

RESOLUTION NO. 94

A RESOLUTION APPROVING THE ISSUANCE BY THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY OF ITS HOSPITAL REVENUE BOND (FLAGLER HOSPITAL, INC. PROJECT), SERIES 2012A AND ITS HOSPITAL REVENUE BOND (FLAGLER HOSPITAL, INC. PROJECT), SERIES 2012B, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000, IN ORDER TO OBTAIN FUNDS TO LOAN TO FLAGLER HOSPITAL, INC. FOR THE PURPOSE OF FINANCING ALL OR A PART OF THE COSTS OF CERTAIN HEALTH CARE FACILITIES AND EQUIPMENT AT THE HOSPITAL'S EXISTING FACILITIES LOCATED IN ST. JOHNS COUNTY, FLORIDA; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, THAT:

SECTION 1. DEFINITIONS. The terms used in this Resolution shall have the respective meanings assigned to them in the Bond Resolution, as hereinafter defined, unless the text hereof clearly otherwise requires.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Section 125.01(1)(z), Florida Statutes, as amended, Chapter 159, Part II, Florida Statutes, as amended, and other applicable provisions of law.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. The St. Johns County Industrial Development Authority (the "Authority") is a public body corporate and politic duly created and existing under laws of the State of Florida and is duly authorized and empowered by Chapter 159, Parts II and III, Florida Statutes, as amended (the "Act"), to provide for the issuance of and to issue and sell its industrial development revenue bonds for the purpose of financing or refinancing all or any part of the "cost" of any "project," including any "health care facility" (as such terms are defined in the Act), in order to promote and foster the economic growth and development of St. Johns County, Florida (the "County") and of the State of Florida (the "State"), to increase purchasing power and opportunities for gainful employment, and to advance and improve the prosperity and the welfare of the State and its inhabitants, to improve health care and living conditions within the County, to foster the industrial and business development of the County and to otherwise provide for and contribute to the health, safety and welfare of the people of the State.

B. Flagler Hospital, Inc. (the "Hospital") has requested that the Authority issue its Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2010A and its Hospital

Revenue Bond (Flagler Hospital, Inc. Project), Series 2010B, in an aggregate principal amount not to exceed \$30,000,000 (collectively, the "Bonds"), in order to obtain funds to loan to the Hospital for the purposes of (i) paying or reimbursing all or a part of the costs of a capital project composing a "health care facility" within the meaning of the Act (the "Project"), and (ii) paying the costs of issuing the Bonds. The Project consists of the acquisition, renovation, construction and installation of certain health care facilities and equipment at the Hospital's existing facilities, including the acquisition and installation of an electronic medical records system and an upgraded nurse call system, renovations to the Hospital's facilities including renovations to patient rooms, the acquisition of certain medical equipment, monitoring systems, replacement patient beds, and the acquisition and installation of related improvements, equipment, fixtures and furnishings, all located or to be located in St. Johns County, Florida, at the addresses listed in Notice of Hearing attached hereto as Exhibit A, and to be owned and operated by the Hospital.

C. Notice of a public hearing to be held before the Authority, inviting comments and discussion concerning the nature of the Project and the issuance of the Bonds (the "Notice of Hearing"), was published in the The St. Augustine Record, a newspaper of general circulation in the County, at least fourteen (14) days prior to the date of such public hearing. A copy of the affidavit in proof of publication of such Notice of Hearing is attached hereto as Exhibit A and incorporated herein by reference.

D. Following such notice, a public hearing was held by the Authority on March 12, 2012, upon notice during which comments and discussion concerning the issuance of the Bonds to finance all or a part of the costs of the Project, were requested and allowed.

E. Following such hearing, the Authority adopted a resolution on March 12, 2012, authorizing the issuance of the Bonds (the "Bond Resolution"). A copy of the Bond Resolution is attached hereto as Exhibit B and incorporated herein by reference.

F. The Hospital has submitted to the Board of County Commissioners of the County (the "Board") a copy of the Bond Resolution, authorizing the issuance by the Authority of the Bonds for the purposes aforesaid.

G. The Board is the elected legislative body of the County.

H. By the Bond Resolution, the Authority has recommended and requested that the Board approve the issuance of the Bonds, in order to satisfy the requirements of 125.01(1)(z), Florida Statutes, as amended, and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

I. 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 political subdivision thereof, 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 the loan repayments and other funds pledged and assigned under the related financing agreement.

J. The purposes of the Act will be effectively served, and it is necessary and desirable and in the best interest of the County that, the issuance of the Bonds be approved by the Board.

SECTION 4. APPROVAL OF ISSUANCE OF BONDS. For purposes of Section 147(f) of the Code and the Act, the Board hereby approves the issuance by the Authority of the Bonds as contemplated by the Bond Resolution. This approval is given solely for the purposes of satisfying the requirements of the Code and the Act and is final and conclusive for such purposes. The granting of this approval shall not impose any liability upon the County with respect to the Bonds or the Bond Resolution.

SECTION 5. OTHER ACTION. The officers of the County are hereby authorized and directed to execute and deliver, or approve the execution and delivery of, such other documents and to take or approve the taking of such other actions as may be advised by the County's counsel or Foley & Lardner LLP, Bond Counsel, to be necessary or appropriate in connection with the consummation of the transactions contemplated by this Resolution.

SECTION 6. REPEALING CLAUSE. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

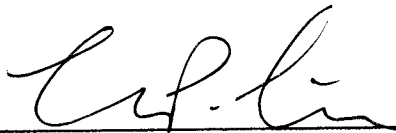
SECTION 7. EFFECT OF TYPOGRAPHICAL AND/OR ADMINISTRATIVE ERRORS. To the extent that there are typographical and/or administrative errors and/or omissions that do not change the tone, tenor, or context of this Resolution, then this Resolution may be revised without subsequent approval of the Board.

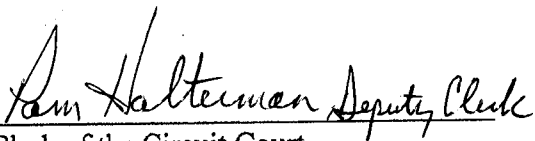
SECTION 8. EFFECTIVE DATE. This Resolution shall be effective immediately upon adoption by the Board.

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PASSED AND ADOPTED this 20th day of March, 2012.



By 
Chairman of the Board of County
Commissioners of St. Johns
County, Florida

for 
Clerk of the Circuit Court,
ex-officio Clerk of the Board
of the County Commissioners
of St. Johns County, Florida

RENDITION DATE 3/22/12

EXHIBIT A

Notice of Hearing

THE ST. AUGUSTINE RECORD

COPY OF ADVERTISEMENT

GEOFFREY B DOBSON PA
PO Box 3588
SAINT AUGUSTINE FL 32085

Ref.#: L518-12
P.O.#: HG.03-12

PUBLISHED EVERY MORNING SUNDAY THRU SATURDAY
ST. AUGUSTINE AND ST. JOHNS COUNTY, FLORIDA

STATE OF FLORIDA,
COUNTY OF ST. JOHNS

Before the undersigned authority personally appeared **SHAWNE' H ORDONEZ**

who on oath says that he/she is an Employee of the St. Augustine Record,
a daily newspaper published at St. Augustine in St. Johns County, Florida:

that the attached copy of advertisement being a **NOTICE OF HEARING**

In the matter of **TEFRA/HOSPITAL BONDS - HEARING MARCH 12, 2012**

was published in said newspaper on **02/24/2012**

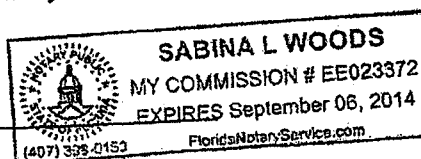
Affiant further says that the St. Augustine Record is a newspaper published at St. Augustine, in said St. Johns County, Florida, and that the said newspaper heretofore has been continuously published in said St. Johns County, Florida, each day and has been entered as second class mail matter at the post office in the City of St. Augustine, in said St. Johns County, for a period of one year preceding the first publication of the copy of advertisement; and affiant further says that he/she has neither paid nor promised any person, firm or corporation any discount, rebate, commission or refund for the purpose of securing the advertisement for publication in the said newspaper.

Sworn to and subscribed before me this 24th day of February 2012

by [Signature] who is personally known to me
or who has produced as identification

Sabrina L Woods

(Signature of Notary Public)



(Seal)

NOTICE OF PUBLIC MEETING AND PUBLIC HEARING OF THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTICE is hereby given that a public meeting and hearing of the St. Johns County Industrial Development Authority (the "Authority") will be held on Monday, March 12, 2012, at 3:00 p.m. local time, in the Board of County Commissioners Conference Room, County Administration Building, Second Floor, 500 South San Sebastian Way, St. Augustine, Florida 32084, for the purposes of:

1. Holding a public hearing regarding the issuance by the Authority of Series 2012 Revenue Bonds for the Tefra Hospital (the "Project") Series 2012. In one or more series or sub-series, the proposed bonds (the "Bonds") amount not to exceed \$30,000,000 (the "Series 2012 Bonds"). The Series 2012 Bonds are to be used for the purpose of providing funds to the Authority to make a loan or loans to Tefra Hospital, Inc., a Florida not-for-profit corporation (the "Hospital") for the purposes of (a) paying or reimbursing all or a part of the costs of the acquisition, renovation, construction and installation of certain health care facilities at the Hospital's existing facilities, including the acquisition and installation of an electronic medical records system and an upgraded nursing call system; renovations to the Hospital's facilities including renovations to all patient rooms; the acquisition of certain medical equipment, monitoring systems, replacement patient beds and bariatric patient beds; and the acquisition and installation of related improvements, equipment, fixtures and furnishings; all located or to be located at 101, 120, 130, 201, 300, 301 and/or 400 Health Park Boulevard, St. Augustine, Florida, and/or 52 Tucson Way, Suite 200, St. Augustine, Florida; and to be owned and operated by the Hospital collectively the "Project"; and (b) paying the costs of issuing the Series 2012 Bonds.

The Series 2012 Bonds and the interest thereon will be limited obligations of the Authority payable solely from loan payments to be made by the Hospital under a financing agreement or agreements and other monies placed under the financing documentation of the Series 2012 Bonds. The Series 2012 Bonds will not constitute a general indebtedness or charge against the general credit of the Authority, St. Johns County or the State of Florida. Neither the faith and credit of the Authority, the State of Florida or any political subdivision thereof will be pledged in the payment of the principal and interest on the Series 2012 Bonds. The public hearing is required by Section 218.13 of the Internal Revenue Code, as amended (the "Code").

Any person interested in the proposed issuance of the Series 2012 Bonds or the Project may appear and be heard. Subsequent to the public hearing, the Authority and the Board of County Commissioners of the St. Johns County, Florida, will consider whether to approve the Series 2012 Bonds as required by Section 218.13 of the Code. The public hearing will be conducted in a manner that provides a reasonable opportunity to be heard for persons with differing views on the issuance of the Series 2012 Bonds and the location and nature of the Project. Any person desiring to be heard on this matter is requested to attend the public hearing or send a representative. Written comments (not exceeding 250 words) to be presented to the hearing may be submitted to the Authority at least four (4) business days prior to the hearing. Information relating to this matter is available for inspection and copying during regular business hours at the office of Geoffrey B. Dobson, Esq., at 101 Palm Beach Avenue, St. Augustine, Florida 32084.

Dobson, Esq., Law Offices of
Geoffrey Dobson, 16 Palmview
Avenue, St. Augustine, Florida
32085

Considering and acting upon a
resolution of the Authority
authorizing the issuance and sale of
the Series 2012 Bonds.

Considering and acting upon such
other business as may properly
come before the Authority at said
meeting.

In accordance with the American
Disabilities Act, persons needing a
special accommodation or an
interpreter to participate in this
proceeding should contact the St.
Johns County at (904) 322-4831 or
at the County Administration
Building, 500 South San Sebastian
Way, St. Augustine, Florida 32084,
not later than 7 days prior to the
date of this meeting.

Comments made at the hearing and
the meeting are for the consider-
ation of the Authority and will not
bind any legal action to be taken by
the Authority. IF A PERSON
DECIDES TO APPEAL ANY
DECISION MADE BY THE
AUTHORITY WITH RESPECT TO
ANY MATTER CONSIDERED AT
SUCH HEARING OR MEETING,
SUCH PERSON WILL NEED A
RECORD OF THE
PROCEEDINGS AND FOR SUCH
PURPOSE, SUCH PERSON MAY
NEED TO ENSURE THAT A
VERBATIM RECORD OF THE
PROCEEDINGS IS MADE, WHICH
RECORD INCLUDES THE
TESTIMONY AND EVIDENCE
UPON WHICH THE APPEAL IS
TO BE BASED.

Dated: February 24, 2012
ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
LS1612 Feb 24, 2012

EXHIBIT B

Bond Resolution

RESOLUTION NO. 2012-1

A RESOLUTION PROVIDING FOR AND AUTHORIZING THE ISSUANCE BY THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY OF ITS HOSPITAL REVENUE BOND (FLAGLER HOSPITAL, INC. PROJECT), SERIES 2012A AND ITS HOSPITAL REVENUE BOND (FLAGLER HOSPITAL PROJECT, INC.), SERIES 2012B, IN AN AGGREGATE PRINCIPAL AMOUNT NOT EXCEEDING \$30,000,000, FOR THE PURPOSE OF OBTAINING FUNDS TO LOAN TO FLAGLER HOSPITAL, INC., A FLORIDA NOT FOR PROFIT CORPORATION (THE "BORROWER"), TO FINANCE ALL OR A PART OF THE COSTS OF THE ACQUISITION, RENOVATION, CONSTRUCTION AND INSTALLATION OF CERTAIN HEALTH CARE FACILITIES AND EQUIPMENT AT THE BORROWER'S EXISTING FACILITIES IN ST. JOHNS COUNTY, FLORIDA; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINANCING AGREEMENT WITH RESPECT TO EACH SERIES OF BONDS; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE FOREGOING; PROVIDING FOR THE SALE OF THE SERIES 2012A BOND TO PNC EQUIPMENT FINANCE, LLC, AND THE SALE OF THE SERIES 2012B BOND TO PNC BANK, NATIONAL ASSOCIATION, AND APPROVING THE CONDITIONS OF SUCH SALE; AND PROVIDING CERTAIN OTHER DETAILS IN CONNECTION THEREWITH.

BE IT RESOLVED BY THE ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (THE "ISSUER"):

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

SECTION 2. "Chairman" as used herein refers to the Chairman of the Issuer or such other person as may be authorized to act in the place of the Chairman. "Secretary" as used herein refers to the Secretary or the Treasurer of the Issuer.

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

(1) The Issuer is a public body corporate and politic duly created and existing as a local governmental body and duly constituted as a public instrumentality for the purposes

of facilitating the financing and refinancing of industrial development, health care, and other projects under and by virtue of Part III of Chapter 159, Florida Statutes, as amended, and is duly authorized and empowered by the Act to finance and refinance the acquisition, construction, reconstruction, improvement, rehabilitation, renovation, expansion and enlargement, or additions to, furnishing and equipping of certain capital projects, including any "project" for any "health care facility" (as the quoted terms are defined in the Act), including land, rights in land, buildings and other structures, machinery, equipment, appurtenances and facilities incidental thereto, and other improvements necessary or convenient therefore, and to obtain funds to finance the cost thereof by the issuance of its revenue bonds, and to issue its revenue refunding bonds for the purpose of refunding any outstanding revenue bonds issued under the Act to finance the cost thereof, for the purposes of enhancing and expanding the agriculture, tourism, urban development, historic preservation, education and/or health care industries, among others, enhancing other economic activity in the State by attracting manufacturing development, business enterprise management and other activities conducive to economic promotion, improving the prosperity and welfare of the State and its inhabitants, improving education, living conditions and health care, the advancement of education and science and research in and the economic development of the State, increasing purchasing power and opportunities for gainful employment, and otherwise providing for and contributing to the health, safety and welfare of the people of the State.

(2) The Issuer has determined to authorize the issuance of its Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012A (the "Series A Bond") and its Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012B (the "Series B Bond" and, together with the Series A Bond, the "Bonds"), in an aggregate principal amount not to exceed \$30,000,000, upon various conditions set forth herein.

(3) The proceeds of the Bonds will be loaned to Flagler Hospital, Inc. (the "Borrower") for the purposes of (i) paying or reimbursing all or a part of the costs of a capital project composing a "health care facility" within the meaning of the Act (the "Project"), and (ii) paying the costs of issuing the Bonds. The Project consists of the acquisition, renovation, construction and installation of certain health care facilities and equipment at the Borrower's existing facilities, including the acquisition and installation of an electronic medical records system and an upgraded nurse call system, renovations to the Borrower's facilities including renovations to patient rooms, the acquisition of certain medical equipment, monitoring systems, and replacement patient beds, and the acquisition and installation of related improvements, equipment, fixtures and furnishings, all located or to be located in St. Johns County, Florida, and to be owned and operated by the Borrower.

(4) The Issuer is authorized under the Act to finance the Project as herein contemplated and to fully perform the obligations of the Issuer in connection therewith in order to improve health care in the County, promote the industrial economy of the County, increase and preserve opportunities for gainful employment and purchasing power, improve the prosperity and welfare of the State and its inhabitants, and otherwise contribute to the prosperity, health and welfare of the County, and the inhabitants thereof.

(5) The Project constitutes a "health care facility" and a "project" within the meaning and contemplation of the Act, are appropriate to the needs and

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

(6) The Issuer will loan the proceeds of the Series A Bond to the Borrower pursuant to a Financing Agreement (the "Series A Financing Agreement") among the Borrower, the Issuer and PNC Equipment Finance, LLC, or one of its affiliates, as lender (the "Series A Lender"). The Issuer will loan the proceeds of the Series B Bond to the Borrower pursuant to a Financing Agreement (the "Series B Financing Agreement") among the Series B Borrower, the Issuer and PNC Bank, National Association, or one of its affiliates, as lender (the "Series B Lender" and, together with the Series A Lender, the "Lenders").

(7) The Borrower's obligations under the Series A Financing Agreement and the Series B Financing Agreement (collectively, the "Financing Agreements") will be secured by separate master notes issued by the Borrower pursuant to the Master Trust Indenture dated as of August 1, 1992, as supplemented and amended from time to time (the "Master Indenture"), particularly as supplemented by a supplement to the Master Indenture relating to the master note securing the Series A Financing Agreement and a supplement to the Master Indenture relating to the master note securing the Series B Financing Agreement, each among by and among the Borrower, Flagler Health Care Foundation, Inc. and Flagler Health Care System, Inc. (collectively, the "Obligated Group") and U.S. Bank National Association, successor to SunTrust Bank, as master trustee (the "Master Trustee").

(8) The Borrower is financially responsible based on the criteria established by the Act and is fully capable and willing to fulfill its obligations under the Financing Agreements and the Master Indenture including the obligation to make loan payments or other payments in an amount sufficient in the aggregate to pay all of the principal of, premium, if any, in the amounts and at the times required, the obligation to operate, repair and maintain the Project at the Borrower's expense, and to serve the purposes of the Act and such other responsibilities as may be imposed under such agreement.

(9) The County and other local agencies will be able to cope satisfactorily with the impact of the Project and have provided, and are able to continue 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.

(10) Adequate provision has been made in the documents referenced herein for the operation, repair and maintenance of the Project at the expense of the respective Borrower and for the payment of the principal of, premium, if any, and interest on the Bonds when and as the same become due and payable.

(11) The costs of the Project to be paid from the proceeds of the Bonds in accordance with the terms of each of the Financing Agreements will constitute "costs" of a "project" within the meaning of the Act.

(12) The Issuer has initially determined that the interest on the Bonds will be excludable 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 as "tax-exempt" obligations unless the Issuer has received a satisfactory opinion of Bond Counsel to the effect (among other things) that the interest on the respective Bonds will be excluded from gross income for federal income tax purposes at the time of delivery of the Bonds.

(13) The Issuer is not obligated to pay the Bonds except from the proceeds derived from the repayment of the loans to the Borrower, and neither the faith and credit of the Issuer, nor the faith and credit or taxing power of the County, 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. No owner or holder of the Bonds shall ever have the power, directly or indirectly, to compel the exercise of the ad valorem taxing power of the County, the State or any political subdivision thereof, for the payment of the principal of or premium, if any, or interest on any of the Bonds. The Issuer has no taxing power.

(14) The payments to be made by the Borrower to the Issuer under the Financing Agreements will be sufficient to pay all principal of, premium, if any, and interest on the corresponding Bonds, as the same shall become due, and to make all other payments required by the Financing Agreements. The Series A Bond is to be sold to the Series A Lender as provided herein pursuant to a negotiated direct purchase of the Series A Bond. The Series B Bond is to be sold to the Series B Lender as provided herein pursuant to a negotiated direct purchase of the Series B Bond. The sale of the Bonds pursuant to negotiated sale is required and necessary and is in the best interest of the Issuer for the following reasons: the Bonds will be special and limited obligations of the Issuer payable out of moneys derived by the Issuer from the Borrower or as otherwise provided herein and will be secured by funds and assets of the Borrower; the Borrower will be required to pay all costs of the Issuer 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 bonds having the characteristics of the Bonds are typically sold at negotiated sale under prevailing market conditions.

(15) Prior to the issuance of the respective Bonds, each of the Lenders will provide to the Issuer a disclosure statement containing the information required by Section 218.385(2), (3), (6), Florida Statutes.

(16) Each of the Lenders has submitted a proposal to hold the applicable series of Bonds for its own account pursuant to the corresponding Financing Agreement.

(17) It is in the best interest of the Issuer to approve the sale of the Bonds to the Lenders pursuant to the corresponding Financing Agreement.

(18) All requirements precedent to the adoption of this Resolution, of the Constitution and other laws of the State, including the Act, have been complied with.

(19) The costs of the Project will be paid from the proceeds of the Bonds in accordance with the terms of the corresponding Financing Agreement, and these costs constitute costs of a "project" within the meaning of the Act.

(20) A public hearing concerning the issuance of the Bonds by the Issuer to finance the Project, at which comments and discussions from interested persons were solicited and heard, was held by the Issuer on March 12, 2012, pursuant to appropriate publication of notice thereof in the *The St. Augustine Record*, a newspaper of general circulation in St. Johns County, Florida, at least fourteen (14) days in advance of said hearing.

SECTION 4. FINANCING OF PROJECT AUTHORIZED. The acquisition, construction, improvement and equipping of the Project and the financing thereof in the manner provided herein is hereby authorized.

SECTION 5. AUTHORIZATION AND SALE OF THE BONDS.

(a) Special limited obligations of the Issuer to be known as the "Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012A" and "Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012B" (or such other series designation as may be set forth in the corresponding Financing Agreement) are hereby authorized to be issued in an aggregate principal amount not to exceed Thirty Million Dollars (\$30,000,000), in the form and manner described in the related Financing Agreement. The Bonds will be dated such date and mature in such years and amounts, will contain such redemption provisions, and will bear interest at such rates (not exceeding the maximum interest rate permitted by the Act or by other applicable provisions of law), as provided in the corresponding Financing Agreement.

(b) The Bonds, each in substantially the form attached hereto as an exhibit to the corresponding Financing Agreement, with such changes, alterations and corrections as may be recommended by counsel to the Issuer and as may be approved by the Chairman, such approval to be presumed by his or her execution thereof, are hereby approved by the Issuer, and the Issuer hereby authorizes and directs the Chairman to execute and the Secretary to attest the Bonds and, subject to the provisions of this Section 5, to deliver the Series A Bond to the Series A Lender and to deliver the Series B Bond to the Series B Lender, pursuant to and in accordance with the terms and conditions of the corresponding Financing Agreement.

(c) The negotiated sale of the Series A Bond to the Series A Lender, in an aggregate principal amount together with the Series B Bond not to exceed \$30,000,000, having a maturity date not to exceed fifteen (15) years from the date thereof and initially bearing interest at an interest rate not to exceed 4.00%, is hereby authorized. The negotiated sale of the Series B Bond to the Series B Lender, in an aggregate principal amount together with the Series A Bond not to exceed \$30,000,000, having a maturity date not to exceed fifteen (15) years from the date thereof and initially bearing interest at an interest rate not to exceed 4.00%, is hereby authorized.

(d) Prior to the execution and delivery of the applicable Financing Agreement, each of the Lenders will deliver a Disclosure Statement as required by Section 218.385(2), (3) and (6), Florida Statutes, as amended.

SECTION 6. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE FINANCING AGREEMENTS. The Series A Financing Agreement, in substantially the form attached hereto as Exhibit A, and the Series B Financing Agreement, in substantially the form attached hereto as Exhibit B, each with such changes, alterations and corrections as may be recommended by counsel to the Issuer and as may be approved by the Chairman, such approval to be presumed by his or her execution thereof, are hereby approved by the Issuer, and the Issuer hereby authorizes and directs the Chairman to execute and the Secretary to attest each Financing Agreement, all of the provisions of which, when executed and delivered by the Issuer as authorized herein, by the Borrower, and by the corresponding Lender's duly authorized representative, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein.

SECTION 7. APPROVAL BY THE BOARD. The Bonds shall not be issued unless their issuance is approved by the Board of County Commissioners of the County (the "Board"). The Board is hereby requested to approve the issuance of the Bonds by the Authority.

SECTION 8. ASSENTS, ACCEPTANCE AND APPROVALS; ACTIONS. The Chairman is, subject to the terms hereof, hereby authorized and empowered to execute and deliver the Bonds and the Financing Agreements and all documents contemplated thereby, 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. The Chairman is hereby authorized to designate by written certificate one or more authorized signatories to execute any and all instruments, documents and certificates in his place. Such signature shall have the effect of the Chairman's signature as authorized in this Resolution. The Chairman of the Issuer is hereby authorized to designate by written certificate one or more authorized signatories to execute any and all instruments, documents and certificates in his place. Such signature shall have the effect of the Chairman's signature as authorized in this Resolution.

SECTION 9. GENERAL AUTHORITY. The Issuer and the officers, employees and agents of the Issuer acting on behalf of the Issuer 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 and the Financing Agreements 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 Lenders or the Borrower, including, without limitation, any tax agreement or any document or instrument related to an interest rate hedge agreement or swap relating to the Bonds.

SECTION 10. 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 Financing Agreements shall be executed, and the Bonds shall be issued, with the intent that the laws of the State shall govern their construction, except as shall otherwise be expressly provided by the terms thereof.

SECTION 11. NO PERSONAL LIABILITY. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds or the documents referred to herein or any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Bonds or any document referred to herein or any certificate or other instrument to be executed in connection with the issuance of the Bonds shall be liable personally thereon or be subject, to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 12. NO THIRD PARTY BENEFICIARIES. Except as otherwise expressly provided herein, in the Bonds or in the documents referred to herein, nothing in this Resolution, the Bonds or the documents, express or implied, is intended or shall be construed to confer upon any person, firm, corporation or other organization, other than the Issuer, the Borrower, and the Lender, any remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds or the documents, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Borrower and the Lender.

SECTION 13. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith are hereby repealed.

SECTION 14. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 12th day of March, 2012.

ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

(Official Seal)

ATTEST:

Secretary

By: 
Chairman

EXHIBIT A

FORM OF SERIES A FINANCING AGREEMENT

FINANCING AGREEMENT

Among

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

and

**FLAGLER HOSPITAL, INC.,
as Borrower**

and

**PNC EQUIPMENT FINANCE, LLC,
as Lender**

Dated April 4, 2012

**Relating to
\$18,000,000**

**St. Johns County Industrial Development Authority
Hospital Revenue Bond
(Flagler Hospital, Inc. Project)
Series 2012A**

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT, dated the 4th day of April, 2012 (the "Financing Agreement"), by and among the **ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**, a public body corporate and politic of the State of Florida (the "Issuer"), **FLAGLER HOSPITAL, INC.**, a Florida not for profit corporation (the "Borrower"), and **PNC EQUIPMENT FINANCE, LLC**, a Delaware limited liability company and its successors, assigns and any transferee of the Bond (as defined herein) and the Bond Security (as defined herein) pursuant to Section 9.07 herein (the "Lender");

WITNESSETH:

WHEREAS, the Issuer is a public body corporate and politic of the State of Florida, and is authorized and empowered by the provisions of Chapter 159, Parts II and III, Florida Statutes, as amended (the "Act"), to issue revenue bonds under the provisions of the Act, to finance and refinance the costs of health care facilities to be operated by private, not-for-profit corporations, and to make and execute financing agreements, contracts, deeds and other instruments necessary or convenient for the purpose of facilitating the financing or refinancing of certain projects required or useful for health care facilities, including financing and refinancing the acquisition of furnishings, machinery, equipment, land, rights in land and other appurtenances and facilities related thereto, to improve the health and living conditions of the people of the State of Florida (the "State") and St. Johns County, Florida (the "County"), increase opportunities for gainful employment, improve health care and otherwise aid in improving the health and welfare of the State, the County, and their inhabitants, and to provide such financing through the issuance of revenue obligations such as bonds and notes;

WHEREAS, the Borrower has requested that the Issuer issue its Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012A (the "Bond") in the principal amount of \$18,000,000 for the purpose of obtaining funds to loan to the Borrower pursuant to this Financing Agreement to finance a part of the costs of the Project (as defined herein), all as more particularly described in this Financing Agreement;

WHEREAS, the Issuer has determined to issue and deliver the Bond to the Lender on the terms provided herein;

WHEREAS, the Bond will be payable from and secured by the Borrower's undertakings under this Financing Agreement and the Issuer's right, title and interest herein, which will be assigned to the Lender in satisfaction of all of the Issuer's obligations with respect to the Bond; and

WHEREAS, the Borrower's obligations under this Financing Agreement will be secured by that certain Master Note, Series 2012A, No. 1 (the "Master Note") dated April 4, 2012, issued by the Borrower, pursuant to that certain Master Trust Indenture dated as of August 1, 1992, as amended and supplemented (the "Master Indenture"), particularly as supplemented by the

Supplemental Indenture for Master Note, Series 2012A, No. 1 (the "Supplement") dated April 4, 2012, each by and among the Borrower, Flagler Health Care Foundation, Inc. and Flagler Health Care System, Inc. (collectively, the "Obligated Group") and U.S. Bank National Association, successor to SunTrust Bank, as master trustee (the "Master Trustee"); and

WHEREAS, the Borrower is an Obligated Group Member under the Master Indenture; and

WHEREAS, the Issuer, at a meeting duly convened and held, has authorized the execution and delivery of this Financing Agreement.

NOW, THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided, that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money and any obligation or liability it may incur for damages resulting from the breach of any covenant, undertaking, agreement or warranty herein made shall not be a general debt on its part or a mortgage or pledge of its full faith and credit or taxing power or any of its real estate, property or franchises but shall be payable solely out of the proceeds derived from this Financing Agreement, the Bond and the delivery of the Bond):

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to the words and terms elsewhere defined in this Financing Agreement, capitalized terms used herein shall have the following meanings unless the context or use indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined:

"Act" means Chapter 159, Parts II and III, Florida Statutes, as amended.

"Applicable Law" means all applicable provisions of all constitutions, statutes, rules, regulations and all binding orders, judgments and decrees of any Governmental Authority.

"Bond" means the Issuer's Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012A, issued pursuant to this Financing Agreement.

"Bond Security" has the meaning ascribed to such term in Section 3.01 hereof.

"Borrower" means Flagler Hospital, Inc., a not for profit corporation duly incorporated and existing under and by virtue of the laws of the State of Florida, and any successor or assignee thereto to the extent permitted under Section 14 of the Supplement.

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

"Change in Law" means the occurrence, after the Date of Issuance, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations under it and its predecessors.

"Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the Date of Issuance, of a U.S. Treasury obligation with a maturity similar to the Maturity Date of the Bond minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining term to the stated Maturity Date of the Bond, and (b) the principal amount of the Bond to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the Maturity Date of the Bond. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) "Selected Interest Rates". For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payment or prepayment of the Bond made after acceleration of the maturity of the Bond.

"County" means St. Johns County, Florida.

"Date of Issuance" means April 4, 2012.

"Default" means any event which with notice or lapse of time, or both, would become an Event of Default.

"Default Rate" means as of any date of determination, the interest rate then in effect on the Bond plus 3.0%.

"Designated Office" means the Lender's notice address set forth in Section 9.10 hereof.

"Escrow Agent" means U.S. Bank National Association, in its capacity as escrow agent, and its successors and assigns.

"Escrow Agreement" means the Escrow Agreement dated April 4, 2012, among the Lender, the Borrower and the Escrow Agent.

"Escrow Fund" has the meaning ascribed to such term in Section 3.02 hereof.

"Expenses" has the meaning ascribed to such term in Section 3.03(c) hereof.

"Event of Default" has the meaning specified in Section 8.01 hereof.

"Facilities" means, collectively, the Borrower's health care facilities and the Project.

"Favorable Tax Opinion" means an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bond made or to be made in connection with such action, will not cause interest on the Bond to be includable in gross income of the Owner for purposes of federal income taxation.

"Financing Agreement" means this Financing Agreement, dated April 4, 2012, by and among the Issuer, the Borrower and the Lender.

"Fiscal Year" means the period beginning October 1 of each year and ending on September 30 of the following year, or any other twelve-month period hereafter designated by the Borrower as the fiscal year of the Borrower.

"Foundation" means Flagler Health Care Foundation, Inc., a Florida not for profit corporation.

"Governmental Authority" means any government or political subdivision, or any agency, board, commission, department or instrumentality of either, or any court, tribunal, central bank or arbitrator.

"Issuer" means the St. Johns County Industrial Development Authority.

"Lender" means PNC Equipment Finance, LLC, a Delaware limited liability company, and its successors, assigns and any transferee of the Bond and the Bond Security pursuant to Section 9.07 hereof.

"Loan" means the loan of the proceeds of the Bond from the Issuer to the Borrower pursuant to this Financing Agreement.

"Loan Documents" means collectively this Financing Agreement, the Bond, the Master Note, the Supplement, the Master Indenture, the Mortgage, the Security Agreement and any other documents or instruments now or hereafter evidencing, securing or guaranteeing obligations under the Bond or this Financing Agreement, as the same may be amended, modified or supplemented from time to time in accordance with their respective terms.

"Master Indenture" means the Master Trust Indenture dated as of August 1, 1992, among the Borrower, the other Obligated Group Members named therein, and U.S. Bank National Association, successor to SunTrust Bank, as master trustee, as amended and supplemented, and particularly as supplemented by the Supplement.

"Master Note" means the Master Note, Series 2012A, No. 1, dated April 4, 2012, issued by the Borrower pursuant to the Supplement, to secure the obligations of the Borrower under this Financing Agreement.

"Maturity Date" means April 1, 2019.

"Mortgage" means the Mortgage and Security Agreement dated as of December 1, 2003, from the Borrower, as mortgagor, to the Master Trustee, as mortgagee, and all related future advances thereunder, including but not limited to the Notice of Advance.

"Notice of Advance" means the Notice of Future Advance Relating to Mortgage and Security Agreement dated April 4, 2012, between the Borrower and the Master Trustee.

"Obligated Group Member" has the meaning ascribed to such term in the Master Indenture. As of the date hereof, the Obligated Group Members under the Master Indenture consist of the Borrower, the System and the Foundation.

"Opinion of Counsel" means an opinion from an attorney or firm of attorneys selected by the Borrower and acceptable to the Issuer and the Lender and with experience in the matters to be covered in the opinion. The attorney or attorneys rendering such opinion may be counsel to the Issuer or the Borrower.

"Owner" means the Person or Persons in whose name the Bond is registered on the books kept and maintained by the Lender as bond registrar. The initial Owner is PNC Equipment Finance, LLC.

"Person" means natural persons, firms, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

"Project" means the costs of acquisition, renovation, construction and installation of a portion of the capital projects and equipment listed in Exhibit A attached to this Financing Agreement, as the same may be modified from time to time pursuant to Section 3.02(d) hereof.

"Qualified Project Costs" means costs and expenses of the Project which constitute land or other capital costs excluding specifically working capital and inventory costs; provided, however, that (a) bond issuance costs shall not be deemed to be Qualified Project Costs, and (b) interest following the construction period with respect to the Project shall not constitute a Qualified Project Cost. Notwithstanding the foregoing, costs are not "Qualified Project Costs" unless they were expended for facilities used by a Tax-Exempt Organization in connection with its exempt purpose under Section 501(c)(3) of the Code.

"Resolution" means the resolution adopted by the Issuer on March 12, 2012, authorizing the issuance, execution and delivery of the Bond, the execution and delivery of this Financing Agreement and of other documents related thereto.

"Responsible Officer" means, as to any Person, either (1) its president or chief executive officer, or (2) with respect to financial matters, its president, chief executive officer, chief financial officer or any vice president designated in writing by the chief executive officer to the Lender.

"Security Agreement" means the Security Agreement dated April 4, 2012, among the Obligated Group Members and the Master Trustee.

“State” means the State of Florida.

“Supplement” means the Supplemental Indenture for Master Note, Series 2012A, No. 1, dated April 4, 2012, among the Obligated Group Members and the Master Trustee pursuant to which the Master Note is issued, as amended and supplemented from time to time.

“System” means Flagler Health Care System, Inc., a Florida not for profit corporation.

“Tax Agreement” means that certain Tax Agreement dated April 4, 2012, entered into by the Issuer and the Borrower in connection with the issuance of the Bond.

“Tax-Exempt Organization” means a not for profit corporation and an organization described in Section 501(c)(3) of the Code.

“Term” shall have the meaning ascribed to such term in Section 7.01 hereof.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings of the Borrower and the Lender herein contained:

(a) The Issuer is public body corporate and politic of the State of Florida, and has the power to enter into the transactions contemplated by this Financing Agreement and to carry out its obligations hereunder. The Issuer has the power under the Act to enter into the transactions contemplated by this Financing Agreement and to carry out its obligations hereunder. The Issuer, pursuant to the Resolution, has been duly authorized to execute, assign and deliver this Financing Agreement, and to execute and deliver the Bond.

(b) The Issuer proposes to issue its Bond, in the principal amount of \$18,000,000 for the purpose of providing funds to finance a part of the costs of the Project. The Bond will mature, bear interest, be redeemable and have the other terms and provisions set forth therein. The Issuer will assign and convey to the Lender all of its rights, title and interests in and under this Financing Agreement (except for certain indemnification and reimbursement rights of the Issuer) as security for payment of the principal of, premium, if any, and interest on the Bond.

(c) Neither the execution and delivery of this Financing Agreement, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions hereof conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Issuer is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer under the terms of any instrument or agreement, except as provided herein.

Section 2.02. Representations by the Borrower. The Borrower makes the following representations as the basis for the undertakings of the Issuer and the Lender herein contained:

(a) The Borrower is a not for profit corporation duly incorporated under the laws of the State of Florida, is in good standing under its articles of incorporation and the laws of the State, is duly authorized to operate its facilities and to provide health care facilities in accordance with the provisions of this Financing Agreement, has the power to enter into the Loan Documents, and to carry out and consummate all transactions contemplated by the Loan Documents, and the other documents necessary to consummate this loan transaction. The officer of the Borrower executing this Financing Agreement and such other documents as are being executed and delivered by the Borrower in connection with the issuance of the Bond is duly and properly in office and fully authorized to execute this Financing Agreement and such other documents.

(b) The Loan Documents have been duly authorized, executed and delivered by the Borrower.

(c) This Financing Agreement and the Master Note will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms, except, in each case, as enforcement may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance, reorganization, other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles and judicial discretion, and by the covenant of good faith and fair dealing which may be implied by law in contracts.

(d) The execution and delivery of the Loan Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default under the articles of incorporation of the Borrower or of the other Obligated Group Members, their respective bylaws or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower or any other Obligated Group Member is a party or by which they or their respective properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or of the other Obligated Group Members, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents or the financial condition, assets, properties or operations of the Obligated Group.

(e) No consent or approval of any trustee or holder of any indebtedness of the Borrower or of any other Obligated Group Member and no consent, permission, authorization, order, permit or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Loan Documents or heretofore required for the consummation of any transactions herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or any other Obligated Group Member, relating to the Loan Documents, or the assets, properties or operations of the Borrower or any other Obligated Group Member which, if determined adversely to the Borrower or the other Obligated Group Members or their interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Loan Documents, or upon the financial condition, assets, properties or operations of the Borrower or the other Obligated Group Members (except as has been disclosed to the Issuer and the Lender in writing), and the Borrower and the other Obligated Group Members are not in default with respect to any order or decree of any court or any order or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents, or the financial condition, assets, properties or operations of the Borrower or the other Obligated Group Members or their properties (except as has been disclosed to the Issuer and the Lender in writing). All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower and the other Obligated Group Members have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower or other Obligated Group Member, as applicable, in good faith, have been paid or adequate reserves have been made for the payment thereof. The Borrower and the other Obligated Group Members enjoy the peaceful and undisturbed possession of all of the premises upon which they are operating health care facilities.

(g) The Borrower is an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code; the Borrower has received determination letters from the Internal Revenue Service to the foregoing effect which letters are still in full force and effect; and the Borrower has no "unrelated business taxable income" as defined in Section 512 of the Code which could have a material adverse effect on the Borrower's status as a Tax-exempt Organization, or which, if such income were subject to federal income taxation, would have a material adverse effect on the condition, financial or otherwise, of the Borrower.

(h) None of the proceeds of the Bond will be used directly or indirectly to pay, or directly or indirectly to refund indebtedness the proceeds of which were used to pay, for the acquisition, construction, renovation, remodeling or equipping or any of the expenses of any institution, place or building, or any portion thereof, primarily used or to be used for sectarian instruction or study or as a place for devotional activities or religious worship or in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, rabbis or other similar persons in the field of religion.

(i) The Project is included within the definition of a "project" as defined in the Act; all costs of the Project financed from the proceeds of the Bond will constitute "costs" of a "health care facility" within the meaning of the Act; and the Borrower intends for the Project to continue to be a "health care facility" under the Act throughout the term of this Financing Agreement. No information, exhibit or report furnished to the Issuer or the Lender by the Borrower in connection with the negotiation of this Financing Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The proceeds of the Bond to be loaned to the Borrower hereunder to finance the Project do not exceed the amount required to finance the Project.

(k) Upon the issuance of the Bond, there will be no lien or encumbrance on the Project other than Permitted Liens (as such term is defined in the Master Indenture) and Permitted Encumbrances (as such term is defined in the Supplemental Indenture for Master Note, Series 2011, No. 1).

(l) The Borrower is not in default and has not been in default at any time since December 31, 1975, as to payment of principal or interest with respect to any obligations issued or guaranteed by the Borrower.

ARTICLE III

THE BOND; LOAN; ESCROW FUND; LOAN PAYMENTS

Section 3.01. Agreement to Issue Bond; Loan to Borrower.

(a) **Issuance of Bond.** In order to provide funds to make the Loan to the Borrower as provided herein, the Issuer agrees that it shall issue and cause to be delivered to the Lender the Bond in the principal amount of \$18,000,000 (the "Purchase Price").

The Bond is issuable only as a single, fully registered bond in certificated form (not book entry). The Bond shall be in the form attached as Exhibit B hereto; the terms therein are hereby incorporated by reference and made a part hereof. The obligations of the Issuer hereunder and under the Bond constitute special limited obligations of the Issuer payable solely from and secured by the: (i) payments derived by the Issuer from the Borrower's repayment of the Loan, (ii) any amounts on deposit in the Escrow Fund and the income from the investment thereof, (iii) payments under the Master Note and (iv) amounts realized upon exercise of remedies after an Event of Default. (collectively, the "Bond Security"). The Purchase Price of the Bond shall be paid by the Lender into the Escrow Fund on the Date of Issuance pursuant to Section 3.02(a) hereof.

(b) The Loan.

(i) The Issuer shall make the Loan in accordance with the terms of this Financing Agreement and the Bond. The proceeds of the Loan will be deposited in the Escrow Fund and disbursed to the Borrower as set forth in Section 3.02 hereof and in the Escrow Agreement.

(ii) The Lender shall advance funds in exchange for delivery of the Bond in an amount equal to the Purchase Price, subject to the following conditions:

(iii) At the Date of Issuance, the Issuer shall have duly adopted and there shall be in full force and effect such resolution as, in the opinion of nationally-recognized bond counsel, shall be necessary in connection with the transactions contemplated hereby; and the Lender shall have received the following:

(1) An opinion or opinions of nationally-recognized bond counsel in form acceptable to the Lender and its counsel and addressed to the Lender and upon which the Lender may rely, to the effect that the interest on the Bond is exempt from gross income for federal income tax purposes;

(2) An opinion of counsel to the Borrower and the other Obligated Group Members, dated the date of the Date of Issuance, and in a form acceptable to the Lender and its counsel and addressed to the Lender and upon which the Lender may rely;

(3) A certified copy of a resolution of the Issuer authorizing the issuance of the Bond and delivery of the Bond to the Lender, and the execution, delivery and performance of the documents to which the Issuer is a party;

(4) A duly executed counterpart of this Financing Agreement;

(5) A certified copy of the Master Indenture;

(6) A duly executed counterpart of the Supplement;

(7) Duly executed counterparts of each of the other Loan Documents;

(8) The original executed Bond;

(9) The original executed Master Note;

(10) Certificates of the Borrower relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions of the Borrower's Board of Directors or Executive Committee of the Board of Directors authorizing the execution, delivery and performance of the appropriate Loan Documents to which the Borrower is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(11) Certificates of the System relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions authorizing the execution, delivery and performance of the appropriate Loan Documents to which the System is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(12) Certificates of the Foundation relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions authorizing the execution, delivery and performance of the appropriate Loan Documents to which the Foundation is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(13) Such additional legal opinions, certificates, proceedings, instruments and other documents as counsel for the Lender may reasonably request to evidence compliance by the Borrower, the other Obligated Group Members and the Issuer with the legal requirements, the truth and accuracy, as of the time of the Date of Issuance, of the representations of the Issuer, the Borrower and the other Obligated Group Members in the Loan Documents and the due performance or satisfaction by the Borrower, the other Obligated Group Members and the Issuer, at or prior to the Date of Issuance, of all agreements then required to be performed and all conditions then required to be satisfied by the Borrower, the other Obligated Group Members and the Issuer at the Date of Issuance; and

(iv) The Borrower shall accept such Loan and repay such Loan to the Owner, on behalf of the Issuer, in accordance with the terms of this Financing Agreement and the Bond. The Borrower shall make payments to the Owner on behalf of the Issuer in satisfaction of the Bond as provided therein and as hereafter set forth in Section 3.03. Additionally, the Borrower shall make all other payments required of it under the Bond and this Financing Agreement.

Section 3.02. Escrow Fund; Description of Project.

(a) On the Date of Issuance, the Lender will deposit the Purchase Price into the Escrow Fund created under the Escrow Agreement to be held in escrow and applied by the Escrow Agent on the express terms set forth in the Escrow Agreement.

(b) The Borrower hereby agrees to use the moneys in the Escrow Fund for the limited purpose of paying or reimbursing (i) the costs of acquiring, installing and equipping the Project or (ii) the costs of issuance related to the Bond.

(i) Each disbursement from the Escrow Fund shall be made only upon the receipt by the Escrow Agent of a requisition request signed by an authorized officer of the Borrower, approved by the Lender and substantially in the form of Exhibit 3 attached to the Escrow Agreement. At the request of the Issuer, the Borrower shall provide copies of all requisitions and invoices supporting each requisition submitted pursuant to the Escrow Agreement.

(c) The Borrower may cause changes or amendments to be made in the description of the Project contained in Exhibit A attached hereto; provided, that (i) the Borrower delivers to the Lender a resolution adopted by the Borrower's governing body specifying such changes or amendments, (ii) the Borrower delivers to the Lender an Opinion of Counsel to the effect that such action will not change the nature of the Project to the extent that it will not qualify for financing under the Act, (iii) the Borrower delivers to the Lender a Favorable Tax Opinion, and (iv) the Lender delivers to the Borrower the Lender's prior written consent to such change or amendment.

(d) Any amounts remaining in the Escrow Fund on the date the Project is complete shall be used to pay interest when due on the Bond until any such excess moneys are exhausted.

Section 3.03. Loan Payment.

(a) The Borrower shall pay directly to the Lender, for the account of the Issuer, on or before the dates required under the Bond and under this Financing Agreement, in immediately available funds, all amounts becoming due and payable pursuant to the Bond and this Financing Agreement together with all Expenses when due (except any Expenses incurred by the Issuer).

(b) All payments payable by the Borrower under this Section 3.03, except for Expenses incurred by the Issuer and payments to satisfy the Issuer's right of indemnification under Article VI hereof, are assigned by the Issuer to the Lender as the Owner of the Bond. The Borrower hereby assents to such assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay to the Lender at the Lender's Designated Office, all payments (except for Expenses incurred by the Issuer or the Lender or any indemnification payments as provided in Article VI hereof) required to be paid by the Borrower pursuant to the Bond and this Financing Agreement.

(c) The Borrower shall pay reasonable expenses of the Issuer and the Lender incurred in connection with the Lender's ownership of the Bond upon their written request, such expenses to be paid directly to the requesting party upon receipt of such request (the "Expenses").

(d) In the event the Borrower should fail to make any of the payments required under the Bond and this Financing Agreement, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate.

(e) Upon acceleration of the Bond, the obligation of the Borrower to make payments hereunder shall likewise be deemed to be accelerated.

(f) In the event of a Determination of Taxability, the Bond shall bear an Interest Rate at the Taxable Rate. In addition, the Interest Rate shall be changed to the Taxable Rate effective retroactively to the date on which such Determination of Taxability was made. Immediately upon a Determination of Taxability, the Borrower agrees to pay to the Lender certain additional amounts, as follows:

(i) an additional amount equal to the difference between (x) the amount of interest paid on the Bond during the Taxable Period and (y) the amount of interest that would have been paid on the Bond during the Taxable Period had the Bond borne interest at the Taxable Rate; plus

(ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.

Following the occurrence of a Determination of Taxability, neither the Lender nor the Issuer shall be obligated to contest or protest the determination that interest on the Bond is or was

taxable, nor cooperate with the Borrower in pursuing any such contest or protest, but they may do so in their discretion if additionally indemnified by the Borrower to their satisfaction.

(g) Subject to the provisions of paragraph (i) below, if any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender;

(ii) subject the Lender to any tax of any kind whatsoever with respect to this Financing Agreement, or change the basis of taxation of payments to the Lender in respect thereof; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense affecting this Financing Agreement;

and the result of any of the foregoing shall be to increase the cost to the Lender of owning or maintaining the Bond, or to increase the cost to the Lender, or to reduce the amount of any sum received or receivable by the Lender hereunder or under the Bond (whether of principal, interest or any other amount) then, upon written request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(h) Subject to the provisions of paragraph (i) below, if the Lender determines that any Change in Law affecting the Lender or the Lender's holding company, regarding capital requirements, has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, as a consequence of this Financing Agreement and the Lender's ownership of the Bond, to a level below that which the or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will upon written demand by the Lender supported by the certificate referred to in paragraph (j) below, pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(i) Notwithstanding anything to the contrary contained in this Financing Agreement, however, the Borrower shall only be responsible to pay the Lender for increased costs (or payment reductions) which have general applicability to all financial institutions as a result of such Change in Law and shall not be responsible to pay the Lender for increased costs (or payment reductions) of the Lender due to particular circumstances of the Lender as a result of such Change in Law.

(j) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in paragraph (f), (g) or (h) of this Section and delivered to the Borrower and describing the calculation thereof or the rationale therefor, shall be conclusive absent manifest error. The

Borrower shall pay the Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(k) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety-day period referred to above shall be extended to include the period of retroactive effect thereof).

(l) The payments required to be made by the Borrower hereunder have been calculated to provide funds sufficient to pay the principal of and interest on the Bond as the same come due and to provide funds for the payment of Expenses and other amounts that may become payable to the Issuer or the Lender with respect to the Bond and this Financing Agreement. The Borrower recognizes, understands and acknowledges that it is the intention of the parties that the payments hereunder be available exclusively for such purposes. This Financing Agreement shall be construed to effectuate this intent. If for any reason the payments by the Borrower hereunder are not sufficient for all such purposes, the amount of such deficiency shall bear interest from the due date at the Default Rate and shall immediately upon notification by the Lender or the Issuer that such a deficiency exists, be paid by the Borrower to the Lender. The payments to be made by the Borrower hereunder shall be made by the Borrower irrespective of any breach or any failure of compliance by the Issuer or the Lender with any requirement of this Financing Agreement or any counter-claim, right of offset against the Issuer or the Lender that the Borrower might otherwise have. All payments required to be made by the Borrower pursuant to this Financing Agreement shall be promptly made as herein set forth.

(m) In the event the Borrower should fail to make any of the payments required under the Bond and this Financing Agreement, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate.

(n) Borrower may make payments to the Lender via wire transfer to the Lender's account pursuant to the following wiring instructions:

To: PNC Bank
P.O. Box 931034
Cleveland, OH 44193
Account Name: PNC Equipment Finance, LLC
Account #4206166645
ABA #41000124
For further credit to: Flagler Health #
Attention: Sandra Thomas

Section 3.04. To Whom Payments are Due. Payments due hereunder and under the Bond, other than indemnification payments or payment of Expenses incurred by the Issuer, shall be made by the Borrower directly to the Lender at its Designated Office, or if to a subsequent Owner, at the written direction of such Owner. Payments of the Expenses or indemnification payments shall be made by the Borrower directly to the persons, firms, governmental agencies and other entities, including the Issuer and the Lender, their counsel and bond counsel in accordance with directions of the Issuer and the Lender.

Section 3.05. Prepayment of Bond. (a) The Borrower shall have the option, upon not less than ten (10) days' prior written notice given by the Borrower to the Lender, to prepay the principal of the Bond in whole on any Business Day, or in part in minimum increments of \$100,000 or any integral multiple of \$5,000 in excess thereof on any mandatory principal prepayment date set forth in the Annex to the Bond, together with accrued interest on any prepayment amount and an amount equal to the Cost of Prepayment.

(b) In the event of a partial prepayment of the Bond pursuant to this Section 3.05, the amount prepaid with respect to the Bond shall be applied to satisfy the then remaining principal installments as set forth in the Annex to the Bond in the inverse order of the payment dates set forth on such Annex, or as otherwise agreed upon by the Borrower and the Lender. Upon such a partial prepayment, upon the written request of the Borrower the Lender shall provide the Borrower with a revised Annex 1 for the Bond.

Section 3.06. Operation and Maintenance of the Project.

Upon completion of the Project and thereafter for so long as the Bond is outstanding, the Borrower, as independent contractor and not as agent of the Issuer, agrees to keep and maintain the Project in good condition, repair and working order, or cause the Project to be kept and maintained in good condition, repair and working order, except for ordinary wear and tear and obsolescence. The Borrower may remodel, modify or otherwise improve the Project or cause or permit the Project to be remodeled, modified or otherwise improved, from time to time as the Borrower in its discretion determines to be in its best interests. The Borrower shall operate, repair and maintain the Project, or cause the Project to be operated, repaired and maintained, as a "project" and a "health care facility," as defined in the Act at its own expense.

Section 3.07. Satisfaction of Obligation. Except as otherwise herein expressly provided, the obligation of the Borrower to make payments hereunder shall be satisfied and terminated upon payment in full of all amounts due hereunder and under the Bond.

Section 3.08. Issuer's Performance of the Borrower's Obligations. In the event the Borrower at any time neglects, refuses or fails to perform any of its obligations under this Financing Agreement, the Issuer or the Lender, at their respective options and following at least thirty (30) days' written notice to the Borrower except where a shorter period of notice is necessary to avoid a default in payment on the Bond or hereunder or to prevent any loss or forfeiture thereof, may, but shall be under no obligation to, perform or cause to be performed such obligations, and all expenditures incurred by the Issuer or the Lender in connection therewith shall be promptly paid or reimbursed by the Borrower to the Issuer or the Lender, as the case may be, and shall bear interest at the Default Rate until so reimbursed.

Section 3.09. Security Interest and Assignment; Acceptance by the Lender. To secure the prompt payment and performance as and when due by the Issuer of its obligations hereunder, the Issuer hereby assigns to the Lender all rights of the Issuer under the Bond and this Financing Agreement (except the right to be reimbursed for Expenses and to be indemnified under this Financing Agreement; the Issuer also reserves the right to enforce in its own name the obligations of the Borrower under the last sentence of Section 3.06 and under Section 3.08 hereof). The Borrower acknowledges and agrees to such assignment. The Issuer further agrees that, with respect to the assigned rights of the Issuer under this Financing Agreement, the Lender shall have all of the rights and remedies of a Secured Party under the Florida Uniform Commercial Code. By accepting the assignment, the Lender shall look solely to the assigned rights for repayment of the Bond.

Section 3.10. Obligations Unconditional.

The obligations of the Borrower under this Financing Agreement, including the obligation of the Borrower to pay the principal of and interest on the Master Note, are absolute and unconditional, notwithstanding any other provision of this Financing Agreement. Until this Financing Agreement is terminated and all payments hereunder and under the Master Note are made, the Borrower:

(a) Will pay all amounts required under this Financing Agreement and the Master Note, without abatement, deduction or set-off except as otherwise expressly provided in the Financing Agreement;

(b) Will not suspend or discontinue any payments due hereunder or under the Master Note for any reason whatsoever, including, without limitation, any right of set-off or counterclaim;

(c) Will perform and observe all its other agreements contained in this Financing Agreement; and

(d) Except as provided herein, will not terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the health care facilities of the Borrower or the other Members of the Obligated Group or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Florida, or any political subdivision of either thereof, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Financing Agreement. Nothing contained in this Section 3.10 shall be construed to release the Lender from the performance of any of the agreements on its part herein contained; and in the event the Lender should fail to perform any such agreement on its part, the Borrower may institute such action against the Lender as the Borrower may deem necessary to compel performance.

ARTICLE IV

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any amounts are owed under the Bond or hereunder:

Section 4.01. Compliance with Covenants, Conditions and Agreements in Master Indenture. The Borrower covenants that so long as the Bond is outstanding it shall comply with, and with respect to the other Obligated Group Members so long as they shall continue as Obligated Group Members covenants to cause each Member of the Obligated Group to comply with, each and every covenant, condition and agreement in the Master Indenture and in this Agreement that is applicable to it.

Section 4.02. Tax Covenant. The Borrower covenants and agrees that it will at all times do and perform all acts and things permitted by law and this Financing Agreement which are necessary in order to assure that interest paid on the Bond will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Borrower agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full of the Bond.

Section 4.03. Compliance with United States and Florida Constitutions. The Borrower covenants and agrees that the admissions of patients to the health care facilities of the Obligated Group will not be restricted on racial or religious grounds and that no facility, place or building being financed with any portion of the proceeds of the Bond has been used primarily for sectarian instruction or study or is a place for devotional activities or religious worship in any manner which is prohibited by (i) the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same, or (ii) any comparable provision of the Constitution of the State of Florida and the decisions of the Florida Supreme Court interpreting the same.

Section 4.04. Prohibited Uses. No portion of the proceeds of the Bond will be used to finance any facility, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship.

ARTICLE V

RESERVED

ARTICLE VI

THE BORROWER'S INDEMNIFICATION OF ISSUER AND LENDER

Section 6.01. Indemnification of Issuer and Lender; No Issuer or Lender Liability; Damage Claims. The Borrower shall protect, indemnify and save harmless the Issuer and the Lender and their officers, officials, members, directors, employees, agents and attorneys against and from any and all liabilities, suits, actions, claims, demands, damages, losses, expenses, including attorneys fees, and costs of every kind and nature incurred by, or asserted or imposed against, the Issuer or the Lender, and their officers, officials, members, directors, agents, employees or attorneys, or any of them, by reason of any accident, injury (including death) or damage to any person or property, however caused, resulting from, connected with or growing out of any act of commission or omission of the Borrower, or any officers, members, directors, employees, agents, assignees, contractors or subcontractors of the Borrower, or any use, non-use, possession, occupation, condition, operation, service, design, construction, acquisition, maintenance or management of, or on, or in connection with, the Facilities, or any part thereof, or otherwise related to this Financing Agreement, the Bond or any related documents or the financing of the Project during the Term of this Financing Agreement or after the expiration of such Term, and regardless of whether such liabilities, suits, actions, claims, demands, damages, losses, expenses and costs be against or be suffered or sustained by the Issuer or the Lender or any of their officers, officials, members, directors, agents, employees or attorneys, or be against or be suffered or sustained by other persons, corporations or other legal entities to whom the Issuer or the Lender or any of their officers, officials, members, directors, agents, employees or attorneys may become liable therefor. Neither the Issuer nor the Lender nor any of their officers, officials, members, directors, employees, agents and attorneys shall be liable for any damage or injury occurring to the persons or property of the Borrower or any of its officers, members, agents, including operating personnel, contractors and employees, or any other person or entity who or which may be upon the Facilities, due to any act or negligence of any person or entity other than the willful misconduct or negligence of the Issuer or the Lender, their officers, officials, members, directors, agents, servants, employees and attorneys. The Borrower may, and if so requested by the Issuer or the Lender shall, utilizing counsel reasonably acceptable to the Issuer and the Lender, undertake to defend, at its sole cost and expense, any and all suits, actions or proceedings brought against the Issuer and the Lender or any of their officers, officials, members, directors, agents, employees or attorneys in connection with any of the matters mentioned in this Section.

A party seeking indemnification under this Article VI shall notify the Borrower in writing promptly of any claim or action brought against such party in which indemnity may be sought against the Borrower under this Article; and such notice shall be given in sufficient time to allow the Borrower to defend such claim or action. However, the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of

the Borrower under this Article VI, if (i) the party seeking indemnification shall not have had knowledge or notice of such claim or action, or (ii) the Borrower's ability to defend such claim or action shall not thereby be materially impaired. In the event, however, that (x) the party seeking indemnification shall not have notified the Borrower promptly of any such claim or action after such party's receipt of notice thereof, and (y) the Borrower's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the party seeking indemnity, then the Borrower's obligation to so defend and indemnify shall be qualified to the extent (and only to the extent) of such material impairment.

The provisions of this Article VI shall expressly survive the termination of this Financing Agreement with respect to any indemnification arising as a result of actions taken prior to such termination.

The Issuer and the Lender agree, at the request and expense of the Borrower, to cooperate in the making of any investigation and defense of any such claim and promptly to assert any or all of the rights and privileges and defenses, which may be available to the Issuer and the Lender.

Section 6.02. Exemption from Individual Liability.

No recourse under or upon any covenant or agreement of this Financing Agreement, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer, employee, agent, director, trustee or member of the governing body of the Borrower, or of any successor either directly or indirectly through the Borrower, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Financing Agreement and all obligations hereunder are solely corporate obligations, and that no personal liability whatsoever shall attach to, or is or shall be incurred by, any incorporator, officer, employee, agent or member of the governing body of the Borrower or any successor of the Borrower, because of the issuance of the Bond, or under or by reason of the covenants or agreement contained in this Financing Agreement or any express or implied obligations hereunder.

ARTICLE VII

TERM AND TERMINATION

Section 7.01. Term. The term of this Financing Agreement shall commence on the Date of Issuance, and terminate on the date when the Bond and all other obligations of the Borrower or the Issuer under the Bond and this Financing Agreement (other than the indemnity obligations under Article VI hereof) shall have been paid in full under such circumstances that no claim for repayment may be made under any law or rule of law (the "Term").

Section 7.02. Termination. In no event shall this Financing Agreement terminate until the Lender certifies to the Issuer (with a copy of such certification to the Borrower) that the Bond, including principal, interest and any redemption premium, and all other obligations incurred by the Borrower and the Issuer, as the case may be, under the Bond and this Financing Agreement have been paid in full.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Upon the occurrence of any of the following events (herein referred to as an "Event of Default"), unless waived by the Lender:

(a) the occurrence of an "Event of Default" as described and defined in any of the Loan Documents; or

(b) failure of the Borrower to pay any amount when due under the Bond or under this Financing Agreement; or

(c) any representation or warranty made by or on behalf of the Borrower in or in connection with this Financing Agreement or any other Loan Document (including any Annexes or Exhibits attached hereto or thereto) or any amendments or modifications hereof or waivers hereunder, or in any certificate, report, financial statement or other document submitted to the Lender by the Borrower pursuant to or in connection with this Financing Agreement or any other Loan Document shall prove have been incorrect in any material respect when made or submitted; or

(d) if the Borrower shall fail to observe or perform any covenant, condition, agreement or provision in this Financing Agreement on its part to be observed or performed, other than as referred to in subsection (b) or (c) of this Section, or shall breach any warranty by the Borrower herein contained, for a period of 60 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Borrower by the Issuer or the Lender; except that, if such failure or breach can be remedied but not within such 60 day period and if the Borrower has taken all action reasonably possible to remedy such failure or breach within such 60 day period, such failure or breach shall not become an Event of Default for so long as the Borrower shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Lender; or

(e) if the Master Trustee shall have declared the aggregate principal amount of the Master Note and interest thereon immediately due and payable in accordance with Section 4.2 of the Master Indenture;

then, and in any such event, the Lender may, in its sole discretion, but shall not be obligated to, (i) by notice to the Borrower, declare all amounts payable by the Borrower hereunder to be forthwith due and payable, and the same shall thereupon become due and payable without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived, and/or (ii) exercise all of its rights and remedies under the Loan Documents and/or (iii) accelerate payment of the Bond and interest accrued thereon.

No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Financing Agreement or any other Loan Document or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance

hereunder 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 exercise any remedy reserved to the Lender in this Financing Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Financing Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Financing Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Financing Agreement.

(f) The Borrower expressly agrees that any Event of Default hereunder shall also constitute a default or event of default under each of the Loan Documents.

Section 8.02. Waivers by Lender. The Lender may waive compliance with any provision contained in this Financing Agreement without the consent of the Issuer so long as (i) the waiver will not affect the provisions of Section 6.01 hereof relating to the indemnification of the Issuer by the Borrower, (ii) the Borrower shall have delivered to the Lender an Opinion of Counsel to the effect that such waiver will not adversely affect the qualification of the Bond or the Project under the Act, and (iii) the Borrower delivers to the Lender a Favorable Tax Opinion.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Issuer and the Lender Officers Not Liable. The officers, officials, directors, agents, members, employees and attorneys of the Issuer and the Lender shall not be personally liable for any costs, losses, damages or liabilities caused or subsequently incurred by the Borrower or any officer, member, director, agent or attorney thereof in connection with or as a result of this Financing Agreement.

Section 9.02. Enforcement. The rights, interests, powers, privileges and benefits accruing to or vested in the Issuer and the Lender under this Financing Agreement may be protected and enforced in conformity with the terms of this Financing Agreement or the Bond in the sole discretion of the Issuer or the Lender, as the case may be.

Section 9.03. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Borrower in connection herewith shall survive the execution and delivery of this Financing Agreement, regardless of any investigation made by the Lender or on its behalf.

Section 9.04. Expenses. The Borrower hereby agrees to pay promptly all costs and expenses in connection with the preparation, issuance, delivery, filing (if any), recording (if any) and administration of this Financing Agreement, including, without limitation, the fees and expenses of counsel for the Lender, the other Loan Documents, the Bond and any other documents which may be delivered in connection with this Financing Agreement and all costs and expenses (including reasonable counsel fees and expenses) in connection with (a) any and all

amounts which the Lender has paid relative to the Lender's curing of any Event of Default resulting from the acts or omissions of the Borrower under this Financing Agreement, any other Loan Document or the Bond or (b) the enforcement of this Financing Agreement or any other Loan Document. In addition, the Borrower hereby agrees to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing (if any), and recording (if any) of this Financing Agreement, any other Loan Document or the Bond, or any other documents which may be delivered in connection with this Financing Agreement, and agrees to save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. Notwithstanding the foregoing, no payment shall be required under this Section 9.04 in respect of any cost or expense the Lender has incurred because of its gross negligence or willful misconduct.

Section 9.05. Amendment of Agreement. This Financing Agreement may be amended only by a written instrument signed by the Issuer and the Borrower and consented to in writing by the Lender; provided, however, that nothing herein shall permit or be construed as permitting any abatement, reduction, abrogation, waiver or diminution in any manner or to any extent whatsoever of the obligation of the Borrower to pay the loan payments as provided in this Financing Agreement.

Section 9.06. Prepayment of Bond. The Issuer, at the request at any time of the Borrower, shall take all steps that may be proper and necessary under the applicable prepayment provisions of this Financing Agreement to effect the prepayment of all or part of the then outstanding Bond as may be specified by the Borrower, on the earliest prepayment date on which such prepayment may be effected. Expenses of such prepayment shall be paid by the Borrower and not from other funds of the Issuer. The Issuer shall, at the expense of the Borrower, cooperate with the Borrower in effecting any prepayment of the Bond.

Section 9.07. Registration, Transfer and Exchange. The Issuer shall cause books for the registration of the Bond and for the registration of transfer of the Bond as provided in this Financing Agreement to be kept by the Lender which is hereby appointed the Issuer's bond registrar and agent for the transfer and exchange of the Bond (the "Registrar") and as such shall maintain the books of the Issuer for the registration of ownership of the Bond as provided herein. The Lender, for and on behalf of the Issuer, shall keep the Bond's registration record, in which shall be recorded any and all transfers of ownership of the Bond. The Bond shall not be registered to bearer. The Bond may be transferred upon the registration books upon surrender thereof by the registered Owner in person or by its attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer, and in accordance with the requirements of this Section. Whenever the Bond shall be surrendered for transfer, the Issuer shall execute and deliver to the transferee thereof a new Bond in an amount equal to the aggregate principal amount of the Bond then outstanding.

The Issuer and the Borrower may deem and treat the registered Owner of the Bond as the absolute Owner of the Bond for the purpose of receiving any payment on the Bond and for all other purposes of this Financing Agreement, whether the Bond shall be overdue or not. Payment of, or on account of, the principal of and interest on the Bond shall be made to or upon the written order of such registered Owner or its attorney-in-fact or legal representative duly

authorized in writing. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid.

The Lender will not transfer the Bond unless it also transfers the Bond Security to the transferee, subject to the provisions of this Section.

Section 9.08. Surplus Funds. When the Bond shall have been paid and all other obligations incurred or to be incurred by the Issuer under the Bond and this Financing Agreement shall have been paid, and, assuming the existence of no other agreements imposing a continuing lien on the surplus funds if any, held by the Issuer or the Lender, any surplus funds remaining in the possession of the Lender or the Issuer shall be paid to the Borrower.

Section 9.09. Waiver of Right of Set-off. The Lender hereby waives any rights to setoff, to exercise any banker's lien, to appropriate and apply and/or to attach any accounts, deposits (general or special) and any other indebtedness at any time held or owing by the Lender to or for the credit or account of the Borrower against and on account of the obligations and liabilities of the Borrower to the Lender under this Financing Agreement or the other Loan Documents.

Section 9.10. Notices; Demands; Requests. All notices, demands and requests to be given to or made hereunder by the Borrower, the Issuer or the Lender shall be in writing and shall be deemed to be properly given or made if sent by telephonically confirmed facsimile transmission, electronically confirmed email or by United States registered or certified mail, postage prepaid, addressed as follows:

(a) As to the Borrower:

Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32086
Attention: President
Telephone: (904) 819-4400
Fax: (904) 819-4472

(b) As to the Issuer:

St. Johns County Industrial Development Authority
c/o Clerk of Court, St. Johns County Courthouse
Attention: Chairman, P.O. Drawer 300
St. Augustine, Florida 32085
Telephone: (904) 823-2457
Fax: (904) 823-2515

(c) As to the Lender:

PNC Equipment Finance, LLC
3711 West Vasconia Street
Tampa, FL 32629

Attention: Scott Besece, Vice President
Telephone: (813) 832-6091
Fax : (813) 831-6092

With a copy to:

PNC Equipment Finance, LLC
995 Dalton Avenue
Cincinnati, OH 45203
Attention: Tom Barnhart
Telephone: (513) 455-2301
Fax: (513)

Receipt of notices, demands, requests, or other communications hereunder shall occur upon actual delivery (whether by facsimile transmission, electronic mail, mail, messenger, courier service, or otherwise), as to the Borrower, to an officer, agent, or employee of the Borrower at any location where such person may be found and, as to any other party, to an officer, agent, or employee of such other party at the address of such party set forth above, subject to change as provided hereinabove. An attempted delivery in accordance with the foregoing, acceptance of which is refused or rejected, shall be deemed to be and shall constitute receipt; and an attempted delivery in accordance with the foregoing by facsimile transmission, email, mail, messenger, or courier service (whichever is chosen by the sender) which is not completed because of changed address of which no notice was received by the sender in accordance with this provision prior to the sending of the notice, certificate, or other communication shall also be deemed to be and constitute receipt.

Any of such addressees and addresses may be changed at any time upon written notice of such change sent by certified mail, postage prepaid, to the other parties by the party effecting the change. A copy of any notice sent by one of the foregoing parties to another, shall be sent to the third such party.

Section 9.11. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Financing Agreement required to be satisfactory to the Lender, the determination of such satisfaction shall be made by the Lender in its sole and exclusive judgment exercised in good faith.

Section 9.12. Florida Law Controlling. This Financing Agreement shall be construed and enforced in accordance with the laws of the State of Florida, without regard to conflict of law principles.

Section 9.13. Consents and Approvals. Whenever the written consent or approval of the Issuer or the Borrower or any officer thereof shall be required under the provisions of this Financing Agreement, such consent or approval shall not be unreasonably withheld.

Section 9.14. Multiple Counterparts. This Financing Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original constituting but one and the same instrument.

Section 9.15. Severability. If any one or more of the covenants, agreements or provisions of this Financing Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Financing Agreement, and this Financing Agreement shall continue in force to the fullest extent permitted by law.

Section 9.16. The Borrower's Remedies. In the event the Issuer should fail to perform any of its obligations under this Financing Agreement, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance, subject to the limitations contained in Section 9.18 hereof. The Borrower also may, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons that the Borrower deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Facilities, and in such event the Issuer hereby agrees to cooperate with the Borrower and to take all action necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request.

Section 9.17. Extent of Covenants. All covenants, stipulations, obligations and agreements of the Issuer and the Borrower contained in this Financing Agreement shall be effective to the extent authorized and permitted by Applicable Law.

Section 9.18. Limitation on Issuer's Liability. All obligations of the Issuer expressed or implied in this Financing Agreement or otherwise incurred in connection with the Project for the payment of money or for damages resulting from the breach of any covenant, undertaking, agreement, or warranty shall not be a general debt on its part but shall be payable solely from revenues of the Issuer derived and to be derived under this Financing Agreement and the Bond. Neither the directors nor any officer, official, member, agent, employee or attorney of the Issuer shall be personally liable for the payment of any sum or for the performance of any obligation under this Financing Agreement.

NEITHER THE ISSUER, THE COUNTY, THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE BOND. THE BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY OR OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION AND DO NOT AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OR OF THE STATE. NEITHER SHALL THE BOND NOR THE INTEREST THEREON BE A CHARGE AGAINST THE

GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER. NO BREACH BY THE ISSUER OF THIS FINANCING AGREEMENT OR OF ANY PROVISION OR CONDITION THEREOF OR IN THE BOND OR OF ANY AGREEMENT CONTAINED IN THIS FINANCING AGREEMENT OR IN THE BOND SHALL RESULT IN THE IMPOSITION OF ANY PECUNIARY LIABILITY UPON THE ISSUER, THE COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OR ANY CHARGE UPON THE GENERAL CREDIT OR AGAINST THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE. THE LIABILITY OF THE ISSUER UNDER THIS FINANCING AGREEMENT AND THE BOND, OR ANY PROVISION OR CONDITION HEREOF OR THEREOF, OR OF ANY AGREEMENT IN THIS FINANCING AGREEMENT OR IN THE BOND CONTAINED, OR OF ANY WARRANTY HEREIN OR IN THE BOND INCLUDED, OR FOR ANY BREACH OF DEFAULT BY THE ISSUER OF ANY OF THE FOREGOING, SHALL BE LIMITED SOLELY AND EXCLUSIVELY TO THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. THE ISSUER SHALL NOT BE REQUIRED TO EXECUTE OR PERFORM ANY OF ITS DUTIES, OBLIGATIONS, POWERS, OR COVENANTS UNDER THE FINANCING AGREEMENT OR UNDER THE BOND EXCEPT TO THE EXTENT THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR ARE AVAILABLE THEREFOR. NO PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER SHALL BE PERSONALLY LIABLE BY REASON OF THE ISSUANCE OF THE BOND OR THE EXECUTION OF THE FINANCING AGREEMENT, AND NO COVENANT, AGREEMENT OR OBLIGATION CONTAINED IN THE BOND OR IN THIS FINANCING AGREEMENT SHALL BE DEEMED TO BE A COVENANT, AGREEMENT OR OBLIGATION OF ANY PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER IN HIS INDIVIDUAL CAPACITY. THE ISSUER HAS NO TAXING POWER.

Notwithstanding anything else in the Bond or in this Financing Agreement, in no contingency or event whatever shall the amount paid or agreed to be paid to the Issuer or the Lender for use, forbearance or detention of the money to be advanced thereunder exceed the highest lawful rate of interest permitted under law applicable thereto by a court of competent jurisdiction. If, from any circumstances whatever, fulfillment of any provision of the Bond or this Financing Agreement, at the time performance of such provisions shall be due, shall involve payment of interest at a rate that exceeds the highest lawful rate as so determined, then ipso facto the obligation to be fulfilled shall be reduced to such highest lawful rate, provided that the interest rate shall remain at such highest lawful rate until such time as the amount of interest paid on the Bond or under this Financing Agreement shall equal the amount of interest that would otherwise have been paid hereunder. If from any circumstances whatever, the Lender or the Issuer shall ever receive interest, the amount of which would exceed such highest lawful rate, the portion thereof which would be excessive interest shall be applied to the reduction of the unpaid principal balance due under the Bond or this Financing Agreement and not to the payment of interest, or if the Bond is no longer outstanding and all sums due under this Financing Agreement and the Bond has been paid in full, shall be repaid to the Borrower.

Section 9.19. Waiver of Jury Trial. The Borrower and the Issuer each hereby knowingly, voluntarily and intentionally waives the right it may have to a trial by jury in respect

of any litigation based upon this Financing Agreement or the Bond or arising out of, under or in connection with this Financing Agreement or the Bond and any agreement contemplated to be executed in conjunction herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of any party. This provision is a material inducement for the parties entering into this Financing Agreement and for the advance by the Lender of the Purchase Price with respect to the Bond. By acceptance of the Bond, the Lender, for itself and its assigns, waives its right to trial by jury to the same extent as the Borrower and the Issuer.

Section 9.20. Limitation on Liability; Waiver of Punitive Damages. EACH OF THE PARTIES HERETO AGREES THAT IN ANY JUDICIAL, MEDIATION OR ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM (A "DISPUTE") THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS FINANCING AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE INDEBTEDNESS AND OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR (1) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (2) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY DISPUTE, WHETHER THE DISPUTE IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE. THE PROVISIONS OF THIS SECTION 9.20 SHALL EXPRESSLY SURVIVE THE TERMINATION OF THIS FINANCING AGREEMENT WITH RESPECT TO ANY AMOUNTS DUE WITH RESPECT TO ANY ACT OR FAILURE TO ACT BY THE BORROWER PRIOR TO SUCH TERMINATION.

[Remainder of Page Intentionally Left Blank; Signature Page Follows.]

IN WITNESS WHEREOF, the St. Johns County Industrial Development Authority has caused this Financing Agreement to be executed in its name and on its behalf by its Chairman; Flagler Hospital, Inc. has caused this Financing Agreement to be executed in its name and on its behalf by its duly authorized officer; and PNC Equipment Finance, LLC on has caused this Financing Agreement to be executed in its name and on its behalf by its duly authorized officer, as of the day and year first above written.

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Peter J. Apol, Chairman

PNC EQUIPMENT FINANCE, LLC

By: _____
Ralph Swanson, Vice President

FLAGLER HOSPITAL, INC.

By: _____
Paul B. Runk, Chairman

[Signature Page to (2012A) Financing Agreement]

ASSIGNMENT TO BANK

The undersigned hereby irrevocably sells, assigns and transfers unto PNC Equipment Finance, LLC, without recourse or warranty, all rights and interests under the within Financing Agreement (except the right to be reimbursed for expenses incurred by the Issuer and to be indemnified under the Financing Agreement and certain enforcement rights as set forth in the Financing Agreement).

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Peter J. Apol, Chairman

[Signature Page to (2012A) Financing Agreement]

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of certain health care facilities and equipment at the Borrower's existing facilities, including the acquisition and installation of an electronic medical records system and an upgraded nursing call system, renovations to the Borrower's facilities including renovations to patient rooms, the acquisition of certain medical equipment, monitoring systems and replacement patient beds, and the acquisition and installation of related improvements, equipment, fixtures and furnishings, all located or to be located at 101, 120, 130, 201, 300, 301 and/or 400 Health Park Boulevard, St. Augustine, Florida, and/or 52 Tuscan Way, Suite 203, St. Augustine, Florida, and to be owned and operated by the Borrower.

EXHIBIT B

FORM OF BOND

**ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
HOSPITAL REVENUE BOND
(Flagler Hospital, Inc. Project)
SERIES 2012A**

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
April 4, 2012	____%	April 1, 2019

ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer"),
for value received, hereby promises to pay to the order of

PNC EQUIPMENT FINANCE, LLC

(the "Owner") or its successors or registered assigns, the principal sum of

EIGHTEEN MILLION DOLLARS
(\$18,000,000)

or such lesser amount as shall be outstanding hereunder as hereinafter provided and pursuant to the terms of the Financing Agreement, dated April 4, 2012, by and among the Issuer, Flagler Hospital, Inc. (the "Borrower"), and the Owner (the "Financing Agreement"), together with interest on the outstanding principal balance until payment in full. This Bond shall bear interest at the fixed interest rate set forth above. Interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year. The Borrower shall make monthly interest payments to the Owner commencing on May 1, 2012, and continuing on the first Business Day (defined below) of each calendar month thereafter until April 1, 2019 (the "Maturity Date"). The Borrower shall make annual principal payments to the Owner commencing on April 1, 2014, and each April 1 thereafter until the Maturity Date (each, a "Mandatory Principal Prepayment Date"), in accordance with Annex 1 attached hereto. This Bond shall mature and all unpaid principal and accrued but unpaid interest and all other amounts payable hereunder or payable under the Financing Agreement shall be due and payable on the Maturity Date, subject to earlier optional prepayment by the Borrower as hereinafter provided. The principal of and interest on this Bond are payable in lawful currency of the United States of America. The interest rate on this Bond shall be subject to adjustment as hereinafter provided.

For purposes hereof, the following terms have the following meanings:

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

"Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations under it and its predecessors.

"Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the Date of Issuance, of a U.S. Treasury obligation with a maturity similar to the Maturity Date of this Bond minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining term to the stated Maturity Date of this Bond, and (b) the principal amount of the Bond to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the Maturity Date of this Bond. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) "Selected Interest Rates". For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payment or prepayment made after acceleration of the maturity of this Bond.

"Default Rate" means as of any date of determination, the interest rate then in effect on the Bond plus 3.0%.

All other terms used herein in capitalized form, unless otherwise defined herein, shall have the meanings ascribed to such terms by the Financing Agreement.

In the event of a determination that the interest income on this Bond is not excluded from gross income under Section 103 of the Code, this Bond or the affected portions will become immediately due and payable, or, at the option of Owner remain outstanding and bear interest at the Taxable Rate (defined below). If the interest on this Bond becomes partially taxable, the interest deduction available to the Owner is reduced or limited because the federal income tax deduction for state income taxes paid on the interest payments received on the indebtedness during any period is reduced because of any change in the tax laws or regulations, this Bond becomes subject to a minimum tax or alternative minimum tax; or the economic tax advantage of the loan evidenced by this Bond is otherwise altered by a change in the tax laws, then the interest rate on this Bond will be adjusted to indemnify the Owner for the additional tax cost in an amount necessary to give to the Owner an after tax yield equal to the loan yield before the tax law change. If the corporate tax rate changes, then the interest rate on this Bond will be adjusted to give to the Owner an after tax yield equal to the loan yield before the corporate tax law change. The adjusted interest rate as described in the immediate preceding two sentences shall collectively be referred to as the "Taxable Rate."

The Borrower may, by giving not less than ten (10) days' prior written notice directly to the Owner, prepay the principal of this Bond in whole on any date, or in part in minimum increments of \$100,000 or any integral multiple of \$5,000 in excess thereof on any Mandatory Principal Prepayment Date, together with accrued interest on any prepayment amount and an amount equal to the Cost of Prepayment.

The principal of and interest on this Bond are payable from and secured by (i) payments derived by the Issuer from the Borrower's repayment of the Loan, (ii) any amounts on deposit in the Escrow Fund and the income from the investment thereof, (iii) payments under the Master Note and (iv) amounts realized upon exercise of remedies after an Event of Default (collectively,

the "Bond Security"). The Bond Security will be assigned by the Issuer to the Owner in satisfaction of all of the Issuer's obligations under this Bond. The Issuer shall never be required to (i) levy ad valorem taxes on any property within its territorial limits to pay the principal of and interest on this Bond or to make any other payments provided for under the Financing Agreement; (ii) pay the same from any funds of the Issuer; or (iii) require or enforce any payment or performance by the Borrower as provided by the Financing Agreement unless the Issuer's expenses in respect thereof shall be paid from moneys derived under the Financing Agreement or shall be advanced to the Issuer for such purpose, and the Issuer shall receive indemnity for such expenses to its satisfaction. This Bond and the Financing Agreement are sometimes referred to hereinafter collectively as the "Loan Documents." This Bond shall not constitute a lien upon any property of the Issuer owned by or situated within the territorial limits of the Issuer.

NEITHER THE ISSUER, ST. JOHNS COUNTY, FLORIDA (THE "COUNTY"), THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE BOND. THE BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY OR OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION AND DO NOT AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OR OF THE STATE. NEITHER SHALL THE BOND NOR THE INTEREST THEREON BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER. NO BREACH BY THE ISSUER OF THE FINANCING AGREEMENT OR OF ANY PROVISION OR CONDITION THEREOF OR IN THE BOND OR OF ANY AGREEMENT CONTAINED IN THE FINANCING AGREEMENT OR IN THIS BOND SHALL RESULT IN THE IMPOSITION OF ANY PECUNIARY LIABILITY UPON THE ISSUER, THE CITY, THE COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OR ANY CHARGE UPON THE GENERAL CREDIT OR AGAINST THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE. THE LIABILITY OF THE ISSUER UNDER THE FINANCING AGREEMENT AND THE BOND, OR ANY PROVISION OR CONDITION HEREOF OR THEREOF, OR OF ANY AGREEMENT IN THE FINANCING AGREEMENT OR IN THE BOND CONTAINED, OR OF ANY WARRANTY IN THE FINANCING AGREEMENT OR IN THE BOND INCLUDED, OR FOR ANY BREACH OF DEFAULT BY THE ISSUER OF ANY OF THE FOREGOING, SHALL BE LIMITED SOLELY AND EXCLUSIVELY TO THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. THE ISSUER SHALL NOT BE REQUIRED TO EXECUTE OR PERFORM ANY OF ITS DUTIES, OBLIGATIONS, POWERS, OR COVENANTS UNDER THE FINANCING AGREEMENT OR UNDER THE BOND EXCEPT TO THE EXTENT THE LOAN PAYMENTS AND OTHER

REVENUES PLEDGED THEREFOR ARE AVAILABLE THEREFOR. NO PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER SHALL BE PERSONALLY LIABLE BY REASON OF THE ISSUANCE OF THIS BOND OR THE EXECUTION OF THE FINANCING AGREEMENT, AND NO COVENANT, AGREEMENT OR OBLIGATION CONTAINED IN THIS BOND OR IN THE FINANCING AGREEMENT SHALL BE DEEMED TO BE A COVENANT, AGREEMENT OR OBLIGATION OF ANY PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER IN HIS INDIVIDUAL CAPACITY. THE ISSUER HAS NO TAXING POWER.

No official, attorney or employee of the Issuer approving or executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

Notwithstanding any provision contained herein to the contrary, in no event shall the interest contracted for, charged or received in connection with the Bond (including any other costs or considerations that constitute interest under the laws of the State which are contracted for, charged or received) exceed the maximum rate of interest allowed under the laws of the State. In the event this Bond is prepaid in accordance with the provisions hereof, then such amounts that constitute payments of interest, together with any costs or considerations which constitute interest under the laws of the State, may never exceed an amount which would result in payment of interest at a rate in excess of the non-usurious interest allowed by the laws of the State.

All covenants, conditions and agreements contained in the Financing Agreement are hereby incorporated by reference in this instrument as though fully set forth herein. In the event of conflict between this Bond and the Financing Agreement, the terms and conditions of the Financing Agreement shall control. This Bond shall be deemed to be in default upon the occurrence of an Event of Default under the terms of the Financing Agreement. Upon the occurrence of such an Event of Default the Owner of this Bond may, at its option, declare this Bond immediately due and payable without notice regardless of the date of maturity and shall have all other rights and remedies as provided in the Financing Agreement. Failure at any time to exercise this option shall not constitute a waiver of the right to exercise the same at any other time. In the event the Borrower shall fail to make any of the payments required hereunder, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate. From and after the Maturity Date, all amounts remaining unpaid or thereafter accruing under this Bond shall bear interest at the Default Rate. The difference between the interest payable under the Default Rate and the interest otherwise payable shall be payable in addition to the fixed monthly payment set forth in Annex 1 attached hereto.

The Owner is hereby authorized to disclose any financial or other information about the Issuer and Borrower related to the Loan Documents (defined below) to any regulatory body or agency having jurisdiction over the Owner and to any present, future or prospective participant or successor in interest in any loan or other financial accommodation made by the Owner to the Issuer or the Borrower. The information provided may include, without limitation, amounts,

terms, balances, payment history, return item history and any financial or other information about the Issuer or Borrower related to the Loan Documents. "Loan Documents" means collectively the Financing Agreement, this Bond and all agreements, documents and instruments executed at any time in connection therewith, as any of the same are amended, restated, or supplemented.

If the Owner retains the services of counsel by reason of a claim of a default or an event of default under this Bond or under any of the other Loan Documents, or on account of any matter involving this Bond, or for examination of matters subject to the Owner's approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by the Owner shall be paid by the Borrower on demand, and shall be deemed part of the obligations evidenced hereby.

If, after receipt of any payment of all or any part of this Bond, the Owner is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Bond and the other Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and the Issuer shall be liable for, and shall indemnify, defend and hold harmless the Owner with respect to, the full amount so surrendered (but solely from the source described in the Financing Agreement). The provisions of this paragraph shall survive the cancellation or termination of this Bond and shall remain effective notwithstanding the payment of the obligations evidenced hereby, the release of any security interest, lien or encumbrance securing this Bond or any other action which the Owner may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the obligations evidenced hereby having become final and irrevocable.

It is hereby certified and recited 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 laws and Constitution of the State of Florida applicable thereto, and that the issuance of this Bond does not violate any constitutional or statutory limitation.

This Bond is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities of the State of Florida.

The Issuer hereby waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Bond and any other notices that might otherwise be required as a condition to exercise of any rights of the Owner hereof.

THE ISSUER AND, BY ACCEPTANCE OF THIS BOND, THE OWNER EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED UPON THIS BOND OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THIS BOND OR THE LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF

DEALING, ACTS OR OMISSIONS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Issuer has issued this Bond and has caused the same to be executed by its Chairman, either manually or with his facsimile signature, and attested by the manual or facsimile signature of the Secretary of the Issuer, all as of the Dated Date set forth above.

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Chairman

(SEAL)

ATTEST:

By: _____
Secretary

ANNEX 1

Schedule of Principal Advances and Mandatory Principal Prepayments

<u>Date</u>	<u>Amount Advanced</u>	<u>Mandatory Principal Prepayments</u>	<u>Initial of Owner</u>

EXHIBIT C
FORM OF ESCROW AGREEMENT

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("*Escrow Agreement*") is made as of April 4, 2012, by and among PNC EQUIPMENT FINANCE, LLC ("*Lender*"), FLAGLER HOSPITAL, INC. ("*Borrower*") and U.S. BANK NATIONAL ASSOCIATION, as escrow agent ("*Escrow Agent*").

Lender, Borrower and St. Johns County Industrial Development Authority (the "*Issuer*") have heretofore entered into that certain Financing Agreement dated April 4, 2012 (the "*Financing Agreement*"). The Financing Agreement contemplates the issuance by the Issuer of its St. Johns County Industrial Development Authority Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012A in the principal amount of \$18,000,000 (the "*Bond*"), and the loan of the proceeds thereof to Borrower to finance the costs of the Project identified therein. Lender will advance funds pursuant to the Financing Agreement in exchange for delivery to Lender of the Bond in the amount of \$18,000,000 (the "*Purchase Price*"), and deposit the Purchase Price with Escrow Agent to be held in escrow and applied on the express terms set forth herein. Such deposit, together with all interest and other additions received with respect thereto (hereinafter the "*Escrow Fund*") is to be applied to reimburse Borrower for costs of the Project.

Capitalized terms used herein but not defined herein shall have the meaning assigned to such terms in the Financing Agreement.

The parties desire to set forth the terms on which the Escrow Fund is to be created and to establish the rights and responsibilities of the parties hereto.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. (a) Escrow Agent hereby agrees to serve as escrow agent upon the terms and conditions set forth herein. (b) The moneys and investments held in the Escrow Fund are irrevocably held in trust for the benefit of Borrower and Lender, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Escrow Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either Borrower or Lender. The parties hereto intend that Lender have a security interest in the Escrow Fund, and such security interest is hereby granted by Borrower to secure payment of all sums due to Lender under the Financing 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.

2. On such day as is determined to the mutual satisfaction of the parties (the "*Closing Date*"), Lender shall deposit with Escrow Agent immediately available funds in the amount of the Purchase Price, to be held in escrow by Escrow Agent on the express terms and conditions set forth herein.

On the Closing Date, Escrow Agent agrees to accept the deposit of the Purchase Price by Lender, and further agrees to hold the amount so deposited together with all interest and other additions received with respect thereto, as the Escrow Fund hereunder, in escrow on the express terms and conditions set forth herein.

3. Escrow Agent shall at all times segregate the Escrow Fund into an account maintained for that express purpose, which shall be clearly identified on the books and records of Escrow Agent as being held in its capacity as Escrow Agent. Securities and other negotiable instruments comprising the Escrow Fund from time to time shall be held or registered in the name of Escrow Agent (or its nominee). The Escrow Fund shall not, to the extent permitted by applicable law, be subject to levy or attachment or lien by or for the benefit of any creditor of any of the parties hereto (except with respect to the security interest therein held by Lender).

4. The cash comprising the Escrow Fund from time to time shall be invested and reinvested by Escrow Agent in one or more Qualified Investments listed on Exhibit 1, pursuant to the written instruction of Borrower attached hereto as Exhibit 4. Escrow Agent will use due diligence to collect amounts payable under a check or other instrument for the payment of money comprising the Escrow Fund and shall promptly notify Borrower and Lender in the event of dishonor of payment under any such check or other instruments. Interest or other amounts earned and received by Escrow Agent with respect to the Escrow Fund shall be deposited in and comprise a part of the Escrow Fund.

5. Escrow Agent shall send monthly statements of account to Borrower and Lender, which statements shall set forth all withdrawals from and interest earnings on the Escrow Fund as well as the investments in which the Escrow Fund is invested.

6. Escrow Agent shall take the following actions with respect to the Escrow Fund:

(a) Within five (5) business days of receipt of a Requisition Request in the form attached as Exhibit 3 hereto, duly executed by Borrower and approved by Lender, Escrow Agent shall pay to Borrower from the Escrow Fund amounts requested thereunder.

(b) Upon the first to occur of (1) an Event of Default occurs under the Financing Agreement, (2) receipt by Escrow Agent of written notice from Borrower that the Project has been completed or (3) September 30, 2013, funds then on deposit in the Escrow Fund shall be applied by the Escrow Agent, first, to all outstanding fees and expenses incurred by Escrow Agent in connection herewith as evidenced by its statement forwarded to Lender and Borrower, and, second, to Lender for interest due on the Bond, unless otherwise agreed by Lender.

7. The fees and expenses, including any reasonable legal fees, of Escrow Agent incurred in connection herewith shall be the responsibility of Borrower. The basic fees and expenses of Escrow Agent shall be as set forth on Exhibit 2 hereto, and shall be invoiced to the Borrower. Escrow Agent may employ legal counsel and other experts as it deems necessary for

advice in connection with its obligations hereunder. Escrow Agent waives any claim against Lender with respect to compensation hereunder.

8. Escrow Agent shall have no liability for acting upon any written instruction presented by Lender in connection with this Escrow Agreement, which Escrow Agent in good faith believes to be genuine. Furthermore, Escrow Agent shall not be liable for any act or omission in connection with this Escrow Agreement except for its own negligence, willful misconduct or bad faith. Escrow Agent shall not be liable for any loss or diminution in value of the Escrow Fund as a result of the investments made by Escrow Agent.

9. Escrow Agent may resign at any time by giving thirty (30) days' prior written notice to Lender and Borrower. Lender may at any time remove Escrow Agent as Escrow Agent under this Escrow Agreement upon written notice. Such removal or resignation shall be effective on the date set forth in the applicable notice. Upon the effective date of resignation or removal, Escrow Agent will transfer the Escrow Fund to the successor Escrow Agent selected by Lender in an orderly manner.

10. This Escrow Agreement and the escrow established hereunder shall terminate upon receipt by Escrow Agent of the written notice from Lender specified in Section 6(c) or Section 6(d) hereof.

11. In the event of any disagreement between the undersigned or any of them, and/or any other person, resulting in adverse claims and demands being made in connection with or for any moneys involved herein or affected hereby, Escrow Agent shall be entitled at its option to refuse to comply with any such claim or demand, so long as such disagreement shall continue, and in so refusing Escrow Agent may refrain from making any delivery or other disposition of any moneys involved herein or affected hereby and in so doing Escrow Agent shall not be or become liable to the undersigned or any of them or to any person or party for its failure or refusal to comply with such conflicting or adverse demands, and Escrow Agent shall be entitled to continue so to refrain and refuse so to act until:

(a) the rights of the adverse claimants have been finally adjudicated in a court assuming and having jurisdiction of the parties and the moneys involved herein or affected hereby; or

(b) all differences shall have been adjusted by agreement and Escrow Agent shall have been notified thereof in writing signed by all of the persons interested.

12. All notices (excluding communications in the ordinary course of business) hereunder shall be in writing, and shall be sufficiently given and served upon the other party or parties if delivered (a) personally, (b) by United States registered or certified mail, return receipt requested, postage prepaid, (c) by an overnight delivery by a service such as Federal Express or Express Mail from which written confirmation of overnight delivery is available, or (d) by facsimile with a confirmation copy by regular United States mail, postage prepaid, addressed to the other party or parties at their respective address stated below the signature of such party or at

such other address as such party shall from time to time designate in writing to the other party, and shall be effective from the date of mailing.

13. This Escrow Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. No rights or obligations of Escrow Agent under this Escrow Agreement may be assigned without the prior written consent of Lender.

14. This Escrow Agreement shall be governed by and construed in accordance with the laws in the state of Florida. This Escrow Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and no waiver, consent, modification or change of terms hereof shall bind any party unless in writing signed by all parties.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be duly executed as of the day and year first above set forth.

PNC EQUIPMENT FINANCE, LLC, as Lender

By _____
Name: _____
Title: _____

Address: 995 Dalton Avenue
Cincinnati, OH 45203

FLAGLER HOSPITAL, INC., as Borrower

By _____
Name: Lynda I. Kirker
Title: Chief Financial Officer

Address: 400 Health Park Blvd.
St. Augustine, FL 32086

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Agent

By _____
Name: _____
Title: _____

Address: 10 W. Broad St., 12th Floor
CN OH BD12
Columbus, OH 43215

EXHIBIT 1

QUALIFIED INVESTMENTS

Qualified Investments include:

(i) Noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America. ("Federal Securities");

(ii) Federal Securities which have been stripped of their unmatured interest coupons and interest coupons stripped from Federal Securities and receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Federal Securities which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$20,000,000;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; or Federal Land Banks;

(iv) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or Person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;

(v) (a) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution; provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (b) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution; provided that such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose (or whose parent's) long-term unsecured debt is rated in either of the three highest long term rating categories by Moody's or S&P, and provided further that with respect to (a) and (b) any such obligations are held by, or are in the name of, a bank, trust company or national banking association (other than the issuer of such obligations);

(vi) Repurchase agreements collateralized by securities described in subparagraphs (i), (ii), (iii) or (iv) above ("Collateral Securities") with any financial institution or a special-purpose company subsidiary of a financial institution which is the seller and repurchaser of securities in a repurchase agreement ("Seller") that has an uninsured, unsecured and unguaranteed obligation rating, or is, itself rated, in one of the three highest rating categories by Moody's or by S&P; provided that (1) a specific written repurchase agreement between the Escrow Agent and the Seller governs the transaction, (2) an opinion of counsel to the Seller that the repurchase agreement is a valid, binding and enforceable obligation of the Seller, (3) the Collateral Securities are held, free and clear of any lien, by the Escrow Agent or an independent third party acting solely as agent for the Escrow Agent, and such third party is (a) a Federal Reserve Bank,

or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, and the Bank shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bank, (4) a perfected first security interest under the Uniform Commercial Code of the State, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Bank, (5) the repurchase agreement has a term of 270 days or less, or provides that the Escrow Agent or its agent will value the collateral securities no less frequently than weekly and the Escrow Agent will liquidate the Collateral Securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and (5) the fair market value of the Collateral Securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(vii) Money market funds rated in one of the two highest long term rating categories (excluding any gradations or pluses or minuses) by S&P or Moody's;

(viii) Commercial paper rated in the highest rating category by Moody's or S&P;

(ix) Obligations that are exempt from Federal income taxation that are rated in one of the three highest rating categories by Moody's or S&P;

(x) Forward delivery agreements, forward supply contracts, or similar products that provide for the delivery of the securities listed in paragraphs (i), (ii), (iii), (iv), and (ix) above; and

(xi) Investment agreements, including guaranteed investment contracts, or corporate notes or bonds (with a maturity of not more than five years) that are obligations or indebtedness, as the case may be, of an entity whose senior long-term debt obligations or claims-paying ability are rated, or guaranteed by an entity whose obligations are rated (at the time the investment is entered into), three highest rating categories by Moody's or S&P.

EXHIBIT 2

ESCROW AGENT FEES AND EXPENSES

SET-UP FEES

\$_____ payable by the Borrower on the Closing Date against an invoice presented at least three Business Days prior to the Closing Date.

EXPENSES

Any and all out-of-pocket expenses incurred by Escrow Agent will be the responsibility of Borrower and shall be invoiced accordingly.

EXHIBIT 3

REQUISITION REQUEST NO. _____
(to be submitted with each requisition request)

The Escrow Agent is hereby requested to disburse from the Escrow Fund established and maintained under that certain Escrow Agreement dated as of April 4, 2012 (the "Escrow Agreement") by and among PNC Equipment Finance, LLC (the "Lender"), Flagler Hospital, Inc. (the "Borrower"), and U.S. Bank National Association (the "Escrow Agent"), the amount of \$_____ to the Borrower according to wire instructions on file. The disbursement represents reimbursement to the Borrower for amounts already paid by the Borrower to contractors, vendors and suppliers for costs of the Project being financed under that certain Financing Agreement dated April 4, 2012 (the "Financing Agreement"), among the Lender, the Borrower St. Johns County Industrial Development Authority, as the Issuer of its Hospital Revenue Bond, Series 2012A, issued on behalf of the Borrower. The Project costs to be reimbursed with this disbursement have not been included in any prior requisition request.

1. The undersigned, as Borrower under the Financing Agreement hereby certifies:

(a) No Event of Default under the Financing Agreement has occurred and is continuing and there exists no event or condition which, with the giving of notice or the passage of time would constitute an Event of Default under the Agreement;

(b) All representations and warranties of the Borrower contained in the Financing Agreement are true and correct as of the date hereof;

(c) The disbursement requested will reimburse the Borrower for costs that are within the scope of the Project, all of which costs have already been paid;

(d) The Project costs to be reimbursed with this disbursement have not been included in any prior disbursement request; and

(e) The Project costs to be reimbursed with this disbursement when added to all amounts previously disbursed will result in at least ninety-five percent (95%) of the total of such disbursements having been used to reimburse the Borrower for Qualified Project Costs.

2. Based on the foregoing, Escrow Agent is hereby authorized and directed disburse the amount requested to reimburse the Borrower for costs of the Project.

3. The original invoices are attached hereto and made a part hereof.

If Borrower paid an invoice prior to the Date of Issuance and is requesting reimbursement for such payment, also attached is a copy of Borrower's Declaration of Official Intent and other evidence that Borrower has satisfied the requirements for reimbursement set forth in Treas. Reg. §1.150-2.

Flagler Hospital, Inc.,
as Borrower

By _____

Name: _____

Title: _____

Date: _____

PNC Equipment Finance, LLC,
as Lender

By: _____

Title: _____

Date: _____

Exhibit 4

INVESTMENT DIRECTION LETTER

U.S. Bank National Association
10 W. Broad Street, 12th Floor
CN OH BD12
Columbus, OH 43215

Re: Escrow Agreement dated as of April 4, 2012,
among PNC Equipment Finance, LLC, as Lender,
Flagler Hospital, Inc. as Borrower, and
U.S. Bank National Association, as Escrow Agent

Ladies and Gentlemen:

Pursuant to the above-referenced Escrow Agreement, \$_____ will be deposited in escrow with you on April 4, 2012. Such funds shall be invested in one or more of the following Qualified Investments in the amounts indicated, until further written instruction from Flagler Hospital, Inc.:

INVESTMENT

AMOUNT

Very truly yours,

FLAGLER HOSPITAL, INC.«LESSEENAME», AS
BORROWER

By: _____
Name: _____
Title: _____

EXHIBIT B

FORM OF SERIES B FINANCING AGREEMENT

FINANCING AGREEMENT

Among

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

and

**FLAGLER HOSPITAL, INC.,
as Borrower**

and

**PNC BANK, NATIONAL ASSOCIATION,
as Lender**

Dated April 4, 2012

**Relating to
\$12,000,000
St. Johns County Industrial Development Authority
Hospital Revenue Bond
(Flagler Hospital, Inc. Project)
Series 2012B**

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT, dated the 4th day of April, 2012 (the "Financing Agreement"), by and among the **ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**, a public body corporate and politic of the State of Florida (the "Issuer"), **FLAGLER HOSPITAL, INC.**, a Florida not for profit corporation (the "Borrower"), and **PNC BANK, NATIONAL ASSOCIATION**, a national banking association, and its successors, assigns and any transferee of the Bond (as defined herein) and the Bond Security (as defined herein) pursuant to Section 9.07 herein (the "Lender");

W I T N E S S E T H:

WHEREAS, the Issuer is a public body corporate and politic of the State of Florida, and is authorized and empowered by the provisions of Chapter 159, Parts II and III, Florida Statutes, as amended (the "Act"), to issue revenue bonds under the provisions of the Act, to finance and refinance the costs of health care facilities to be operated by private, not-for-profit corporations, and to make and execute financing agreements, contracts, deeds and other instruments necessary or convenient for the purpose of facilitating the financing or refinancing of certain projects required or useful for health care facilities, including financing and refinancing the acquisition of furnishings, machinery, equipment, land, rights in land and other appurtenances and facilities related thereto, to improve the health and living conditions of the people of the State of Florida (the "State") and St. Johns County, Florida (the "County"), increase opportunities for gainful employment, improve health care and otherwise aid in improving the health and welfare of the State, the County, and their inhabitants, and to provide such financing through the issuance of revenue obligations such as bonds and notes;

WHEREAS, the Borrower has requested that the Issuer issue its Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012B (the "Bond") in the principal amount of \$12,000,000 for the purpose of obtaining funds to loan to the Borrower pursuant to this Financing Agreement to finance a part of the costs of the Project (as defined herein), all as more particularly described in this Financing Agreement;

WHEREAS, the Issuer has determined to issue and deliver the Bond to the Lender on the terms provided herein;

WHEREAS, the Bond will be payable from and secured by the Borrower's undertakings under this Financing Agreement and the Issuer's right, title and interest herein, which will be assigned to the Lender in satisfaction of all of the Issuer's obligations with respect to the Bond; and

WHEREAS, the Borrower's obligations under this Financing Agreement will be secured by that certain Master Note, Series 2012B, No. 1 (the "Master Note") dated April 4, 2012, issued by the Borrower, pursuant to that certain Master Trust Indenture dated as of August 1, 1992, as amended and supplemented (the "Master Indenture"), particularly as supplemented by the

Supplemental Indenture for Master Note, Series 2012B, No. 1 (the "Supplement") dated April 4, 2012, each by and among the Borrower, Flagler Health Care Foundation, Inc. and Flagler Health Care System, Inc. (collectively, the "Obligated Group") and U.S. Bank National Association, successor to SunTrust Bank, as master trustee (the "Master Trustee"); and

WHEREAS, the Borrower is an Obligated Group Member under the Master Indenture; and

WHEREAS, the Issuer, at a meeting duly convened and held, has authorized the execution and delivery of this Financing Agreement.

NOW, THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided, that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money and any obligation or liability it may incur for damages resulting from the breach of any covenant, undertaking, agreement or warranty herein made shall not be a general debt on its part or a mortgage or pledge of its full faith and credit or taxing power or any of its real estate, property or franchises but shall be payable solely out of the proceeds derived from this Financing Agreement, the Bond and the delivery of the Bond):

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to the words and terms elsewhere defined in this Financing Agreement, capitalized terms used herein shall have the following meanings unless the context or use indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined:

"Act" means Chapter 159, Parts II and III, Florida Statutes, as amended.

"Advance" shall mean a borrowing of money under the Bond, pursuant to Section 3.02 hereof.

"Applicable Law" means all applicable provisions of all constitutions, statutes, rules, regulations and all binding orders, judgments and decrees of any Governmental Authority.

"Base Rate" means the highest of (A) the Prime Rate, and (B) the sum of the Federal Funds Open Rate plus fifty (50) basis points (0.50%), and (C) the sum of the Daily LIBOR Rate plus one hundred (100) basis points (1.0%), so long as a Daily LIBOR Rate is offered, ascertainable and not unlawful.

"Bond" means the Issuer's Hospital Revenue Bond (Flagler Hospital, Inc. Project), Series 2012B, issued pursuant to this Financing Agreement.

"Bond Security" has the meaning ascribed to such term in Section 3.01 hereof.

"Borrower" means Flagler Hospital, Inc., a not for profit corporation duly incorporated and existing under and by virtue of the laws of the State of Florida, and any successor or assignee thereto, to the extent permitted under Section 14 of the Supplement.

"Business Day" means any day on which banks in London and New York, New York are open for the transaction of international business.

"Change in Law" means the occurrence, after the Date of Issuance, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations under it and its predecessors.

"Cost of Prepayment" means, while the Bond bears interest at a Fixed Rate, an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the Date of Issuance, of a U.S. Treasury obligation with a maturity similar to the Maturity Date of the Bond minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining term to the stated Maturity Date of the Bond, and (b) the principal amount of the Bond to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the Maturity Date of the Bond. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) "Selected Interest Rates". For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payment or prepayment of the Bond made after acceleration of the maturity of the Bond.

"County" means St. Johns County, Florida.

"Daily LIBOR Rate" means, for any day, the rate per annum determined by the Lender by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage.

"Date of Issuance" means April 4, 2012.

"Default" means any event which with notice or lapse of time, or both, would become an Event of Default.

“Default Rate” means, during the Draw-Down Period, the Draw-Down Period Rate plus three percentage points per annum, and after the Draw-Down Period, the Fixed Rate plus three percentage points per annum.

“Designated Office” means the Lender’s notice address set forth in Section 9.11 hereof.

“Determination of Taxability” means the circumstance of interest paid or payable on any of the Bond becoming includable for federal income tax purposes in the gross income of the Owner as a consequence of any act, omission or event whatsoever, including but not limited to the matters described in the immediately succeeding sentence, and regardless of whether the same was within or beyond the control of the Borrower or the Issuer. A Determination of Taxability will be deemed to have occurred upon (a) the receipt by the Issuer, the Borrower or the Owner of an original or a copy of an Internal Revenue Service Technical Advice Memorandum or Statutory Notice of Deficiency or other written correspondence which legally holds that any interest payable on the Bond is includable in the gross income of the Owner; (b) the issuance of any public or private ruling of the Internal Revenue Service that any interest payable on the Bond is includable in the gross income of the Owner; or (c) receipt by the Issuer, the Borrower or the Owner of an opinion of a Bond Counsel that any interest on Bond has become includable in the gross income of the Owner for federal income tax purposes. For all purposes of this definition, a Determination of Taxability will be deemed to occur on the date as of which the interest on the Bond is deemed includable in the gross income of the Owner.

“Draw-Down Period” means from April 4, 2012, to and including September 30, 2013.

“Draw-Down Period Rate” means the interest rate determined on the first Business Day of each calendar month during the Draw-Down Period, which shall equal the sum of (70 percent of LIBOR) plus 135 basis points, provided, in the event of changes in the Obligated Group’s underlying long-term debt rating, as determined by the Rating Agencies, the Draw-Down Period Rate shall increase or decrease as follows:

<u>Long-Term Debt Rating</u>	<u>Rate Increase (Decrease)</u>
A1/A+ (and above)	(15 basis points)
A2/A	No change
A3/A-	No change
Baa1/BBB+	No change
Baa2/BBB	+ 15 basis points
Baa3/BBB-	+ 45 basis points

In the event of a split rating, the lower rating will be used for the determination of the Draw-Down Period Rate increase or decrease above.

“Expenses” has the meaning ascribed to such term in Section 3.03(c) hereof.

“Event of Default” has the meaning specified in Section 8.01 hereof.

“Facilities” means, collectively, the Borrower’s health care facilities and the Project.

“Favorable Tax Opinion” means an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bond made or to be made in connection with such action, will not cause interest on the Bond to be includable in gross income of the Owner for purposes of federal income taxation.

“Federal Funds Open Rate” means, for any day, the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption “OPEN” (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by the Lender (an “Alternate Source”) (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the Lender at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the “open” rate on the immediately preceding Business Day. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Federal Funds Open Rate without notice to the Borrower.

“Financing Agreement” means this Financing Agreement, dated April 4, 2012, by and among the Issuer, the Borrower and the Lender.

“Fiscal Year” means the period beginning October 1 of each year and ending on September 30 of the following year, or any other twelve-month period hereafter designated by the Borrower as the fiscal year of the Borrower.

“Fixed Rate” means ___% per annum, the interest rate in effect during the Fixed Rate Period; provided, in the event of changes in the Obligated Group’s underlying long-term debt rating, as determined by the Rating Agencies, the Fixed Rate shall increase or decrease as follows:

<u>Long-Term Debt Rating</u>	<u>Rate Increase (Decrease)</u>
A1/A+ (and above)	(15 basis points)
A2/A	No change
A3/A-	No change
Baa1/BBB+	No change
Baa2/BBB	+ 15 basis points
Baa3/BBB-	+ 45 basis points

In the event of a split rating, the lower rating will be used for the determination of the Fixed Rate increase or decrease above.

“Fixed Rate Period” means from October 1, 2013, to and including the Maturity Date.

“Foundation” means Flagler Health Care Foundation, Inc., a Florida not for profit corporation.

"Governmental Authority" means any government or political subdivision, or any agency, board, commission, department or instrumentality of either, or any court, tribunal, central bank or arbitrator.

"Issuer" means the St. Johns County Industrial Development Authority.

"Lender" means PNC Bank, National Association, a national banking association, and its successors, assigns and any transferee of the Bond and the Bond Security pursuant to Section 9.07 hereof.

"LIBOR" means the interest rate per annum determined by the Lender by dividing (the resulting quotient rounded upwards, at the Lender's discretion, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Lender in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days before the first Business Day of each calendar month and having an amount, borrowing date and maturity date comparable to this Bond by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage; provided:

(1) LIBOR shall be adjusted on and as of the effective date of any change in the LIBOR Reserve Percentage. The Lender shall give prompt notice to the Borrower of LIBOR or as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error; or

(2) if the Lender determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Lender shall give notice thereof to the Borrower. Thereafter, until the Lender notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of LIBOR shall be suspended, and (b) the interest rate for all amounts then bearing interest under LIBOR shall be converted at the end of the then current month to the Base Rate; or

(3) if, after the Date of Issuance, the Lender shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Lender to make or maintain or fund loans based on LIBOR, the Lender shall notify the Borrower. Upon receipt of such notice, until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of LIBOR shall be suspended, and (b) the interest rate on all amounts then bearing interest under LIBOR shall be converted to the Base Rate either (i) on the last day of the then current calendar month if the Lender may lawfully continue to maintain or fund loans based on LIBOR to such day, or (ii) immediately if the Lender may not lawfully continue to maintain or fund loans based on LIBOR.

“LIBOR Reserve Percentage” shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

“Loan” means the loan of the proceeds of the Bond from the Issuer to the Borrower pursuant to this Financing Agreement.

“Loan Documents” means collectively this Financing Agreement, the Bond, the Master Note, the Supplement, the Master Indenture, the Mortgage, the Security Agreement and any other documents or instruments now or hereafter evidencing, securing or guaranteeing obligations under the Bond or this Financing Agreement, as the same may be amended, modified or supplemented from time to time in accordance with their respective terms.

“Master Indenture” means the Master Trust Indenture dated as of August 1, 1992, among the Borrower, the other Obligated Group Members named therein, and U.S. Bank National Association, successor to SunTrust Bank, as master trustee, as amended and supplemented, and particularly as supplemented by the Supplement.

“Master Note” means the Master Note, Series 2012B, No. 1, dated April 4, 2012, issued by the Borrower pursuant to the Supplement, to secure the obligations of the Borrower under this Financing Agreement.

“Maturity Date” means April 1, 2022.

“Mortgage” means the Mortgage and Security Agreement dated as of December 1, 2003, from the Borrower, as mortgagor, to the Master Trustee, as mortgagee, and all related future advances thereunder, including but not limited to the Notice of Advance.

“Notice of Advance” means the Notice of Future Advance Relating to Mortgage and Security Agreement dated April 4, 2012, between the Borrower and the Master Trustee.

“Obligated Group Member” has the meaning ascribed to such term in the Master Indenture. As of the date hereof, the Obligated Group Members under the Master Indenture consist of the Borrower, the System and the Foundation.

“Opinion of Counsel” means an opinion from an attorney or firm of attorneys selected by the Borrower and acceptable to the Issuer and the Lender with experience in the matters to be covered in the opinion. The attorney or attorneys rendering such opinion may be counsel to the Issuer or the Borrower.

“Owner” means the Person or Persons in whose name the Bond is registered on the books kept and maintained by the Lender as bond registrar. The initial Owner is PNC Bank, National Association.

“Person” means natural persons, firms, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

“Prime Rate” means the rate publicly announced by the Lender from time to time as its prime rate. The Prime Rate is determined from time to time by the Lender as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Lender to any particular class or category of customers.

“Project” means the costs of acquisition, renovation, construction and installation of a portion of the capital projects and equipment listed in Exhibit A attached to this Financing Agreement, as the same may be modified from time to time pursuant to Section 3.02(c) hereof.

“Published Rate” means the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Lender).

“Qualified Project Costs” means costs and expenses of the Project which constitute land or other capital costs excluding specifically working capital and inventory costs; provided, however, that (a) bond issuance costs shall not be deemed to be Qualified Project Costs, and (b) interest following the construction period with respect to the Project shall not constitute a Qualified Project Cost. Notwithstanding the foregoing, costs are not “Qualified Project Costs” unless they were expended for facilities used by a Tax-Exempt Organization in connection with its exempt purpose under Section 501(c)(3) of the Code.

“Rating Agencies” means Moody’s Investors Service, Inc. and Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

“Resolution” means the resolution adopted by the Issuer on March 12, 2012, authorizing the issuance, execution and delivery of the Bond, the execution and delivery of this Financing Agreement and of other documents related thereto.

“Responsible Officer” means, as to any Person, either (1) its president or chief executive officer, or (2) with respect to financial matters, its president, chief executive officer, chief financial officer or any vice president designated in writing by the chief executive officer to the Lender.

“Security Agreement” means the Security Agreement dated April 4, 2012, among the Obligated Group Members and the Master Trustee.

“State” means the State of Florida.

“Supplement” means the Supplemental Indenture for Master Note, Series 2012B, No. 1, dated April 4, 2012, among the Obligated Group Members and the Master Trustee pursuant to which the Master Note is issued, as amended and supplemented from time to time.

“System” means Flagler Health Care System, Inc., a Florida not for profit corporation.

"Tax Agreement" means that certain Tax Agreement dated April 4, 2012, entered into by the Issuer and the Borrower in connection with the issuance of the Bond.

"Taxable Period" means the period which elapses from the date on which the interest on the Bond is includable in the gross income of the Owner as a result of a Determination of Taxability to and including the date for the Bond upon which the interest on the Bond is excludable from the gross income of the Owner for federal income tax purposes or the maturity date.

"Taxable Rate" shall be as defined in the form of the Bond attached hereto as Exhibit B.

"Tax-Exempt Organization" means a not for profit corporation and an organization described in Section 501(c)(3) of the Code.

"Term" shall have the meaning ascribed to such term in Section 7.01 hereof.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings of the Borrower and the Lender herein contained:

(a) The Issuer is public body corporate and politic of the State of Florida, and has the power to enter into the transactions contemplated by this Financing Agreement and to carry out its obligations hereunder. The Issuer has the power under the Act to enter into the transactions contemplated by this Financing Agreement and to carry out its obligations hereunder. The Issuer, pursuant to the Resolution, has been duly authorized to execute, assign and deliver this Financing Agreement, and to execute and deliver the Bond.

(b) The Issuer proposes to issue its Bond, in the principal amount of \$12,000,000 for the purpose of providing funds to finance a part of the costs of the Project. The Bond will mature, bear interest, be redeemable and have the other terms and provisions set forth therein. The Issuer will assign and convey to the Lender all of its rights, title and interests in and under this Financing Agreement (except for certain indemnification and reimbursement rights of the Issuer) as security for payment of the principal of, premium, if any, and interest on the Bond.

(c) Neither the execution and delivery of this Financing Agreement, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions hereof conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Issuer is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer under the terms of any instrument or agreement, except as provided herein.

Section 2.02. Representations by the Borrower. The Borrower makes the following representations as the basis for the undertakings of the Issuer and the Lender herein contained:

(a) The Borrower is a not for profit corporation duly incorporated under the laws of the State of Florida, is in good standing under its articles of incorporation and the laws of the State, is duly authorized to operate its facilities and to provide health care facilities in accordance with the provisions of this Financing Agreement, has the power to enter into the Loan Documents, and to carry out and consummate all transactions contemplated by the Loan Documents, and the other documents necessary to consummate this loan transaction. The officer of the Borrower executing this Financing Agreement and such other documents as are being executed and delivered by the Borrower in connection with the issuance of the Bond is duly and properly in office and fully authorized to execute this Financing Agreement and such other documents.

(b) The Loan Documents have been duly authorized, executed and delivered by the Borrower.

(c) This Financing Agreement and the Master Note will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms, except, in each case, as enforcement may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance, reorganization, other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles and judicial discretion, and by the covenant of good faith and fair dealing which may be implied by law in contracts.

(d) The execution and delivery of the Loan Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default under the articles of incorporation of the Borrower or of the other Obligated Group Members, their respective bylaws or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower or any other Obligated Group Member is a party or by which they or their respective properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or of the other Obligated Group Members, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents or the financial condition, assets, properties or operations of the Obligated Group.

(e) No consent or approval of any trustee or holder of any indebtedness of the Borrower or of any other Obligated Group Member and no consent, permission, authorization, order, permit or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Loan Documents or heretofore required for the consummation of any transactions herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or any other Obligated Group Member, relating to the Loan Documents, or the assets, properties or operations of the Borrower or any other Obligated Group Member which, if determined adversely to the Borrower or the other Obligated Group Members or their interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Loan Documents, or upon the financial condition, assets, properties or operations of the Borrower or the other Obligated Group Members (except as has been disclosed to the Issuer and the Lender in writing), and the Borrower and the other Obligated Group Members are not in default with respect to any order or decree of any court or any order or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents, or the financial condition, assets, properties or operations of the Borrower or the other Obligated Group Members or their properties (except as has been disclosed to the Issuer and the Lender in writing). All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower and the other Obligated Group Members have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower or other Obligated Group Member, as applicable, in good faith, have been paid or adequate reserves have been made for the payment thereof. The Borrower and the other Obligated Group Members enjoy the peaceful and undisturbed possession of all of the premises upon which they are operating health care facilities.

(g) The Borrower is an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code; the Borrower has received determination letters from the Internal Revenue Service to the foregoing effect which letters are still in full force and effect; and the Borrower has no "unrelated business taxable income" as defined in Section 512 of the Code which could have a material adverse effect on the Borrower's status as a Tax-exempt Organization, or which, if such income were subject to federal income taxation, would have a material adverse effect on the condition, financial or otherwise, of the Borrower.

(h) None of the proceeds of the Bond will be used directly or indirectly to pay, or directly or indirectly to refund indebtedness the proceeds of which were used to pay, for the acquisition, construction, renovation, remodeling or equipping or any of the expenses of any institution, place or building, or any portion thereof, primarily used or to be used for sectarian instruction or study or as a place for devotional activities or religious worship or in connection with any part of the program of a school or department of divinity for any religious denomination or the training of ministers, priests, rabbis or other similar persons in the field of religion.

(i) The Project is included within the definition of a "project" as defined in the Act; all costs of the Project financed from the proceeds of the Bond will constitute "costs" of a "health care facility" within the meaning of the Act; and the Borrower intends for the Project to continue to be a "health care facility" under the Act throughout the term of this Financing Agreement. No information, exhibit or report furnished to the Issuer or the Lender by the Borrower in connection with the negotiation of this Financing Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The proceeds of the Bond to be loaned to the Borrower hereunder to finance the Project do not exceed the amount required to finance the Project.

(k) Upon the issuance of the Bond, there will be no lien or encumbrance on the Project other than Permitted Liens (as such term is defined in the Master Indenture) and Permitted Encumbrances (as such term is defined in the Supplemental Indenture for Master Note, Series 2011, No. 1).

(l) The Borrower is not in default and has not been in default at any time since December 31, 1975, as to payment of principal or interest with respect to any obligations issued or guaranteed by the Borrower.

ARTICLE III

THE BOND; LOAN; PROJECT FUND; LOAN PAYMENTS

Section 3.01. Agreement to Issue Bond; Loan to Borrower.

(a) **Issuance of Bond.** In order to provide funds to make the Loan to the Borrower as provided herein, the Issuer agrees that it shall issue and cause to be delivered to the Lender the Bond in the principal amount of \$12,000,000 (the "Purchase Price").

The Bond is issuable only as a single, fully registered bond in certificated form (not book entry). The Bond shall be in the form attached as Exhibit B hereto; the terms therein are hereby incorporated by reference and made a part hereof. The obligations of the Issuer hereunder and under the Bond constitute special limited obligations of the Issuer payable solely from and secured by the: (i) payments derived by the Issuer from the Borrower's repayment of the Loan, (ii) payments under the Master Note and (iii) amounts realized upon exercise of remedies after an Event of Default (collectively, the "Bond Security"). The Purchase Price of the Bond shall be paid by the Lender directly to the Borrower pursuant to the terms thereof.

(b) **The Loan.**

(i) The Issuer shall make the Loan in accordance with the terms of this Financing Agreement and the Bond.

(ii) The Lender shall purchase the Bond at the Purchase Price, subject to the following conditions:

At the Date of Issuance, the Issuer shall have duly adopted and there shall be in full force and effect such resolution as, in the opinion of nationally-recognized bond

counsel, shall be necessary in connection with the transactions contemplated hereby; and the Lender shall have received the following:

(1) An opinion or opinions of nationally-recognized bond counsel in form acceptable to the Lender and its counsel and addressed to the Lender and upon which the Lender may rely, to the effect that the interest on the Bond is exempt from gross income for federal income tax purposes;

(2) An opinion of counsel to the Borrower and the other Obligated Group Members, dated the date of the Date of Issuance, and in a form acceptable to the Lender and its counsel and addressed to the Lender and upon which the Lender may rely;

(3) A certified copy of a resolution of the Issuer authorizing the issuance of the Bond and delivery of the Bond to the Lender, and the execution, delivery and performance of the documents to which the Issuer is a party;

(4) A duly executed counterpart of this Financing Agreement;

(5) A certified copy of the Master Indenture;

(6) A duly executed counterpart of the Supplement;

(7) Duly executed counterparts of each of the other Loan Documents;

(8) The original executed Bond;

(9) The original executed Master Note;

(10) Certificates of the Borrower relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions of the Borrower's Board of Directors or Executive Committee of the Board of Directors authorizing the execution, delivery and performance of the appropriate Loan Documents to which the Borrower is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(11) Certificates of the System relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions authorizing the execution, delivery and performance of the appropriate Loan Documents to which the System is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(12) Certificates of the Foundation relating to (i) Articles of Incorporation and Bylaws, (ii) resolutions authorizing the execution, delivery and performance of the appropriate Loan Documents to which the Foundation is a party, (iii) incumbency and specimen signatures of officers, and (iv) such other matters as the Lender may require;

(13) Such additional legal opinions, certificates, proceedings, instruments and other documents as counsel for the Lender may reasonably request to evidence compliance by the Borrower, the other Obligated Group Members and the Issuer with the legal

requirements, the truth and accuracy, as of the time of the Date of Issuance, of the representations of the Issuer, the Borrower and the other Obligated Group Members in the Loan Documents and the due performance or satisfaction by the Borrower, the other Obligated Group Members and the Issuer, at or prior to the Date of Issuance, of all agreements then required to be performed and all conditions then required to be satisfied by the Borrower, the other Obligated Group Members and the Issuer at the Date of Issuance; and

(iii) The Borrower shall accept such Loan and repay such Loan to the Owner, on behalf of the Issuer, in accordance with the terms of this Financing Agreement and the Bond. The Borrower shall make payments to the Owner on behalf of the Issuer in satisfaction of the Bond as provided therein and as hereafter set forth in Section 3.03. Additionally, the Borrower shall make all other payments required of it under the Bond and this Financing Agreement.

Section 3.02. Advances for Costs of the Project; Draw Procedures.

(a) The Borrower may borrow from time to time up to the principal amount of the Bond by requesting Advances hereunder and under the Bond in order to reimburse itself for costs of the Project which have been paid by the Borrower prior to requesting such Advance. No Advance will be made after September 30, 2013, unless the Lender and the Borrower agree to a later date. Amounts Advanced and repaid may not be re-advanced. Each Advance and prepayment and the date thereof shall be recorded by the Lender in the form attached as Annex A to the Bond.

(b) The Lender shall not be obligated to Advance any funds unless (i) no Event of Default has occurred and is continuing and no Event of Default will occur with the passage of time or giving of notice; and (ii) the Borrower delivers to the Lender a written request for such Advance, executed by the President or the Chief Financial Officer indicating the amount of the Advance requested, the date on which such Advance is to be made and stating that the representations and warranties of the Borrower contained herein are true and correct as of such date in the form attached as Exhibit C hereto (each, an "Advance Request"). Lender shall deposit moneys into the account of the Borrower specified in each Advance Request within five (5) Business Days of receipt of each such Advance Request.

(c) The Borrower may cause changes or amendments to be made in the description of the Project contained in Exhibit A attached hereto; provided, that (i) the Borrower delivers to the Lender a resolution adopted by the Borrower's governing body specifying such changes or amendments, (ii) the Borrower delivers to the Lender an Opinion of Counsel to the effect that such action will not change the nature of the Project to the extent that it will not qualify for financing under the Act, (iii) the Borrower delivers to the Lender a Favorable Tax Opinion and (iv) the Lender delivers to the Borrower the Lender's prior written consent to such change or amendment.

Section 3.03. Loan Payment.

(a) The Borrower shall pay directly to the Lender, for the account of the Issuer, on or before the dates required under the Bond and under this Financing Agreement, in

immediately available funds, all amounts becoming due and payable pursuant to the Bond and this Financing Agreement together with all Expenses when due (except for Expenses incurred by the Issuer).

(b) All payments payable by the Borrower under this Section 3.03, except for Expenses incurred by the Issuer and payments to satisfy the Issuer's right of indemnification under Article VI hereof, are assigned by the Issuer to the Lender as the Owner of the Bond. The Borrower hereby assents to such assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay to the Lender at the Lender's Designated Office, all payments (except Expenses incurred by the Issuer or the Lender or any indemnification payments as provided in Article VI hereof) required to be paid by the Borrower pursuant to the Bond and this Financing Agreement.

(c) The Borrower shall pay reasonable expenses of the Issuer and the Lender incurred in connection with the Lender's ownership of the Bond upon their written request, such expenses to be paid directly to the requesting party upon receipt of such request (the "Expenses").

(d) In the event the Borrower should fail to make any of the payments required under the Bond and this Financing Agreement, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate.

(e) Upon acceleration of the Bond, the obligation of the Borrower to make payments hereunder shall likewise be deemed to be accelerated.

(f) In the event of a Determination of Taxability, the Bond shall bear an Interest Rate at the Taxable Rate. In addition, the Interest Rate shall be changed to the Taxable Rate effective retroactively to the date on which such Determination of Taxability was made. Immediately upon a Determination of Taxability, the Borrower agrees to pay to the Lender certain additional amounts, as follows:

(i) an additional amount equal to the difference between (x) the amount of interest paid on the Bond during the Taxable Period and (y) the amount of interest that would have been paid on the Bond during the Taxable Period had the Bond borne interest at the Taxable Rate; plus

(ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.

Following the occurrence of a Determination of Taxability, neither the Lender nor the Issuer shall be obligated to contest or protest the determination that interest on the Bond is or was taxable, nor cooperate with the Borrower in pursuing any such contest or protest, but they may do so in their discretion if additionally indemnified by the Borrower to their satisfaction.

(g) Subject to the provisions of paragraph (i) below, if any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender;

(ii) subject the Lender to any tax of any kind whatsoever with respect to this Financing Agreement, or change the basis of taxation of payments to the Lender in respect thereof; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense affecting this Financing Agreement;

and the result of any of the foregoing shall be to increase the cost to the Lender of owning or maintaining the Bond, or to increase the cost to the Lender, or to reduce the amount of any sum received or receivable by the Lender hereunder or under the Bond (whether of principal, interest or any other amount) then, upon written request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(h) Subject to the provisions of paragraph (i) below, if the Lender determines that any Change in Law affecting the Lender or the Lender's holding company, regarding capital requirements, has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, as a consequence of this Financing Agreement and the Lender's ownership of the Bond, to a level below that which the or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will upon written demand by the Lender supported by the certificate referred to in paragraph (j) below, pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(i) Notwithstanding anything to the contrary contained in this Financing Agreement, however, the Borrower shall only be responsible to pay the Lender for increased costs (or payment reductions) which have general applicability to all financial institutions as a result of such Change in Law and shall not be responsible to pay the Lender for increased costs (or payment reductions) of the Lender due to particular circumstances of the Lender as a result of such Change in Law.

(j) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in paragraph (f), (g) or (h) of this Section and delivered to the Borrower and describing the calculation thereof or the rationale therefor, shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(k) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender

pursuant to this Section for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety-day period referred to above shall be extended to include the period of retroactive effect thereof).

(l) The payments required to be made by the Borrower hereunder have been calculated to provide funds sufficient to pay the principal of and interest on the Bond as the same come due and to provide funds for the payment of Expenses and other amounts that may become payable to the Issuer or the Lender with respect to the Bond and this Financing Agreement. The Borrower recognizes, understands and acknowledges that it is the intention of the parties that the payments hereunder be available exclusively for such purposes. This Financing Agreement shall be construed to effectuate this intent. If for any reason the payments by the Borrower hereunder are not sufficient for all such purposes, the amount of such deficiency shall bear interest from the due date at the Default Rate and shall immediately upon notification by the Lender or the Issuer that such a deficiency exists, be paid by the Borrower to the Lender. The payments to be made by the Borrower hereunder shall be made by the Borrower irrespective of any breach or any failure of compliance by the Issuer or the Lender with any requirement of this Financing Agreement or any counter-claim, right of offset against the Issuer or the Lender that the Borrower might otherwise have. All payments required to be made by the Borrower pursuant to this Financing Agreement shall be promptly made as herein set forth.

In the event the Borrower should fail to make any of the payments required under the Bond and this Financing Agreement, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate.

(m) The Borrower may make payments to the Lender via wire transfer to the Lender's account pursuant to the following wiring instructions:

To: PNC Bank, National Association
[wiring information]

Section 3.04. To Whom Payments are Due. Payments due hereunder and under the Bond, other than indemnification payments or payment of Expenses incurred by the Issuer, shall be made by the Borrower directly to the Lender at its Designated Office, or if to a subsequent Owner, at the written direction of such Owner. Payments of the Expenses or indemnification payments shall be made by the Borrower directly to the persons, firms, governmental agencies and other entities, including the Issuer and the Lender, their counsel and bond counsel in accordance with directions of the Issuer and the Lender.

Section 3.05. Prepayment of Bond. (a) The Borrower shall have the option, upon not less than ten (10) days' prior written notice given by the Borrower to the Lender, to prepay the principal of the Bond in whole on any Business Day, or in part in minimum increments of \$100,000 or any integral multiple of \$5,000 in excess thereof on any mandatory principal prepayment date set forth in the Annex to the Bond, together with accrued interest on any

prepayment amount. During the Fixed Rate Period, upon any prepayment by or on behalf of the Borrower (whether voluntary, upon acceleration of maturity on default, or otherwise), the Lender may require, if it so elects, that the Borrower pay the Lender hereunder an amount equal to the Cost of Prepayment.

(b) In the event of a partial prepayment of the Bond pursuant to this Section 3.05, the amount prepaid with respect to the Bond shall be applied to satisfy the then remaining principal installments as set forth in the Annex to the Bond in the inverse order of the payment dates set forth on such Annex, or as otherwise agreed upon by the Borrower and the Lender. Upon such a partial prepayment, upon the written request of the Borrower the Lender shall provide the Borrower with a revised Annex 1 for the Bond.

Section 3.06. Operation and Maintenance of the Project. Upon completion of the Project and thereafter for so long as the Bond is outstanding, the Borrower, as independent contractor and not as agent of the Issuer, agrees to keep and maintain the Project in good condition, repair and working order, or cause the Project to be kept and maintained in good condition, repair and working order, except for ordinary wear and tear and obsolescence. The Borrower may remodel, modify or otherwise improve the Project or cause or permit the Project to be remodeled, modified or otherwise improved, from time to time as the Borrower in its discretion determines to be in its best interests. The Borrower shall operate, repair and maintain the Project, or cause the Project to be operated, repaired and maintained, as a "project" and a "health care facility," as defined in the Act at its own expense.

Section 3.07. Satisfaction of Obligation. Except as otherwise herein expressly provided, the obligation of the Borrower to make payments hereunder shall be satisfied and terminated upon payment in full of all amounts due hereunder and under the Bond.

Section 3.08. Issuer's Performance of the Borrower's Obligations. In the event the Borrower at any time neglects, refuses or fails to perform any of its obligations under this Financing Agreement, the Issuer or the Lender, at their respective options and following at least thirty (30) days' written notice to the Borrower except where a shorter period of notice is necessary to avoid a default in payment on the Bond or hereunder or to prevent any loss or forfeiture thereof, may, but shall be under no obligation to, perform or cause to be performed such obligations, and all expenditures incurred by the Issuer or the Lender in connection therewith shall be promptly paid or reimbursed by the Borrower to the Issuer or the Lender, as the case may be, and shall bear interest at the Default Rate until so reimbursed.

Section 3.09. Security Interest and Assignment; Acceptance by the Lender. To secure the prompt payment and performance as and when due by the Issuer of its obligations hereunder, the Issuer hereby assigns to the Lender all rights of the Issuer under the Bond and this Financing Agreement (except the right to be reimbursed for Expenses and to be indemnified under this Financing Agreement; the Issuer also reserves the right to enforce in its own name the obligations of the Borrower under the last sentence of Section 3.06 and under Section 3.08 hereof). The Borrower acknowledges and agrees to such assignment. The Issuer further agrees that, with respect to the assigned rights of the Issuer under this Financing Agreement, the Lender shall have all of the rights and remedies of a Secured Party under the Florida Uniform

Commercial Code. By accepting the assignment, the Lender shall look solely to the assigned rights for repayment of the Bond.

Section 3.10. Obligations Unconditional.

The obligations of the Borrower under this Financing Agreement, including the obligation of the Borrower to pay the principal of and interest on the Master Note, are absolute and unconditional, notwithstanding any other provision of this Financing Agreement. Until this Financing Agreement is terminated and all payments hereunder and under the Master Note are made, the Borrower:

(a) Will pay all amounts required under this Financing Agreement and the Master Note, without abatement, deduction or set-off except as otherwise expressly provided in the Financing Agreement;

(b) Will not suspend or discontinue any payments due hereunder or under the Master Note for any reason whatsoever, including, without limitation, any right of set-off or counterclaim;

(c) Will perform and observe all its other agreements contained in this Financing Agreement; and

(d) Except as provided herein, will not terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the health care facilities of the Borrower or the other Members of the Obligated Group or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Florida, or any political subdivision of either thereof, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Financing Agreement. Nothing contained in this Section 3.10 shall be construed to release the Lender from the performance of any of the agreements on its part herein contained; and in the event the Lender should fail to perform any such agreement on its part, the Borrower may institute such action against the Lender as the Borrower may deem necessary to compel performance.

ARTICLE IV

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any amounts are owed under the Bond or hereunder:

Section 4.01. Compliance with Covenants, Conditions and Agreements in Master Indenture. The Borrower covenants that so long as the Bond is outstanding it shall comply with, and with respect to the other Obligated Group Members so long as they shall continue as

Obligated Group Members covenants to cause each Member of the Obligated Group to comply with, each and every covenant, condition and agreement in the Master Indenture and in this Financing Agreement that is applicable to it.

Section 4.02. Tax Covenant. The Borrower covenants and agrees that it will at all times do and perform all acts and things permitted by law and this Financing Agreement which are necessary in order to assure that interest paid on the Bond will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Borrower agrees to comply with the provisions of the Tax Agreement. This covenant shall survive payment in full of the Bond.

Section 4.03. Compliance with United States and Florida Constitutions. The Borrower covenants and agrees that the admissions of patients to the health care facilities of the Obligated Group will not be restricted on racial or religious grounds and that no facility, place or building being financed with any portion of the proceeds of the Bond has been used primarily for sectarian instruction or study or is a place for devotional activities or religious worship in any manner which is prohibited by (i) the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same, or (ii) any comparable provision of the Constitution of the State of Florida and the decisions of the Florida Supreme Court interpreting the same.

Section 4.04. Prohibited Uses. No portion of the proceeds of the Bond will be used to finance any facility, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship.

ARTICLE V

RESERVED

ARTICLE VI

THE BORROWER'S INDEMNIFICATION OF ISSUER AND LENDER

Section 6.01. Indemnification of Issuer and Lender; No Issuer or Lender Liability; Damage Claims. The Borrower shall protect, indemnify and save harmless the Issuer and the Lender and their officers, officials, members, directors, employees, agents and attorneys against and from any and all liabilities, suits, actions, claims, demands, damages, losses, expenses, including attorneys fees, and costs of every kind and nature incurred by, or asserted or imposed against, the Issuer or the Lender, and their officers, officials, members, directors, agents, employees or attorneys, or any of them, by reason of any accident, injury (including death) or damage to any person or property, however caused, resulting from, connected with or growing out of any act of commission or omission of the Borrower, or any officers, members, directors, employees, agents, assignees, contractors or subcontractors of the Borrower, or any use, non-use, possession, occupation, condition, operation, service, design, construction, acquisition,

maintenance or management of, or on, or in connection with, the Facilities, or any part thereof, or otherwise related to this Financing Agreement, the Bond or any related documents or the financing of the Project during the Term of this Financing Agreement or after the expiration of such Term, and regardless of whether such liabilities, suits, actions, claims, demands, damages, losses, expenses and costs be against or be suffered or sustained by the Issuer or the Lender or any of their officers, officials, members, directors, agents, employees or attorneys, or be against or be suffered or sustained by other persons, corporations or other legal entities to whom the Issuer or the Lender or any of their officers, officials, members, directors, agents, employees or attorneys may become liable therefor. Neither the Issuer nor the Lender nor any of their officers, officials, members, directors, employees, agents and attorneys shall be liable for any damage or injury occurring to the persons or property of the Borrower or any of its officers, members, agents, including operating personnel, contractors and employees, or any other person or entity who or which may be upon the Facilities, due to any act or negligence of any person or entity other than the willful misconduct or negligence of the Issuer or the Lender, their officers, officials, members, directors, agents, servants, employees and attorneys. The Borrower may, and if so requested by the Issuer or the Lender shall, utilizing counsel reasonably acceptable to the Issuer and the Lender, undertake to defend, at its sole cost and expense, any and all suits, actions or proceedings brought against the Issuer and the Lender or any of their officers, officials, members, directors, agents, employees or attorneys in connection with any of the matters mentioned in this Section.

A party seeking indemnification under this Article VI shall notify the Borrower in writing promptly of any claim or action brought against such party in which indemnity may be sought against the Borrower under this Article; and such notice shall be given in sufficient time to allow the Borrower to defend such claim or action. However, the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Borrower under this Article VI, if (i) the party seeking indemnification shall not have had knowledge or notice of such claim or action, or (ii) the Borrower's ability to defend such claim or action shall not thereby be materially impaired. In the event, however, that (x) the party seeking indemnification shall not have notified the Borrower promptly of any such claim or action after such party's receipt of notice thereof, and (y) the Borrower's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the party seeking indemnity, then the Borrower's obligation to so defend and indemnify shall be qualified to the extent (and only to the extent) of such material impairment.

The provisions of this Article VI shall expressly survive the termination of this Financing Agreement with respect to any indemnification arising as a result of actions taken prior to such termination.

The Issuer and the Lender agree, at the request and expense of the Borrower, to cooperate in the making of any investigation and defense of any such claim and promptly to assert any or all of the rights and privileges and defenses, which may be available to the Issuer and the Lender.

Section 6.02. Exemption from Individual Liability.

No recourse under or upon any covenant or agreement of this Financing Agreement, or for any claim based thereon or otherwise in respect thereof, shall be had against

any past, present or future incorporator, officer, employee, agent, director, trustee or member of the governing body of the Borrower, or of any successor either directly or indirectly through the Borrower, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Financing Agreement and all obligations hereunder are solely corporate obligations, and that no personal liability whatsoever shall attach to, or is or shall be incurred by, any incorporator, officer, employee, agent or member of the governing body of the Borrower or any successor of the Borrower, because of the issuance of the Bond, or under or by reason of the covenants or agreement contained in this Financing Agreement or any express or implied obligations hereunder.

ARTICLE VII

TERM AND TERMINATION

Section 7.01. Term. The term of this Financing Agreement shall commence on the Date of Issuance, and terminate on the date when the Bond and all other obligations of the Borrower or the Issuer under the Bond and this Financing Agreement (other than the indemnity obligations under Article VI hereof) shall have been paid in full under such circumstances that no claim for repayment may be made under any law or rule of law (the "Term").

Section 7.02. Termination. In no event shall this Financing Agreement terminate until the Lender certifies to the Issuer (with a copy of such certification to the Borrower) that the Bond, including principal, interest and any redemption premium, and all other obligations incurred by the Borrower and the Issuer, as the case may be, under the Bond and this Financing Agreement have been paid in full.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Upon the occurrence of any of the following events (herein referred to as an "Event of Default"), unless waived by the Lender:

- (a) the occurrence of an "Event of Default" as described and defined in any of the Loan Documents; or
- (b) failure of the Borrower to pay any amount when due under the Bond or under this Financing Agreement; or
- (c) any representation or warranty made by or on behalf of the Borrower in or in connection with this Financing Agreement or any other Loan Document (including any Annexes or Exhibits attached hereto or thereto) or any amendments or modifications hereof or waivers hereunder, or in any certificate, report, financial statement or other document submitted to the Lender by the Borrower pursuant to or in connection with this Financing Agreement or

any other Loan Document shall prove to have been incorrect in any material respect when made or submitted; or

(d) if the Borrower shall fail to observe or perform any covenant, condition, agreement or provision in this Financing Agreement on its part to be observed or performed, other than as referred to in subsection (b) or (c) of this Section, or shall breach any warranty by the Borrower herein contained, for a period of 60 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Borrower by the Issuer or the Lender; except that, if such failure or breach can be remedied but not within such 60 day period and if the Borrower has taken all action reasonably possible to remedy such failure or breach within such 60 day period, such failure or breach shall not become an Event of Default for so long as the Borrower shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Lender; or

(e) if the Master Trustee shall have declared the aggregate principal amount of the Master Note and interest thereon immediately due and payable in accordance with Section 4.2 of the Master Indenture.

then, and in any such event, the Lender may, in its sole discretion, but shall not be obligated to, (i) by notice to the Borrower, declare all amounts payable by the Borrower hereunder to be forthwith due and payable, and the same shall thereupon become due and payable without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived, and/or (ii) exercise all of its rights and remedies under the Loan Documents and/or (iii) accelerate payment of the Bond and interest accrued thereon.

No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Financing Agreement or any other Loan Document or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder 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 exercise any remedy reserved to the Lender in this Financing Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Financing Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Financing Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Financing Agreement.

(f) The Borrower expressly agrees that any Event of Default hereunder shall also constitute a default or event of default under each of the Loan Documents.

Section 8.02. Waivers by Lender. The Lender may waive compliance with any provision contained in this Financing Agreement without the consent of the Issuer so long as (i) the waiver will not affect the provisions of Section 6.01 hereof relating to the indemnification of

the Issuer by the Borrower, (ii) the Borrower shall have delivered to the Lender an Opinion of Counsel to the effect that such waiver will not adversely affect the qualification of the Bond or the Project under the Act, and (iii) the Borrower delivers to the Lender a Favorable Tax Opinion.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Issuer and the Lender Officers Not Liable. The officers, officials, directors, agents, members, employees and attorneys of the Issuer and the Lender shall not be personally liable for any costs, losses, damages or liabilities caused or subsequently incurred by the Borrower or any officer, member, director, agent or attorney thereof in connection with or as a result of this Financing Agreement.

Section 9.02. Enforcement. The rights, interests, powers, privileges and benefits accruing to or vested in the Issuer and the Lender under this Financing Agreement may be protected and enforced in conformity with the terms of this Financing Agreement or the Bond in the sole discretion of the Issuer or the Lender, as the case may be.

Section 9.03. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Borrower in connection herewith shall survive the execution and delivery of this Financing Agreement, regardless of any investigation made by the Lender or on its behalf.

Section 9.04. Expenses. The Borrower hereby agrees to pay promptly all costs and expenses in connection with the preparation, issuance, delivery, filing (if any), recording (if any) and administration of this Financing Agreement, including, without limitation, the fees and expenses of counsel for the Lender, the other Loan Documents, the Bond and any other documents which may be delivered in connection with this Financing Agreement and all costs and expenses (including reasonable counsel fees and expenses) in connection with (a) any and all amounts which the Lender has paid relative to the Lender's curing of any Event of Default resulting from the acts or omissions of the Borrower under this Financing Agreement, any other Loan Document or the Bond or (b) the enforcement of this Financing Agreement or any other Loan Document. In addition, the Borrower hereby agrees to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing (if any), and recording (if any) of this Financing Agreement, any other Loan Document or the Bond, or any other documents which may be delivered in connection with this Financing Agreement, and agrees to save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. Notwithstanding the foregoing, no payment shall be required under this Section 9.04 in respect of any cost or expense the Lender has incurred because of its gross negligence or willful misconduct.

Section 9.05. Amendment of Agreement. This Financing Agreement may be amended only by a written instrument signed by the Issuer and the Borrower and consented to in writing by the Lender; provided, however, that nothing herein shall permit or be construed as permitting any abatement, reduction, abrogation, waiver or diminution in any manner or to any extent

whatsoever of the obligation of the Borrower to pay the loan payments as provided in this Financing Agreement.

Section 9.06. Prepayment of Bond. The Issuer, at the request at any time of the Borrower, shall take all steps that may be proper and necessary under the applicable prepayment provisions of this Financing Agreement to effect the prepayment of all or part of the then outstanding Bond as may be specified by the Borrower, on the earliest prepayment date on which such prepayment may be effected. Expenses of such prepayment shall be paid by the Borrower and not from other funds of the Issuer. The Issuer shall, at the expense of the Borrower, cooperate with the Borrower in effecting any prepayment of the Bond.

Section 9.07. Registration, Transfer and Exchange. The Issuer shall cause books for the registration of the Bond and for the registration of transfer of the Bond as provided in this Financing Agreement to be kept by the Lender which is hereby appointed the Issuer's bond registrar and agent for the transfer and exchange of the Bond (the "Registrar") and as such shall maintain the books of the Issuer for the registration of ownership of the Bond as provided herein. The Lender, for and on behalf of the Issuer, shall keep the Bond's registration record, in which shall be recorded any and all transfers of ownership of the Bond. The Bond shall not be registered to bearer. The Bond may be transferred upon the registration books upon surrender thereof by the registered Owner in person or by its attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer, and in accordance with the requirements of this Section. Whenever the Bond shall be surrendered for transfer, the Issuer shall execute and deliver to the transferee thereof a new Bond in an amount equal to the aggregate principal amount of the Bond then outstanding.

The Issuer and the Borrower may deem and treat the registered Owner of the Bond as the absolute Owner of the Bond for the purpose of receiving any payment on the Bond and for all other purposes of this Financing Agreement, whether the Bond shall be overdue or not. Payment of, or on account of, the principal of and interest on the Bond shall be made to or upon the written order of such registered Owner or its attorney-in-fact or legal representative duly authorized in writing. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid.

The Lender will not transfer the Bond unless it also transfers the Bond Security to the transferee, subject to the provisions of this Section.

Section 9.09. Surplus Funds. When the Bond shall have been paid and all other obligations incurred or to be incurred by the Issuer under the Bond and this Financing Agreement shall have been paid, and, assuming the existence of no other agreements imposing a continuing lien on the surplus funds if any, held by the Issuer or the Lender, any surplus funds remaining in the possession of the Lender or the Issuer shall be paid to the Borrower.

Section 9.10. Waiver of Right of Set-off. The Lender hereby waives any rights to setoff, to exercise any banker's lien, to appropriate and apply and/or to attach any accounts, deposits (general or special) and any other indebtedness at any time held or owing by the Lender to or for the credit or account of the Borrower against and on account of the obligations and

liabilities of the Borrower to the Lender under this Financing Agreement or the other Loan Documents.

Section 9.11. Notices; Demands; Requests. All notices, demands and requests to be given to or made hereunder by the Borrower, the Issuer or the Lender shall be in writing and shall be deemed to be properly given or made if sent by telephonically confirmed facsimile transmission, electronically confirmed email or by United States registered or certified mail, postage prepaid, addressed as follows:

(a) As to the Borrower:

Flagler Hospital, Inc.
400 Health Park Boulevard
St. Augustine, Florida 32086
Attention: President
Telephone: (904) 819-4400
Fax: (904) 819-4472

(b) As to the Issuer:

St. Johns County Industrial Development Authority
c/o Clerk of Court, St. Johns County Courthouse
Attention: Chairman, P.O. Drawer 300
St. Augustine, Florida 32085
Telephone: (904) 823-2457
Fax: (904) 823-2515

(c) As to the Lender:

PNC Bank, National Association
201 E. Pine Street, Suite 200
Orlando, Florida 32801
Attention: Ralph Swanson, Vice President
Telephone: (407) 245-2484
Fax: (407) 245-3234

Receipt of notices, demands, requests, or other communications hereunder shall occur upon actual delivery (whether by facsimile transmission, electronic mail, mail, messenger, courier service, or otherwise), as to the Borrower, to an officer, agent, or employee of the Borrower at any location where such person may be found and, as to any other party, to an officer, agent, or employee of such other party at the address of such party set forth above, subject to change as provided hereinabove. An attempted delivery in accordance with the foregoing, acceptance of which is refused or rejected, shall be deemed to be and shall constitute receipt; and an attempted delivery in accordance with the foregoing by facsimile transmission, email, mail, messenger, or courier service (whichever is chosen by the sender) which is not completed because of changed address of which no notice was received by the sender in

accordance with this provision prior to the sending of the notice, certificate, or other communication shall also be deemed to be and constitute receipt.

Any of such addressees and addresses may be changed at any time upon written notice of such change sent by certified mail, postage prepaid, to the other parties by the party effecting the change. A copy of any notice sent by one of the foregoing parties to another, shall be sent to the third such party.

Section 9.12. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Financing Agreement required to be satisfactory to the Lender, the determination of such satisfaction shall be made by the Lender in its sole and exclusive judgment exercised in good faith.

Section 9.13. Florida Law Controlling. This Financing Agreement shall be construed and enforced in accordance with the laws of the State of Florida, without regard to conflict of law principles.

Section 9.14. Consents and Approvals. Whenever the written consent or approval of the Issuer or the Borrower or any officer thereof shall be required under the provisions of this Financing Agreement, such consent or approval shall not be unreasonably withheld.

Section 9.15. Multiple Counterparts. This Financing Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original constituting but one and the same instrument.

Section 9.16. Severability. If any one or more of the covenants, agreements or provisions of this Financing Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Financing Agreement, and this Financing Agreement shall continue in force to the fullest extent permitted by law.

Section 9.17. The Borrower's Remedies. In the event the Issuer should fail to perform any of its obligations under this Financing Agreement, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance, subject to the limitations contained in Section 9.19 hereof. The Borrower also may, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons that the Borrower deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Facilities, and in such event the Issuer hereby agrees to cooperate with the Borrower and to take all action necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request.

Section 9.18. Extent of Covenants. All covenants, stipulations, obligations and agreements of the Issuer and the Borrower contained in this Financing Agreement shall be effective to the extent authorized and permitted by Applicable Law.

Section 9.19. Limitation on Issuer's Liability. All obligations of the Issuer expressed or implied in this Financing Agreement or otherwise incurred in connection with the Project for

the payment of money or for damages resulting from the breach of any covenant, undertaking, agreement, or warranty shall not be a general debt on its part but shall be payable solely from revenues of the Issuer derived and to be derived under this Financing Agreement and the Bond. Neither the directors nor any officer, official, member, agent, employee or attorney of the Issuer shall be personally liable for the payment of any sum or for the performance of any obligation under this Financing Agreement.

NEITHER THE ISSUER, THE COUNTY, THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE BOND. THE BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY OR OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION AND DO NOT AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OR OF THE STATE. NEITHER SHALL THE BOND NOR THE INTEREST THEREON BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER. NO BREACH BY THE ISSUER OF THIS FINANCING AGREEMENT OR OF ANY PROVISION OR CONDITION THEREOF OR IN THE BOND OR OF ANY AGREEMENT CONTAINED IN THIS FINANCING AGREEMENT OR IN THE BOND SHALL RESULT IN THE IMPOSITION OF ANY PECUNIARY LIABILITY UPON THE ISSUER, THE COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OR ANY CHARGE UPON THE GENERAL CREDIT OR AGAINST THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE. THE LIABILITY OF THE ISSUER UNDER THIS FINANCING AGREEMENT AND THE BOND, OR ANY PROVISION OR CONDITION HEREOF OR THEREOF, OR OF ANY AGREEMENT IN THIS FINANCING AGREEMENT OR IN THE BOND CONTAINED, OR OF ANY WARRANTY HEREIN OR IN THE BOND INCLUDED, OR FOR ANY BREACH OF DEFAULT BY THE ISSUER OF ANY OF THE FOREGOING, SHALL BE LIMITED SOLELY AND EXCLUSIVELY TO THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. THE ISSUER SHALL NOT BE REQUIRED TO EXECUTE OR PERFORM ANY OF ITS DUTIES, OBLIGATIONS, POWERS, OR COVENANTS UNDER THE FINANCING AGREEMENT OR UNDER THE BOND EXCEPT TO THE EXTENT THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR ARE AVAILABLE THEREFOR. NO PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER SHALL BE PERSONALLY LIABLE BY REASON OF THE ISSUANCE OF THE BOND OR THE EXECUTION OF THE FINANCING AGREEMENT, AND NO COVENANT, AGREEMENT OR OBLIGATION CONTAINED IN THE BOND OR IN THIS FINANCING AGREEMENT SHALL BE DEEMED TO BE A COVENANT, AGREEMENT OR OBLIGATION OF ANY PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER IN HIS INDIVIDUAL CAPACITY. THE ISSUER HAS NO TAXING POWER.

Notwithstanding anything else in the Bond or in this Financing Agreement, in no contingency or event whatever shall the amount paid or agreed to be paid to the Issuer or the Lender for use, forbearance or detention of the money to be advanced thereunder exceed the highest lawful rate of interest permitted under law applicable thereto by a court of competent jurisdiction. If, from any circumstances whatever, fulfillment of any provision of the Bond or this Financing Agreement, at the time performance of such provisions shall be due, shall involve payment of interest at a rate that exceeds the highest lawful rate as so determined, then ipso facto the obligation to be fulfilled shall be reduced to such highest lawful rate, provided that the interest rate shall remain at such highest lawful rate until such time as the amount of interest paid on the Bond or under this Financing Agreement shall equal the amount of interest that would otherwise have been paid hereunder. If from any circumstances whatever, the Lender or the Issuer shall ever receive interest, the amount of which would exceed such highest lawful rate, the portion thereof which would be excessive interest shall be applied to the reduction of the unpaid principal balance due under the Bond or this Financing Agreement and not to the payment of interest, or if the Bond is no longer outstanding and all sums due under this Financing Agreement and the Bond has been paid in full, shall be repaid to the Borrower.

Section 9.20. Waiver of Jury Trial. The Borrower and the Issuer each hereby knowingly, voluntarily and intentionally waives the right it may have to a trial by jury in respect of any litigation based upon this Financing Agreement or the Bond or arising out of, under or in connection with this Financing Agreement or the Bond and any agreement contemplated to be executed in conjunction herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of any party. This provision is a material inducement for the parties entering into this Financing Agreement and for the purchase by the Lender of the Bond. By purchase of the Bond, the Lender, for itself and its assigns, waives its right to trial by jury to the same extent as the Borrower and the Issuer.

Section 9.21. Limitation on Liability; Waiver of Punitive Damages. EACH OF THE PARTIES HERETO AGREES THAT IN ANY JUDICIAL, MEDIATION OR ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM (A "DISPUTE") THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS FINANCING AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE INDEBTEDNESS AND OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR (1) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (2) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY DISPUTE, WHETHER THE DISPUTE IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE. THE PROVISIONS OF THIS SECTION 9.21 SHALL EXPRESSLY SURVIVE THE TERMINATION OF THIS FINANCING AGREEMENT WITH RESPECT TO ANY AMOUNTS DUE WITH RESPECT TO ANY ACT OR FAILURE TO ACT BY THE BORROWER PRIOR TO SUCH TERMINATION.

[Remainder of Page Intentionally Left Blank; Signature Page Follows.]

IN WITNESS WHEREOF, the St. Johns County Industrial Development Authority has caused this Financing Agreement to be executed in its name and on its behalf by its Chairman; Flagler Hospital, Inc. has caused this Financing Agreement to be executed in its name and on its behalf by its duly authorized officer; and PNC Bank, National Association has caused this Financing Agreement to be executed in its name and on its behalf by its duly authorized officer, as of the day and year first above written.

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Peter J. Apol, Chairman

**PNC BANK, NATIONAL
ASSOCIATION**

By: _____
Ralph Swanson, Vice President

FLAGLER HOSPITAL, INC.

By: _____
Paul B. Runk, Chairman

[Signature Page to (2012B) Financing Agreement]

ASSIGNMENT TO BANK

The undersigned hereby irrevocably sells, assigns and transfers unto PNC Bank, National Association, without recourse or warranty, all rights and interests under the within Financing Agreement (except the right to be reimbursed for expenses incurred by the Issuer and to be indemnified under the Financing Agreement and certain enforcement rights as set forth in the Financing Agreement).

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Peter J. Apol, Chairman

[Signature Page to (2011B) Financing Agreement]

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of certain health care facilities and equipment at the Borrower's existing facilities, including the acquisition and installation of an electronic medical records system and an upgraded nurse call system, renovations to the Borrower's facilities including renovations to patient rooms, the acquisition of certain medical equipment, monitoring systems and replacement patient beds, and the acquisition and installation of related improvements, equipment, fixtures and furnishings, all located or to be located at 101, 120, 130, 201, 300, 301 and/or 400 Health Park Boulevard, St. Augustine, Florida, and/or 52 Tuscan Way, Suite 203, St. Augustine, Florida, and to be owned and operated by the Borrower.

EXHIBIT B

FORM OF BOND

**ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
HOSPITAL REVENUE BOND
(Flagler Hospital, Inc. Project)
SERIES 2012B**

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
April 4, 2012	From April 4, 2012 to and including September 30, 2013 – Variable October 1, 2013 to and including the Maturity Date - Fixed	April 1, 2022

ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the “Issuer”),
for value received, hereby promises to pay to the order of

PNC BANK, NATIONAL ASSOCIATION

(the “Owner”) or its successors or registered assigns, the principal sum of

TWELVE MILLION DOLLARS
(\$12,000,000)

or such lesser amount as shall have been advanced and shall be outstanding hereunder as hereinafter provided and pursuant to the terms of the Financing Agreement, dated April 4, 2012, by and among the Issuer, Flagler Hospital, Inc. (the “Borrower”), and the Owner (the “Financing Agreement”), together with interest on the outstanding principal balance until payment in full. Advances on this Bond may be made during the Draw-Down Period, and shall bear interest on the outstanding principal balance of this Bond during the Draw-Down Period at the Draw-Down Period Rate, and after the Draw-Down Period shall bear interest at the Fixed Rate, subject to adjustment to the Taxable Rate upon an event of taxability as hereinafter described; provided, however, that the interest rate to be applied to the unpaid principal balance of this Bond shall not exceed the maximum non-usurious rate of interest per annum permitted by whichever of applicable United States federal law or Florida law. Interest shall be calculated on the basis the actual number of days elapsed over a 360-day year. Interest payments with respect to any particular Advance shall commence on the first interest payment date which next succeeds by at least 15 days the date such Advance was made. The Borrower shall make monthly interest payments to the Owner commencing on May 1, 2012, and continuing on the first Business Day (defined below) of each calendar month thereafter until April 1, 2022 (the “Maturity Date”). The Borrower shall make annual principal payments to the Owner commencing on April 1, 2020, and continuing each April 1 until the Maturity Date (each, a “Mandatory Principal Prepayment Date”), in accordance with Annex 1 hereto. This Bond shall mature and all unpaid principal and accrued but unpaid interest and all other amounts payable hereunder or payable under the Financing Agreement shall be due and payable on the Maturity Date, subject to earlier optional prepayment by the Borrower as hereinafter provided. The amount of each principal payment is

set forth on Annex 1 attached hereto or in the event that as of on October 1, 2013, the amount drawn on this Bond is less than the principal amount shown on the attached Annex 1, a revised schedule shall be attached hereto based on the actual aggregate principal amount of all Advances made by the Owner under this Bond and reflecting any prepayments made by the Borrower to such date, all in the manner provided in the Financing Agreement. The principal of and interest on this Bond are payable in lawful currency of the United States of America.

The interest rate on this Bond shall be subject to adjustment as hereinafter provided.

For purposes hereof, the following terms have the following meanings:

“Base Rate” means the highest of (A) the Prime Rate, and (B) the sum of the Federal Funds Open Rate plus fifty (50) basis points (0.50%), and (C) the sum of the Daily LIBOR Rate plus one hundred (100) basis points (1.0%), so long as a Daily LIBOR Rate is offered, ascertainable and not unlawful.

“Business Day” means any day on which banks in London, England and New York, New York are open for the transaction of international business.

“Code” means the Internal Revenue Code of 1986, as amended, and the treasury regulations under it and its predecessors.

“Cost of Prepayment” means, while the Bond bears interest at a Fixed Rate, an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the Date of Issuance, of a U.S. Treasury obligation with a maturity similar to the Maturity Date of this Bond minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining term to the stated Maturity Date of this Bond, and (b) the principal amount of the Bond to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the Maturity Date of this Bond. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) “Selected Interest Rates”. For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payment or prepayment of this Bond made after acceleration of the maturity of this Bond.

“Daily LIBOR Rate” means, for any day, the rate per annum determined by the Owner by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“Default Rate” means, during the Draw-Down Period, the Draw-Down Period Rate plus three percentage points per annum, and after the Draw-Down Period, the Fixed Rate plus three percentage points per annum.

“Draw-Down Period” means from April 4, 2012, to and including September 30, 2013.

“Draw-Down Period Rate” means the interest rate determined on the first Business Day of each calendar month during the Draw-Down Period, which shall equal the sum of (70 percent

of LIBOR) plus 135 basis points, provided, in the event of changes in the Obligated Group's underlying long-term debt rating, as determined by the Rating Agencies, the Draw-Down Period Rate shall increase or decrease as follows:

<u>Long-Term Debt Rating</u>	<u>Rate Increase (Decrease)</u>
A1/A+ (and above)	(15 basis points)
A2/A	No change
A3/A-	No change
Baa1/BBB+	No change
Baa2/BBB	+ 15 basis points
Baa3/BBB-	+ 45 basis points

In the event of a split rating, the lower rating will be used for the determination of the Fixed Rate increase or decrease above.

"Federal Funds Open Rate" means, for any day, the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption "OPEN" (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by the Owner (an "Alternate Source") (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the Owner at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the "open" rate on the immediately preceding Business Day. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Federal Funds Open Rate without notice to the Borrower.

"Fixed Rate" means ___% per annum, the interest rate in effect from October 1, 2013 until the Maturity Date; provided, in the event of changes in the Obligated Group's underlying long-term debt rating, as determined by the Rating Agencies, the Fixed Rate shall increase or decrease as follows:

<u>Long-Term Debt Rating</u>	<u>Rate Increase (Decrease)</u>
A1/A+ (and above)	(15 basis points)
A2/A	No change
A3/A-	No change
Baa1/BBB+	No change
Baa2/BBB	+ 15 basis points
Baa3/BBB-	+ 45 basis points

In the event of a split rating, the lower rating will be used for the determination of the Fixed Rate increase or decrease above.

"LIBOR" means the interest rate per annum determined by the Lender by dividing (the resulting quotient rounded upwards, at the Lender's discretion, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Lender in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days before the first Business Day of each calendar month and having an amount, borrowing date and maturity date comparable to this Bond by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage; provided:

(1) LIBOR shall be adjusted on and as of the effective date of any change in the LIBOR Reserve Percentage. The Owner shall give prompt notice to the Borrower of LIBOR or as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error; or

(2) if the Owner determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Owner shall give notice thereof to the Borrower. Thereafter, until the Owner notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of LIBOR shall be suspended, and (b) the interest rate for all amounts then bearing interest under LIBOR shall be converted at the end of the then current month to the Base Rate; or

(3) if, after the Date of Issuance, the Owner shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Owner with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Owner to make or maintain or fund loans based on LIBOR, the Owner shall notify the Borrower. Upon receipt of such notice, until the Owner notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of LIBOR shall be suspended, and (b) the interest rate on all amounts then bearing interest under LIBOR shall be converted to the Base Rate either (i) on the last day of the then current calendar month if the Owner may lawfully continue to maintain or fund loans based on LIBOR to such day, or (ii) immediately if the Owner may not lawfully continue to maintain or fund loans based on LIBOR.

"LIBOR Reserve Percentage" shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities").

"Prime Rate" means the rate publicly announced by the Owner from time to time as its prime rate. The Prime Rate is determined from time to time by the Owner as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index,

and does not necessarily reflect the lowest rate of interest actually charged by the Owner to any particular class or category of customers.

“Published Rate” means the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Owner).

“Rating Agencies” means Moody’s Investors Service, Inc. and Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

All other terms used herein in capitalized form, unless otherwise defined herein, shall have the meanings ascribed to such terms by the Financing Agreement.

In the event of a determination that the interest income on this Bond is not excluded from gross income under Section 103 of the Code, this Bond or the affected portions will become immediately due and payable, or, at the option of Owner remain outstanding and bear interest at the Taxable Rate (defined below). If the interest on this Bond becomes partially taxable, the interest deduction available to the Owner is reduced or limited because the federal income tax deduction for state income taxes paid on the interest payments received on the indebtedness during any period is reduced because of any change in the tax laws or regulations, this Bond becomes subject to a minimum tax or alternative minimum tax; or the economic tax advantage of the loan evidenced by this Bond is otherwise altered by a change in the tax laws, then the interest rate on this Bond will be adjusted to indemnify the Owner for the additional tax cost in an amount necessary to give to the Owner an after tax yield equal to the loan yield before the tax law change. If the corporate tax rate changes, then the interest rate on this Bond will be adjusted to give to the Owner an after tax yield equal to the loan yield before the corporate tax law change. The adjusted interest rate as described in the immediate preceding two sentences shall collectively be referred to as the “Taxable Rate.”

The Borrower may, by giving not less than ten (10) days’ prior written notice directly to the Owner, prepay the principal of this Bond in whole on any date, or in part in minimum increments of \$100,000 or any integral multiple of \$5,000 in excess thereof on any Mandatory Principal Prepayment Date, together with accrued interest on any prepayment amount and an amount equal to the Cost of Prepayment, if applicable.

The principal of and interest on this Bond are payable from and secured by (i) payments derived by the Issuer from the Borrower’s repayment of the Loan, (ii) payments under the Master Note and (iii) amounts realized upon exercise of remedies after an Event of Default (collectively, the “Bond Security”). The Bond Security will be assigned by the Issuer to the Owner in satisfaction of all of the Issuer’s obligations under this Bond. The Issuer shall never be required to (i) levy ad valorem taxes on any property within its territorial limits to pay the principal of and interest on this Bond or to make any other payments provided for under the Financing Agreement; (ii) pay the same from any funds of the Issuer; or (iii) require or enforce any payment or performance by the Borrower as provided by the Financing Agreement unless the Issuer’s expenses in respect thereof shall be paid from moneys derived under the Financing

Agreement or shall be advanced to the Issuer for such purpose, and the Issuer shall receive indemnity for such expenses to its satisfaction. This Bond and the Financing Agreement are sometimes referred to hereinafter collectively as the "Loan Documents." This Bond shall not constitute a lien upon any property of the Issuer owned by or situated within the territorial limits of the Issuer.

NEITHER THE ISSUER, ST. JOHNS COUNTY, FLORIDA (THE "COUNTY"), THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE BOND. THE BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY OR OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION AND DO NOT AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY OR OF THE STATE. NEITHER SHALL THE BOND NOR THE INTEREST THEREON BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER, IF ANY, OF THE ISSUER. NO BREACH BY THE ISSUER OF THE FINANCING AGREEMENT OR OF ANY PROVISION OR CONDITION THEREOF OR IN THE BOND OR OF ANY AGREEMENT CONTAINED IN THE FINANCING AGREEMENT OR IN THIS BOND SHALL RESULT IN THE IMPOSITION OF ANY PECUNIARY LIABILITY UPON THE ISSUER, THE CITY, THE COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OR ANY CHARGE UPON THE GENERAL CREDIT OR AGAINST THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE. THE LIABILITY OF THE ISSUER UNDER THE FINANCING AGREEMENT AND THE BOND, OR ANY PROVISION OR CONDITION HEREOF OR THEREOF, OR OF ANY AGREEMENT IN THE FINANCING AGREEMENT OR IN THE BOND CONTAINED, OR OF ANY WARRANTY IN THE FINANCING AGREEMENT OR IN THE BOND INCLUDED, OR FOR ANY BREACH OF DEFAULT BY THE ISSUER OF ANY OF THE FOREGOING, SHALL BE LIMITED SOLELY AND EXCLUSIVELY TO THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR. THE ISSUER SHALL NOT BE REQUIRED TO EXECUTE OR PERFORM ANY OF ITS DUTIES, OBLIGATIONS, POWERS, OR COVENANTS UNDER THE FINANCING AGREEMENT OR UNDER THE BOND EXCEPT TO THE EXTENT THE LOAN PAYMENTS AND OTHER REVENUES PLEDGED THEREFOR ARE AVAILABLE THEREFOR. NO PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER SHALL BE PERSONALLY LIABLE BY REASON OF THE ISSUANCE OF THIS BOND OR THE EXECUTION OF THE FINANCING AGREEMENT, AND NO COVENANT, AGREEMENT OR OBLIGATION CONTAINED IN THIS BOND OR IN THE FINANCING AGREEMENT SHALL BE DEEMED TO BE A COVENANT, AGREEMENT OR OBLIGATION OF ANY PRESENT OR FUTURE

DIRECTOR, OFFICER, MEMBER, COMMISSIONER, EMPLOYEE OR AGENT OF THE ISSUER IN HIS INDIVIDUAL CAPACITY. THE ISSUER HAS NO TAXING POWER.

No official, attorney or employee of the Issuer approving or executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

Notwithstanding any provision contained herein to the contrary, in no event shall the interest contracted for, charged or received in connection with the Bond (including any other costs or considerations that constitute interest under the laws of the State which are contracted for, charged or received) exceed the maximum rate of interest allowed under the laws of the State. In the event this Bond is prepaid in accordance with the provisions hereof, then such amounts that constitute payments of interest, together with any costs or considerations which constitute interest under the laws of the State, may never exceed an amount which would result in payment of interest at a rate in excess of the non-usurious interest allowed by the laws of the State.

All covenants, conditions and agreements contained in the Financing Agreement are hereby incorporated by reference in this instrument as though fully set forth herein. In the event of conflict between this Bond and the Financing Agreement, the terms and conditions of the Financing Agreement shall control. This Bond shall be deemed to be in default upon the occurrence of an Event of Default under the terms of the Financing Agreement. Upon the occurrence of such an Event of Default the Owner of this Bond may, at its option, declare this Bond immediately due and payable without notice regardless of the date of maturity and shall have all other rights and remedies as provided in the Financing Agreement. Failure at any time to exercise this option shall not constitute a waiver of the right to exercise the same at any other time. In the event the Borrower shall fail to make any of the payments required hereunder, the amount so in default shall continue as an obligation of the Borrower until fully paid and until paid shall bear interest at the Default Rate. From and after the Maturity Date, all amounts remaining unpaid or thereafter accruing under this Bond shall bear interest at the Default Rate. The difference between the interest payable under the Default Rate and the interest otherwise payable shall be payable in addition to the fixed monthly payment set forth in Annex 1 attached hereto.

The Owner is hereby authorized to disclose any financial or other information about the Issuer and Borrower related to the Loan Documents (defined below) to any regulatory body or agency having jurisdiction over the Owner and to any present, future or prospective participant or successor in interest in any loan or other financial accommodation made by the Owner to the Issuer or the Borrower. The information provided may include, without limitation, amounts, terms, balances, payment history, return item history and any financial or other information about the Issuer or Borrower related to the Loan Documents. "Loan Documents" means collectively the Financing Agreement, this Bond and all agreements, documents and instruments executed at any time in connection therewith, as any of the same are amended, restated, or supplemented.

If the Owner retains the services of counsel by reason of a claim of a default or an event of default under this Bond or under any of the other Loan Documents, or on account of any matter involving this Bond, or for examination of matters subject to the Owner's approval under the Loan Documents, all costs of suit and all reasonable attorneys' fees and such other reasonable expenses so incurred by the Owner shall be paid by the Borrower on demand, and shall be deemed part of the obligations evidenced hereby.

If, after receipt of any payment of all or any part of this Bond, the Owner is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Bond and the other Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and the Issuer shall be liable for, and shall indemnify, defend and hold harmless the Owner with respect to, the full amount so surrendered (but solely from the source described in the Financing Agreement). The provisions of this paragraph shall survive the cancellation or termination of this Bond and shall remain effective notwithstanding the payment of the obligations evidenced hereby, the release of any security interest, lien or encumbrance securing this Bond or any other action which the Owner may have taken in reliance upon its receipt of such payment. Any cancellation, release or other such action shall be deemed to have been conditioned upon any payment of the obligations evidenced hereby having become final and irrevocable.

It is hereby certified and recited 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 laws and Constitution of the State of Florida applicable thereto, and that the issuance of this Bond does not violate any constitutional or statutory limitation.

This Bond is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities of the State of Florida.

The Issuer hereby waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Bond and any other notices that might otherwise be required as a condition to exercise of any rights of the Owner hereof.

THE ISSUER AND, BY ACCEPTANCE OF THIS BOND, THE OWNER EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED UPON THIS BOND OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THIS BOND OR THE LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, ACTS OR OMISSIONS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Issuer has issued this Bond and has caused the same to be executed by its Chairman, either manually or with his facsimile signature, and attested by the manual or facsimile signature of the Secretary of the Issuer, all as of the Dated Date set forth above.

**ST. JOHNS COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____
Chairman

(SEAL)

ATTEST:

By: _____
Secretary

ANNEX 1

Schedule of Principal Advances and Mandatory Prepayments

<u>Date</u>	<u>Amount Advanced</u>	<u>Mandatory Principal Prepayments</u>	<u>Initial of Owner</u>

EXHIBIT C**FORM OF ADVANCE REQUISITION**

**ST. JOHNS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
HOSPITAL REVENUE BOND
(Flagler Hospital, Inc. Project)
SERIES 2012B**

REQUISITION NO. _____

Amount Requested:

Total Disbursements to Date:

Flagler Hospital, Inc. (the "Borrower"), referred to herein and in the Financing Agreement (the "Financing Agreement"), dated April 4, 2012, by and among the St. Johns County Industrial Development Authority, the Borrower, and PNC Bank, National Association (the "Lender"), does hereby make application to the Lender under the Financing Agreement for disbursement of funds in the following manner:

Amount Requested \$ _____
Date Advance to be made _____

Proceeds of the Advance to be disbursed to the Borrower as follows:

- ☐ Wire Transfer (Account Number _____
Routing Number _____)
- ☐ Account Transfer (Account Number _____)

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Financing Agreement. All representations and statements made herein are for the benefit of the Lender and the other parties related to the issuance of the Bond and may not be relied upon by third parties.

The undersigned certifies that:

- (i) No Event of Default under the Financing Agreement has occurred and is continuing and there exists no event or condition which, with the giving of notice or the passage of time would constitute an Event of Default under the Agreement;
- (ii) All representations and warranties of the Borrower contained in the Financing Agreement are true and correct as of the date hereof;
- (iii) The amount advanced pursuant to this Requisition will be used only to reimburse the Borrower for costs of the Project or costs of issuance of the Bond which have

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been paid by the Borrower prior to the date of this Requisition, and such costs have not been the subject of any previous Requisition;

- (iv) The amount advanced pursuant to this Requisition to pay costs of issuance of the Bond, when added to all other amounts previously advanced to pay costs of issuance of the Bond, will not exceed two percent (2%) total of all amounts advanced under the Bond by the Lender to the Borrower as of the date hereof; and
- (v) The amount of the Advance requested herein, together with all other Advances to date, do not exceed \$12,000,000.00.

Dated as of _____, 20_____.

FLAGLER HOSPITAL, INC.

By: _____
Title: _____

APPROVED:

PNC BANK, NATIONAL ASSOCIATION

By: _____
Title: _____