

RESOLUTION NO. 01-123

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, APPROVING THE ISSUANCE BY THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY OF ITS REVENUE BONDS (FLAGLER HOSPITAL, INC. PROJECT), SERIES 2001, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,000,000, FOR THE PURPOSE OF OBTAINING FUNDS TO LOAN TO FLAGLER HOSPITAL, INC. ("FLAGLER"), TO FINANCE THE COSTS OF THE ACQUISITION AND INSTALLATION OF EQUIPMENT AT FLAGLER'S EXISTING HEALTH CARE FACILITIES IN ST. JOHNS COUNTY, FLORIDA, INCLUDING THE COSTS OF ISSUING THE BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the St. Johns County Industrial Development Authority (the "Authority") is a public body corporate and politic, duly organized and existing under the provisions of Chapter 159, Part III, Florida Statutes, as amended and supplemented; and

WHEREAS, Flagler Hospital, Inc., a Florida not for profit corporation ("Flagler"), has requested that the Authority issue its Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001, in an aggregate principal amount not to exceed \$7,000,000 (the "Bonds"), in order to obtain funds to loan to Flagler for the purposes of (i) paying or reimbursing Flagler for all or a part of the costs of the acquisition and installation of equipment for certain health care facilities (the "Project," as hereinafter described), and (ii) paying all or a part of the costs of issuing the Bonds; and

WHEREAS, the Project consists of the acquisition and installation of equipment for Flagler's existing health care facilities, including, but not limited to, a Lightspeed CT scanner, an open body magnetic resonance imaging unit, a picture archiving and communications system (film-less X-ray system), an in-house cellular phone system, an ultrasound unit, an anesthesia machine and two radiographic/flouro systems, to be owned and operated by Flagler and to be located at 400 Health Park Boulevard, St. Augustine, Florida, in St. Johns County (the "County"); and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires approval of the issuance of the Bonds by the Board of County Commissioners of St. Johns County, Florida (the "Board of County Commissioners"), as the "applicable elected representative" under such Section 147(f), after a public hearing following reasonable public notice; and

WHEREAS, attached hereto as Exhibits A and B, respectively, are copies of the publisher's affidavit evidencing publication of the Notice of Public Meeting and Hearing held

by the Authority on May 16, 2001, and the resolution authorizing the issuance of the bonds adopted by the Authority on May 16, 2001 (the "Bond Resolution"); and

WHEREAS, the Bonds shall not constitute a debt, liability or obligation of the County, the State of Florida (the "State") or of any political subdivision thereof, other than a limited obligation of the Authority, or a pledge of the faith and credit of the Authority, the County, the State or of any such political subdivision, and neither the Authority, the County, the State nor any political subdivision thereof will be liable on the Bonds, nor will the Bonds be payable out of any funds other than those pledged and assigned under a Loan Agreement (the "Loan Agreement"), between the Authority and Flagler, and other funds provided therefor.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS, FLORIDA, as follows:

SECTION 1. The issuance by the Authority of the Bonds in an aggregate principal amount not to exceed \$7,000,000, for the purposes set forth above, is hereby approved. The Authority is hereby directed to ensure that prior to the issuance of the Bonds each of the following shall occur:

a. The Authority is assured that the project that is being financed with the bond proceeds is a project that qualifies as a project described in Section 159.27(5), Florida Statutes, as amended.

b. The Authority passes or adopts a resolution in which the Authority makes the findings and determinations in regard to the bonds, the bond documents and the project being financed with the bond proceeds that are described in Section 159.29, Florida Statutes, as amended.

c. Each of the bonds contains on its face the statement required by Section 159.33, Florida Statutes, as amended, and includes a statement to the effect that neither the faith and credit nor the taxing power of the Authority, the County, the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on such bond.

d. The Authority receives an opinion from the attorney that represents the Authority as an issuer's counsel for the bonds, dated the date of issuance of the bonds, that has the effect of confirming that the Authority has full power and authority to execute and deliver each of the documents that are signed by the Authority in connection with the issuance of the bonds and that the Authority has full power and authority to perform the Authority's obligations under each such document; that the Authority has full power and authority to issue and deliver the bonds; and that the Authority's execution and delivery of, and compliance with the terms and conditions of, the bond documents and the bonds will not violate or conflict with any provision of the Constitution of the State, any applicable Florida statute or this resolution and will not conflict with or cause a breach of any contract, agreement, or other instrument to which the Authority is a party.

SECTION 2. The Bonds shall not constitute a debt, liability or obligation of the County, the State or of any political subdivision thereof, other than a limited obligation of the Authority, or a pledge of the faith and credit of the Authority, the County, the State or of any such political subdivision, and neither the Authority, the County, the State nor any political subdivision thereof will be liable on the Bonds, nor will the Bonds be payable out of any funds other than those pledged and assigned under the Loan Agreement and other funds provided therefor.

SECTION 3. The approval given herein shall be solely for the purpose of satisfying the requirements of Section 147(f) of the Code and shall not be construed as an approval of any necessary rezoning application or any regulatory permits required in connection with the issuance of the Bonds, and this Board of County Commissioners shall not be construed by virtue of its adoption of this Resolution to have waived, or be estopped from asserting, any rights or responsibilities it may have in that regard.

SECTION 4. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superceded and repealed.

SECTION 5. This Resolution shall take effect immediately upon its adoption.

ADOPTED this 12th day of June, 2001.

BOARD OF COUNTY COMMISSIONERS OF
ST. JOHNS COUNTY, FLORIDA

By: Mare Javalone
Its Chairman

(OFFICIAL SEAL)

ATTEST: Cheryl Strickland, Clerk

By: Cheryl Strickland
Its Clerk

List of Exhibits

- Exhibit A -- Affidavit of Publication
- Exhibit B -- Bond Resolution

EXHIBIT A

Affidavit of Publication

EXHIBIT B

Bond Resolution

RESOLUTION NO. 01- 02

A RESOLUTION OF THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY PROVIDING FOR THE ISSUANCE OF ITS REVENUE BONDS (FLAGLER HOSPITAL, INC. PROJECT), SERIES 2001, IN AN AGGREGATE PRINCIPAL AMOUNT NOT EXCEEDING \$7,000,000, FOR THE PURPOSE OF OBTAINING FUNDS TO LOAN TO FLAGLER HOSPITAL, INC. ("FLAGLER") TO FINANCE THE COSTS OF THE ACQUISITION AND INSTALLATION OF EQUIPMENT AT FLAGLER'S EXISTING HEALTH CARE FACILITIES IN ST. JOHNS COUNTY, FLORIDA, INCLUDING COSTS OF ISSUANCE OF THE BONDS; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT TO PROVIDE SECURITY FOR SUCH BONDS; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT WITH BANC OF AMERICA LEASING & CAPITAL LLC, THE AUTHORITY, FLAGLER AND BANK OF AMERICA, N.A., AS ESCROW AGENT; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE FOREGOING; AUTHORIZING THE CHAIRMAN OF THE AUTHORITY TO AWARD THE PLACEMENT OF THE BONDS TO BANC OF AMERICA LEASING & CAPITAL LLC AND APPROVING THE CONDITIONS OF SUCH PLACEMENT; MAKING CERTAIN OTHER APPOINTMENTS; AND PROVIDING CERTAIN OTHER DETAILS IN CONNECTION THEREWITH.

BE IT RESOLVED by the St. Johns County Industrial Development Authority that:

SECTION 1. AUTHORITY. This Resolution is adopted pursuant to the Constitution of the State of Florida, Parts II and III of Chapter 159, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act").

SECTION 2. TERMINOLOGY. "Chairman" as used herein refers to both the Chairman and Vice Chairman unless specifically indicated otherwise. Throughout this document when reference is made to "Chairman", the Chairman or Vice Chairman may act independently and interchangeably in performing the duties and functions resolved herein. "Secretary" as used herein refers to both the Secretary and Treasurer unless specifically indicated otherwise.

SECTION 3. FINDINGS. The Authority hereby finds, determines and declares as follows:

A. The Authority is a local governmental body and a public instrumentality created and existing under and pursuant to Chapter 159, Part III, Florida Statutes, as amended. As such, the Authority is authorized under the Act to finance the Project as herein contemplated and to fully perform the obligations of the Authority in connection therewith in order to promote the economy of St. Johns County, Florida (the "County"), improve health care, increase and preserve opportunities for gainful employment and purchasing power, improve the prosperity, health and welfare of the State of Florida (the "State") and its inhabitants, and otherwise contribute to the prosperity, health and welfare of the County, and the inhabitants thereof.

B. Flagler Hospital, Inc, a Florida not for profit corporation (the "Borrower"), has requested that the Authority authorize the issuance of its revenue bonds (the "Bonds") in an aggregate principal amount not to exceed \$7,000,000 upon various conditions named therein, in order to loan funds to the Borrower to finance the cost of a capital project consisting of the acquisition and installation of equipment for the Borrower's existing health care facilities, including, but not limited to, a Lightspeed CT scanner, an open body magnetic resonance imaging unit, a picture archiving and communications system (film-less X-ray system), an in-house cellular phone system, an ultrasound unit, an anesthesia machine and two radiographic/flouro systems (collectively, the "Project"), to be owned and operated by the Borrower and to be located at 400 Health Park Boulevard, St. Augustine, Florida, in the County, including costs of issuance of the Bonds.

C. A public hearing on the Borrower's application has been duly held by the Issuer, upon public notice published in a newspaper of general circulation in the County not less than 14 days prior to the scheduled date of such public hearing. At said hearing members of the public were afforded reasonable opportunity to be heard on all matters pertaining to the location and nature of the proposed Project and to the issuance of the Bonds, and upon consideration of the information furnished by the Borrower and other available information, including the information and views presented at such public hearing, the Authority has made the following findings and determinations:

(1) The Authority, as required by the Act, has initially determined that the interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103(a) of the Code, based in part on a certificate to be obtained from the Borrower; and the Bonds will not be issued unless the Authority has received a satisfactory opinion of Bond Counsel regarding the fact that the interest on such Bonds will be excluded from gross income at the time of the delivery of the Bonds.

(2) The Project is a "health care facility" and a "project" within the meaning of and as contemplated by the Act, and is appropriate to the needs and

circumstances of, and shall make a significant contribution to the economic growth of the County, shall improve health care, shall provide or preserve gainful employment and shall serve a public purpose by improving health care and by advancing the economic prosperity and the general welfare of the State and its people and by improving living conditions within the State.

(3) The County will be able to cope satisfactorily with the impact of the Project and will be able to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that will be necessary for the construction, operation, repair and maintenance of the Project and on account of any increases in population or other circumstances resulting therefrom.

(4) Adequate provision has been made in the documents attached hereto for a loan by the Authority to the Borrower to finance the acquisition and installation of the Project and thereafter for the operation, repair and maintenance of the Project at the expense of the Borrower and for the repayment by the Borrower of the loan in installments sufficient to pay the principal of and redemption premium, if any, and the interest on the Bonds and all costs and expenses relating thereto in the amounts and at the times required.

(5) The Authority is not obligated to pay the Bonds except from the proceeds derived from the repayment of the loan to the Borrower, or from the other security pledged and neither the faith and credit of the Authority or the State or any political subdivision thereof, nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds. The Authority has no taxing power.

(6) The Authority and the Borrower will concurrently with the issuance of the Bonds execute the documentation required for the financing of the Project as contemplated hereby.

(7) A negotiated placement of the Bonds is required and necessary and is in the best interest of the Authority for the following reasons: the Bonds will be special and limited obligations of the Authority payable out of moneys derived by the Authority from the Borrower or as otherwise provided herein and will be secured by funds of the Borrower; the Borrower will be required to pay all costs of the Authority in connection with the financing; the cost of issuance of the Bonds, which must be borne directly or indirectly by the Borrower, would most likely be greater if the Bonds are sold at public sale by competitive bids than if the bonds are sold at negotiated sale, and there is no basis, considering prevailing market conditions, for any expectation that the terms and conditions of a sale of the Bonds at public sale by competitive bids would be any more favorable than at negotiated sale; because prevailing market conditions are uncertain, it is desirable to sell the Bonds at a predetermined price; and revenue bonds having the characteristics of the Bonds are typically sold at negotiated sale under prevailing market conditions.

(8) Banc of America Leasing & Capital LLC (the "Purchaser") has provided, or prior to the issuance of the Bonds will provide, to the Authority a disclosure statement containing the information required by Section 218.385(6), Florida Statutes.

(9) The Purchaser has submitted a proposal to purchase the Bonds for its own account pursuant to the terms of a letter to the Borrower hereinafter more particularly described (the "Purchase Contract").

(10) The costs of the Project will be paid from the proceeds of the sale of the Bonds in accordance with the terms of the Agreement and the Escrow Agreement (as hereinafter defined), and these costs constitute "costs" of a "project" within the meaning of the Act.

(11) It is in the best interest of the Authority to award the placement of the Bonds to the Purchaser pursuant to the Purchase Contract.

SECTION 4. FINANCING OF PROJECT AUTHORIZED. The acquisition and installation of the Project and the financing thereof as provided herein is hereby authorized.

SECTION 5. AUTHORIZATION OF BONDS. For the purpose of paying the costs of the Project, subject and pursuant to the provisions hereof and the Agreement (hereinafter defined), the issuance of revenue bonds of the Authority under the authority of the Act, in the original aggregate principal amount of not to exceed \$7,000,000, is hereby authorized. Such Bonds shall be designated "St. Johns County Industrial Development Authority Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001," and subject to the placement thereof as hereinafter provided and payment as provided in the Escrow Agreement by and between the Authority and the escrow agent thereunder, the form of which is attached hereto as Exhibit "A" (the "Escrow Agreement"), shall be issued in the name of and delivered to the purchaser or purchasers designated by Purchaser or as otherwise directed by the Chairman. The sale of the Bonds in the form of a single Bond in an aggregate principal amount which shall not exceed \$7,000,000 at a purchase price of par (less any original issue discount, plus any original issue premium) (the "Purchase Price") and at an initial rate of interest, as approved by the Chairman of not to exceed 5.5% (the "Maximum Initial Rate"), to the Purchaser, is hereby authorized, the Chairman's approval of the sale and the initial rate to be conclusively evidenced by the execution by the Chairman of the Bond to or upon the order of the Purchaser.

The Bonds shall be dated such date, shall bear interest at such rates, shall be payable or shall mature on such date or dates, shall be issued in such denominations, shall be subject to optional extraordinary and mandatory redemption at such time or times, and upon such terms and conditions, shall be payable at the place or places and in the manner, shall be executed and delivered, shall otherwise be in such form and

subject to such terms and conditions, all as provided in the Agreement, as may be established by resolution of the Authority adopted prior to the issuance of the Bonds, or as may be approved by the Chairman, and the authority to approve such matters is hereby expressly delegated to the Chairman, with such approval to be conclusively evidenced by the Chairman's execution of any documents including such terms.

SECTION 6. SPECIAL OBLIGATIONS OF AUTHORITY. The Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a general debt, liability or obligation of the Authority, the County, or the State of Florida or of any political subdivision thereof; or a pledge of the faith and credit of the Authority, the County, or the State of Florida or of any political subdivision thereof; but shall be payable solely from the revenues provided therefor, and the Authority is not obligated to pay the Bonds or the interest thereon except from the revenues and proceeds pledged therefor and neither the faith and credit of the Authority, nor the taxing power of the County, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.

SECTION 7. AUTHORIZATION OF EXECUTION AND DELIVERY OF ESCROW AGREEMENT. In order to provide for the proper disbursement of the proceeds of the Bonds and to secure the payment of the Bonds, the execution and delivery of the Escrow Agreement, a proposed form of which is attached hereto as Exhibit "A," is hereby authorized. The form of the Escrow Agreement is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such form of Escrow Agreement, including any changes, insertions or omissions recommended by Bond Counsel or counsel to the Authority, by either of the officers of the Authority executing the same, in a manner consistent with the provisions of this Resolution, such execution to be conclusive evidence of such approval. Bank of America, N.A., a national banking association, is hereby designated as the initial escrow agent (in such capacity, the "Escrow Agent") under the Escrow Agreement. The Chairman of the Authority is hereby designated and appointed the Authority Representative under the terms of the Escrow Agreement and the Vice Chairman of the Authority is hereby appointed as an alternate Authority Representative.

SECTION 8. AUTHORIZATION OF EXECUTION AND DELIVERY OF LOAN AGREEMENT. As authorized by and in conformity with the Act, it is desirable and in the public interest that the Authority loan funds to the Borrower to pay the costs of the Project, such loan to be evidenced by the Loan Agreement (the "Agreement") between the Authority, the Purchaser, and the Borrower, a proposed form of which is attached hereto as Exhibit "B," and the execution and delivery of the Agreement is hereby authorized, and the assignment of certain rights of the Authority under the Agreement by the Authority to the Purchaser is hereby authorized. The form of the Agreement is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in the form of the

Agreement, including any changes, insertions or omissions recommended by Bond Counsel or counsel to the Authority, by either of the officers of the Authority executing the same and by the Borrower, in a manner consistent with the provisions of this Resolution, such execution to be conclusive evidence of any such approval.

SECTION 9. ASSENTS, ACCEPTANCE AND APPROVALS; ACTIONS. The Chairman and the Secretary are, subject to the terms hereof, hereby authorized and empowered to execute and deliver the Bonds, the Escrow Agreement, the Agreement, and all documents contemplated thereby (including tax certificates and an informational tax return), in each case, subject to such changes and modifications as either of such officers may approve, such execution to be conclusive evidence of any such approval, and to affix thereto or impress thereon, the seal of the Authority.

SECTION 10. GENERAL AUTHORITY. The Authority and the officers, employees and agents of the Authority acting on behalf of the Authority are hereby authorized and directed to execute such documents, instruments and contracts, whether or not expressly contemplated hereby, and to do all acts and things required by the provisions of this Resolution and by the provisions of the Bonds, the Escrow Agreement, and the Agreement authorized herein, as may be necessary for the full, punctual and complete performance of all the terms, covenants, provisions and agreements herein and therein contained, or as otherwise may be necessary or desirable to effectuate the purpose and intent of this Resolution, or as may be requested by the Purchaser, the Borrower or the Escrow Agent. The Chairman and the Secretary are hereby designated as the primary officers of the Authority charged with the responsibility of issuing the Bonds, and the Chairman is hereby authorized to delegate to any other person any of the duties or authorizations of the Chairman or the Secretary hereunder.

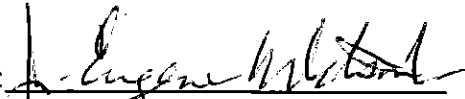
SECTION 11. SEVERABILITY OF INVALID PROVISIONS. In case any one or more of the provisions of this Resolution shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Resolution, and this Resolution shall be construed and enforced as if such illegal or invalid provision had not been contained herein. This Resolution is adopted and the Escrow Agreement and the Agreement shall be executed, and the Bonds shall be issued, with the intent that the laws of the State of Florida shall govern their construction, except as shall otherwise be expressly provided by the terms thereof

SECTION 12. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith are hereby repealed.

SECTION 13. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.


APPROVED AND ADOPTED by the St. Johns County Industrial Development Authority this 16th day of May, 2001.

ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

By: 
Chairman

(SEAL)

ATTEST:

By: 
Secretary

ESCROW AGREEMENT

Among

BANC OF AMERICA LEASING & CAPITAL LLC

as Lender,

ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

as Issuer,

FLAGLER HOSPITAL, INC.

as Borrower,

and

BANK OF AMERICA, N.A.

as Escrow Agent

Dated as of _____, 2001

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made and entered into as of _____, 2001, by and among BANK OF AMERICA, N.A., a national banking association and existing under the laws of the United States of America ("Escrow Agent"), BANC OF AMERICA LEASING & CAPITAL LLC, a limited liability company duly organized and existing under the laws of the State of Delaware ("Lender"), ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of Florida ("Issuer"), and FLAGLER HOSPITAL, INC., a private not for profit corporation duly organized and existing under the laws of the State of Florida ("Borrower").

In the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE 1

RECITALS

Section 1.01. Lender, Issuer and Borrower have entered into a Loan Agreement dated as of _____, 2001 (the "Loan Agreement") whereby Lender and Issuer have agreed to finance for Borrower the acquisition of certain equipment to be located on certain property described in the Loan Agreement (the "Project"), and Borrower has agreed to make Loan Payments (as defined in the Loan Agreement) to Lender, as assignee of Issuer, in the manner and on the terms set forth therein. This Agreement is not intended to alter or change the rights and obligations of Lender, Issuer and Borrower under the Loan Agreement, but is entirely supplemental thereto.

Section 1.02. The terms capitalized in this Agreement but not defined herein shall have the meanings given to them in the Loan Agreement.

Section 1.03. Under the Loan Agreement, upon the satisfaction of certain conditions precedent, Lender is required to deposit or cause to be deposited with Escrow Agent the sum of \$7,000,000 consisting of \$ _____ for the financing of the Acquisition Costs relating to the Equipment (the "Equipment Proceeds") and \$ _____ for the financing of the costs of issuance of the Bond (the "Costs of Issuance"), both of which are to be credited to the Escrow Fund established in Article 2 hereof and used to pay the Acquisition Costs and the Costs of Issuance, and, to the extent not needed for these purposes, to pay or prepay Principal or Interest coming due under the Loan Agreement, all as hereinafter provided. Escrow Agent shall deposit the Equipment Proceeds in the Equipment Sub-Account and the proceeds to be used to pay Costs of Issuance into the Costs of Issuance Sub-Account. Acquisition Costs are defined as the contract price paid or to be paid to the vendors or reimbursed to Borrower for any portion of the Project upon Borrower's acceptance thereof, including administrative, engineering, legal, financial and other costs incurred by Lender, Issuer, Borrower, Escrow

Agent and Vendors in connection with the acquisition, installation and financing by Lender of such Project. Equipment Proceeds shall be defined as \$ _____ for the financing of the Acquisition Costs relating to the Equipment. Any excess funds for the Costs of Issuance in the Escrow Account remaining on _____, 2001 shall be eligible to be expended for Acquisition Costs.

Section 1.04. Under the Loan Agreement, Borrower will cause each portion of the Project to be ordered from or constructed by the Vendor therefor. The purchase price to be paid to the Vendor supplying the portion of the acquisition and installation of the equipment constituting the Project shall be paid from the amount deposited with Escrow Agent as described in Sections 1.03 and 1.04 hereof, in accordance with this Agreement.

Section 1.05. Lender and Borrower agree to employ Escrow Agent, and the Issuer consents to such arrangement, to receive, hold, invest and disburse the moneys paid to Escrow Agent by Lender as described in Section 1.03, all as hereinafter provided; however, Escrow Agent shall not be obligated to assume or perform any obligation of Lender, Issuer or Borrower or any Vendor with respect thereto or under the Loan Agreement by reason of anything contained in this Agreement.

Section 1.06. Each of the parties has authority to enter into this Agreement, and has taken all actions necessary to authorize the execution of this Agreement by the officers whose signatures are affixed hereto.

ARTICLE 2

ESCROW FUND

Section 2.01. Escrow Agent shall establish a special escrow fund designated as the "St. Johns County Industrial Development Authority Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001 Escrow Fund" (the "Escrow Fund"), consisting of two sub-accounts, the Equipment Sub-Account and the Costs of Issuance Sub-Account, shall keep such Escrow Fund separate and apart from all other funds and moneys held by it and shall administer such Escrow Fund as provided in this Agreement.

Section 2.02. All moneys paid to Escrow Agent by Lender pursuant to Section 1.03 of this Agreement shall be credited to the Escrow Fund. The moneys in the Costs of Issuance Sub-Account will be used to pay the Costs of Issuance of the Bond not to exceed an amount equal to two (2) percent of the issue size and shall be requisitioned from the Costs of Issuance Sub-Account with a Payment Request Form attached hereto as Exhibit A, revised and completed to reflect that Borrower is requisitioning the funds for payment of the Costs of Issuance.

The moneys in the Equipment Sub-Account will be used to pay the Acquisition Cost of each item of Equipment. For each disbursement from the Equipment Sub-Account, Borrower shall provide Lender with a Payment Request Form attached hereto as Exhibit A, executed by Borrower, fully completed and with all supporting documents described therein attached

thereto; *provided, however*, notwithstanding any other provision in this Agreement, or the Loan Agreement to the contrary, moneys in the Equipment Sub-Account shall not be requisitioned by the Borrower to the Escrow Agent for disbursement to Borrower or any Vendor until Borrower satisfies the requirements set forth in Sections 3.01 and 3.02 of the Loan Agreement. Upon receipt of a Payment Request Form in the form of Exhibit A hereto executed on behalf of Lender and Borrower, Escrow Agent shall disburse proceeds from the Equipment Sub-Account in such amounts and to such parties as directed therein. Escrow Agent shall have no duty to verify the completeness or accuracy of any Payment Request Form or any supporting documents attached or referenced therein. Borrower shall submit Payment Request Forms only for portions of the Equipment that are functionally complete and operationally independent.

Section 2.03. Borrower shall furnish to Lender as soon as available a copy of the purchase order for the acquisition and equipping of the Project ordered pursuant to the Loan Agreement, showing the Acquisition Cost and the estimated delivery date. On _____, 2001, or such earlier time that the acquisition and equipping of the Project is completed, at the written request of Lender, Escrow Agent shall pay to Lender an amount equal to the entire remaining balance on deposit in the Escrow Fund, less the sum of the following (as provided in written direction to the Escrow Agent by Lender): (a) an amount equal to the Acquisition Cost of all portions of the Project for which Lender has received a fully and properly completed Payment Request Form and which has not been paid and (b) the amount of any deposit by Borrower pursuant to Section 3.04 hereof remaining on deposit in the Escrow Fund (which remaining amount shall be paid to Borrower). The amount paid to Lender shall be applied to the Principal and/or Interest portion of the Loan Payments as determined by Lender with notice to the Borrower. Upon payment as described in the preceding sentence, Lender shall prepare a revised Exhibit A to the Loan Agreement (which shall be effective without the consent of Borrower or Issuer) reflecting such payment.

Section 2.04. Upon receipt of written notice from Lender or Borrower that an Event of Default has occurred under the Loan Agreement or that Borrower has determined not to complete the acquisition and equipping of the Project, Escrow Agent shall liquidate all investments held in the Escrow Fund and transfer the proceeds thereof and all other moneys held in the Escrow Fund to Lender to be applied first to interest accrued on the Loan and next to the Principal portion of the Loan Payments in the inverse order of maturity. Such application of funds shall be determined by the Lender.

Section 2.05. Escrow Agent shall only be responsible for the safekeeping and investment of the moneys held in the Escrow Fund, and the disbursement thereof in accordance with this Article, and shall not be responsible for the authenticity or accuracy of such certifications or documents, the application of amounts paid pursuant to such certifications by the persons or entities to which they are paid, or the sufficiency of the moneys credited to the Escrow Fund to make the payments herein required.

ARTICLE 3

MONEYS IN ESCROW FUND; INVESTMENT

Section 3.01. The moneys and investments held by Escrow Agent under this Agreement are irrevocably held in trust for the benefit of Borrower, Issuer and Lender, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of Borrower, Issuer or Lender. Lender, Issuer and Borrower intend that the Escrow Fund constitute an escrow account in which Borrower has no legal or equitable right, title or interest until satisfaction in full of all conditions contained herein and in the Loan Agreement for the disbursement of funds by Escrow Agent therefrom. However, if the parties' intention that Borrower shall have no legal or equitable right, title or interest until all conditions for disbursement are satisfied in full is not respected in any legal proceeding, Lender, Issuer and Borrower intend that Lender have a security interest in the Escrow Fund, and such security interest is hereby granted to Lender by Borrower, to secure payment of all sums due to Lender, in its own capacity as assignee of Issuer, under the Loan Agreement. For such purpose, Escrow Agent hereby agrees to act as agent for Lender in connection with the perfection of such security interest and agrees to note, or cause to be noted, on all books and records relating to the Escrow Fund, Lender's interest therein. For purposes of the Escrow Agent acting as agent to Lender, for the perfection of security interests for Lender by Escrow Agent, the Escrow Agent shall be entitled to receive written instructions from Lender.

Section 3.02. Moneys held by Escrow Agent in the Equipment Sub-Account shall be invested and reinvested by Escrow Agent upon written instructions of Borrower only in Qualified Investments, as defined in Section 3.05. Such investments shall be registered in the name of Escrow Agent and held by Escrow Agent for the benefit of Lender, Issuer and Borrower. With the written approval of Borrower, Escrow Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Article. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available.

Section 3.03. Escrow Agent shall, without further direction from Borrower, sell such investments as and when required to make any payment from the Equipment Sub-Account. Any income received on such investments shall be credited to and become a part of the Equipment Sub-Account.

Section 3.04. Escrow Agent shall furnish to Borrower and Lender reports accounting for all investments and interest and income therefrom. Such accounting shall be furnished no less frequently than every three months and upon request of Lender or Borrower. None of Lender, Issuer or Escrow Agent shall be responsible or liable for any loss suffered in connection with any investment of moneys made by Escrow Agent in accordance with this Article. In the event funds in the Escrow Fund are insufficient to pay the Acquisition Costs of the Project, Borrower shall deposit additional funds into the Escrow Fund to be disbursed in accordance with the provisions hereof, and such additional funds deposited by Borrower shall

be disbursed from the Escrow Fund before any other funds held in the Escrow Fund. In the event that written directions are not received from the Borrower, the Escrow Agent is authorized to invest the Escrow Fund in _____.

Section 3.05. As used in this Agreement, the term "Qualified Investments" means (a) securities which are general obligations of or are guaranteed as to the payment of principal and interest by the United States of America; (b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; (c) commercial paper issued by corporations organized under the laws of a state of the United States which is rated in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service, Inc.; (d) money market funds registered under the Investment Company Act of 1940, if required, whose shares are registered under the Securities Act of 1933 and which have a rating of "AAAm-G," "AAAm" or "AAM" of Standard & Poor's Corporation; (e) certificates of deposit issued by or other forms of deposit in any national or state bank to the extent that such deposits are fully insured by the Federal Deposit Insurance Corporation or any successor agency which is backed by the full faith and credit of the United States; or (f) any other investment consented to by Lender.

ARTICLE 4

ESCROW AGENT'S AUTHORITY; INDEMNIFICATION

Section 4.01. Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited with it, nor as to the identity, authority or right of any person executing the same; and its duties hereunder shall be limited to those specifically provided herein.

Section 4.02. Unless Escrow Agent is guilty of gross negligence or willful misconduct with regard to its duties hereunder, Borrower hereby agrees to indemnify Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement; and in connection therewith, to indemnify Escrow Agent against any and all expenses, including reasonable attorneys' fees and expenses and the cost of defending any action, suit or proceeding or resisting any claim. Escrow Agent shall be vested with a lien on all property deposited hereunder for indemnification, for reasonable attorneys' fees and expenses, court costs, for any suit, interpleader or otherwise, or any other expenses, fees or charges of any character or nature, which may be incurred by Escrow Agent by reason of disputes arising among Borrower, Issuer and Lender as to the correct interpretation of the

Loan Agreement or this Agreement and instructions given to Escrow Agent hereunder, or otherwise, with the right of Escrow Agent, regardless of the instructions aforesaid, to hold the said property until and unless said additional expenses, fees and charges shall be fully paid.

Section 4.03. If Borrower, Issuer or Lender shall be in disagreement about the interpretation of the Loan Agreement or this Agreement, or about the rights and obligations, or the propriety of any action contemplated by Escrow Agent hereunder, Escrow Agent may, but shall not be required to, file an appropriate civil action to resolve the disagreement. Escrow Agent shall be indemnified by Borrower for all costs, including reasonable attorneys' fees and expenses, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in such action is received.

Section 4.04. Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. Escrow Agent shall otherwise not be liable for any mistakes of facts or errors of judgment, or for any acts or omissions of any kind unless caused by its negligence or misconduct.

Section 4.05. Escrow Agent may, but shall not be required to, defend itself in any legal proceedings which may be instituted against it or it may, but shall not be required to, institute legal proceedings in respect to the Escrow Funds, or any part thereof. Escrow Agent shall be indemnified and held harmless against the cost and expense of any such defense or action.

Section 4.06. Escrow Agent shall make payment to or for, or deliver documents to, any party only if in its judgment such payment or delivery may be made under the terms of this Agreement without its incurring any liability. If conflicting demands not expressly provided for in this Agreement are made or notices served upon Escrow Agent with respect to its action or omission under this Agreement, the parties hereto agree that Escrow Agent shall have the absolute right to elect to do either or both of the following: (i) withhold and stop all future actions or omissions on its part under this Agreement, or (ii) file a suit in interpleader or for instructions or for a declaratory judgment for other relief and obtain an order from the proper court requiring the parties to litigate in such court their conflicting claims and demands. In the event any such action is taken, Escrow Agent shall be fully released and discharged from all obligations to perform any duties or obligations imposed upon it by this Agreement unless and until otherwise ordered by the court.

ARTICLE 5

ESCROW AGENT'S COMPENSATION

Borrower hereby agrees to pay Escrow Agent as compensation for the services to be rendered hereunder the amounts set forth in Exhibit B hereto, and will pay and/or reimburse Escrow Agent upon request for all expenses, disbursements and advances, including reasonable attorneys' fees and expenses, incurred or made by it in connection with carrying out its duties hereunder. Escrow Agent's initial fee shall be payable upon execution of this Agreement.

ARTICLE 6

CHANGE OF ESCROW AGENT

Section 6.01. A national banking association located in the United States or a state bank or trust company organized under the laws of a state of the United States, qualified as a depository of public funds, may be substituted to act as Escrow Agent under this Agreement upon written agreement of Borrower and Lender. Any such substitution shall take place 30 days after receipt by the Escrow Agent of joint written notice from Borrower and Lender. Such substitution shall not be deemed to affect the rights or obligations of the parties. Upon receipt of joint written notification of any such substitution, Escrow Agent agrees to assign to such substitute Escrow Agent its rights under this Agreement. Notwithstanding anything to the contrary contained herein, no such removal shall become effective until such time as the Borrower shall have paid to the Escrow Agent all fees, charges and expenses owing to the Escrow Agent together with all fees and expenses (including reasonable attorneys' fees and expenses) incurred by the Escrow Agent in connection with such removal.

Section 6.02. Escrow Agent or any successor may at any time resign by giving mailed notice to Borrower, Issuer and Lender of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by Borrower, Issuer and Lender. In the event that a successor escrow agent is not named during the foregoing 45 day period, the Escrow Agent is authorized to place the Escrow Fund with a court of competent jurisdiction. Upon placement of the Escrow Fund with a court of competent jurisdiction, the Escrow Agent shall be relieved of all its duties in its capacity as such.

Section 6.03. Escrow Agent may appoint an agent to exercise any of the powers, rights or remedies granted to Escrow Agent under this Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

ARTICLE 7

ADMINISTRATIVE PROVISIONS

Section 7.01. Escrow Agent shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by Borrower, Issuer or Lender, or the agent of any of them, at any time during regular business hours.

Section 7.02. All notices, certificates, requests, demands and other communications provided for hereunder shall be in writing and shall be (a) personally delivered, (b) sent certified, return receipt requested, United States mail, (c) sent by overnight courier of national reputation, or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth below and, if telecopied, transmitted to that party at its

telecopier number set forth below or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (a) the date received if personally delivered, (b) two business days after deposit in the mail if delivered by mail, (c) the date sent if sent by overnight courier, or (d) the date of transmission if delivered by telecopy.

Section 7.03. This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

Section 7.04. Any provisions of this Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement or the Loan Agreement.

Section 7.05. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Specifically, as used herein the term "Lender" means any person or entity to whom Lender has assigned its right to receive payments under the Loan Agreement and any payments due to Lender hereunder from after the date when a duplicate original of such assignment is filed with Escrow Agent.

Section 7.06. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 7.07. This Agreement shall terminate upon disbursement by Escrow Agent of all moneys held by it hereunder.

Section 7.08. This Agreement (and, with respect to Lender, Issuer and Borrower, together with the Loan Agreement) constitutes the entire agreement of the parties relating to the subject matter hereof.

Section 7.09. To the extent permitted by law, the terms of this Agreement shall not be waived altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Borrower and Lender may agree to amend the date specified in Section 2.03 to a date no more than three years after the closing. Such amendment shall be effected by written agreement signed by Borrower and Lender. Issuer's and Escrow Agent's consent to the amendment referred to in this paragraph shall not be required, but written notice to such parties shall be given.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

**BANC OF AMERICA LEASING &
CAPITAL LLC, Lender**

By: _____
Name: _____
Title: _____

Address:
555 California Street, 4th Floor
San Francisco, California 94104
Telephone: (415) 765-1873
Telecopier: (415) 646-8156

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY, Issuer**

By: _____
Name: _____
Title: _____

Attest:

By: _____
Name: _____
Title: _____

Address:
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 32095
Telephone: (904) 274-3800
Telecopier: (904) 274-3804

**BANK OF AMERICA, N.A.,
Escrow Agent**

By: _____
Name: _____
Title: _____

Address:

Telephone: () -
Telecopier: () -

**FLAGLER HOSPITAL, INC.,
Borrower**

By: _____
Name: _____
Title: _____

Address:
400 Health Park Boulevard
St. Augustine, Florida 32086
Telephone: (904) 819-4400
Telecopier: (904) 819-4472

Exhibit A to Escrow Agreement

FORM OF PAYMENT REQUEST FORM (EQUIPMENT/COSTS OF ISSUANCE)

Payment Request Form No. _____

FLAGLER HOSPITAL, INC., as borrower ("Borrower") under that certain Loan Agreement dated as of _____, 2001 (the "Loan Agreement"), by and among ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY ("Issuer"), BANC OF AMERICA LEASING & CAPITAL LLC ("Lender") and Borrower, hereby requests BANK OF AMERICA, N.A., a national banking association, as escrow agent ("Escrow Agent") under the Escrow Agreement dated as of _____, 2001 (the "Escrow Agreement") among Escrow Agent, Lender, Issuer and Borrower, to make payment from the designated sub-account (as defined in the Escrow Agreement) to the following party or parties, at the addresses set forth below:

<u>Payee</u>	<u>Address</u>	<u>Amount to Be Paid</u>	<u>[Acquisition Cost] [Cost of Issuance]</u>
--------------	----------------	------------------------------	--

In connection therewith, the undersigned officer of Borrower hereby certifies as follows:

All of the provisions of the Loan Agreement are incorporated herein by reference and capitalized terms used herein and not defined shall have the meanings assigned to them in the Loan Agreement.

The item of Equipment subject to this Payment Request Form comprises an item of the Equipment described in the Loan Agreement, and has been delivered to, tested and inspected by, and accepted by Borrower. The Equipment subject to this Payment Request Form is functionally complete and operationally independent.

The payments to be made to the payees set forth above are for either the costs of issuance or the acquisition or installation of the Equipment described above, reimbursement to Borrower therefor, or payment of principal of interim debt incurred by Borrower to pay such costs, and the payments have not been the basis for a prior request which has been paid, and the amount remaining in the Equipment Sub-Account is sufficient to pay the remaining Acquisition Costs of the Equipment.

All of Borrower's representations, covenants and warranties contained in the Loan Agreement were true and accurate in all material respects as of the date made, and remain true and accurate in all material respects as of the date of this Payment Request Form, and Borrower has fully and satisfactorily performed all of its covenants and obligations to date required under the Loan Agreement, including, but not limited to, Sections 3.01 and 3.02

thereof. No Default or Event of Default has occurred under the Loan Agreement. All of the conditions contained in Article III of the Loan Agreement have been satisfied.

This request for payment contains no items representing payment on account of any retained percentage entitled to be retained by Borrower at the date hereof.

The undersigned has reviewed the provisions of the Non-Arbitrage Certificate, and the payment of this requisition will not result in any proceeds of the obligation evidenced by the Loan Agreement being expended in violation of the provisions of the Non-Arbitrage Certificate.

Attached hereto as Attachment A are invoices and/or bills of sale relating to the Equipment and, if such invoices have been paid by Issuer or Borrower, evidence of payment thereof. As provided in Section 12.07 of the Loan Agreement, upon execution of this Payment Request Form by Borrower and Lender, Exhibit A to the Loan Agreement shall be amended to include the specific equipment listings and descriptions contained in the invoices and/or bills of sale attached hereto.

If this Payment Request Form relates to the final disbursement from the Escrow Sub-Account Escrow Fund, attached hereto as Attachment B is an executed Certificate of Acceptance in the form required by the Loan Agreement.

Attached hereto as Attachment C is an insurance certificate in the form required by the Loan Agreement.

This request does not request reimbursement for any payment or payments paid before the date which was sixty days prior to _____.

Borrower understands that Lender is relying on the certifications herein with regard to and in connection with approving the disbursement requested hereby.

If this request for payment relates to any vehicle subject to certificate of title laws, attached hereto is the manufacturer's statement of origin (MSO) and the title application naming Lender, as first lienholder.

APPROVED BY LENDER:

BORROWER:

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Exhibit B to the Escrow Agreement

ESCROW AGENT COMPENSATION

ADMINISTRATION FEE: \$500 per year, payable in advance.

DISCLOSURE

When extraordinary duties or additional services are required or requested, additional fees will be charged.

LOAN AGREEMENT

among

BANC OF AMERICA LEASING & CAPITAL LLC

as Lender,

and

ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

as Issuer,

and

FLAGLER HOSPITAL, INC.

as Borrower

Dated as of _____, 2001

**This instrument constitutes a security agreement
under the Florida Uniform Commercial Code.**

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LOAN AGREEMENT

Lender: Banc of America Leasing & Capital LLC
555 California Street, 4th Floor
San Francisco, California 94104
Attention: Vice President
Telephone: (415) 765-1873
Telecopier: (415) 765-7373

Issuer: St. Johns County Industrial Development Authority
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 34205
Attention: Chairman
Telephone: (904) 823-2458
Telecopier: (904) 823-2575

Borrower: Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32095
Attention: Lynda Kirker
Telephone: (904) 819-4400
Telecopier: (904) 819-4472

THIS LOAN AGREEMENT dated as of _____, 2001 (this "Agreement") among Banc of America Leasing & Capital LLC, a Delaware limited liability company, as lender (with its successors and assigns, "Lender"), St. Johns County Industrial Development Authority, a special district duly organized and validly existing under the laws of the State of Florida (the "State"), as issuer ("Issuer"), and Flagler Hospital, Inc., a not for profit corporation organized under the laws of the State, as borrower ("Borrower").

WHEREAS, Issuer is authorized and empowered under the laws of the State, including the Constitution of the State of Florida and the Florida Industrial Development Financing Act being Part II of Chapter 159, and together with Part III of Chapter 159, of the Florida Statutes, as amended and supplemented (the "Act"), to issue revenue bonds and to enter into loan agreements, contracts and other instruments and documents necessary or convenient to obtain loans for the purpose of facilitating the financing of certain projects as described in the Act; and

WHEREAS, in furtherance of the purposes of the Act, Issuer proposes to finance all or a portion of the acquisition and equipping of the Project (as hereinafter defined) by Borrower pursuant to this Agreement by issuing its \$7,000,000 St. Johns County Industrial Development Authority Revenue Bond (Flagler Hospital, Inc. Project), Series 2001 (the "Bond"), and lending the proceeds thereof to Borrower; and

WHEREAS, Borrower proposes to borrow the proceeds of the Bond upon the terms and conditions set forth herein to finance the acquisition and equipping of the Project; and

WHEREAS, Borrower shall make Loan Payments (as hereinafter defined) directly to Lender as assignee of Issuer and holder of the Bond pursuant to the terms set forth in this Agreement; and

WHEREAS, this Agreement and the Bond shall not be deemed to constitute a debt or liability or moral obligation of St. Johns County, Florida (the "County"), the State or any political subdivision thereof, or a pledge of the faith and credit or taxing power of the County, the State or any municipal corporation thereof, but shall be a special obligation payable solely from the Loan Payments payable hereunder by Borrower to Lender as assignee of Issuer and holder of the Bond;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the premises contained in this Agreement, Lender, Issuer and Borrower agree as follows:

[Remainder of Page Intentionally Left Blank]

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.01 Definitions.

The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise:

“Accredited Investor” shall mean prospective purchasers of the Bond who qualify as “accredited investors” under any of the following categories at the time of the sale of the Bond to that person or entity: (i) a bank, as defined in Section 3(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; (ii) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); (iii) an insurance company, as defined in Section 2(13) of the Securities Act; (iv) an investment company registered under the Investment Company Act of 1940; (v) an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the Bonds, with total assets in excess of \$5,000,000; (vi) a natural person whose individual net worth, or joint net worth with that person’s spouse at the time of his purchase exceeds \$1,000,000; (vii) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year; and (viii) a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Bonds, whose purchase is directed by a sophisticated person as described in 17 C.F.R. §230.506(b)(2)(ii) promulgated under the Securities Act.

“Additional Collateral” means the equipment and fixtures described on Exhibit H hereto.

“Acquisition Costs” means the contract price paid or to be paid to the Vendors or reimbursed to Borrower for any portion of the Project upon Borrower’s acceptance thereof, including administrative, engineering, legal, financial and other costs incurred by Lender, Issuer, Borrower, Escrow Agent and Vendors in connection with the acquisition, installation and financing by Lender of such Project, which Acquisition Costs are set forth in Exhibit G hereto.

“Agreement” means this Agreement, including all exhibits hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

“Bond” means Issuer’s \$7,000,000 St. Johns County Industrial Development Authority Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001, in the form attached hereto as Exhibit F as a single bond certificate.

“Borrower” means Flagler Hospital, Inc., a not for profit corporation organized under the laws of Florida.

“Business Day” means a day other than a Saturday or Sunday on which banks are generally open for business in New York, New York.

“Certificate of Acceptance” means a Certificate of Acceptance, in substantially the form set forth as Exhibit B hereto, whereby Borrower acknowledges receipt in good condition of particular portions of the Project identified therein and confirms the date of delivery thereof and certain other matters.

“Code” means the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder.

“Default” means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article XI hereof.

“Determination of Taxability” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by Lender of counsel qualified in such matters, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this Agreement or promulgation of any income tax regulation or ruling by the Internal Revenue Service that causes an Event of Taxability after the date of this Agreement; or

(c) if upon sale, lease or other deliberate action taken with respect to the Project within the meaning of Treas. Reg. § 1.141-2(d), the failure to receive an unqualified opinion of bond counsel to the effect that such deliberate action will not cause interest payable by Borrower hereunder to become includable in the gross income of the recipient.

“Environmental Laws” has the meaning ascribed thereto in paragraph (h) of Article V hereof.

“Equipment” means the Project financed or refinanced with the proceeds of the Bond and the Loan, including (without limitation) the Project identified in Exhibit G hereto to be used in connection with Borrower’s operations (including, to the extent permitted pursuant to the Code without jeopardizing the tax-exempt status of the Interest, certain items originally financed through internal advances of Borrower or interim financing in anticipation of obtaining permanent financing through Issuer).

“Equipment Proceeds” means \$ _____ for the financing of the Acquisition Costs relating to Equipment.

“Escrow Agent” means Bank of America, N.A., a national banking association, as escrow agent under the Escrow Agreement, and its successors and assigns permitted under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated as of _____, 2001 among Lender, Issuer, Borrower and Escrow Agent.

“Escrow Fund” means the fund established and held by Escrow Agent pursuant to the Escrow Agreement.

“Event of Default” has the meaning assigned to such term in Section 11.01 hereof.

“Event of Taxability” means if as the result of any act, failure to act or use of the proceeds of the Loan, a change in use of the Project or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement, the Non-Arbitrage Certificate or any related document by Issuer or Borrower or the enactment of any federal legislation after the date of this Agreement or the promulgation of any income tax regulation or ruling by the Internal Revenue Service after the date of this Agreement, the Interest is or becomes includable in Lender’s gross income.

“Gross-Up Rate” means, with respect to any Interest payment (including payments made prior to the Event of Taxability), the rate necessary to calculate a total payment in an amount sufficient such that the sum of the Interest payment plus an additional payment would, after reduced by the federal tax (including interest and penalties) actually payable thereon, equal the amount of the Interest payment.

“Hazardous Waste or Materials” has the meaning ascribed thereto in Section 7.05 hereof.

“Interest” means the portion of any payment from Issuer to Lender designated as and comprising interest as shown in Exhibit A hereto.

“Issuer” means St. Johns County Industrial Development Authority acting as issuer under this Agreement.

“Lender” means (i) Banc of America Leasing & Capital LLC, acting as lender under this Agreement, (ii) any surviving, resulting or transferee corporation of Banc of America Leasing & Capital LLC, and (iii) except where the context requires otherwise, any assignee(s) of Lender.

“Loan” means the loan from Issuer to Borrower pursuant to this Agreement.

“Loan Payments” means the loan payments payable by Borrower pursuant to the provisions of this Agreement and the Bond as specifically set forth in Exhibit A hereto. As provided in Article II hereof, Loan Payments shall be payable by Borrower directly to Lender, as assignee of Issuer and holder of the Bond, in the amounts and at the times as set forth in Exhibit A hereto.

“Loan Proceeds” means the total amount of money to be paid pursuant to Section 2.02 hereof by Lender to Escrow Agent for deposit and application in accordance with the Escrow Agreement.

“Non-Arbitrage Certificate” means a Non-Arbitrage Certificate of even date herewith executed by Borrower or Issuer, as the case may be.

“Permitted Exceptions” has the meaning prescribed to such term in Exhibit I.

“Prepayment Amount” means the amount which Borrower may or must from time to time pay or cause to be paid to Lender as assignee of Issuer and holder of the Bond in order to prepay the Loan and the Bond, as provided in Section 2.07 hereof, such amounts being set forth in Exhibit A hereto, together with accrued interest and all other amounts due hereunder.

“Premises” means the land and buildings located at 400 Health Park Boulevard, St. Augustine, Florida 32086, the place where the Project will be located.

“Principal” means the portion of any Loan Payment designated as principal in Exhibit A hereto.

“Project” means the property described on Exhibit G hereto located on the real property described therein.

“Purchase Agreements” means Borrower’s purchase agreements with Vendors of the Project.

“State” means the State of Florida.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“UCC” means the Uniform Commercial Code as adopted and in effect in the State.

“Vendor” means the contractor, manufacturer, vendor or seller of any portion of the Project, as well as the agents or dealers of a manufacturer, from whom Borrower has purchased or is purchasing any portion of the Project.

Section 1.02 Exhibits.

The following exhibits are attached hereto and made a part hereof:

Exhibit A: Schedule of Loan Payments setting forth the Loan Payments and Prepayment Amounts relating to Equipment.

Exhibit B: Form of Certificate of Acceptance.

Exhibit C: Form of opinion of counsel to Borrower.

Exhibit D: Form of opinion of counsel to Issuer.

Exhibit E: Form of opinion of bond counsel.

Exhibit F: Form of Bond.

Exhibit G: Schedule of Equipment and Acquisition Costs describing the Equipment and the Project. Borrower and Issuer hereby authorize Lender to insert in Exhibit G the serial or other identifying numbers relating to the Equipment when available.

Exhibit H: Additional Collateral.

Exhibit I: Permitted Exceptions.

Section 1.03 Rules of Construction.

(a) The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivision of this Agreement as originally executed. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

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ARTICLE II

FINANCING OF PROJECT AND TERMS OF LOAN

Section 2.01 Acquisition of Project.

Borrower either has acquired, improved, constructed, installed, equipped or ordered or shall acquire, improve, construct, install, equip or order the Project pursuant to one or more Purchase Agreements from one or more Vendors. Borrower shall remain liable to the Vendor or Vendors in respect of its duties and obligations in accordance with each Purchase Agreement and shall bear the risk of loss with respect to any loss or claim relating to any of the Project covered by any Purchase Agreement, and neither Lender nor Issuer shall assume any such liability or risk of loss. Borrower covenants and agrees to pay or cause to be paid such amounts as may be necessary to complete the improvements, construction, acquisition, equipping and installation of the Project and to ensure that the Project are operational to the extent that the Loan Proceeds is insufficient to cause such improvement, acquisition, equipping and installation.

Section 2.02 Issuance of Bond; Loan.

Lender hereby agrees, subject to the terms and conditions of this Agreement, to purchase the Bond, as a private placement and not with the intent for resale, in the amount of \$7,000,000; Issuer hereby agrees, subject to the terms and conditions of this Agreement, to issue the Bond and to lend the proceeds thereof to Borrower; and Borrower hereby agrees to borrow such proceeds from Issuer and agrees that no more than 2% of such amount will be used to pay the costs of issuing the Bond. Upon fulfillment of the conditions set forth in Article III hereof, the Bonds shall be issued by the Issuer and Lender shall deposit the Loan Proceeds in the Escrow Fund to be held, invested and disbursed as provided in the Escrow Agreement. The purchase of the Bond by the Lender is understood (i) to be for the Lender's own account, (ii) not to be undertaken with a view for distribution to the public, and (iii) to be based upon an investigation into matters relating to the business affairs or conditions of the Borrower (and not the Issuer) by the Lender. The Lender acknowledges that it is an Accredited Investor. Issuer's obligation to make payments on the Bond, and Borrower's obligation to repay the Loan, shall commence, and interest shall begin to accrue, on the date that Loan Proceeds are deposited in the Escrow Fund.

Section 2.03 Interest.

The principal amount of the Bond and the Loan hereunder outstanding from time to time shall bear interest (computed on the basis of actual days elapsed in a 365-day year) at the rate of four and three hundred thirty-nine one-thousandths percent (4.339%) per annum. Interest accruing on the principal balance of the Bond and the Loan outstanding from time to time shall be payable as provided in Exhibit A and in the Bond and upon earlier demand in accordance with the terms hereof or prepayment in accordance with the terms of the Bond and Section 2.07 hereof. Upon the occurrence of a Determination of Taxability, Borrower shall,

with respect to future interest payments, begin making Loan Payments calculated at the Gross-Up Rate. In addition, Borrower shall make immediately upon demand of Lender a payment to Lender sufficient to supplement prior Loan Payments to the Gross-Up Rate.

Section 2.04 Payments.

Issuer shall pay the principal of, premium, if any in accordance with Section 2.07 hereof, and interest on the Bond, but only out of the amounts paid by Borrower pursuant to this Agreement. Borrower shall pay to Lender, as assignee of Issuer, Loan Payments, in the amounts and on the dates set forth in Exhibit A hereto. Additionally, Borrower shall pay to Lender, as assignee of Issuer and holder of the Bond, an amount equal to the product of (i) [12%] per annum and (ii) the delinquent amount of any Loan Payment not paid when due. As security for its obligation to pay the principal of, premium, if any in accordance with Section 2.07 hereof, and interest on the Bond, Issuer assigns to Lender all of Issuer's right to receive Loan Payments from Borrower hereunder, all of Issuer's rights hereunder and under the Escrow Agreement (except as to indemnification rights and notice rights) and all of Issuer's right, title and interest in and to the Project, and Issuer irrevocably constitutes and appoints Lender and any present or future officer or agent of Lender as its lawful attorney, with full power of substitution and resubstitution, and in the name of Issuer or otherwise, to collect the Loan Payments and any other payments due hereunder and under the Bond and to sue in any court for such Loan Payments or other payments, to exercise all rights hereunder with respect to the Project, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Agreement upon any terms. Such Loan Payments and other payments shall be made by Borrower directly to Lender, as Issuer's assignee and holder of the Bond, and shall be credited against Issuer's payment obligations hereunder and under the Bond. No provision, covenant or agreement contained in this Agreement or any obligation imposed on Issuer herein or under the Bond, or the breach thereof, shall constitute or give rise to or impose upon Issuer a pecuniary liability, a charge upon its general credit or taxing powers or a pledge of its general revenues. In making the agreements, provisions and covenants set forth in this Agreement, Issuer has not obligated itself except with respect to the Project and the application of the Loan Payments to be paid by Borrower hereunder. All amounts required to be paid by Borrower hereunder shall be paid in lawful money of the United States of America in immediately available funds. No recourse shall be had by Lender or Borrower for any claim based on this Agreement, the Bond or the Non-Arbitrage Certificate against any member, director, officer, employee or agent of Issuer alleging personal liability on the part of such person, unless such claim is based on the willful dishonesty of or intentional violation of law by such person.

Section 2.05 Payment on Non-Business Days.

Whenever any payment to be made hereunder or under the Bond shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or the fees hereunder, as the case may be.

Section 2.06 Loan Payments To Be Unconditional.

The obligations of Borrower to make the Loan Payments required under this Article II and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any failure of the Project to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between Borrower and any of Issuer, Lender, any Vendor or any other person, Borrower shall make all Loan Payments when due and shall not withhold any Loan Payments pending final resolution of such dispute, nor shall Borrower assert any right of set-off or counterclaim against its obligation to make such payments required under this Agreement.

Section 2.07 Prepayments.

(a) Borrower may, in its discretion, prepay the Loan and the Bond in whole (but not in part) at any time on _____, 20__ by paying the applicable Prepayment Amount.

(b) Borrower shall prepay the Loan and the Bond in whole or in part at any time pursuant to Article IX hereof by paying the applicable Prepayment Amount.

(c) Borrower shall prepay the Loan and the Bond in full immediately upon demand of Lender after the occurrence of an Event of Default by paying the applicable Prepayment Amount.

(d) Borrower shall prepay the Loan and the Bond in full immediately upon demand of Lender after the occurrence of a Determination of Taxability by paying the applicable Prepayment Amount plus an amount necessary to supplement the prior Loan Payments to the Gross-Up Rate.

(e) The amounts due hereunder shall be repaid, and the amounts due under the Bond shall be paid, in part with funds remaining in the Escrow Fund upon termination of the Escrow Agreement as provided in Sections 2.03 or 2.04 of the Escrow Agreement.

Upon any prepayment in part of the Loan and the Bond other than pursuant to Section 2.03 of the Escrow Agreement, the prepayment shall be applied first to interest accrued thereon and next to the Principal portion of the Loan Payments in the inverse order of maturity.

Section 2.08 Security.

The obligations of Borrower to make the Loan Payments required by this Article II and to make other payments hereunder and to perform or observe the covenants and agreements contained herein shall be secured, among other things, by a first priority security interest in the Project.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 Conditions Precedent to Closing.

Lender's agreement to purchase the Bond and to deposit the Loan Proceeds in the Escrow Fund shall be subject to the condition precedent that Lender shall have received all of the following, each in form and substance satisfactory to Lender:

- (a) This Agreement, properly executed on behalf of Issuer and Borrower, and each of the Exhibits hereto properly completed.
- (b) The Bond, properly executed on behalf of Issuer.
- (c) A Non-Arbitrage Certificate, together with any other tax certificates properly executed on behalf of Issuer and Borrower, as the case may be.
- (d) The Escrow Agreement, properly executed on behalf of Issuer, Borrower and Escrow Agent.
- (e) A certificate of the Secretary or an Assistant Secretary of Borrower, certifying as to (i) the resolutions of the board of directors and, if required, the shareholders of Borrower, authorizing the execution, delivery and performance of this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and any related documents, (ii) the bylaws of Borrower, and (iii) the signatures of the officers or agents of Borrower authorized to execute and deliver this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and other instruments, agreements and certificates on behalf of Borrower.
- (f) Currently certified copies of the Articles of Incorporation of Borrower.
- (g) A Certificate of Good Standing issued as to Borrower by the Secretary of the State of the State of Florida not more than 10 days prior to the date hereof.
- (h) Certificates of the insurance required hereunder, containing a lender's loss payable clause or endorsement in favor of Lender.
- (i) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of Treasury.
- (j) A resolution or evidence of other official action taken by or on behalf of Issuer to authorize the transactions contemplated hereby.
- (k) Evidence that the issuance of the Bond for the purpose of financing of the Project has been approved by the "applicable elected representative" of Issuer after a public hearing held upon reasonable notice.

(l) As applicable, financing statements executed by Borrower, as debtor, and naming Issuer, as secured party, and Lender, as assignee, and/or the original certificate of title or manufacturer's certificate of origin and title application if any of the Equipment is subject to certificate of title laws.

(m) Financing statement executed by Issuer, as debtor, and naming Lender, as secured party.

(n) A duly executed Certificate of Delivery, in the form attached hereto as Exhibit B-1.

(o) An opinion of counsel to Borrower, addressed to Lender and Issuer, in the form attached hereto as Exhibit C.

(p) An opinion of counsel to Issuer, addressed to Lender and Borrower, in the form attached hereto as Exhibit D.

(q) An opinion of bond counsel, addressed to Lender, in the form attached hereto as Exhibit E.

(r) Payment of Lender's fees, commissions and expenses required by Section 12.01 hereof.

(s) Payment of Issuer's fees, bond counsel's fee and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

(t) Any other documents or items required by Lender or Issuer.

Section 3.02 Conditions Precedent to Disbursement of Equipment Proceeds.

Lender's agreement to consider approval of any disbursement of Equipment Proceeds from the Escrow Fund shall be subject to the further conditions precedent that on the date thereof:

(a) Current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against Borrower, (ii) no financing statements have been filed and remain in effect against Borrower relating to the Project except those financing statements filed by Lender, (iii) Lender has duly filed all financing statements necessary to perfect the security interest created pursuant to this Agreement and (iv) Lender has duly filed all financing statements necessary to perfect the transfer of Issuer's interest in this Agreement and the Loan Payments.

(b) Lender shall have received each of the items required for a disbursement pursuant to the Escrow Agreement;

(c) Lender shall have received in form and substance satisfactory to Lender Vendor invoice(s) and/or bill(s) of sale relating to the Equipment and, if such invoices have been paid

by Issuer or Borrower, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Code;

(d) the representations and warranties contained in Article IV and Article V hereof are correct on and as of the date of such disbursement as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date; and

(e) there shall not have occurred any material adverse change in the financial condition or business operations of the Borrower and no event has occurred and is continuing, or would result, pursuant to the issuance of the Bond or the financing of the Loan, which constitutes a Default, an Event of Default or a Determination of Taxability.

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ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF ISSUER

Issuer represents, warrants and covenants for the benefit of Lender and Borrower, as follows:

(a) Issuer is an industrial development authority duly created by the St. Johns County, Florida and validly existing under the Constitution and laws of the State.

(b) Issuer will exercise its best efforts to preserve and keep in full force and effect its existence as an industrial development authority of the State to the extent permitted by law.

(c) Issuer is authorized under the Constitution and laws of the State to issue the Bond and to enter into this Agreement, the Escrow Agreement, the Non-Arbitrage Certificate and the transactions contemplated hereby and to perform all of its obligations hereunder.

(d) Issuer has duly authorized the issuance of the Bond and the execution and delivery of this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate under the terms and provisions of the resolution of its governing body or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability of the Bond, this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate against Issuer. Issuer has taken all necessary action and has complied with all provisions of the Act, including but not limited to the making of the findings required by the Act, required to make the Bond, this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate the valid and binding obligation of Issuer.

(e) The officer of Issuer executing the Bond, this Agreement, the Escrow Agreement, the Non-Arbitrage Certificate and any related documents has been duly authorized to issue the Bond and to execute and deliver this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and such related documents under the terms and provisions of a resolution of Issuer's governing body, or by other appropriate official action.

(f) The Bond, this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate are legal, valid and binding obligations of Issuer, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(g) Issuer has assigned to Lender all of Issuer's rights in the Project, this Agreement, and the Escrow Agreement (except any indemnification payable to Issuer pursuant to Section 7.07 hereof and notice to Issuer pursuant to Section 12.03 hereof) including the assignment of all rights in the security interest granted to Issuer by Borrower.

(h) Issuer will not pledge, mortgage or assign this Agreement or its duties and obligations hereunder to any person, firm or corporation, except as provided under the terms hereof.

(i) None of the issuance of the Bond or the execution and delivery of this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and conditions of the Bond, this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate violates any law, rule, regulation or order, conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Issuer is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Issuer under the terms of any instrument or agreement.

(j) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Issuer's knowledge, threatened against or affecting Issuer, challenging Issuer's authority to issue the Bond or to enter into this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of the Bond, this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate or any other transaction of Issuer which is similar hereto, or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(k) Issuer will submit or cause to be submitted to the Secretary of the Treasury a Form 8038 (or other information reporting statement) at the time and in the form required by the Code.

(l) The issuance of the Bond for the purpose of financing the Project has been approved by the "applicable elected representative" (as defined in Section 147(f) of the Code) of St. Johns County, Florida after a public hearing held upon reasonable notice.

(m) Issuer will comply fully at all times with the Non-Arbitrage Certificate, and Issuer will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Non-Arbitrage Certificate.

(n) Issuer will take no action that would cause the Interest to become includable in gross income for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or consenting to a deliberate action within the meaning of Treas. Reg. § 1.141 -2(d)), and Issuer will take and will cause its officers, employees and agents to take all reasonable affirmative actions legally within its power necessary to ensure that the Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER

Borrower represents, warrants and covenants for the benefit of Lender and Issuer, as follows:

(a) Borrower is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, has power to enter into this Agreement and by proper corporate action has duly authorized the execution and delivery of this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate. Borrower is in good standing and is duly licensed or qualified to transact business in the State and in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary.

(b) Borrower has been fully authorized to execute and deliver this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate under the terms and provisions of the resolution of its board of directors, or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate have been duly authorized, executed and delivered.

(c) The officer of Borrower executing this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and any related documents has been duly authorized to execute and deliver this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate and such related documents under the terms and provisions of a resolution of Borrower's board of directors.

(d) This Agreement, the Escrow Agreement and the Non-Arbitrage Certificate constitute valid and legally binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(e) The execution and delivery of this Agreement, the Escrow Agreement and the Non-Arbitrage Certificate, the consummation of the transactions contemplated hereby and the fulfillment of the terms and conditions hereof do not and will not violate any law, rule, regulation or order, conflict with or result in a breach of any of the terms or conditions of the articles of incorporation or bylaws of Borrower or of any corporate restriction or of any agreement or instrument to which Borrower is now a party and do not and will not constitute a default under any of the foregoing or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of Borrower contrary to the terms of any instrument or agreement.

(f) The authorization, execution, delivery and performance of this Agreement by Borrower do not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to this Agreement has not been taken and which is final and nonappealable.

(g) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Borrower's knowledge, threatened against or affecting Borrower, challenging Borrower's authority to enter into this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate or any other transaction of Borrower which is similar hereto, or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(h) The property at which any portion of the Project is located are properly zoned for the current and anticipated use and the use of the Project will not violate any applicable zoning, land use, environmental or similar law or restriction. Borrower has all licenses and permits to use the Project.

(i) The Project will be located within the territorial limits of the County.

(j) The Project is of the type authorized and permitted to be financed with the proceeds of the Bond pursuant to the Act.

(k) Borrower owns or will own the Project and intends to operate the Project, or cause the Project to be operated, as a "project," within the meaning of the Act, until the date on which all of the Loan Payments have been fully paid or the applicable Prepayment Amount has been fully paid.

(l) Borrower will not take any action that would cause the Interest to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or deliberate action within the meaning of Treas. Reg. § 1.141-2(d)), and Borrower will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

(m) Borrower has heretofore furnished to Lender its compiled financial statements for its fiscal years ended December 31, 1999, December 31, 2000 and December 31, 2001, and those statements fairly present the financial condition of Borrower on the dates thereof and the results of its operations and cash flows for the periods then ended. Since the date of the most recent financial statements, there has been no material adverse change in the business, properties or condition (financial or otherwise) of Borrower.

(n) Borrower has paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by it. Borrower has filed all federal, state and local tax returns which are required to be filed, and Borrower has paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by it to the extent such taxes have become due.

(o) Borrower has or will have good and absolute title to the Project and to the Additional Collateral and all proceeds thereof, free and clear of all mortgages, security interests, liens and encumbrances except for the security interest created pursuant to this Agreement and the Permitted Exceptions.

(p) All financial and other information provided to Lender by or on behalf of Borrower in connection with Borrower's request for the Loan contemplated hereby is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(q) Borrower has provided to Lender signed financing statements sufficient when filed to perfect the security interest created pursuant to this Agreement. When such financing statements are filed in the offices noted therein, Lender, as assignee of Issuer and holder of the Bond, will have a valid and perfected security interest in the Project, subject to no other security interest, assignment, lien or encumbrance. None of the Equipment is or will become a fixture on real estate. None of the Project constitutes a replacement of, substitution for or accessory to any property of Borrower subject to a lien of any kind. Borrower owns the real property where the Premises will be located subject to no liens or encumbrances of any kind except the Permitted Exceptions.

(r) Upon acquisition, improvement, construction, installation or equipping of any portion of the Project, Borrower will provide to Issuer and Lender a completed and executed copy of the Certificate of Acceptance attached hereto as Exhibit B.

(s) Borrower will aid and assist Issuer in connection with preparing and submitting to the Internal Revenue Service a Form 8038 (or other applicable information reporting statement) at the time and in the form required by the Code.

(t) Borrower will comply fully at all times with the Non-Arbitrage Certificate, and Borrower will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Non-Arbitrage Certificate, and the representations and warranties in the Non-Arbitrage Certificate are true and correct.

(u) Expenses for work done by officers or employees of Borrower in connection with the Project will be included as an Acquisition Cost, if at all, only to the extent (i) such persons were specifically employed for such particular purpose, (ii) the expenses do not exceed the actual cost thereof and (iii) such expenses are treated or capable of being treated (whether or not so treated) on the books of Borrower as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis.

(v) Any costs incurred with respect to that part of the Project paid from the Loan Proceeds shall be treated or capable of being treated on the books of Borrower as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis.

(w) No part of the Loan Proceeds will be used to finance inventory or rolling stock or will be used for working capital or to finance any other cost not constituting an Acquisition Cost. No person other than Borrower is in occupancy or possession of any portion of the real property where any portion of the Project is located. The Equipment is property of the character subject to the allowance for depreciation under Section 167 of the Code.

(x) Borrower shall not, without the prior written consent of Lender, (a) engage in any business activities substantially different than those in which Borrower is presently engaged, (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, change its name, dissolve or transfer or sell the Project out of the ordinary course of business, or (c) purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

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ARTICLE VI

TITLE TO PROJECT; SECURITY INTEREST

Section 6.01 Title to Project.

Legal title to the Project and any and all repairs, replacements, substitutions and modifications to such Project shall be in Borrower. Borrower will at all times protect and defend, at its own cost and expense, its title from and against all claims, liens and legal processes of creditors of Borrower, and keep all Equipment free and clear of all such claims, liens and processes.

Section 6.02 Security Interest in Project and Additional Collateral.

This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for Borrower's payment to Lender, as assignee of Issuer, of Loan Payments and all other amounts payable to Lender hereunder, or any other obligation (whether direct or indirect and whether now existing or hereafter arising), Borrower hereby grants to Issuer, and Issuer hereby assigns to Lender, a security interest constituting a first lien on (i) the Project, (ii) all general intangibles and other property relating to the Project; (iii) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed or used in connection with any of the foregoing property, (iv) all warehouse receipts, bills of lading and other documents of title now or hereafter covering any of the foregoing property, (v) all securities, funds, moneys, deposits and other property at any time held in or subject to the Escrow Fund, (vi) all accessions thereto, (vii) all substitutions for any of the foregoing property, (viii) the Additional Collateral, and (ix) products and proceeds of any of the foregoing property, including insurance proceeds. Issuer and Borrower agree to execute such additional documents, including financing statements, assignments, affidavits, notices and similar instruments, in form satisfactory to Lender, and take such other actions that Lender deems necessary or appropriate to establish and maintain the security interest created by this Section, and Issuer and Borrower hereby designate and appoint Lender as their agent, and grant to Lender a power of attorney (which is coupled with an interest), to execute on behalf of Issuer and Borrower, as the case may be, such additional documents and to take such other actions. If requested by Lender, Borrower shall conspicuously mark certain items of the Equipment with appropriate lettering, labels or tags, and maintain such markings, so as clearly to disclose Lender's security interest in the Equipment.

Section 6.03 Change in Name or Corporate Structure of Borrower; Change in Location of Borrower's Principal Place of Business.

Borrower's chief executive office is located at the address set forth above, and all of Borrower's records relating to its business and the Project are kept at such location. Borrower hereby agrees to provide written notice to Lender and Issuer of any change or proposed change in its name, corporate structure, place of business or chief executive office or change or proposed change in the location of the Project. Such notice shall be provided 30 days in

advance of the date that such change or proposed change is planned to take effect. Borrower does business, and has done business, only under its own name and the trade names, if any, set forth on the execution page hereof.

Section 6.04 Liens and Encumbrances to Title.

Borrower shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance or claim on or with respect to the Project (together, "Liens") other than the respective rights of Lender and Issuer as herein provided and the Permitted Exceptions. Borrower shall promptly, at its own expense, take such action as may be necessary to discharge or remove any such Lien. Borrower shall reimburse Lender for any expenses incurred by Lender to discharge or remove any Lien.

Section 6.05 Personal Property.

The parties hereby agree that the Equipment is, and during the period this Agreement is in force will remain, personal property and, when subjected to use by Borrower hereunder, will not be or become fixtures; *provided, however*, that if contrary to the parties' intent the Equipment is or may be deemed to be a fixture, Borrower shall cause filings to be made with the applicable government officials or filing offices to create and preserve for Lender as assignee of Issuer a perfected first priority security interest in the Equipment.

Section 6.06 Assignment of Insurance.

As additional security for the payment and performance of Borrower's obligations hereunder, Borrower hereby assigns to Lender, as assignee of Issuer, any and all moneys (including, without limitation, proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Borrower with respect to, any and all policies of insurance now or at any time hereafter covering the Project or any evidence thereof or any business records or valuable papers pertaining thereto, and Borrower hereby directs the issuer of any such policy to pay all such moneys directly to Lender. Borrower hereby assigns to Lender, as assignee of Issuer, any and all moneys due or to become due with respect to any condemnation proceeding affecting the Project. At anytime, whether before or after the occurrence of any Event of Default, Lender may (but need not), in Lender's name or in Borrower's name, execute and deliver proof of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy or party in any condemnation proceeding.

Section 6.07 Agreement as Financing Statement.

To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or of any financing statements signed by Borrower is sufficient as a financing statement in any state to perfect the security interests granted in this Agreement.

ARTICLE VII

AFFIRMATIVE COVENANTS OF BORROWER

So long as the Loan shall remain unpaid, Borrower will comply with the following requirements:

Section 7.01 Reporting Requirements.

Borrower will deliver, or cause to be delivered, to Lender each of the following, which shall be in form and detail acceptable to Lender:

(a) as soon as available, and in any event within 90 days after the end of each fiscal year of Borrower, compiled financial statements of Borrower, which compiled annual financial statements shall include the balance sheet of Borrower as at the end of such fiscal year and the related statements of income, fund balance and cash flows of Borrower for the fiscal year then ended, all in reasonable detail, together with a certificate of the chief financial officer of Borrower stating that such financial statements are fairly presented on a consistent basis and whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder and, if so, stating in reasonable detail the facts with respect thereto.

(b) such additional information and statements, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations as Lender may request from time to time;

(c) immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting Borrower of the type described in Article V, subsection Article V(g), hereof or which seek a monetary recovery against Borrower in excess of [\$100,000];

(d) as promptly as practicable (but in any event not later than five Business Days) after an officer of Borrower obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of Borrower of the steps being taken by Borrower to cure the effect of such Default or Event of Default;

(e) promptly upon knowledge thereof, notice of any loss or destruction of or damage to any Project or of any material adverse change in any Equipment;

(f) promptly upon their distribution, copies of all financial statements, reports and proxy statements that Borrower shall have sent to its stockholders;

(g) promptly after the amending thereof, copies of any and all amendments to its certificate of incorporation, articles of incorporation or bylaws;

(h) promptly upon knowledge thereof, notice of the violation by Borrower of any material law, rule or regulation; and

(i) promptly upon knowledge thereof, notice of any material adverse change in the financial or operating condition of Borrower.

Section 7.02 Books and Records; Inspection and Examination.

Borrower will keep accurate books of record and account for itself pertaining to the Project and pertaining to Borrower's business and financial condition and such other matters as Lender may from time to time request in which true and complete entries will be made in accordance with generally accepted accounting principles consistently applied and, upon request of Lender, will permit any officer, employee, attorney or accountant for Lender to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of Borrower at all times during ordinary business hours, and to discuss the affairs of Borrower with any of its directors, officers, employees or agents. Borrower will permit Lender, or its employees, accountants, attorneys or agents, to examine and copy any or all of its records and to examine and inspect the Project at any time during Borrower's business hours.

Section 7.03 Tax-Exempt Status.

(a) The Borrower will maintain its status as a Tax-Exempt Organization and will forthwith notify the Issuer and the Lender of happening of any event, including a change of law or administrative regulations, resulting in the loss of any such status or placing the same in jeopardy. If the Borrower elects to terminate its status as a Tax-Exempt Organization, it shall forthwith pay all amounts owed under this Agreement, whether due or not, prior to such termination, unless the Borrower shall have received an opinion of nationally recognized bond counsel that such termination does not affect the excludability from gross income of the interest of the Bond for purposes of federal income tax.

(b) The Borrower will not use or permit to be used more than 5% of the proceeds of the Bond (including any amounts used to pay costs associated with issuing the Bond), including all investment income earned on such proceeds, directly or indirectly, in any trade or business carried on by any person who is not (i) an organization described in Section 501(c)(3) of the Code and exempt from taxes under Section 501(a) of the Code or (ii) a "governmental unit," as that term is used in Section 103 and 145 of the Code (collectively, an "Exempt Person"). For purposes of the preceding sentence, use of the proceeds by an organization described in Section 501(c)(3) of the Code with respect to an "unrelated trade or business" of such organization, determined in accordance with Section 513(a) of the Code, does not constitute a use by an Exempt Person.

(c) The Borrower has not entered into, and will not enter into, any arrangement with any person or organization (other than an Exempt Person) which provides for such person or organization to manage, operate or provide services with respect to more than 5% of the Project financed with the proceeds of the Bond (including any amounts used to pay costs

associated with issuing the Bond), unless the guidelines set forth in Revenue Procedure 97-13 (or any new, revised or additional guidelines applicable to such contracts) (the "Guidelines"), are satisfied, except to the extent it obtains a private letter ruling from the Internal Revenue Service or an opinion of Bond Counsel which allows for a variation from the Guidelines.

Section 7.04 Compliance With Laws.

Borrower will (a) comply with the requirements of applicable laws and regulations, the noncompliance with which would materially and adversely affect its business or its financial condition and (b) use and keep the Project, and will require that others use and keep the Project, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. Borrower shall secure all permits and licenses, if any, necessary for the installation and operation of the Project. Borrower shall comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Project) with all laws of the jurisdictions in which its operations involving any component of Project may extend and of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Project or its interest or rights under this Agreement.

Section 7.05 Environmental Compliance.

Borrower shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of Hazardous Waste or Materials in, on or under the Project, at Borrower's expense. In the event that Lender at any time has a reasonable belief that the Project is not free of all Hazardous Waste or Materials or that Borrower has violated any applicable Environmental Laws with respect to the Project, then immediately, upon request by Lender, Borrower shall obtain and furnish to Lender, at Borrower's sole cost and expense, an environmental audit and inspection of the Project from an expert satisfactory to Lender. In the event that Borrower fails to immediately obtain such audit or inspection, Lender or its agents may perform or obtain such audit or inspection at Borrower's sole cost and expense. Lender may, but is not obligated to, enter upon the Project and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Project; and whether or not Borrower has actual knowledge of the existence of Hazardous Waste or Materials on the Project or any adjacent property as of the date hereof, Borrower shall reimburse Lender as provided herein for the full amount of all costs and expenses incurred by Lender prior to Lender acquiring title to the Project through foreclosure or acceptance of a deed in lieu of foreclosure, in connection with such compliance activities. Neither this provision nor any provision herein or in the related documents shall operate to put Lender in the position of an owner of the Project prior to any acquisition of the Project by Lender. The rights granted to Lender herein are granted solely for the protection of Lender's lien and security interest covering the Project and do not grant to Lender the right to control Borrower's actions, decisions or policies regarding Hazardous Waste or Materials.

Section 7.06 Payment of Taxes and Other Claims.

Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including, without limitation, the Project) or upon or against the creation, perfection or continuance of the security interest created pursuant to this Agreement, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon any properties of Borrower; provided, that Borrower shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings. Borrower will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project. Borrower shall pay any mortgage recording tax that is ever due or assessed, if any.

Section 7.07 Preservation and Maintenance Project.

(a) Borrower shall, at its own expense, maintain, preserve and keep the Project in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Project in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted. Borrower (i) shall maintain the Project in a condition suitable for certification by the manufacturer thereof (if certification is available) and in conformance with all manufacturer's recommended maintenance requirements, (ii) shall not commit waste or permit impairment or deterioration of the Project, (iii) shall not abandon the Project, (iv) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Project to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (v) shall keep all improvements, fixtures, equipment, machinery and appliances on the Project, in good repair and shall replace fixtures, equipment, machinery and appliances on the Project when necessary to keep such items in good repair, (vi) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Project, and (vii) shall give notice in writing to Lender of and, unless otherwise directed in writing by Lender, appear in and defend any action or proceeding purporting to affect the Project, the security of this Agreement or the rights or powers of Lender hereunder. In the event that any parts or accessories forming part of any item or items of Project become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, Borrower, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Project and, as such, shall be subject to the terms of

this Agreement. Neither Lender nor Issuer shall have any responsibility in any of these matters, or for the making of improvements or additions to the Project.

(b) Borrower will defend the Project against all claims or demands of all persons (other than Lender) claiming the Project or any interest therein.

(c) Borrower will keep the Project free and clear of all security interests, liens and encumbrances except the security interest created pursuant to this Agreement.

Section 7.08 Insurance.

Borrower shall obtain and maintain the following types of insurance upon and relating to the Project:

(a) "All Risk" property insurance in an amount not less than the full replacement value of the Project (with a deductible not to exceed \$ _____ and with co-insurance limited to a maximum of 10% of the amount of the policy), naming Lender a loss payee endorsement (form 438BFU or equivalent) and including agreed amount, inflation guard, replacement cost and waiver of subrogation endorsements;

(b) Comprehensive general liability insurance in an amount not less than \$ _____ insuring against personal injury, death and property damage and naming Lender as additional insured;

(c) Business interruption insurance covering loss of rental or other income (including all expenses payable by tenants) for up to six (6) months; and

Upon each reasonable request of Lender, Borrower shall increase the coverages under any of the insurance policies required to be maintained hereunder or otherwise modify such policies in accordance with Lender's request. All of the insurance policies required hereunder shall be issued by corporate insurers licensed to do business in the state in which the Project is located and rated A:X or better by A.M. Best Company, and shall be in form acceptable to Lender. Certificates of all insurance required to be maintained hereunder shall be delivered to Lender, along with evidence of payment in full of all premiums required thereunder, on or before Borrower's execution of this Agreement and prior to the expiration or replacement of insurance required hereunder. All such certificates shall be in form acceptable to Lender and shall require the insurance company to give to Lender at least 30 days' prior written notice before canceling the policy for any reason or materially amending it.

Section 7.09 Preservation of Corporate Existence.

Borrower will preserve and maintain its corporate existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; and shall conduct its business in an orderly, efficient and regular manner.

Section 7.10 Performance by Lender.

If Borrower at any time fails to perform or observe any of the covenants or agreements contained in this Agreement or any other related document, and if such failure shall continue for a period of 30 calendar days after Lender gives Borrower written notice thereof (or in the case of the agreements contained in Sections 7.07 and 7.08 hereof, immediately upon the occurrence of such failure, without notice or lapse of time), Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of Borrower (or, at Lender's option, in Lender's name) and may, but need not, take any and all other actions which Lender may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances, the performance of obligations owed to account debtors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments); and Borrower shall thereupon pay to Lender on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Lender in connection with or as a result of the performance or observance of such agreements or the taking of such action by Lender, together with interest thereon from the date expended or incurred at the lesser of 12% per annum or the highest rate permitted by law. To facilitate the performance or observance by Lender of such covenants of Borrower, Borrower hereby irrevocably appoints Lender, or the delegate of Lender, acting alone, as the attorney in fact of Borrower with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Borrower under this Agreement.

Section 7.11 Limitations of Liability.

In no event, whether as a result of breach of contract, warranty, tort (including negligence or strict liability), indemnity or otherwise, shall Lender, its assignees, if any, or Issuer be liable for any special, consequential, incidental, punitive or penal damages, including, but not limited to, loss of profit or revenue, loss of use of the Premises or any associated equipment, service materials or software, damage to associated equipment, service materials or software, cost of capital, cost of substitute property, service materials or software, facilities, services or replacement power or downtime costs.

Section 7.12 Borrower's Obligations Unconditional.

All payments required of Borrower hereunder shall be paid without notice or demand and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. Borrower will not suspend or discontinue any such payments, and will perform and observe all of its other agreements in this Agreement, and, except as expressly permitted in Section 2.07, will not terminate this Agreement for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or

damage to the Project or Borrower's business, the taking of the Project or Borrower's business by condemnation or otherwise, the lawful prohibition of Borrower's use of the Project, or Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Agreement, or lack of right, power or authority of Issuer to enter into this Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of Issuer, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State of Florida or any municipal corporation thereof, or failure of Issuer to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with this Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the amounts payable by Borrower hereunder shall be paid in full when due without any delay or diminution whatever.

Section 7.13 Indemnity by Borrower.

Borrower will, to the fullest extent permitted by law, protect, indemnify and save Lender, Issuer and their members, officers, agents, employees and any person who controls Lender or Issuer within the meaning of the Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses of Lender, Borrower and Issuer), causes of action, suits, claims, demands and judgments of any nature arising from:

- (1) any injury to or death of any person or damage to property in or upon the Premises or any other location of the Project or growing out of or connected with the use, non-use, condition or occupancy of the premises or any other location of the Project or any part thereof including any and all acts or operations relating to the construction or installation of property or improvements. The foregoing indemnification obligations shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Borrower, customers, suppliers or affiliated organizations under any Workers' Compensation Acts, Disability Benefit Acts or other employee benefit Acts;
- (2) violation of any agreement, provision or condition of this Agreement, except by Lender or Issuer;
- (3) violation of any contract, agreement or restriction which shall have existed at the commencement of the term of this Agreement or shall have been approved by Borrower;
- (4) violation of any law, ordinance, court order or regulation affecting the Project, or a part thereof or the ownership, occupancy or use thereof, and
- (5) any statement or information relating to the expenditure of the proceeds of the Bond contained in the Non-Arbitrage Certificate or similar document furnished

by Borrower to Issuer which, at the time made, is misleading, untrue or incorrect in any material respect.

In addition, Borrower agrees to indemnify, defend and hold harmless Issuer and its members, officers employees and agents and officials from and against any and all losses, claims, damages, taxes (including interest and penalties), costs and expenses (including reasonable attorneys' fees, whether prior to, during or after trial or in the event of any appeal) and liabilities arising from, in connection with, or as a result of the issuance of the Bonds, the execution and delivery of this Agreement and the Escrow Agreement, the performance by or on behalf of the Issuer of those things on the part of Issuer agreed to be performed or observed hereunder and thereunder, or the acquisition, installation or operation of the Project.

Promptly after receipt by Lender or Issuer or any such other indemnified person of notice of the commencement of any action in respect of which indemnity may be sought against Borrower under this Section, such person will notify Borrower in writing of the commencement thereof, and, subject to the provisions hereinafter stated, Borrower shall assume the defense of such action (including the employment of counsel who shall be counsel satisfactory to Lender and Issuer, as applicable, or such other person as the case may be, and the payment of expenses). Insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against Borrower, Lender and Issuer, as applicable, or any such other indemnified person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of Borrower unless Lender or Issuer, as applicable, reasonably determine that the employment of such separate counsel is necessary to protect the interests of Issuer or Lender. Borrower shall not be liable to indemnify any person for any settlement of any such action effected without its consent. Borrower shall not be required to indemnify Lender or Issuer for any damages, losses, causes of actions, lawsuits, or claims which are caused directly and solely by the gross negligence or fraudulent acts of Lender or Issuer.

The provisions of this Section 7.13 shall survive the payment and discharge of the Bond.

Section 7.14 Attorneys' Fees and Expenses.

If an Event of Default shall exist under this Agreement and Lender or Issuer should employ attorneys or incur other expenses for the collection of any amounts due hereunder, or the enforcement of performance of any obligation or agreement on the part of Borrower, Borrower will upon demand pay to Lender or Issuer, as applicable, the reasonable fees of such attorneys and such other expenses so incurred. Borrower shall also be responsible while the Bond is outstanding to pay fees and expenses of Bond Counsel retained by the Issuer regarding the outstanding Bond issue.

Section 7.15 Satisfaction of Conditions Precedent.

Borrower hereby agrees to satisfy each of the conditions contained in Article III hereof as and when required thereby.

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ARTICLE VIII

NEGATIVE COVENANTS OF BORROWER

So long as the Loan and the Bond shall remain unpaid, Borrower agrees that:

Section 8.01 Lien.

Borrower will not, and will not permit Borrower to, create, incur or suffer to exist any pledge, lien, security interest, assignment or transfer upon or of any of the Project except for the security interest created pursuant to this Agreement and the liens created pursuant to the Permitted Exceptions.

Section 8.02 Sale of Assets.

Except as provided in Section 8.03 hereof, Borrower will not, sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any of the Project or any interest therein (whether in one transaction or in a series of transactions).

Section 8.03 Consolidation and Merger.

Borrower will not consolidate with or merge into any person, or permit any other person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other person; *provided, however* such transactions shall be permitted by the Borrower only if:

- (a) Borrower will be the surviving corporation; and
- (b) Lender and Issuer shall have received an opinion of bond counsel, in form and substance satisfactory to Lender and Issuer, to the effect that under then existing laws the consummation of such merger, consolidation, sale or conveyance would not cause the interest hereunder to become includable in gross income under the Code or adversely affect the validity of this Agreement; and
- (c) Lender and Issuer shall have received an opinion of counsel to the surviving entity as to the enforceability of this Agreement against such entity; and
- (d) After giving effect to the proposed merger, consolidation, sale, acquisition or conveyance, no Default or Event of Default shall have occurred and be continuing hereunder or would result from such transaction.

Section 8.04 Accounting.

Borrower will not adopt, permit or consent to any material change in accounting principles other than as required by generally accepted accounting principles. Borrower will not adopt, permit or consent to any change in its fiscal year.

Section 8.05 Transfers.

Except as provided in Section 8.03 hereof, Borrower will not, in any manner transfer any property without prior or present receipt of full and adequate consideration.

Section 8.06 Other Defaults.

Borrower will not permit any breach, default or event of default to occur under any note, loan agreement, indenture, lease, mortgage, contract for deed, security agreement or other contractual obligation binding upon Borrower or any judgment, decree, order or determination applicable to Borrower.

Section 8.07 Place of Business.

Borrower will not permit any of the Project or any records pertaining to the Project to be located in any state or area in which, in the event of such location, a financing statement covering such Project would be required to be, but has not in fact been, filed in order to perfect the security interest created pursuant to this Agreement.

Section 8.08 Modifications and Substitutions.

(a) After the date that Borrower has completed acquisition of the Project, Borrower will not make any material alterations, modifications or additions to the Project which cannot be removed without materially damaging the functional capabilities or economic value of the Project. Upon return of the Project to Lender and at the request of Lender, Borrower, at its sole cost and expense, will remove all alterations, modifications and additions and repair the Project as necessary to return the Project to the condition in which it was furnished, ordinary wear and tear and permitted modifications excepted.

(b) Notwithstanding the provisions of subparagraph (a) of this section, Borrower may, with the prior written consent of Lender, substitute for parts, elements, portions or all of the Project, other parts, elements, portions, equipment or facilities; *provided, however*, that any substitutions made pursuant to Borrower's obligations to make repairs referenced under any provision of this Agreement shall not require such prior written consent. Borrower shall provide such documents or assurances as Lender may reasonably request to maintain or confirm the security interest assigned to Lender in the Project as so modified or substituted.

Section 8.09 Use of the Project.

Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Project was intended at the time this Agreement was executed. Borrower shall not, without Lender's prior written consent, (a) initiate or acquiesce in a change applicable to the Project, (b) permit the use of the Project to become a non-conforming use under applicable zoning ordinances, (c) file any subdivision or parcel map affecting the Project or (d) amend, modify or consent to any easement or covenants, conditions and restrictions pertaining to the Project.

ARTICLE IX

DAMAGE AND DESTRUCTION; CONDEMNATION

Section 9.01 Damage and Destruction.

Borrower shall provide a complete written report to Lender immediately upon any loss, theft, damage or destruction of any Project and of any accident involving any Project. If all or any part of the Project is lost, stolen, destroyed or damaged beyond repair ("Damaged Property"), Borrower shall as soon as practicable after such event either: (a) replace the same at Borrower's sole cost and expense with equipment having substantially similar specifications and of equal or greater value to the Damaged Property immediately prior to the time of the loss occurrence, such replacement property to be subject to Lender's approval, whereupon such replacement property shall be substituted in this Agreement and the other related documents by appropriate endorsement or amendment; or (b) pay the applicable Prepayment Amount of the Damaged Property. Borrower shall notify Lender of which course of action it will take within 15 calendar days after the loss occurrence. If, within 45 calendar days of the loss occurrence, (a) Borrower fails to notify Lender; (b) Borrower and Lender fail to execute an amendment to this Agreement to delete the Damaged Property and add the replacement property or (c) Borrower fails to pay the applicable Prepayment Amount, then Lender may, at its sole discretion, declare the applicable Prepayment Amount to be immediately due and payable, and Borrower is required to pay the same. The Net Proceeds of insurance with respect to the Damaged Property shall be made available by Lender to be applied to discharge Borrower's Loan. The payment of the Prepayment Amount and the termination of Lender's interest in the Damaged Property is subject to the terms of Section 2.07 hereof. For purposes of this Article, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including reasonable attorneys' fees) incurred in the collection of such claim or award.

Section 9.02 Condemnation.

If the Project, or any part thereof, shall be condemned for any reason, including without limitation fire or earthquake damage, or otherwise taken for public or quasi-public use under the power of eminent domain, or be transferred in lieu thereof, all damages or other amounts awarded for the taking of, or injury to, the Project shall be paid to Lender. The Payment of the Prepayment Amount and the termination of Lender's interest in the condemned Project is subject to the terms of Section 2.07 hereof.

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ARTICLE X

ASSIGNMENT, SUBLEASING AND SELLING

Section 10.01 Assignment by Lender.

This Agreement, and the obligations of Borrower to make payments hereunder, may be assigned and reassigned in whole or in part to one or more assignees or subassignees (who shall be the purchaser of the Bond or an interest therein) by Lender at any time subsequent to its execution, without the necessity of obtaining the consent of Issuer or Borrower; *provided, however,* that no such assignment or reassignment shall be effective unless and until (a) Issuer and Borrower shall have received notice of the assignment or reassignment disclosing the name and address of the assignee or subassignee and a representation that the assignee or subassignee is an Accredited Investor, which notice Issuer shall maintain as evidence of the ownership and registration of the Bond, and (b) in the event that such assignment or reassignment is made to a bank or trust company as trustee for holders of certificates representing interests in this Agreement and the Bond, such bank or trust company agrees to maintain, or cause to be maintained, a book-entry system by which a record of the names and addresses of such holders as of any particular time is kept and agrees, upon request of Issuer or Borrower, to furnish such information to Issuer or Borrower. Upon receipt of notice of assignment, Borrower will reflect in a book-entry the assignee designated in such notice of assignment, and shall agree to make all payments to the assignee designated in the notice of assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that Issuer and Borrower may from time to time have against Lender or the assignee. Issuer and Borrower agree to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by Lender or its assignee to protect their interest in the Project and in this Agreement.

Section 10.02 No Sale or Assignment by Borrower.

This Agreement and the interest of Borrower in the Project may not be sold, assumed, assigned or encumbered by Borrower, except for Permitted Exceptions.

[Remainder of Page Intentionally Left Blank]

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01 Events of Default.

The following constitute "Events of Default" under this Agreement:

- (a) failure by Borrower to pay to Lender, as assignee of Issuer, when due any Loan Payment or to pay any other payment required to be paid hereunder and the continuation of such failure for a period of 10 days;
- (b) failure by Borrower to maintain insurance on the Project in accordance with Section 7.08 hereof,
- (c) failure by Borrower or Issuer to observe and perform any other covenant, condition or agreement contained herein, in the Escrow Agreement, in the Non-Arbitrage Certificate or in any other document or agreement executed in connection herewith on its part to be observed or performed for a period of 30 days after written notice is given to Borrower or Issuer, as the case may be, specifying such failure and directing that it be remedied; provided, however, that, if the failure stated in such notice cannot be corrected within such 30-day period, Lender will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Borrower or Issuer, as the case may be, within the applicable period and diligently pursued until the default is corrected;
- (d) initiation by Issuer of a proceeding under any federal or state bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of Issuer;
- (e) Borrower shall be or become insolvent, or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or Borrower shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of Borrower, as the case may be; or Borrower shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against Borrower; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of Borrower;
- (f) determination by Lender that any representation or warranty made by Borrower or Issuer herein, in the Non-Arbitrage Certificate or in any other document executed in connection herewith was untrue in any material respect when made;
- (g) an Event of Taxability shall occur;

(h) the occurrence of a default or an event of default under any instrument, agreement or other document evidencing or relating to or securing any indebtedness or other monetary obligation of Borrower in excess of \$500,000;

(i) the occurrence of a default or an event of default under any other material agreement between or among Lender or any of its affiliates and Borrower; and

(j) the failure by Borrower to deliver a Certificate of Acceptance for all of the Project by August 1, 2001.

Section 11.02 Remedies on Default.

Whenever any Event of Default shall have occurred and be continuing, Lender, as assignee of Issuer, shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial steps and such other steps which are otherwise accorded to Lender, as assignee of Issuer, by applicable law:

(a) by notice to Issuer and Borrower, declare the entire unpaid principal amount of the Loan and the Bond then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Agreement to be forthwith due and payable, whereupon the Loan, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by Borrower;

(b) to the extent permitted by law, take possession of the Project wherever situated, without any court order or other process of law and without liability for entering the premises, and lease, sublease or make other disposition of the Project for use over a term in a commercially reasonable manner, all for the account of Lender, provided that Borrower shall remain directly liable for the deficiency, if any, between the rent or other amounts paid by a lessee or sublessee of the Project pursuant to such lease or sublease during the same period of time, after deducting all costs and expenses, including reasonable attorneys' fees and expenses, incurred with respect to the recovery, repair and storage of the Project during such period of time;

(c) to the extent permitted by law, take possession of the Project wherever situated, without any court order or other process of law and without liability for entering the premises, and sell the Project in a commercially reasonable manner and in compliance with applicable State law. All proceeds from such sale shall be applied in the following manner unless otherwise required pursuant to State law:

FIRST, to pay all proper and reasonable costs and expenses associated with the recovery, repair, storage and sale of the Project, including reasonable attorneys' fees and expenses;

SECOND, to pay (i) Lender the amount of all unpaid Loan Payments or other obligations (whether directly or indirectly owed by Borrower to Lender), if any, which

are then due and owing, together with interest and late charges thereon, (ii) Lender the then applicable Prepayment Amount (taking into account the payment of past-due Loan Payments as aforesaid), plus a pro rata allocation of interest, at the rate utilized to calculate the Loan Payments, from the next preceding due date of a Loan Payment until the date of payment by the buyer, and (iii) any other amounts due hereunder, including indemnity payments, taxes, charges, reimbursement of any advances and other amounts payable to Lender or Issuer hereunder; and

THIRD, to pay the remainder of the sale proceeds, purchase moneys or other amounts paid by a buyer of the Project to Borrower;

(d) proceed by appropriate court action to enforce specific performance by Issuer or Borrower of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from Borrower. Borrower shall pay or repay to Lender or Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees;

(e) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights with respect to the Project. Borrower shall pay or repay to Lender or Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees; and

Notwithstanding any other remedy exercised hereunder, Borrower shall remain obligated to pay to Lender any unpaid portion of the Prepayment Amount.

Section 11.03 Return of Equipment.

Upon an Event of Default, Borrower shall within 10 calendar days after notice from Lender, at its own cost and expense: (a) perform any testing and repairs required to place the Equipment in the condition required by Article VII; (b) if deinstallation, disassembly or crating is required, cause the Equipment to be deinstalled, disassembled and crated by an authorized manufacturer's representative or such other service person as is satisfactory to Lender; and (c) deliver the Equipment to a location specified by Lender, freight and insurance prepaid by Borrower. If Borrower refuses to deliver the Equipment in the manner designated, Lender may enter upon Borrower's premises where the Equipment is kept and take possession of the Equipment and charge to Borrower the costs of such taking. Borrower hereby expressly waives any damages occasioned by such taking.

Section 11.04 No Remedy Exclusive.

No remedy herein conferred upon or reserved to Lender or Issuer is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order

to entitle Lender or Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as maybe required by this Article. All remedies herein conferred upon or reserved to Lender or Issuer shall survive the termination of this Agreement.

Section 11.05 Late Charge.

Any Loan Payment not paid by Borrower on the due date thereof shall, to the extent permissible by law, bear a late charge equal to the lesser of five cents (\$.05) per dollar of the delinquent amount or the lawful maximum, and Borrower shall be obligated to pay the same immediately upon receipt of Lender's written invoice therefor.

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ARTICLE XII

MISCELLANEOUS

Section 12.01 Costs and Expenses of Lender.

Borrower shall pay to Lender, in addition to the Loan Payments payable by Borrower hereunder, such amounts in each year as shall be required by Lender in payment of any reasonable costs and expenses incurred by Lender in connection with the performance or enforcement of this Agreement, including but not limited to payment of all reasonable fees, costs and expenses of Lender in connection with the Project, expenses (including, without limitation, attorneys' fees and disbursements), fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other direct and necessary costs of Lender or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, this Agreement. Such costs and expenses shall be billed to Borrower by Lender from time to time, together with a statement certifying that the amount so billed has been paid by Lender for one or more of the items above described, or that such amount is then payable by Lender for such items. Amounts so billed shall be due and payable by Borrower within 30 days after receipt of the bill by Borrower.

Section 12.02 Disclaimer of Warranties.

LENDER AND ISSUER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT, OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT THERETO. In no event shall Lender or Issuer be liable for any loss or damage in connection with or arising out of this Agreement, the Project or the existence, furnishing, functioning or Borrower's use of any item or products or services provided for in this Agreement.

Section 12.03 Notices.

All notices, certificates, requests, demands and other communications provided for hereunder or under the Escrow Agreement or the Non-Arbitrage Certificate shall be in writing and shall be (a) personally delivered, (b) sent by first class United States mail, (c) sent by overnight courier of national reputation, or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth above and, if telecopied, transmitted to that party at its telecopier number set forth above or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (a) the date received if personally delivered, (b) when deposited in the mail if delivered by mail, (c) the date sent if sent by overnight courier, or (d) the date of transmission if delivered by telecopy. If notice to Borrower of any intended disposition of the Project or any other

intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least 10 calendar days prior to the date of intended disposition or other action.

Section 12.04 Further Assurance and Corrective Instruments.

Issuer and Borrower hereby agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as Lender reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of this Agreement, the Escrow Agreement or the Non-Arbitrage Certificate and any rights of Lender hereunder or thereunder.

Section 12.05 Binding Effect; Time of the Essence.

This Agreement shall inure to the benefit of and shall be binding upon Lender, Issuer, Borrower and their respective successors and assigns. Time is of the essence.

Section 12.06 Severability.

In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.07 Amendments.

To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Borrower and Lender agree to amend Exhibit G to this Agreement to more specifically identify the Equipment being financed hereunder at such time as such identification is possible. Such amendment shall be effected by written instrument signed by Borrower and Lender. Issuer's consent to the amendment referred to in this paragraph shall not be required. Such amendment may take the form of a Payment Request Form in the form attached to the Escrow Agreement as Exhibit G executed by Borrower and Lender.

Section 12.08 Execution in Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart, provided that only the original marked "Original: 1 of 6" on the execution page thereof shall constitute chattel paper under the UCC.

Section 12.09 Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 12.10 Captions.

The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 12.11 Entire Agreement.

This Agreement, the Escrow Agreement and the exhibits hereto and thereto constitute the entire agreement among Lender, Issuer, Borrower and Escrow Agent. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or in such documents regarding this Agreement or the Project financed hereby.

Section 12.12 Usury.

It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

Section 12.13 Waiver of Jury Trial.

LENDER AND BORROWER BUT NOT ISSUER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS AMONG LENDER OR BORROWER RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG LENDER, ISSUER AND BORROWER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, BETWEEN BORROWER AND

LENDER, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

Lender: **BANC OF AMERICA LEASING & CAPITAL LLC**

By: _____

Name:

Title:

Issuer: **ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

(SEAL)

By: _____

Name:

Title:

Attest:

By: _____

Name:

Title:

Borrower: **FLAGLER HOSPITAL, INC., a Florida not for profit corporation**

By: _____

Name:

Title:

Exhibit A to Loan Agreement

SCHEDULE OF LOAN PAYMENTS - EQUIPMENT

Interest Rate: _____ %

<u>Payment Number</u>	<u>Payment Date</u>	<u>Total Payment</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Prepayment Amount</u>
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[See Schedule Attached]

*After payment of Loan Payment due opposite Prepayment Amount. No prepayment allowed until on or after _____, 200__.

Exhibit B-1 to Loan Agreement

FORM OF CERTIFICATE OF DELIVERY

I, the undersigned, hereby certify that I am the duly qualified and acting [Vice President] of Flagler Hospital, Inc. ("Borrower") and, with respect to the Loan Agreement dated as of _____, 2001 (the "Agreement") by and among Borrower, Banc of America Leasing & Capital LLC ("Lender") and St. Johns County Industrial Development Authority ("Issuer"), that:

1. As of the date of this Certificate, Borrower has accepted delivery of all of the property described in the Agreement (the "Project").

2. Borrower has obtained for the Project insurance with respect to all risks required to be covered thereby pursuant to Section 7.08 of the Agreement.

3. Attached to this Certificate of Acceptance are Vendor invoice(s) and/or bill(s) of sale relating to the Project and, if such invoices have been paid by Issuer or Borrower, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Code (as defined in the Agreement).

4. All of the representations and warranties of Borrower contained in the Agreement are true and correct as of the date hereof and no Default or Event of Default has occurred thereunder.

Dated: _____, 200__.

Borrower:

FLAGLER HOSPITAL, INC.

By: _____

Name: _____

Title: [Vice President]

Date _____

Exhibit B-2 to Loan Agreement

FORM OF CERTIFICATE OF ACCEPTANCE

I, the undersigned, hereby certify that I am the duly qualified and acting [Vice President] of Flagler Hospital, Inc. ("Borrower") and, with respect to the Loan Agreement dated as of _____, 2001 (the "Agreement") by and among Borrower, Banc of America Leasing & Capital LLC, ("Lender") and St. Johns County Industrial Development Authority ("Issuer"), that:

1. The property described in the Agreement (the "Project") has been acquired and installed in accordance with Borrower's specifications and has been accepted by Borrower.

2. Attached to this Certificate of Acceptance are Vendor invoice(s) and/or bill(s) of sale relating to the Project and, if such invoices have been paid by Issuer or Borrower, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Code (as defined in the Agreement).

3. All of the representations and warranties of Borrower contained in the Agreement are true and correct as of the date hereof and no Default or Event of Default has occurred thereunder.

Dated: _____, 200__.

Borrower:

FLAGLER HOSPITAL, INC.

By: _____

Name: _____

Title: [Vice President]

Date _____

FORM OF OPINION OF BORROWER'S COUNSEL

_____, 2001

St. Johns County Industrial Development Authority
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 34205

Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32095

Banc of America Leasing & Capital LLC
555 California Street, 4th Floor
San Francisco, California 94104

Foley & Lardner
200 Laura Street
Jacksonville, Florida 32202-3510

Re: \$7,000,000 St. Johns County Industrial Development Authority Revenue Bonds
(Flagler Hospital, Inc. Project), Series 2001

Ladies and Gentlemen:

We have acted as counsel to Flagler Hospital, Inc. ("Borrower") with respect to the issuance and delivery of the Bond described above (the "Bond") and with respect to the Loan Agreement dated as of _____, 2001 (the "Loan Agreement") among Banc of America Leasing & Capital LLC ("Lender"), St. Johns County Industrial Development Authority ("Issuer") and Borrower, the Escrow Agreement of even date therewith (the "Escrow Agreement") among Lender, Issuer, Borrower and Bank of America, N.A., a national banking association, as escrow agent, the Non-Arbitrage Certificate of even date therewith (the "Non-Arbitrage Certificate"; the Loan Agreement, the Escrow Agreement and the Non-Arbitrage Certificate may be referred to herein collectively as the "Agreements") and various related matters and, in this capacity, have reviewed a duplicate original or certified copy of each of the Agreements. Based upon the examination of these and such other documents as we deem relevant, it is our opinion that:

1. Borrower has been duly organized and is validly existing as a not for profit corporation in good standing under the laws of the State of Florida with full power and authority to own its properties and conduct its business, and is duly authorized to transact business in the State of Florida.

2. Borrower has full power and authority to execute and deliver the Agreements and to carry out the terms thereof. The Agreements have been duly and validly authorized, executed and delivered, are in full force and effect and are the legal, valid and binding contracts of Borrower enforceable in accordance with their respective terms (including against

claims of usury), except to the extent limited by state and federal laws affecting remedies and by bankruptcy, reorganization, or other laws of general application relating to or affecting the enforcement of creditors' rights.

3. The consummation of the transactions contemplated by the Agreements and the carrying out of the terms thereof will not result in violation of any provisions of the articles of incorporation or bylaws of Borrower or result in the violation of any provision of, or in a default under, any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which Borrower is a party or by which it or its property is bound.

4. There are no legal or governmental actions, suits, proceedings, inquiries or investigations pending, threatened or contemplated, or any basis therefor, to which Borrower is or may become a party or of which any property of Borrower is or may become subject, other than ordinary routine litigation incident to the kind of business conducted by Borrower which, if determined adversely to Borrower, would not, individually or in the aggregate, have a material adverse effect on the financial position or results of operations of Borrower.

5. There are no legal or governmental proceedings pending, threatened or contemplated, or any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the validity of or security for the Bond, the Agreements or the transactions contemplated thereby.

6. The Equipment (defined in the Loan Agreement) constitutes personal property and when used by Borrower will not become fixtures under applicable law.

7. The provisions of the Loan Agreement are effective to create a security interest in favor of Lender, as assignee of Issuer, in all of Borrower's right, title and interest in and to the Equipment and all proceeds thereof. Such security interest has been properly perfected and is subject to no prior liens or encumbrances.

8. The Borrower is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and has received a determination letter from the Internal Revenue Service to that effect. To our knowledge, the Borrower has not received any notice that such determination letter has been modified, limited, or revoked; the Borrower is in compliance with the terms, conditions and limitations in such determination letter, and the facts and circumstances which form the basis of such determination letter as represented to the Internal Revenue Service continue substantially to exist and the Borrower has taken no action which would result in the loss of its tax-exempt status under the Code. The Borrower is exempt from federal income taxation pursuant to Section 501(a) of the Code and is not a "private foundation" as described in Section 509(a) of the Code. In the course of our representation, nothing has come to our attention that causes us to believe that the Borrower is not in compliance with the terms, conditions and limitations in the determination letter or has taken any action which would adversely affect the Borrower's status as an organization

described under Section 501(c)(3) of the Code that is exempt from taxation under Section 501(a) of the Code and is not a private foundation under Section 509(a) of the Code.

Very truly yours,

Exhibit D to Loan Agreement

FORM OF OPINION OF ISSUER'S COUNSEL

_____, 2001

St. Johns County Industrial Development Authority
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 32085

Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32095

Banc of America Leasing & Capital LLC
555 California Street, 4th Floor
San Francisco, California 94104

Foley & Lardner
200 Laura Street
Jacksonville, Florida 32202-3510

Re: \$7,000,000 St. Johns County Industrial Development Authority Revenue Bonds
(Flagler Hospital, Inc. Project), Series 2001

Ladies and Gentlemen:

We have acted as counsel to the St. Johns County Industrial Development Authority ("Issuer") in connection with the issuance and sale of the bond described above (the "Bond") and with respect to the Loan Agreement dated as of _____, 2001 (the "Loan Agreement") among Banc of America Leasing & Capital LLC ("Lender"), Issuer and Flagler Hospital, Inc. ("Borrower"), the Escrow Agreement of even date therewith (the "Escrow Agreement") among Lender, Issuer, Borrower and Bank of America, N.A., a national banking association, as escrow agent, the Non-Arbitrage Certificate of even date therewith (the "Non-Arbitrage Certificate"; the Loan Agreement, the Escrow Agreement and the Non-Arbitrage Certificate may be referred to herein collectively as the "Agreements") and various related matters and, in this capacity, have reviewed a duplicate original or certified copy of the Agreements. Based upon the examination of these and such other documents as we deem relevant, it is our opinion that:

1. Issuer is an industrial development authority of the State of Florida (the "State") and is duly organized, existing and operating under the Constitution and laws of the State.
2. Issuer is authorized and has the power under applicable law to enter into the Agreements, to issue the Bond and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The issuance of the Bond has been duly and validly authorized, all conditions precedent to the issuance of the Bond have been fulfilled and the Bond has been issued in accordance with the laws of the State. The Bond is the legal, valid and binding obligation of Issuer, enforceable in accordance with its terms.

4. The Agreements have been duly authorized, approved, executed and delivered by and on behalf of Issuer and are legal, valid and binding contracts of Issuer enforceable in accordance with their terms, except to the extent limited by state and federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

5. The issuance of the Bond and the authorization, approval and execution of the Agreements and all other proceedings of Issuer relating to the transactions contemplated thereby have been performed in accordance with all open meeting and other laws, rules and regulations of the State.

6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges the organization or existence of Issuer; the authority of Issuer or its officers or its employees to issue the Bond or to enter into the Agreements; the proper authorization, approval and/or execution of the Bond, the Agreements and the other documents contemplated thereby; or the ability of Issuer otherwise to perform its obligations under the Bond, the Agreements and the transactions contemplated thereby.

Very truly yours,

FORM OF OPINION OF BOND COUNSEL

_____, 2001

St. Johns County Industrial Development Authority
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 34205

Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32095

Banc of America Leasing & Capital LLC
555 California Street, 4th Floor
San Francisco, California 94104

Re: \$7,000,000 St. Johns County Industrial Development Authority
Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the St. Johns County Industrial Development Authority (the "Issuer") of its Revenue Bonds (Flagler Hospital, Inc. Project), Series 2001, in the aggregate principal amount of \$7,000,000 (the "Bonds"). The Bonds were issued pursuant to the Constitution and laws of the State of Florida, including specifically, but without limitation, Chapter 159, Parts II and III, Florida Statutes, as amended.

The Bonds are payable from loan repayments made by Flagler Hospital, Inc., a Florida not for profit corporation (the "Borrower"), to the Issuer pursuant to a Loan Agreement dated as of _____, 2001 (the "Loan Agreement"), by and among the Borrower, Banc of America Leasing & Capital LLC (the "Lender") and the Issuer.

The Bonds are limited obligations of the Issuer payable solely from the funds pledged therefor under and in the manner set forth in the Loan Agreement. The Bonds do not constitute a debt, liability or obligation of the Issuer, St. Johns County, Florida, of the State of Florida, or of any political subdivision or agency of the State of Florida, other than the limited obligation of the Issuer as described above. No owner of any Bonds has the right to compel any exercise of the taxing power of St. Johns County, Florida, the State of Florida, or any political subdivision or agency of the State of Florida to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer, of St. Johns County, Florida, the State of Florida, or any political subdivision or agency of the State of Florida or a loan of credit thereof within the meaning of any constitutional or statutory provision or limitation. The Issuer has no taxing power.

For purposes of this opinion we have examined (i) the resolution of the Issuer adopted _____, 2001, authorizing the issuance of the Bonds, certified by the Secretary of the Issuer, (ii) the resolution of the Board of County Commissioners of St. Johns County, Florida, approving the issuance of the Bonds, (iii) executed counterparts of the Loan Agreement, (iv) the Escrow Agreement dated as of _____, 2001 (the "Escrow Agreement"), by and among the Issuer, Bank of America, N.A., a national banking association, as Escrow Agent, the Borrower and the Lender, (v) the opinion of even date herewith of Dobson & Brown, St. Augustine, Florida, counsel to the Issuer, (vi) the opinion of even date herewith of Upchurch, Bailey & Upchurch, St. Augustine, Florida, counsel to the Borrower (the "Borrower Counsel Opinion"), and (vii) such certified proceedings and other papers as we have considered necessary and appropriate to render this opinion.

In rendering this opinion, we are relying on the Borrower Counsel Opinion with respect to various matters concerning the Borrower, including (i) the Borrower's corporate existence under the laws of the State of its incorporation, (ii) the Borrower's power to enter into and perform the Loan Agreement and the Escrow Agreement, (iii) the authorization, execution and delivery of the Loan Agreement and the Escrow Agreement by the Borrower, (iv) the validity, binding effect and enforceability of the Loan Agreement and the Escrow Agreement against the Borrower, and (v) the Borrower's status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which is exempt from federal income taxation pursuant to Section 501(a) of the Code and is not a private foundation as defined in Section 509(a) of the Code.

As to questions of fact material to our opinion, we have relied upon representations and covenants made on behalf of the Issuer and the Borrower in the Loan Agreement and the Escrow Agreement, and certificates of officials of the Issuer and certificates of officers of the Borrower (including certifications from the Borrower as to the use of Bond proceeds and the operation and use of the property financed thereby), without undertaking to verify the same by independent investigation.

We express no opinion herein as to the accuracy, completeness or sufficiency of any offering material relating to the Bonds. We have not passed upon any matters relating to the business, affairs or condition (financial or otherwise) of the Borrower and no inference should be drawn that we have expressed any opinion on matters relating to the ability of the Borrower to perform their obligations under the contracts described herein.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer validly exists as a public body corporate and politic organized under the laws of the State of Florida and has the power to issue the Bonds and to enter into and perform the Loan Agreement and the Escrow Agreement.
2. Each of the Loan Agreement and the Escrow Agreement was duly authorized, executed and delivered by the Issuer and is a valid, binding and enforceable obligation of the Issuer.

3. The Bonds were duly authorized, executed and delivered by the Issuer and are valid, binding and enforceable special and limited obligations of the Issuer, and are entitled to the benefit and security of amounts pledged therefor in the Loan Agreement, in the manner and pursuant to the terms set forth in the Loan Agreement.

4. The interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes as of the date hereof. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Bonds are “private activity bonds” under Section 141(a) of the Code, “qualified 501(c)(3) bonds” under Section 145(a) of the Code and “qualified bonds” under Section 141(e) of the Code. The Issuer has included provisions and procedures in the Loan Agreement in order to meet certain requirements of the Code subsequent to the issuance of the Bonds. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Borrower complies with, and they have covenanted to comply with, each such requirement of the Code. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal income tax consequences arising with respect to the Bonds.

5. The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect after the date hereof the exclusion from gross income for federal income tax purposes of interest on the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

FOLEY & LARDNER

FORM OF BOND

ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
REVENUE BOND
(FLAGLER HOSPITAL, INC. PROJECT)
SERIES 2001

No.: R-1

\$7,000,000

Maturity Date

Interest Rate

_____, 2006

_____%

The St. Johns County Industrial Development Authority, an industrial development authority duly created and validly existing under the laws of the State of Florida (hereafter referred to as "Issuer"), for value received, hereby promises to pay Banc of America Leasing & Capital LLC, or to registered assigns, but solely from the Loan Payments hereinafter described, the principal sum of

SEVEN MILLION DOLLARS

in any coin or currency of the United States of America which on the date of payment thereof is the legal tender for the payment of public and private debts, and to pay, solely from such Loan Payments, in like coin and currency, interest on the principal sum from the date hereof. Such interest shall be payable at the rates, and all such payments of the principal of, or interest on shall be payable at the time and place, in the amounts and in accordance with the terms set forth in that certain Loan Agreement dated as of _____, 2001 (the "Loan Agreement") among Issuer, Banc of America Leasing & Capital LLC and Flagler Hospital, Inc. ("Borrower"). All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

This Bond is payable as to principal and prepayment premium, if any, solely from Loan Payments to be made by Borrower and is secured by, among other things, a lien on the Equipment financed pursuant to the Loan Agreement. Transfer of this Bond is limited to transfers only to Accredited Investors as defined in the Loan Agreement.

This Bond shall not represent or constitute a debt, liability or obligation or pledge of the faith and credit of Issuer, the St. Johns County, Florida (the "County"), the State

or any political subdivision and this Bond is payable solely from the revenues pledged therefor pursuant to the Loan Agreement, and no moneys of the County, the State, or any political subdivision raised by taxation shall be obligated or pledged for the payment of Loan Payments or any other amounts due under this Bond. The Issuer has no taxing power.

This Bond is subject to prepayment upon the terms and conditions set forth in the Loan Agreement.

It is hereby certified, recited and declared that all acts, conditions and things required to exist to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the Constitution and laws of the State of Florida applicable thereto and that the issuance of this Bond is in full compliance with all Constitutional and statutory limitations, provisions and restrictions.

IN WITNESS WHEREOF, St. Johns County Industrial Development Authority has issued this Bond and has caused the same to be signed by the signature of its authorized representative this ____ day of _____, 2001.

ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

[SEAL]

By: _____
Chairman

Attest:

By: _____
Secretary

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned _____
(the "Transferor") hereby sells, assigns and transfers unto _____
(the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e. Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP) or New York Stock Exchange Medallion Signature Program.

NOTICE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

Exhibit G to Loan Agreement

**SCHEDULE OF EQUIPMENT AND
ACQUISITION COSTS OF PROJECT**

Description of Equipment

The following Equipment is the subject of the Loan Agreement dated as of _____, 2001 among ("Lender"), St. Johns County Industrial Development Authority ("Issuer") and Flagler Hospital, Inc. ("Borrower"):

The Equipment is or will be located on the Premises. Prior to the relocation of the Equipment or any portion thereof, Borrower will provide thirty (30) days' prior written notice to Lender.

Equipment

Acquisition Costs
of Project

\$ _____

Exhibit H to Loan Agreement

DESCRIPTION OF ADDITIONAL COLLATERAL

[None.]

Exhibit I to Loan Agreement

PERMITTED EXCEPTIONS

[None.]