemnation (subject to any contrary terms of the Lease, if applicable), eminent domain (subject to any contrary terms of the Lease, if

applicable), tax refunds (except, as to property tax refunds, (A) subject to any contrary terms of the Lease, if applicable, and (B) only to the extent not included in projected receipts in the then applicable approved Budget), deposit refunds, pension plan reversions, indemnity payments or any purchase price adjustments related to a sale or disposition of any or all of its assets, Borrower shall make a mandatory prepayment of the Loan in an amount equal to one hundred percent (100%) of the proceeds so received (or, if less, in an amount equal to the aggregate outstanding Obligations).

(iii) Proceeds of Any Indebtedness. Upon receipt of any proceeds arising from the incurrence of any indebtedness (other than a trade indebtedness incurred in the ordinary course of business), including any Debt Issuance, Borrower shall make a mandatory prepayment of the Loan in an amount equal to one hundred percent (100%) of the proceeds so received (or, if less, in an amount equal to the aggregate outstanding Obligations).

(iv) Overdraws. If, for any reason, (A) during the Interim Availability Period, the outstanding amount of the Loan (net of interest accrued for the then current month and Obligations (other than principal and interest not then due and payable in accordance with the terms of this Agreement)) exceeds the Interim Availability Amount; or (B) at any other time prior to the Maturity Date, the outstanding amount of the Loan (net of interest accrued for the then current month and Obligations (other than principal and interest not then due and payable in accordance with the terms of this Agreement)) exceeds the Aggregate Commitment, Borrower immediately shall repay an amount equal to such excess.

(d) **Application of Prepayments.** Unless otherwise required by applicable law, prepayments shall be applied in accordance with the terms of Section 10.6.

(e) **Effects of Prepayments.**

(i) Immediately upon any prepayment of the Loan, the Aggregate Commitment shall be permanently reduced by the principal amount then prepaid.

(ii) Amounts repaid may not be reborrowed.

3.4 **Super-Priority Nature of Obligations and Status of Lender's Liens.**

(a) On and after the Closing Date, subject to Section 3.4(b), the provisions of the Loan Documents and the Orders (as applicable) shall be effective to create in favor of Lender, legal, valid and perfected Liens on and security interests in all right, title and interest of Borrower in the Collateral, enforceable against Borrower:

(i) Pursuant to section 364(c)(2) of the Bankruptcy Code and the Orders (as applicable), all Obligations shall be secured by a perfected first priority senior Lien on all Collateral that is not otherwise subject to valid, perfected and non-avoidable Liens as of the Filing Date; and

(ii) Pursuant to section 364(d)(1) of the Bankruptcy Code and the Orders (as applicable), all Obligations shall be secured by a perfected first priority senior priming Lien on the Collateral, subject to the Carve Out as described in Section 3.4(b) of this Agreement.

Subject to the Orders, no filings, recordings or other actions shall be necessary to perfect and maintain the perfection and status of such Liens.

(b) Notwithstanding anything in this Agreement to the contrary, Lender's Liens shall be subject to the Carve Out, but, for the avoidance of doubt, (i) payment of the Carve Out shall not reduce the amounts payable to Lender hereunder or under the other Loan Documents or affect the rights of Lender to receive such payment; and (ii) under no circumstances shall Lender be responsible or liable for, or itself obligated to pay, any of the fees or other items constituting the Carve Out.

(c) Pursuant to section 364(c)(1) of the Bankruptcy Code and Orders (as applicable), all Obligations at all times shall constitute allowed super-priority administrative expense claims in the Chapter 11 Case having priority over all allowed administrative expenses, subject only to (i) the Carve Out, and (ii) rights of the residents pursuant to any statute, agreement, or order to the extent Borrower is required to escrow or segregate any Entrance Fees for the benefit of the residents.

(d) Except for (i) the Carve Out and (ii) rights of the residents to the Entrance Fees pursuant to any statute, agreement, or order to the extent Borrower is required to escrow or segregate any Entrance Fees for the benefit of the residents, no costs or expenses of administration shall be imposed against Lender or any of the Collateral under section 105 or 506(c) of the Bankruptcy Code, or otherwise, and Borrower hereby waives for itself and on behalf of its estate in bankruptcy, any and all rights under section 105 or 506(c), or otherwise, to assert or impose or seek to assert or impose, any such costs or expenses of administration against Lender or the Collateral.

(e) Subject to the priorities set forth in Section 3.4(a) and the Carve Out, as to all Land, Borrower hereby assigns and conveys as security, grants a security interest in, hypothecates, mortgages, pledges and sets over unto Lender or such trustees as are designated by Lender all of the right, title and interest of Borrower in all of such Land, together in each case with all of the right, title and interest of Borrower in and to all buildings, improvements, and fixtures related thereto, any leases or subleases thereof, all general intangibles relating thereto and all proceeds thereof. Borrower acknowledges that, pursuant to the Orders, the Liens in favor of Lender in all of Borrower's right, title and interest in such Land shall be perfected without the recordation of any instruments of mortgage or assignment. Borrower acknowledges that, pursuant to the Orders, the Liens in favor of Lender on all of Borrower's right, title and interest in all Collateral, including all such real property and leasehold interests, shall be perfected without the filing or recordation of any UCC financing statements, notices of Lien or other instruments of mortgage or assignment and without the necessity of any party delivering, filing, registering or recording any other financing statements, filings, notices, recordings or other instruments or otherwise taking any other action to perfect such security interests or Liens. Borrower

further agrees that, upon the request of Lender and its counsel, it shall enter into and execute separate mortgages, deeds of trust or similar instruments in recordable form with respect to its owned and leased real properties on terms reasonably satisfactory to Lender and Lender's counsel.

3.5 **No Discharge; Survival of Liens and Claims; Waiver of Priming Rights.**

(a) Borrower agrees that the Obligations hereunder shall not be discharged by (i) the entry of an order confirming a Chapter 11 plan of reorganization or liquidation in the Chapter 11 Case (and Borrower pursuant to section 1141(d)(4) of the Bankruptcy Code hereby waives any such discharge), (ii) the conversion of the Chapter 11 Case to a chapter 7 case, or (iii) the dismissal of the Chapter 11 Case.

(b) Borrower agrees that the Liens and super-priority administrative expense claims granted to Lender pursuant to the Orders shall not be affected in any manner by (i) the entry of an order confirming a Chapter 11 plan of reorganization or liquidation in the Chapter 11 Case; (ii) the appointment of an examiner or trustee in the Chapter 11 Case; or (iii) the conversion of the Chapter 11 Case to a case proceeding under Chapter 7 of the Bankruptcy Code.

3.6 **Payment of Obligations.** On the Maturity Date, the Commitment shall terminate and Borrower shall pay to Lender in cash all of the Obligations owed by Borrower to Lender hereunder or under any of the other Loan Documents. Upon the maturity (whether by acceleration or otherwise) of any of the Obligations under this Agreement or any of the other Loan Documents, Lender shall be entitled to immediate payment of such Obligations in cash without further application to or order of the Bankruptcy Court. Notwithstanding the foregoing or any other provision in this Agreement to the contrary, pursuant to the Term Sheet, the Lockup Agreement and the Plan, upon the "Effective Date" of the Plan, the entire outstanding balance due under the DIP Credit Agreement shall repaid from one or more advances made under either (i) the "Revolving Loan Facility"; or (ii) operating cash available to the "Reorganized Debtor" (each as defined in the Plan).

3.7 **Escrow of Entrance Fees.** Subject to an order entered by the Bankruptcy Court and subject to applicable state regulatory requirements, Borrower shall cause all Entrance Fees to be deposited into an escrow account with a third party financial institution, which escrow account and the funds held therein and Borrower's interest in those funds will be subject to a first priority Lien in favor of Lender, subject to the rights of residents pursuant to the escrow agreement between Borrower and resident creating the Entrance Fees.

3.8 **No Marshalling.** Borrower agrees that in no event shall Lender be subject to the equitable doctrine of "marshaling" or any similar doctrine with respect to the Collateral or otherwise and Borrower will not assert any such theory of law or equity as it relates to the Collateral or collection of the Loan.

ARTICLE 4

PRINCIPAL, INTEREST; SPECIAL PROVISIONS

4.1 **Interest Rate.** Borrower promises to pay interest on the principal amount of the Loan from time to time outstanding at a rate per annum equal to the Interest Rate.

4.2 **Payment of Principal and Interest.**

(a) Through and including the Maturity Date, accrued interest on each Advance shall be payable in arrears on the first day of each calendar month and on the Maturity Date. The Loan shall be due and payable in full on the Maturity Date.

(b) Payments shall be applied as required under applicable law and, in the absence of any such requirement, payments shall be applied in accordance with the terms of Section 10.6.

(c) All payments of principal (including prepayments) and accrued interest shall be paid by wire transfer in United States Dollars, to Lender, at such place as Lender may from time to time direct.

(d) All payments (including prepayments) to be made by Borrower hereunder and under the Note, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:00 p.m., Eastern Standard Time, on the due date thereof.

(e) If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the Interest Rate during such extension.

(f) Prepayments of the Loan shall be made in accordance with Article 3.

(g) Immediately upon any repayment of the Loan, the Aggregate Commitment shall be permanently reduced by the principal amount then repaid.

(h) Amounts repaid may not be reborrowed.

4.3 **Computation of Interest and Fees; Default Rate.**

(a) Fees and interest shall be calculated on the basis of a 360-day year for the actual days elapsed. In no event shall the Interest Rate hereunder exceed the Highest Lawful Rate.

(b) After the occurrence and during the continuance of an Event of Default, the Interest Rate shall be increased to the Default Rate.

4.4 **Illegality.** Notwithstanding any other provision herein, if Lender shall reasonably determine that any Regulatory Change shall make it unlawful for Lender to make or maintain the Loan as contemplated by this Agreement, Lender shall give notice of such determination to Borrower. Upon receipt of such notice, the right of Borrower to request further Advances and the obligation of Lender to make further Advances shall immediately cease, and the Loan immediately shall become due and payable.

4.5 **Legal Requirements.**

(a) If any Regulatory Change made subsequent to the date hereof shall:

(i) subject Lender to any tax of any kind whatsoever with respect to this Agreement, the Note, or the Loan, or change the basis of taxation of payments to Lender in respect thereof (except for Non-Excluded Taxes covered by Section 4.6 and changes in the rate of tax on the overall net income of Lender); or

(ii) impose on Lender any other condition regarding the Loan or Lender's funding thereof;

and the result of any of the foregoing is to increase the cost of the Loan to Lender, by an amount which Lender in good faith deems to be material, then, in any such case, Borrower shall promptly pay to Lender, upon demand, any additional amounts necessary to compensate Lender for such increased cost or reduced amount receivable.

(b) If Lender shall have reasonably determined that any Regulatory Change regarding capital adequacy or in the interpretation or application thereof or compliance by Lender or any corporation controlling Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority, in any such case made subsequent to the date hereof, does or shall have the effect of reducing the rate of return on Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which Lender or such corporation could have achieved but for such change or compliance (taking into consideration Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by Lender to be material, then from time to time, after submission by Lender to Borrower of a written request therefor, Borrower shall pay to Lender such additional amount as will compensate Lender for such reduction.

(c) If Lender becomes entitled to claim any additional amounts pursuant to this Section 4.5, it shall promptly notify Borrower of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section 4.5 submitted by Lender to Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment and performance of all other Obligations hereunder.

(d) Notwithstanding anything to the contrary contained in this Section 4.5, Borrower shall not be required to pay any additional amounts to Lender pursuant to this Section 4.5 to the extent such additional amounts result from Lender's gross negligence or

willful misconduct as found in a final non-appealable judgment by a court of competent jurisdiction.

4.6 **Taxes.** All payments made by Borrower under this Agreement and the Note shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on Lender as a result of a present or former connection between Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("**Non-Excluded Taxes**") are required to be withheld from any amounts payable to Lender hereunder or under the Note, the amounts so payable to Lender shall be increased to the extent necessary to yield to Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement. Whenever any Non-Excluded Taxes are payable by Borrower, as promptly as possible thereafter, Borrower shall send to Lender a certified copy of an original official receipt received by Borrower showing payment thereof. If Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to Lender the required receipts or other required documentary evidence, Borrower shall indemnify Lender for any incremental taxes, interest or penalties that may become payable by Lender as a result of any such failures. The agreements in this Section 4.6 shall survive the termination of this Agreement and the payment of the Obligations, as set forth in the Loan Documents. Notwithstanding anything to the contrary contained in this Section 4.6, Borrower shall not be required to pay any additional amounts to Lender pursuant to this Section 4.6 to the extent such additional amounts result from such Lender's gross negligence or willful misconduct as found in a final non-appealable judgment by a court of competent jurisdiction.

4.7 **Loan Indemnification.** Borrower shall indemnify and hold harmless Lender and its Affiliates, officers, directors, employees, agents, advisors, attorneys and representatives (each, an "**Indemnified Party**") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto, arising out of or in connection with or relating to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby, or any use made or proposed to be made with the proceeds of the Loan, whether or not such investigation, litigation or proceeding is brought by Borrower, any of its member, shareholders, or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby or thereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted

from such Indemnified Party's gross negligence or willful misconduct. No Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to Borrower or any of its shareholders or creditors for or in connection with the transactions contemplated hereby or thereby, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In no event, however, shall any Indemnified Party be liable on any theory of liability for any special, indirect, consequential or punitive damages. Borrower hereby grants each Indemnified Party permission to select counsel of its own choosing, and Borrower agrees that it shall not withhold unreasonably its consent to such Indemnified Party's choice of counsel. Borrower permits each Indemnified Party to negotiate, mediate, arbitrate, or settle any and all claims, damages, losses, liabilities, and expenses (including, without limitation, reasonable fees and disbursements of counsel), joint or several, that may be alleged or asserted against any Indemnified Party, subject only to Borrower's reasonable consent, and Borrower shall not withhold unreasonably its consent to such settlement. This Obligation on the part of Borrower shall survive the payment of the Obligations, the termination of the Commitment, and any cancellation of this Agreement. Without limitation of the foregoing, Borrower shall pay, and hold each Indemnified Party harmless from, any and all claims of any brokers, finders or agents claiming a right to any fees in connection with arranging the financing contemplated hereby.

4.8 **Fees and Expenses.** On (i) the Closing Date, from the Loan Proceeds, (ii) from time to time thereafter, upon demand by Lender, and (iii) on the Maturity Date, Borrower shall pay or reimburse Lender for all fees (including legal fees), costs, charges and reasonable out-of-pocket expenses associated with (i) the preparation and negotiation of this Agreement and the other Loan Documents, (ii) the consummation of the transactions described in this Agreement and the other Loan Documents, (iii) administration of the Loan, and (iv) the enforcement of rights and remedies set forth in this Agreement and the other Loan Documents, that have been billed to or incurred by Lender. Such reimbursements shall commence with the first such demand to occur after the Closing Date, but the obligation of Borrower to make any final reimbursement shall survive the Maturity Date. If Borrower shall fail to pay any such fees, costs, charges and expenses within three (3) Business Days after demand or other time specified in this Section 4.8 for such payment, such failure shall be deemed to constitute a Loan Notice delivered by Borrower requesting an Advance in the amount of such fees, costs, charges and expenses, the proceeds of which shall be applied by Lender to pay or to reimburse Lender for such fees, costs, charges and expenses.

ARTICLE 5

CONDITIONS PRECEDENT TO EACH ADVANCE

5.1 **Conditions Precedent to Each Advance.** The obligation of Lender to honor any Loan Notice (including the Loan Notice relating to the Initial Advance) is subject to the following conditions precedent:

(a) Lender shall have obtained a copy (to be followed by a certified copy when available) of the Interim Order (as to the Initial Advance) and subsequently the Final Order (as to each other Advance).

(b) There exists no Default or Event of Default under this Agreement or any other Loan Document.

(c) The representations and warranties contained in this Agreement and each of the other Loan Documents are true and correct in all material respects as of such Borrowing Date except for changes thereto as the result of actions required by the terms of this Agreement and the other Loan Documents or with the written consent of Lender; provided, that the words "in all material respects" in this Section 5.1(c) shall, as to any representation or warranty that contains a materiality standard, operate without duplication with such standard

(d) During the Interim Availability Period, (i) the Interim Order shall be in full force and effect and shall not have been reversed, modified, amended, rescinded, vacated or subject to a presently effective stay pending appeal, without the prior written consent of Lender, and (ii) the outstanding amount of the Loan shall not exceed the Interim Availability Amount.

(e) Following the Final Order Entry Date and during the Availability Period, (i) the Final Order shall be in full force and shall not have been reversed, modified, amended, rescinded, vacated or subject to a presently effective stay pending appeal, without the prior written consent of Lender, and (ii) the aggregate of all Advances (including the Initial Advance) shall not exceed the Aggregate Commitment.

(f) Before and after giving effect to the requested Advance and the application of the proceeds thereof, Borrower shall be in compliance in all material respects with the Budget (except as otherwise permitted by Section 8.2(m)), and the proposed use of the proceeds is consistent with the Budget.

(g) There has been no event, condition, obligation, liability, or circumstance that would constitute a Material Adverse Effect; provided that, any changes attributable solely to the commencement of the Chapter 11 Case shall not constitute a Material Adverse Effect.

(h) Borrower shall have executed this Agreement and such other Loan Documents as Lender reasonably shall require to secure the performance of Borrower's Obligations and to perfect Lender's interests in the Collateral.

(i) Borrower shall have granted to Lender access to and the right to inspect all reports, audits and other internal information of Borrower relating to environmental matters and any third party verification of certain matters relating to compliance with environmental laws and regulations applicable to the Land, to the extent reasonably requested by Lender.

(j) Lender shall have received such information and materials relating to the Collateral as Lender reasonably shall require, including, without limitation, mortgagee

title insurance policies, casualty and liability insurance policies, surveys and environmental site assessments.

(k) Borrower shall have complied with the funding conditions and procedures described in Section 7.1.

Each request for an Advance shall constitute a representation and warranty by Borrower that the conditions contained in this Section 5.1 have been satisfied or waived in writing by Lender.

ARTICLE 6

CONDITIONS TO CLOSING AND THE INITIAL ADVANCE

6.1 **Conditions to Closing and the Initial Advance.** The obligation of Lender to close and make the Initial Advance on the Closing Date is further subject to the satisfaction, or waiver in accordance with Section 11.2, of the following conditions on or before the Closing Date:

(a) **Delivery of Documents.** Borrower shall have furnished to Lender, in form and substance satisfactory to Lender executed copies of this Agreement and each of the other Loan Documents required to be executed and delivered by Borrower, dated as of the Filing Date and delivered on or prior to the Closing Date.

(b) **Fees and Expenses.** All costs, charges, fees, expenses (including, without limitation, legal fees and expenses and the commitment fee) and other compensation payable or reimbursable to Lender, to the extent due as of the Closing Date or in connection with the Initial Advance, shall have been paid or provisions satisfactory to Lender shall have been made to pay such costs, charges, fees, expenses and other compensation using the proceeds of the Initial Advance.

(c) **Entry of the Orders.** On the Filing Date, Borrower shall have filed a motion for entry of the Interim Order and the Interim Order shall have been entered not later than three (3) Business Days after the Filing Date.

(d) **First Day Orders.** All orders approving all necessary motions filed by Borrower on the Filing Date ("**First Day Orders**") shall have been entered by the Bankruptcy Court as promptly as practicable after the commencement of the Chapter 11 Case and the terms thereof shall be consistent with this Agreement and the other Loan Documents and reasonably satisfactory in all respects to Lender.

(e) **Motions and Other Documents.** Borrower shall have provided Lender with a copy of all motions and other documents to be filed by Borrower with and submitted to the Bankruptcy Court in connection with the Loan, which motions and other documents shall be in form and substance reasonably satisfactory to Lender. Borrower shall not have filed any motion or pleading which has or may have an effect on the rights granted to Lender hereunder or under the Orders without first providing Lender with sufficient and reasonable notice of such a motion or pleading.

(f) **No Material Adverse Effect.** No change shall have occurred that results in a Material Adverse Effect; provided that, any changes attributable solely to the commencement of the Chapter 11 Case shall not constitute a Material Adverse Effect.

(g) **Budget.** Borrower shall have furnished the Budget to Lender, and Lender shall have approved such Budget in Lender's sole but reasonable discretion (the parties hereto contemplating that, as to the Budget for any period subsequent to the thirteen (13) week period covered by the previously approved Budget (the initial thirteen (13) week Budget approved by Lender is attached hereto as Exhibit A), each succeeding Budget shall consist of the approved Budget for the preceding eleven (11) week period, together with a supplement thereto covering the final two (2) weeks of the subject thirteen (13) week period and Lender will not withdraw its approval of that portion of the Budget covering the previously approved eleven (11) weeks of the subject thirteen (13) week period solely because of matters projected with respect to the final two (2) weeks of the subject thirteen (13) week period). Notwithstanding anything to the contrary herein, Lender shall not fail to approve a Budget delivered in connection with an imminent Asset Sale (the Net Cash Proceeds of which will be sufficient to pay, and which will be used at the time of closing of such Asset Sale to pay, the outstanding Obligations in full, after which payment the Commitment will terminate) solely because such Budget contemplates an Advance of Loan Proceeds to be made immediately prior to the closing of such Asset Sale for the purpose of paying (or reserving for subsequent payment), when allowed, the accrued and unpaid fees and expenses of professionals retained in the Chapter 11 Case (including, without limitation, professionals retained by Borrower (other than ordinary course professionals) or by any committee appointed in the Chapter 11 Case).

(h) **Additional Documents.** Lender shall have received such other papers, reports and documents regarding Borrower or the Collateral as Lender or its counsel reasonably may require.

ARTICLE 7

FUNDING CONDITIONS AND MECHANICS

7.1 **Funding Conditions and Mechanics.** The obligation of Lender to honor any Loan Notice is subject to the following conditions precedent:

(a) Each request for an Advance shall be made by Borrower in an irrevocable Loan Notice signed by a responsible officer of Borrower and delivered to Lender with a copy thereof to the Trustee. Each such Loan Notice must be received by Lender not later than 11:00 a.m., Eastern Standard Time, three (3) Business Days prior to the requested date of the applicable Advance. Each Advance (other than those made by Lender pursuant to the last sentence of Section 4.8 or Section 10.3) shall be in a principal amount of at least Fifty Thousand Dollars ($50,000.00) or such lesser amount then available for an Advance pursuant to the terms of the Loan Documents. Each Loan Notice shall specify:

(i) the requested date of the Advance (which shall be a Business Day);

(ii) the principal amount of the Advance requested to be borrowed;

(iii) the recipient of each portion of the Loan Proceeds requested to be borrowed and appropriate wiring or other instructions regarding disbursement of such Loan Proceeds; and

(iv) the specific use of the Loan Proceeds requested.

(b) Borrower shall have no right to request, and Lender shall have no obligation to honor, more than two requests for Advances in any calendar week.

(c) Following receipt of a Loan Notice, and upon satisfaction of the applicable conditions set forth in this Section 7.1 and Sections 5.1 and 6.1, Lender shall make the amount of the requested Advance available to Borrower by wire transfer not later than 1:00 p.m., Eastern Standard Time, on the Business Day specified in the Loan Notice. Lender shall make the Advance in accordance with instructions provided by Borrower to (and reasonably acceptable to) Lender.

(d) After the occurrence of a Default, Lender shall have no obligation to honor any Loan Notice or other Borrower request for an Advance.

ARTICLE 8

FURTHER AGREEMENTS OF BORROWER

8.1 **Furnishing Information.** Borrower will:

(a) deliver to Lender bi-weekly updates of the cash flow results and weekly variance reports;

(b) deliver to Lender on each two (2) week anniversary of the Filing Date (or, if such anniversary is not a Business Day, on the next succeeding Business Day), an updated Budget, including a report of variances on a line-item basis;

(c) deliver to Lender monthly updates certified by a responsible officer of Borrower with respect to Asset Sales, cost savings and other matters reasonably requested by Lender;

(d) deliver to Lender, as soon as practicable, and in advance of filing with the Bankruptcy Court: (i) the proposed Final Order, (ii) all other proposed orders and pleadings related to the Collateral or the Loan, (iii) any plan of reorganization or liquidation, and/or (iv) any disclosure statement related to such plan. All of the foregoing must be in form and substance reasonably satisfactory to Lender;

(e) as soon as available and (i) in no event later than ninety (90) days after the close of each fiscal year of Borrower, annual financial statements of Borrower, and (ii) within forty-five (45) days after the end of each fiscal quarter, unaudited financial statements of Borrower, signed by a responsible officer of Borrower. Such financial

statements shall show the results of operations of Borrower and shall consist of a balance sheet, cash flow statement, and statement of income and expense prepared in accordance with GAAP;

(f) promptly notify Lender of any condition or event which constitutes a Default or an Event of Default;

(g) promptly notify Lender of any circumstance or condition which constitutes or, unless abated, would constitute a Material Adverse Effect, and of any material adverse change in the financial condition of Borrower or the value of the Collateral;

(h) promptly after the same is available (to the extent not otherwise previously delivered), furnish to Lender's counsel all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of Borrower with the Bankruptcy Court or the United States Trustee in the Chapter 11 Case, or distributed by or on behalf of Borrower to any committee appointed in the Chapter 11 Case (other than confidential information provided to Borrower by any other bidder for Borrower's assets);

(i) promptly upon receiving a request therefor from Lender, prepare and deliver to Lender such other information with respect to Borrower or the Collateral, including, without limitation, schedules identifying and describing the Collateral and any dispositions thereof or any Asset Sale and the use of the Net Cash Proceeds thereof, as from time to time reasonably may be requested by Lender; and

(j) as promptly as practicable after the Filing Date, deliver to Lender certificate of incorporation of Borrower, certified as of a date not earlier than thirty (30) days prior to the Closing Date by the Secretary of the Commonwealth of Virginia.

8.2 **Affirmative Covenants.**

(a) **Existence, Etc.** Borrower shall at all times maintain its organizational existence and preserve and keep, or cause to be preserved and kept, in full force and effect, all rights and franchises material to its business.

(b) **Powers; Conduct of Business.** Borrower shall qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified and where the failure to be so qualified will have or could reasonably be expected to have a Material Adverse Effect. Borrower shall carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted.

(c) **Compliance with Laws, Etc.** Borrower shall (i) comply with all Legal Requirements and all restrictive covenants affecting Borrower or its business, properties, assets or operations, and (ii) obtain, as needed, all permits necessary for its operations and maintain such permits in good standing unless the failure to comply or obtain same could not reasonably be expected to have a Material Adverse Effect.

(d) **Use of Proceeds.** Borrower will solely and exclusively use the Loan Proceeds in the manner specified in this Agreement, the Loan Notices, the Budget and the Orders, as applicable. No portion of the Loan Proceeds shall be used in any manner that causes or might cause the Loan or the application of such proceeds to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation thereof or to violate the Exchange Act.

(e) **Payment of Taxes.** To the extent provided for in the Budget, Borrower shall pay all postpetition taxes (other than property taxes contemplated to be paid upon consummation of a sale of the applicable property or the effectiveness of a plan in the Chapter 11 Case), assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon; provided, however, that no such taxes, assessments and governmental charges (and interest, penalties or fines relating thereto) need be paid if being contested in good faith by appropriate proceedings diligently instituted and conducted and for which adequate reserves are maintained.

(f) **Insurance.** Borrower shall maintain in full force and effect insurance policies and programs or other policies and programs as reflect coverage that is consistent with prudent industry practice. In the event Borrower at any time or times hereafter shall fail to obtain or maintain any of the policies or insurance required herein or to pay any premium in whole or in part relating thereto, then Lender, without waiving or releasing any obligations or resulting Event of Default hereunder and without obligation to do so, may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Lender deems advisable. All sums so disbursed by Lender shall constitute part of the Obligations, payable as provided in this Agreement.

(g) **Inspection of Property; Books and Records; Discussions.** Borrower shall permit any authorized representative(s) designated by Lender to visit and inspect any of the properties of Borrower to examine, audit, check and make copies of its financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to its business, the Collateral or the transactions contemplated hereby (including, without limitation, in connection with environmental compliance, hazard or liability), and to discuss its affairs, finances and accounts with its officers and independent certified public accountants, all upon reasonable notice and at such reasonable times during normal business hours, as often as reasonably may be requested. Without limiting the foregoing, Borrower shall permit any authorized representatives designated by Lender to complete each such audit, collateral analysis, appraisal, field examination, environmental survey, or other business analysis with respect to Borrower as Lender shall request, all upon reasonable notice and at such reasonable times during normal business hours, as often as reasonably may be requested.

(h) **Insurance and Condemnation Proceeds.** Subject to the applicable terms of the Lease, Borrower hereby directs all insurers under policies of property damage, boiler and machinery and business interruption insurance and payors of any condemnation claims or awards relating to the property to pay all proceeds payable under such policies or

with respect to such claim or award for any loss with respect to the Collateral directly to Lender.

(i) **Maintenance of Property.** Borrower shall cause all property used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing contained herein shall prevent Borrower from discontinuing the operation or maintenance of any of such property if such discontinuance is, in the judgment of Borrower, desirable in the conduct of its business and not disadvantageous in any material respect to the interests of Lender.

(j) **Waiver of Claims.** Borrower shall waive any claims arising under Bankruptcy Code section 506(c) against Lender or the Loan, and shall not commence any actions adverse to Lender or its rights and remedies in respect of the Loan.

(k) **Further Assurance.** At Lender's reasonable request, Borrower will execute and deliver such documents as may be necessary (i) to perfect and maintain perfected and valid Liens upon the Collateral and the personal property located thereon and the Liens granted to Lender pursuant to this Agreement or any of the other Loan Documents, and (ii) to fully consummate the transactions contemplated by this Agreement.

(l) **Cash Reports.** Borrower shall deliver to Lender on each consecutive Wednesday commencing on the first Wednesday after the Filing Date and continuing on each Wednesday thereafter, an updated rolling 13 week cash flow report in form acceptable to Lender comparing actual results to budgeted amounts and reporting on all variances between actual and budgeted items on a line item basis

(m) **Budget.** Borrower shall incur and make expenditures, and shall advance funds to other Persons, only as provided for in the Budget, except that (i) any expenditure in excess of the amount designated for a particular line-item shall be permissible if the percentage of deviation for all line-items during any rolling 4-week period does not exceed ten percent (10%) in the aggregate (the "Variance"), with any unused portion of the Variance carrying over to the following rolling 4-week period; or (ii) with the prior written approval of, and subject to any conditions as set forth by, Lender in its reasonable discretion, and in either case subject to the terms and conditions of any applicable order entered by the Bankruptcy Court.

(n) **Other Monthly Reports.** Borrower shall deliver to Lender monthly updates with respect to Asset Sales, cost savings and other matters reasonably requested by Lender.

(o) **Certain Milestones.**

(i) Borrower shall cause the Final Order Entry Date to occur not later than thirty (30) days after entry of the Interim Order.

(ii) Borrower shall file a plan of reorganization with the Bankruptcy Court within three (3) Business Days of the Filing Date.

8.3 **Negative Covenants.**

(a) **Indebtedness.** Neither Borrower nor its Subsidiaries, if any, shall directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(i) the Obligations;

(ii) the Prepetition Indebtedness (including intercompany Indebtedness);

(iii) Indebtedness constituting Contingent Obligations permitted by Section 8.3(d);

(iv) secured or unsecured purchase money Indebtedness (including Capitalized Leases) incurred subsequent to the Filing Date to finance the acquisition of assets used in Borrower's business, if (1) at the time of such incurrence, no Default or Event of Default has occurred and is continuing or would result from such incurrence, (2) such Indebtedness has a scheduled maturity and is not due on demand, (3) such Indebtedness does not exceed the lower of the fair market value or the cost of the applicable assets on the date acquired, (4) such Indebtedness does not exceed Ten Thousand Dollars ($10,000.00) in the aggregate outstanding at any time, and (5) any Lien securing such Indebtedness is permitted under Section 8.3(c) (such Indebtedness being referred to herein as "**Permitted Purchase Money Indebtedness**");

(v) unsecured Indebtedness with respect to surety, appeal and performance bonds obtained by Borrower in the ordinary course of business;

(vi) unsecured trade debt or trade payables incurred in the ordinary course of business for Borrower arising through its operation of the Project.

(b) **Sales of Assets.** Neither Borrower nor its Subsidiaries, if any, will sell, transfer, lease, exchange, alienate or dispose of any or all Collateral, other than (i) in the ordinary course of Borrower's business, and then only to the extent such transfers are limited to Ten Thousand Dollars ($10,000.00) in the aggregate, and (ii) in accordance (or not inconsistent) with the Orders.

(c) **Liens.** Neither Borrower nor its Subsidiaries, if any, shall directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any of their respective property or assets, except:

(i) Liens in favor of Lender created by this Agreement or the other Loan Documents or otherwise securing the Obligations;

(ii) Permitted Existing Liens;

(iii) Customary Permitted Liens;

(iv) purchase money Liens (including the interest of a lessor under a Capitalized Lease and Liens to which any property is subject at the time of Borrower's acquisition thereof) securing Permitted Purchase Money Indebtedness; provided that such Liens shall not apply to any property of Borrower other than that purchased or subject to such Capitalized Lease;

(v) Liens in favor of the Trustee in or against the Cash Collateral; and

(vi) Replacement and additional Liens in favor of the Trustee, as the term "Replacement Liens" is defined in any cash collateral order entered by the Bankruptcy Court in the Chapter 11 Case.

(d) **Contingent Obligations.** Neither Borrower nor its Subsidiaries, if any, shall directly or indirectly create or become or be liable with respect to any Contingent Obligation, except: (i) recourse obligations resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (ii) Prepetition Contingent Obligations; (iii) obligations, warranties and indemnities, not relating to Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business and not for the benefit of or in favor of an Affiliate of Borrower; (iv) Contingent Obligations entered into in connection with any Indebtedness of Borrower permitted by Section 8.3(a)(iii); and (v) Contingent Obligations with respect to surety, appeal and performance bonds obtained by Borrower in the ordinary course of business.

(e) **Sales and Leasebacks.** Neither Borrower nor its Subsidiaries, if any, shall become liable, directly, by assumption or by Contingent Obligation, with respect to any lease, whether an operating lease or a Capitalized Lease, of any property (whether real or personal or mixed) (i) which it or one of its Subsidiaries, if any, sold or transferred or is to sell or transfer to any other Person, or (ii) which it or one of its Subsidiaries, if any, intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by it or one of its Subsidiaries, if any, to any other Person in connection with such lease.

(f) **Material Investments.** Borrower shall not (i) make any investment in excess of Ten Thousand Dollars ($10,000.00) unless set forth in the Budget and authorized by Lender or otherwise in accordance with the United States Trustee's Guidelines for Debtors in Possession; or (ii) make any loan or advance to any Person.

(g) **Restriction on Fundamental Changes.** Borrower shall not enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), discontinue or otherwise change any of its lines of business or, except as otherwise permitted or required by this Agreement or by order of the Bankruptcy Court, convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of

transactions, all or substantially all of Borrower's business or property, whether now or hereafter acquired, except as otherwise provided in an order of the Bankruptcy Court.

(h) **Corporate Documents.** Borrower shall not amend, modify or otherwise change (i) in any material manner the nature and type of its business or the manner in which such business is conducted or (ii) its organizational documents, except as required by the Bankruptcy Code.

(i) **Prohibition Against Additional Recordings.** Borrower will not record or permit to be recorded any document, instrument, agreement or other writing against the Collateral, other than Liens in favor of Lender which secure the Obligations.

(j) **Chapter 11 Claims.** Borrower shall not incur, create, assume, suffer to exist or permit any administrative expense, unsecured claim, or other super-priority claim or Lien on the Collateral that is *pari passu* with or senior to the claims of Lender against Borrower, or apply to the Bankruptcy Court for authority to do so, except for Permitted Liens and the Carve Out.

(k) **Limitation on Prepayments of Prepetition Indebtedness.** Other than (1) payments authorized by the Bankruptcy Court (A) in respect of accrued payroll and related expenses as of the Filing Date; or (B) in respect of certain creditors, in each case to the extent authorized by a First Day Order or a subsequent order of the Bankruptcy Court; and (2) as contemplated by an approved Budget, Borrower shall not (i) make any payment or prepayment on or redemption or acquisition for value (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) of any Prepetition Indebtedness, (ii) pay any interest on any Prepetition Indebtedness (whether in cash, in in-kind securities or otherwise), or (iii) make any payment or create or permit any Lien pursuant to section 361 of the Bankruptcy Code (or pursuant to any other provision of the Bankruptcy Code authorizing adequate protection).

(l) **Orders.** Borrower shall not make or permit to be made any change, amendment or modification, or make any application or motion for any change, amendment or modification, to the Orders other than as approved in writing by Lender.

(m) **Budget.** Except to the extent set forth in an approved Budget, Borrower shall not incur any capital expenses or make any capital expenditures.

(n) **Fiscal Year.** Borrower shall not change its fiscal year.

ARTICLE 9

ASSIGNMENTS; CONFIDENTIALITY

9.1 **Successors and Assigns.** The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns, except that Borrower shall not have the right to assign its rights or obligations under the Loan Documents. Lender may at any time, and from time to time,

assign or transfer the Loan, subject to the prior consent of Borrower, not to be unreasonably withheld or delayed, except that no such consent by Borrower shall be required if an Event of Default has occurred and is continuing or for any assignment to or participation by an Affiliate of Lender. No assignment by Lender shall release Lender from its obligations hereunder arising prior to the date of assignment. Any assignee or transferee agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any 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 the Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of the Note or of any instruments issued in exchange therefor.

9.2 **Confidentiality.** Subject to Section 9.3, Lender and its representatives, consultants and advisors shall hold all nonpublic information obtained pursuant to the requirements of this Agreement and identified as such by Borrower in accordance with such Person's customary procedures for handling confidential information of this nature; provided, however, such Persons may make disclosure (i) to Affiliates of Lender, (ii) to prospective transferees or participants in connection with a contemplated participation or assignment, or (iii) as required or requested by any Governmental Authority or representative thereof or pursuant to legal process and shall require any such Affiliate or transferee to agree (and require any of its transferees to agree in writing) to comply with this Section 9.2. In no event shall Lender or any of its Affiliates be obligated or required to return any materials furnished by Borrower; provided, however, each prospective transferee shall be required to agree that if it does not become a participant or assignee, it shall return all materials furnished to it by or on behalf of Borrower in connection with this Agreement.

9.3 **Dissemination of Information.** Borrower authorizes Lender and its Affiliates to disclose to any prospective participant or transferee any and all information in the possession of Lender or its Affiliates concerning each of Borrower and its Subsidiaries, if any, and the Collateral; provided that prior to any such disclosure, such prospective participant or transferee shall agree in writing to preserve, in accordance with Section 9.2, the confidentiality of any confidential information therein.

9.4 **Non-Disclosure and Confidentiality Agreements.** Notwithstanding any terms herein, in any other Loan Document or in any other agreement between Lender and Borrower or between any third party and Borrower regarding non-disclosure and confidentiality, Lender hereby is granted the right, at its sole discretion (and Borrower hereby agrees that it shall not be a violation of any such non-disclosure or confidentiality agreement if Lender exercises such right), to communicate with, and request and receive information from and use information received from, third parties (including, without limitation, the Landlord under the Lease, the Trustee, the Bank and creditors of Borrower) relating to the transactions described herein, the Collateral and any other matters relating to Borrower, provided that Lender shall hold and use such information subject to the terms of Sections 9.2 and 9.3.

ARTICLE 10

EVENTS OF DEFAULT BY BORROWER; REMEDIES

10.1 **Event of Default Defined.** The occurrence of any one or more of the following shall constitute an "Event of Default" hereunder, and any Event of Default which may occur hereunder shall constitute an Event of Default under each of the other Loan Documents:

(a) Borrower shall fail to pay when due hereunder or under any other Loan Document any of the Obligations, including without limitation, any principal, interest or other charges required to be paid;

(b) Borrower fails to perform or cause to be performed any obligation or observe any condition, covenant, term, agreement or provision required to be performed or observed by Borrower or its Subsidiaries, if any, under this Agreement (except as otherwise provided in Section 10.1(c));

(c) Borrower fails to perform or cause to be performed any obligation or observe any condition, covenant, term, agreement or provision required to be performed or observed by Borrower or its Subsidiaries, if any, under Sections 8.2(c), (d), (e), (g), (i), or (n) for more than ten (10) days after written notice of such failure from Lender;

(d) Except as otherwise provided in this Section 10.1 Borrower fails to perform or cause to be performed any other obligation or observe any other condition, covenant, term, agreement or provision required to be performed or observed by Borrower or its Subsidiaries, if any, under this Agreement or under the other Loan Documents, after written notice of such failure from Lender;

(e) The existence of any inaccuracy or untruth in any material respect in any representation or warranty contained in this Agreement or any of the other Loan Documents or of any statement or certification as to facts delivered to Lender by Borrower, except for changes thereto as the result of actions required by the terms of this Agreement and the other Loan Documents or with the written consent of Lender; provided, that the words "in any material respect" in this Section 10.1(e) shall, as to any representation or warranty that contains a materiality standard, operate without duplication with such standard;

(f) The dissolution, termination, or merger of Borrower;

(g) The occurrence of an "Event of Default" under the Note or any of the other Loan Documents;

(h) The Bankruptcy Court shall dismiss the Chapter 11 Case or shall convert the Chapter 11 Case to a Chapter 7 Case;

(i) Borrower shall file, support or fail to oppose a motion seeking, or the Bankruptcy Court shall enter, an order in the Chapter 11 Case appointing (i) a trustee under Chapter 11 of the Bankruptcy Code, or (ii) an examiner;

(j) Borrower shall file, support or fail to oppose a motion seeking, or the Bankruptcy Court shall enter, an order in the Chapter 11 Case (i) approving additional financing under section 364(c) or (d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement, (ii) granting any Lien (other than Liens expressly permitted in the Orders) upon or affecting any Collateral which are *pari passu* or senior to the Liens on the Collateral in favor of Lender, (iii) granting any claim priority senior to or *pari passu* with the claims of Lender under the Loan Documents or any other claim having priority over any or all administrative expenses of the kind specified in section 503(b) or section 507(b) of the Bankruptcy Code, other than the Carve-Out, or (iv) granting any other relief that is adverse to Lender's interests under any Loan Document, its rights and remedies hereunder or thereunder or its interests in the Collateral;

(k) Borrower shall fail to comply with the terms of the Orders or any other Bankruptcy Court order in any material respect;

(l) Any material term of this Agreement or the other Loan Documents shall cease to be valid and binding on Borrower, or Borrower shall so assert in any pleading filed in any court;

(m) Either of the Orders shall be (i) reversed, stayed for a period in excess of fourteen (14) days, vacated or rescinded; or (ii) amended, supplemented or otherwise modified without the written consent of Lender;

(n) Borrower shall file a motion for reconsideration or other motion which seeks to materially and adversely affect Lender's rights;

(o) The right of Borrower to borrow under this Agreement is terminated by an order entered by the Bankruptcy Court;

(p) Borrower shall seek to, or shall support (in any such case by way of any motion or other pleading filed with the Bankruptcy Court or any other writing to another party-in-interest executed by or on behalf of Borrower), any other Person's motion to, disallow in whole or in part Lender's claim in respect of the Obligations or to challenge the validity, perfection, priority, non-avoidability or enforceability of the Liens in favor of Lender;

(q) Unless in connection with a duly confirmed plan of reorganization, the Bankruptcy Court shall enter an order granting relief from the automatic stay to any creditor or party in interest (i) to permit foreclosure (or the granting of a deed in lieu of foreclosure or the like) on any assets of Borrower which have an aggregate value of Twenty Five Thousand Dollars ($25,000.00); or (ii) to permit other actions that would have a Material Adverse Effect on Borrower, the Chapter 11 estate, or Lender;

(r) Any judgments which, to the extent not covered by insurance, exceed or are in the aggregate amount in excess of Ten Thousand Dollars ($10,000.00) as to any postpetition obligation shall be rendered against Borrower and the enforcement thereof shall not be stayed (by court ordered stay or by consent of the party litigants); or there shall be rendered against Borrower a non-monetary judgment with respect to a postpetition event which causes or would reasonably be expected to cause a material adverse change or a Material Adverse Effect on the ability of Borrower to perform its obligations under the Loan Documents;

(s) Absent the written consent of Lender and unless in connection with a duly confirmed plan of reorganization, entry by the Bankruptcy Court of an order under section 363 or 365 of the Bankruptcy Code authorizing or approving the sale or assignment of any of Borrower's assets, or procedures in respect thereof, or Borrower shall seek, support, or fail to contest in good faith, the entry of such an order in the Chapter 11 Case, unless, immediately, upon the closing of any such sale or assignment, the proceeds thereof are used to repay the Obligations;

(t) A Chapter 11 plan of reorganization or liquidation with respect to Borrower is filed by Borrower or, after the termination of the exclusivity period, by any other Person, and such plan does not provide for treatment of the Obligations in a manner consistent with the Term Sheet attached as Exhibit B to the Lockup Agreement;

(u) Borrower shall be in default under any commitment or Indebtedness (other than in connection with any Prepetition Indebtedness) affecting such Persons or the Collateral that could reasonably be expected to have a Material Adverse Effect;

(v) Borrower's failure to substantially comply with the Budget, tested every two (2) weeks on a rolling four (4) week basis in accordance with, and after giving effect to the variances permitted in, Section 8.2(m);

(w) Borrower shall fail to comply with any of the milestone requirements set forth in Section 8.2(o);

(x) Borrower shall be named a defendant in any complaint, litigation, action, proceeding, or otherwise be subject to a complaint filed with a court of competent jurisdiction and such complaint, litigation, action, or proceeding is not dismissed as to Borrower within one-hundred-twenty (120) days from the latest of date of the filing, commencement, or service of such complaint on Borrower; or

(y) Borrower shall fail to comply with the reporting requirements set forth in Section 8.2(l).

10.2 **Remedies.** Upon the occurrence and during the continuance of any Event of Default, in the sole discretion of Lender (without the need for further order of or application to the Bankruptcy Court), and (i) with respect to items (a) and (b) of this Section 10.2, upon notice to Borrower; or (ii) with respect to items (c), (d) and (e) of this Section 10.2, upon five (5) Business Days' notice to Borrower, any committee appointed in the Chapter 11 Case and the United States Trustee for the Eastern District of Virginia:

(a) the Commitment immediately shall terminate;

(b) all Obligations, including the unpaid principal amount of and accrued interest on the Loan, immediately shall become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which hereby are expressly waived by Borrower;

(c) Lender may enforce any and all Liens and security interests created pursuant to the Loan Documents and subject to the Orders;

(d) Lender may enforce its other rights and remedies under the Loan Documents or applicable law and subject to the Orders; and

(e) At any Asset Sale of all or a portion of Borrower's assets, including without limitation, sales pursuant to section 363 of the Bankruptcy Code or sales included as part of any restructuring plan subject to confirmation pursuant to section 1129(b)(2)(A)(iii) of the Bankruptcy Code, Lender shall have the right to credit bid, pursuant to section 363(k) of the Bankruptcy Code, without limitation, an amount up to the aggregate amount of the Obligations then-oustanding.

In any hearing after the effectiveness of any notice pursuant to this Section 10.2, the only issue that may be raised by any Person in opposition thereto or to any remedy exercised by Lender pursuant to this Section 10.2 shall be whether, in fact, an Event of Default has occurred and is continuing.

10.3 **Right of Lender to Make Advances to Cure Event of Defaults; Obligatory Advances.** If Borrower shall fail to perform any of its covenants or agreements herein or in any of the other Loan Documents, Lender may (but shall not be required to) perform any of such covenants and agreements, and any amounts expended by Lender in so doing, and any amounts advanced by Lender pursuant to this Agreement shall be deemed advanced by Lender under an obligation to do so regardless of the identity of the person or persons to whom said funds are disbursed. Loan Proceeds advanced by Lender to protect its security for the Loan are obligatory advances hereunder and shall constitute additional indebtedness payable on demand and evidenced and secured by the Loan Documents, regardless of whether such amounts advanced cause the balance due to exceed the Aggregate Commitment.

10.4 **Attorneys' Fees.** Borrower shall pay Lender's reasonable attorneys' fees and costs and professionals' fees and costs in connection with the negotiation, preparation, administration and enforcement of this Agreement and shall pay Lender's reasonable attorneys' fees and costs and professionals' fees and costs in connection with the administration and enforcement of this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, if at any time or times hereafter Lender employs counsel or other professionals for advice or other representation with respect to any matter concerning Borrower, the Collateral, this Agreement or the Loan Documents (including any bankruptcy proceeding) or if Lender employs one or more counsel or other professionals to protect, collect, lease, sell, take possession of, or liquidate any of the Collateral, or to

attempt to enforce or protect any security interest or Lien or other right in any of the Collateral or under any of the Loan Documents, or to enforce any rights of Lender or obligations of Borrower or any other Person which may be obligated to Lender by virtue of this Agreement or under any of the other Loan Documents or any other agreement, instrument or document heretofore or hereafter delivered to Lender in furtherance hereof, then in any such event, all of the attorneys' or other professionals' fees arising from such services, and any expenses, costs and charges relating thereto, shall constitute an additional indebtedness owing by Borrower to Lender payable on demand and evidenced and secured by the Loan Documents.

10.5 **No Waiver.** No failure by Lender to exercise, and no delay by Lender in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.6 **Application of Payments.** Amounts paid in respect of the Loan and other Obligations pursuant to this Agreement shall be applied in the following order of priority:

(a) **First,** to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to Lender, including fees, charges and disbursements of counsel or other professionals to Lender and other amounts payable under Sections 4.8 and 10.4;

(b) **Second,** to payment of accrued and unpaid interest on the Loan and the other Obligations; and

(c) **Third,** to payment of unpaid principal on the Loan and the other Obligations.

10.7 **Lockup Agreement.** Notwithstanding anything contained in this Agreement to the contrary, the Lockup Agreement and the Term Sheet attached thereto as Exhibit B shall remain in full force and effect and nothing herein shall be deemed to amend or modify the rights and obligations of the parties thereunder.

ARTICLE 11

MISCELLANEOUS

11.1 **Time is of the Essence.** Borrower agrees that time is of the essence with respect to all of its covenants and Obligations under this Agreement.

11.2 **Amendments, Etc.** No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by Borrower therefrom, shall be effective unless in writing and signed by Lender and Borrower, and each such waiver or consent shall be effective only in the specific instance and for the specific

purpose for which given. Nothing in this Agreement shall be deemed to amend or modify the rights and obligations of the parties under the Lockup Agreement or the Term Sheet attached thereto as Exhibit B. No amendment or waiver of any provision of this Agreement or any other Loan Document shall be deemed to amend or modify the rights and obligations of the parties under the Lockup Agreement and the Term Sheet.

11.3 **Determination of Facts.** Lender shall be free at all times to establish independently to its satisfaction and in its sole and absolute discretion the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

11.4 **Prior Agreements.** This Agreement and the other Loan Documents, and any other documents or instruments executed pursuant hereto or thereto, or contemplated hereby or thereby, shall represent the entire, integrated agreement between the parties hereto with respect to the transactions contemplated hereby and thereby, and shall supersede all prior negotiations, representations or agreements pertaining thereto, either oral or written.

11.5 **Disclaimer by Lender.** Lender shall not be liable to any subcontractor, supplier, laborer, architect, engineer or any other Person for services performed or materials supplied, nor shall Lender be liable for any debts or claims accruing in favor of any such Persons against Borrower or against the Collateral. Borrower is not and shall not be an agent of Lender for any purposes, nor shall it be a venture partner with Lender in any manner whatsoever. Lender shall not be deemed to be in privity of contract with any subcontractor, or provider of services on or to any Collateral, nor shall any payment of funds directly to a subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by Lender unless and until Lender expressly assumes such status in writing. No subcontractor, supplier, laborer, architect, engineer or other Person shall be deemed to be a third party beneficiary of this Agreement or any of the other Loan Documents.

11.6 **Captions; Section References.** The captions and headings of various Articles and Sections of this Agreement and exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof. Section references in this Agreement refer to Sections of this Agreement, unless otherwise provided.

11.7 **Inconsistent Terms and Partial Invalidity.** In the event of any inconsistency among the terms hereof (including incorporated terms), or between such terms and the terms of any other Loan Document, Lender may elect which terms shall govern and prevail. If any provision of this Agreement, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstances, is adjudicated by a court of competent jurisdiction to be invalid, the validity of the remainder of this Agreement shall be construed as if such invalid part were never included herein.

11.8 **Subsidiaries.** Borrower and Lender acknowledge that Borrower currently has no Subsidiaries. In the event Borrower has one or more Subsidiaries in the future, provisions herein pertaining to Subsidiaries shall apply to such Subsidiary or Subsidiaries of Borrower.

11.9 **Approvals.** All consents and approvals required in this Agreement shall be in writing. Any approval granted by Lender for any matter covered under this Agreement shall be narrowly construed to cover only the Persons and facts identified in such approval.

11.10 **Gender and Number.** Any word herein which is expressed in the masculine or neuter gender shall be deemed to include the masculine, feminine and neuter genders. Any word herein which is expressed in the singular or plural number shall be deemed, whenever appropriate in the context, to include the singular and the plural.

11.11 **Notices.** Any notices, communications and waivers under this Agreement shall be in writing and (1) shall be either (i) delivered in person; (ii) mailed, postage prepaid, either by registered or certified mail, return receipt requested; or (iii) transmitted by overnight express carrier, addressed in each case as follows; and (2) shall be transmitted via electronic mail, followed by a telephone call by sender, within 24 hours of transmission, to confirm receipt of such electronic mail transmission:

To Lender:

Virginia United Methodist Homes, Inc.
7113 Three Chopt Road
Richmond, VA 23226
Attn: Christopher Henderson
(804) 474-8700 (telephone)
(804) 474-8723 (facsimile)
chenderson@vumh.org (e-mail)

With copy to:

Spotts Fain, PC
411 East Franklin Street, Suite 600
Richmond, VA 23219
Attn: Robert H. Chappell, III
(804) 697-2025 (telephone)
(804) 697-2125 (facsimile)
rchappell@spottsfain.com (e-mail)

- And -

Kane, Jeffries, Cooper & Carollo, LLP
1700 Bayberry Court, Suite 103
Richmond, VA 23226
Attn: Thomas A. Cooper
(804) 288-1672 (telephone)
(804) 285-7365 (facsimile)
tac@kanejeffries.com (e-mail)

To Borrower:

WindsorMeade
c/o: Virginia United Methodist Homes
of Williamsburg, Inc.
7113 Three Chopt Road

Richmond, VA 23226
Attn: Chris Henderson
(804) 474-8700 (telephone)
(804) 474-8723 (facsimile)
chenderson@vumh.org (e-mail)

With copy to:

DLA Piper LLP (US)
1251 Avenue of the Americas
New York, NY 10020
Attn: Thomas R. Califano and George B. South
(212) 335-4990 (telephone)
(212) 884-8690 (facsimile)
thomas.califano@dlapiper.com (e-mail)
george.south@dlapiper.com (e-mail)

- And -

Hirschler Fleischer
The Edgeworth Building
2100 East Cary Street
Richmond, VA 23223
Attn: Robert Westermann
(804) 771-5610 (telephone)
(804) 644-0957 (facsimile)
rwestermann@hf-law.com (e-mail)

or to any other address as to any party hereto, as such party shall designate in a written notice to the other party hereto. All notices sent pursuant to the terms of this Section 11.11 shall be deemed received (a) if personally delivered, then on the date of delivery, (b) if sent by overnight express carrier, then on the next Business Day immediately following the day sent, or (c) if sent by registered or certified mail, then on the earlier of the third day following the day sent or when actually received.

11.12 **Effect of Agreement.** The submission of this Agreement and the other Loan Documents to Borrower for examination does not constitute a commitment or an offer by Lender to lend money to Borrower. This Agreement shall become effective only after entry of the Interim Order and upon execution and delivery hereof by Lender to Borrower.

11.13 **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia, without reference to the choice of law or conflicts of law principles of the Commonwealth of Virginia.

11.14 **Waiver of Defenses.** **OTHER THAN CLAIMS BASED UPON THE FAILURE OF LENDER TO ACT IN A COMMERCIALLY REASONABLE MANNER, BORROWER HEREBY WAIVES EVERY PRESENT AND FUTURE DEFENSE (OTHER THAN THE DEFENSE OF PAYMENT OR PERFORMANCE IN FULL, AS APPLICABLE), CAUSE OF ACTION, COUNTERCLAIM OR**

SETOFF WHICH BORROWER NOW MAY HAVE OR HEREAFTER MAY HAVE TO ANY ACTION BY LENDER IN ENFORCING THIS AGREEMENT. PROVIDED THAT LENDER ACTS IN GOOD FAITH, BORROWER RATIFIES AND CONFIRMS WHATEVER LENDER MAY DO PURSUANT TO THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER.

11.15 **Consent to Jurisdiction.** **TO INDUCE LENDER TO ACCEPT THE NOTE, BORROWER IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS IN ANY WAY ARISING OUT OF OR RELATED TO THE LOAN DOCUMENTS WILL BE LITIGATED IN COURTS HAVING SITUS IN THE COMMONWEALTH OF VIRGINIA. BORROWER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY COURT LOCATED WITHIN THE COMMONWEALTH OF VIRGINIA.**

11.16 **Waiver of Jury Trial.** **EACH OF BORROWER AND LENDER, HAVING BEEN REPRESENTED BY COUNSEL, KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (A) UNDER THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY RELATED AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION WITH THIS AGREEMENT OR (B) ARISING FROM ANY CREDIT RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING WILL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. BORROWER AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST LENDER OR ANY OTHER PERSON INDEMNIFIED UNDER THIS AGREEMENT ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES.**

11.17 **Lender's Right to Credit Bid.** At any Asset Sale of all or a portion of Borrower's assets, including without limitation, sales pursuant to section 363 of the Bankruptcy Code or sales included as part of any restructuring plan subject to confirmation pursuant to section 1129(b)(2)(A)(iii) of the Bankruptcy Code, Lender shall have the right to credit bid, pursuant to section 363(k) of the Bankruptcy Code, without limitation, an amount up to the aggregate amount of the Obligations then-outstanding.

11.18 **Usury Savings Clause.** Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable law, shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement at any time exceeds the Highest Lawful Rate, the outstanding amount of the Loan made hereunder shall bear interest at the Highest Lawful Rate.

11.19 **Counterparts; Facsimile Signatures.** This Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts. Each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one and the same agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by Lender shall be deemed to be originals thereof.

11.20 **Final Agreement.** **THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

(No further text on page)

IN WITNESS WHEREOF, Lender and Borrower have caused these presents to be executed the day and year first above written.

BORROWER:

VIRGINIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC. *dba* WINDSORMEADE

By: _____
Name: Christopher Henderson
Title: President

LENDER:
VIRGINIA UNITED METHODIST HOMES, INC.

By: _____
Name: Christopher Henderson
Title: President & CEO

EXHIBIT A

Budget

(See attached)

The Statement of Limitations and Notes concerning these projections including, without limitation, its access / distribution provisions are an integral part of these projections and should be read in conjunction herewith.

Virginia United Methodist Homes of Williamsburg, Inc.

d.b.a. WindsorMeade of Williamsburg
("WindsorMeade" or "VUMHW")

Debtor Weekly Cash Flow Budget

Report Date: March 1, 2013

WindsorMeade of Williamsburg

DRAFT: Subject to Revision
FRE 408 Settlement Material

Virginia United Methodist Homes of Williamsburg, Inc.

d.b.a. WindsorMeade of Williamsburg
("WindsorMeade" or "VUMHW")

Debtor Weekly Cash Flow Budget

Report Date: March 1, 2013

Statement of Limitations

The management of Virginia United Methodist Homes of Williamsburg, Inc., d.b.a. WindsorMeade of Williamsburg, ("WindsorMeade", "VUMHW" or the "Company") has developed the attached short-term cash flow projection (the "Weekly CF Projection").

The Weekly CF Projection was prepared to illustrate the estimated short-term liquidity needs of WindsorMeade, presented on a rolling 13 week basis, approved for the time period of December 3, 2012 through the week beginning May 27, 2013. These Statement of Limitations ("SL") are incorporated by reference and should be read in conjunction with the Weekly CF Projection.

The Weekly CF Projection was not prepared with the intention of strict compliance with the guidelines for projected financial statements published by the American Institute of Certified Public Accountants ("AICPA") or the Financial Accounting Standards Board ("FASB"). WindsorMeade's independent auditors, Mitchell, Wiggins & Company, have neither compiled nor examined the accompanying prospective financial information to determine the reasonableness thereof, and accordingly, have not expressed any opinion or any other form of assurance with respect thereto.

The Weekly CF Projection provided herein was prepared by the management of WindsorMeade in good faith based upon assumptions believed to be reasonable and applied in a manner consistent with past practice. The Weekly CF Projection is based upon a variety of estimates and assumptions, which, though considered by management to be reasonable, may not be realized and are inherently subject to business, economic and competitive uncertainties and contingencies. WindsorMeade's management cautions that no representations can be made as to the accuracy of these projections or to the ability of the Company to achieve the projected results. Certain assumptions inevitably will not materialize, and events and circumstances occurring subsequent to the date on which these projections were prepared may be different from those assumed, or may be unanticipated and thus may affect financial results in a material and possibly adverse manner. The Weekly CF Projection, therefore, may not be relied upon as a guaranty or other assurance of the actual results that will occur.

The Weekly CF Projection and the SL are highly confidential and are being provided to the recipient subject to the relevant confidentiality agreements between WindsorMeade and the recipient.

The Statement of Limitations and Notes concerning these projections including, without limitation, its access / distribution provisions are an integral part of these projections and should be read in conjunction herewith

Virginia United Methodist Homes of Williamsburg, Inc.
d.b.a. WindsorMeade of Williamsburg
Debtor Weekly Cash Flow Budget
DRAFT: Subject to Revision

Week Beginning:	3/4 Projected PostPetition	3/11 Projected PostPetition	3/18 Projected PostPetition	3/25 Projected PostPetition	4/1 Projected PostPetition	4/8 Projected PostPetition	4/15 Projected PostPetition	4/22 Projected PostPetition	4/29 Projected PostPetition	5/6 Projected PostPetition	5/13 Projected PostPetition	5/20 Projected PostPetition	5/27 Projected PostPetition	Total 13 Weeks Projected
Operating Indicators														
Beginning Balance	143	143	143	144	144	144	143	143	143	143	142	142	142	143
Turnover Move-In	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Initial Move-In	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Move-ins	-	-	2	-	-	-	-	-	-	-	-	-	-	2
Move-outs / Transfers	-	-	(1)	-	-	(1)	-	-	-	(1)	-	-	(1)	(4)
IL Census (Occupancy)	143	143	144	144	144	143	143	143	143	142	142	142	141	141
AL Census (Occupancy)	9	9	9	9	9	9	9	9	9	9	9	9	9	9
SNF Census (Occupancy)	8	8	8	8	8	8	8	8	8	8	8	8	8	8
Operating Cash Receipts														
Resident Monthly Service Receipts	$ 752,753	$ -	$ 18,532	$ 6,554	$ 246,771	$ 505,982	$ -	$ 18,532	$ 6,554	$ 752,753	$ -	$ 18,532	$ 6,554	$ 2,333,518
Medicare Reimbursement	971	1,025	109	24,929	971	1,025	109	24,929	971	1,025	109	24,929	-	81,100
Other Resident Receipts	37	131	98	102	37	131	98	102	-	37	131	98	102	1,103
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Operating Cash Receipts	753,760	1,155	18,739	31,586	247,778	507,137	207	43,564	7,525	753,814	240	43,560	6,657	2,415,720
Operating Cash Disbursements														
Salaries	102,396	-	102,396	-	102,396	-	102,396	-	102,396	-	102,396	-	109,396	723,770
Payroll Taxes	35,127	-	35,127	-	35,127	-	35,127	-	35,127	-	35,127	-	35,127	245,886
Benefits	39,131	-	9,197	-	39,131	-	9,197	-	39,131	-	9,197	-	39,131	184,113
Insurance	-	-	5,949	-	-	15,421	5,949	-	-	-	5,946	-	-	33,266
State and County Taxes	-	-	600	-	-	-	600	-	-	-	-	600	302,623	304,423
Administration	-	-	280	1,110	2,250	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	27,640
Nursing and Medical	-	-	475	1,188	14,927	2,375	2,375	2,375	19,902	2,375	2,375	2,375	5,375	56,116
Building and Grounds	-	-	7,563	4,628	10,743	14,725	13,225	29,454	14,324	12,025	13,225	38,454	14,324	172,690
Dining/Culinary Services	-	-	2,242	5,808	11,400	11,610	11,610	11,610	12,310	14,000	11,610	11,610	11,610	115,420
Laundry & Housekeeping	-	-	228	450	-	1,000	-	1,000	-	1,000	-	1,000	600	5,278
Marketing & Advertising	-	-	460	304	4,482	9,341	3,600	3,600	5,977	3,600	9,341	11,100	3,600	55,405
Resident Services	-	-	-	-	-	10,396	-	-	-	-	10,396	-	-	20,792
Ordinary Course Professionals	-	-	-	1,250	-	-	-	2,500	-	-	-	2,500	-	6,250
Utilities	-	-	8,148	4,010	2,444	1,260	40,741	1,220	8,141	1,918	1,260	43,341	1,220	113,705
Account Analysis / Banking Fees	-	-	-	305	-	-	-	610	-	-	-	610	-	1,525
Potential Vendor Deposits	-	50,000	-	-	50,000	-	-	-	-	-	-	-	-	100,000
Other Operating Expenses	-	-	1,700	4,250	6,375	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	80,325
Subtotal - Operating Cash Disbursements	176,653	50,000	174,365	23,301	279,274	77,629	236,320	63,869	246,806	46,418	212,373	123,090	534,505	2,246,603
Net Cash from Operations Before Debt Service / Cap Ex	$ 577,107	$ (48,845)	$ (155,626)	$ 8,285	$ (31,496)	$ 429,509	$ (236,113)	$ (20,305)	$ (241,282)	$ 707,396	$ (212,133)	$ (79,531)	$ (527,848)	$ 169,117
Debt Service / Capital Expenditures														
Principal, Interest and Fees - 2007A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fees - 2007B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal and Interest - 2007C	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Fees - Letter of Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unit Sales Incentives	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	78,000
Routine Capital Expenditures	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	52,000
Subtotal - Capital Expenditures	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
Subtotal - Debt Service / Capital Expenditures	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
Net Cash from Operations After Debt Service / Cap Ex	$ 567,107	$ (58,845)	$ (165,626)	$ (1,715)	$ (41,496)	$ 419,509	$ (246,113)	$ (30,305)	$ (251,282)	$ 697,396	$ (222,133)	$ (89,531)	$ (537,848)	$ 39,117
Restructuring / Non-Recurring Disbursements														
Hirschler Fleischer	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
DLA Piper	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	1,000,000
Deloitte CRG	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	520,000
AV Powell & Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sawgrass Partners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
McGuire Woods	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	250,000
CliftonLarsonAllen	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims Agent	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	100,000
Legal - Residents / UCC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank / Bondholder Adequate Protection	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	-	-	-	500,000
U.S. Trustee Quarterly Payment	-	-	-	-	-	-	-	-	6,500	-	-	-	-	6,500
DIP Lender Prof. Fees	50,000	-	10,000	-	-	-	10,000	-	-	-	-	10,000	-	80,000
DIP Interest / Unused Fee	-	-	-	-	194	-	-	-	-	6,514	-	-	5,486	12,195
Subtotal - Restructuring / Non-Recurring	253,846	203,846	213,846	203,846	204,041	203,846	213,846	203,846	210,346	210,360	153,846	163,846	159,333	2,598,695
Net Cash from Operations After Debt / Cap Ex / Restr.	$ 313,261	$ (262,691)	$ (379,472)	$ (205,561)	$ (245,537)	$ 215,662	$ (459,959)	$ (234,151)	$ (461,628)	$ 487,036	$ (375,980)	$ (253,377)	$ (697,181)	$ (2,559,578)

The Statement of Limitations and Notes concerning these projections including without limitation its access / distribution provisions are an integral part of these projections and should be read in conjunction herewith

Virginia United Methodist Homes of Williamsburg, Inc.
d.b.a. WindsorMeade of Williamsburg
Debtor Weekly Cash Flow Budget
DRAFT: Subject to Revision

Week Beginning:	3/4 Projected PostPetition	3/11 Projected PostPetition	3/18 Projected PostPetition	3/25 Projected PostPetition	4/1 Projected PostPetition	4/8 Projected PostPetition	4/15 Projected PostPetition	4/22 Projected PostPetition	4/29 Projected PostPetition	5/6 Projected PostPetition	5/13 Projected PostPetition	5/20 Projected PostPetition	5/27 Projected PostPetition	Total 13 Weeks Projected
Entrance Fees / Refunds														
Receipts														
Resident Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Entrance Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Entrance Fee Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements														
Entrance Fee Refunds	-	2,192,731	429,228	-	-	-	-	-	-	-	-	-	-	2,621,959
Deposit Refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Entrance Fee Refunds	-	2,192,731	429,228	-	-	-	-	-	-	-	-	-	-	2,621,959
Net Cash Flow from Entrance Fees / Deposits	-	(2,192,731)	(429,228)	-	-	-	-	-	-	-	-	-	-	(2,621,959)
Net Cash from Operations After Debt / Cap Ex / Restr.	$ 313,261	$ (2,455,422)	$ (808,700)	$ (205,561)	$ (245,537)	$ 215,662	$ (459,959)	$ (234,151)	$ (461,628)	$ 487,035	$ (375,980)	$ (253,377)	$ (697,181)	$ (5,181,537)
Cash Flow Reconciliation														
Beginning Cash Balance - Operating	$ 3,046,117	$ 3,359,377	$ 903,956	$ 345,256	$ 139,694	$ 144,158	$ 359,820	$ 149,861	$ 165,710	$ 100,000	$ 587,035	$ 211,056	$ 207,679	$ 3,046,117
Net Cash from Operations Before Debt Service / Cap Ex	577,107	(48,845)	(155,626)	8,285	(31,496)	429,509	(236,113)	(20,305)	(241,282)	707,396	(212,133)	(79,531)	(527,848)	169,117
Subtotal - Debt Service / Capital Expenditures	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(130,000)
Subtotal - Restructuring / Non-Recurring	(253,846)	(203,846)	(213,846)	(203,846)	(204,041)	(203,846)	(213,846)	(203,846)	(210,346)	(210,360)	(153,846)	(163,846)	(159,333)	(2,598,695)
Subtotal - Entrance Fee / Deposits	-	(2,192,731)	(429,228)	-	-	-	-	-	-	-	-	-	-	(2,621,959)
Transfer from VUMHW Supporting Organization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Operating Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other One-time, Non-operating Receipts / Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Draw	-	-	250,000	-	250,000	-	250,000	250,000	395,918	-	-	250,000	589,502	2,235,420
Ending Cash Balance - Operating	$ 3,359,377	$ 903,956	$ 345,256	$ 139,694	$ 144,158	$ 359,820	$ 149,861	$ 165,710	$ 100,000	$ 587,035	$ 211,056	$ 207,679	$ 100,000	$ 100,000
DIP Balance, Beg	$ -	$ -	$ -	$ 250,000	$ 250,000	$ 500,000	$ 500,000	$ 750,000	$ 1,000,000	$ 1,395,918	$ 1,395,918	$ 1,395,918	$ 1,645,918	$ -
DIP Draw (minimum $100,000 cash balance)	-	-	250,000	-	250,000	-	250,000	250,000	395,918	-	-	250,000	589,502	2,235,420
DIP Balance, End	$ -	$ -	$ 250,000	$ 250,000	$ 500,000	$ 500,000	$ 750,000	$ 1,000,000	$ 1,395,918	$ 1,395,918	$ 1,395,918	$ 1,645,918	$ 2,235,420	$ 2,235,420
The following detail is provided for presentation purposes only and are not factored into the cash flow projections.														
Escrowed Entrance Fees														
Initial Unit Escrow - Beginning Balance	$ -	$ -	$ 1,064,300	$ 1,064,300	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ 1,523,600	$ -
10% Reservation Deposit	-	74,629	-	46,001	-	-	-	-	-	-	-	-	-	120,630
Entrance Fee	-	989,671	-	413,299	-	-	-	-	-	-	-	-	-	1,402,970
Initial Unit Escrow - Ending Balance	-	1,064,300	1,064,300	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600	1,523,600
Turnover Unit Escrow - Beginning Balance	-	-	1,988,000	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	-
10% Reservation Deposit	-	36,652	45,579	-	-	-	-	-	-	-	-	-	-	82,231
Entrance Fee	-	1,951,348	316,321	-	-	-	-	-	-	-	-	-	-	2,267,669
Turnover Unit Escrow - Ending Balance	-	1,988,000	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900	2,349,900
Total - Escrowed Entrance Fees	$ -	$ 3,052,300	$ 3,414,200	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500	$ 3,873,500

EXHIBIT B

Form of Note

(See attached)

PROMISSORY NOTE

Principal Amount: $3,000,000.00 Date: March [_], 2013

FOR VALUE RECEIVED, the undersigned, **VIRGNIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC.**, a Virginia not-for-profit corporation ("**Borrower**"), hereby promises to pay to the order of **VIRGINIA UNITED METHODIST HOMES, INC.**, a Virginia not-for-profit corporation ("**Lender**", which term shall mean the holder at any particular time of this Note), the principal sum of THREE MILLION AND 0/100 DOLLARS ($3,000,000.00), or so much thereof as may be advanced to Borrower and outstanding from time to time in accordance with the provisions of the DIP Credit Agreement (as defined below), together with interest thereon at the rates, in the manner and on the dates specified in the DIP Credit Agreement.

This Note is the Note referred to in that certain Senior Secured Super-Priority Debtor In Possession Loan Agreement dated as of even date herewith between Borrower and Lender (the "**DIP Credit Agreement**"), and this Note and Lender are entitled to all of the benefits provided thereby or referred to therein, to which DIP Credit Agreement reference hereby is made for a statement thereof. All capitalized terms used in this Note, unless otherwise defined herein, shall have the meanings assigned to them in the DIP Credit Agreement.

This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, except as otherwise required by the express terms of the Loan Documents.

VIRGNIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC.

By:_____
Name:_____
Title:_____

EXHIBIT C

Form of Loan Notice

(See attached)

VIRGINIA UNITED METHODIST
HOMES OF WILLIAMSBURG, INC.
7113 Three Chopt Road, Suite 300
Richmond, Virginia 23226

LOAN NOTICE

Date: _____, 2013

To: Virginia United Methodist Homes, Inc., as Lender
7113 Three Chopt Road, Suite 300
Richmond, Virginia 23226

Re: Senior Secured Super-Priority Debtor in Possession Loan agreement dated as of March _, 2013 (the "**DIP Credit Agreement**"), between Virginia United Methodist Homes of Williamsburg, Inc., a Virginia not-for-profit corporation, as Borrower, Debtor, and Debtor-In-Possession under Chapter 11 of the Bankruptcy Code ("**Borrower**"), and Virginia United Methodist Homes, Inc. ("**Lender**"). Capitalized terms used but not otherwise defined herein have the meanings provided in the DIP Credit Agreement.

1. Date of Advance (which shall be a Business Day not earlier than three (3) Business Days after the date of this Loan Notice): _____, 2013

2. Amount of Advance requested (which shall be an amount not less than $50,000.00):

3. Disbursement instructions

Please wire all funds to Borrower pursuant to the following wire transfer instructions:

Account Name: Virginia United Methodist Homes of Williamsburg, Inc.
Account Number:
ABA Number:
Bank:

4. Borrower hereby represents and warrants that, as of the date hereof and as of the date of the Advance: (i) the use of the Loan Proceeds complies with the requirements of Section 3.2 of the DIP Credit Agreement; and (ii) Borrower has satisfied or fulfilled each of the conditions to such Advance set forth in the DIP Credit Agreement, including, without limitation, in Sections 5.1, 6.1, and 7.1 of the DIP Credit Agreement.

VIRGINIA UNITED METHODIST HOMES OF WILLIAMSBURG, INC.

By: _____
Name: _____
Title: _____

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