

**CITY OF ATLANTIC BEACH
CITY COMMISSION MEETING
February 11, 2013 - 6:30 PM**

AMENDED AGENDA

Call to order

Invocation and pledge to the flag

1. A. Approve the minutes of the Regular Commission Meeting of January 28, 2013.
 B. Approve the minutes of the Commission Briefing of January 24, 2013.
 C. Approve the minutes of the webinar "Preparing for Civic Engagement Online in 2013: How Governments Can Meaningfully Engage Communities with CivicIdeas™" of January 31, 2013.

2. Courtesy of Floor to Visitors

3. Unfinished Business from Previous Meetings

- A. City Manager's Follow-up Report.

4. Consent Agenda

ALL MATTERS LISTED UNDER THE CONSENT AGENDA ARE CONSIDERED TO BE ROUTINE BY THE CITY COMMISSION AND WILL BE ENACTED BY ONE MOTION IN THE FORM LISTED BELOW. THERE WILL BE NO SEPARATE DISCUSSION OF THESE ITEMS. IF DISCUSSION IS DESIRED, THAT ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED SEPARATELY. SUPPORTING DOCUMENTATION AND STAFF RECOMMENDATIONS HAVE BEEN PREVIOUSLY SUBMITTED TO THE CITY COMMISSION ON THESE ITEMS.

- A. Acknowledge receipt of the List of New Business Taxes for January 2013.

5. Committee Reports

None.

6. Action on Resolutions

A. RESOLUTION NO. 13-02

A RESOLUTION PROVIDING FOR THE ISSUANCE BY THE CITY OF ATLANTIC BEACH, FLORIDA OF ITS HEALTH CARE FACILITIES REVENUE AND REFUNDING BONDS (FLEET LANDING PROJECT), SERIES 2013A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$46,000,000, AND FOR A LOAN BY THE CITY TO NAVAL CONTINUING CARE RETIREMENT FOUNDATION, INC., A FLORIDA NOT-FOR-PROFIT CORPORATION, IN A PRINCIPAL AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT OF SAID SERIES 2013A BONDS, FOR THE PURPOSES OF (A) FINANCING OR REFINANCING ALL OR ANY PART OF THE COST OF A CAPITAL PROJECT (INCLUDING LAND) FOR THE CONTINUING CARE RETIREMENT FACILITY KNOWN AS "FLEET LANDING" AS DESCRIBED IN THIS RESOLUTION, (B) REFUNDING THE OUTSTANDING CITY OF ATLANTIC BEACH, FLORIDA HEALTH CARE FACILITIES REVENUE REFUNDING BONDS (FLEET LANDING PROJECT), SERIES 1999, (C) REFUNDING THE OUTSTANDING CITY OF ATLANTIC BEACH, FLORIDA VARIABLE RATE DEMAND HEALTH CARE FACILITIES REVENUE BONDS (FLEET LANDING PROJECT), SERIES 2006, (D) FUNDING A DEBT SERVICE RESERVE FUND FOR THE SERIES 2013A BONDS AND (E) PAYING A PORTION OF THE COSTS OF ISSUING THE SERIES 2013A BONDS; PROVIDING FOR THE RIGHTS OF THE

HOLDERS OF THE SERIES 2013A BONDS AND FOR THE PAYMENT THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE AND LOAN AGREEMENT; AUTHORIZING A NEGOTIATED SALE OF THE SERIES 2013A BONDS, AND APPROVING THE CONDITIONS AND CRITERIA FOR SUCH SALE; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT WITH RESPECT TO THE SERIES 2013A BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT AND A FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2013A BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF THE SERIES 2013A BONDS AND OTHER RELATED INSTRUMENTS AND CERTIFICATES; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF THE SERIES 2013A BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.

7. Action on Ordinances

A. ORDINANCE NO. 20-13-120, Public Hearing and Final Reading

AN ORDINANCE AMENDING THE OPERATING BUDGET FOR THE CITY OF ATLANTIC BEACH, FLORIDA FOR FISCAL YEAR BEGINNING OCTOBER 1, 2012 AND ENDING SEPTEMBER 30, 2013, AND PROVIDING AN EFFECTIVE DATE.

B. ORDINANCE NO. 5-13-58, Introduction and First Reading

AN ORDINANCE OF THE CITY OF ATLANTIC BEACH, FLORIDA, AMENDING CHAPTER 2 OF THE CODE OF ORDINANCES, ADMINISTRATION, ARTICLE II, CITY COMMISSION, SEC. 2-16, TIME AND PLACE OF REGULAR MEETINGS, TO PROVIDE FOR ONE (1) REGULAR MEETING AND ONE (1) SCHEDULED WORKSHOP PER MONTH, AND PROVIDING AN EFFECTIVE DATE

8. Miscellaneous Business

- A. Pedestrian/Bike Education Campaign. (City Manager)
- B. Animal Control Facility. (City Manager)
- C. Police Department Annual Report. (City Manager)
- D. Videotaping Commission Meetings. (Commissioner Woods)
- E. Online Searches of Public Records. (Commissioner Woods)
- F. Campaign Sign Waving at 5-Points Intersection. (Commissioner Woods)
- G. Board Member Review Committee Recommendation for appointment to the General Employees' Pension Board of Trustees. (Commissioner Daugherty)
- H.* Donation of Property to Expand River Branch Preserve.

9. City Manager

- A. City Manager's Report.

10. Reports and/or requests from City Commissioners and City Attorney

***Agenda amended on 2/5/13 to add Item 8H.**

If any person decides to appeal any decision made by the City Commission with respect to any matter considered at any meeting, such person may need a record of the proceedings, and, for such purpose, may need to ensure that a verbatim record of the proceedings is made, which record shall include the testimony and evidence upon which the appeal is to be based.

Any person wishing to speak to the City Commission on any matter at this meeting should submit a request to the City Clerk prior to the meeting. For your convenience, forms for this purpose are available at the entrance to the Commission Chambers.

Every effort is made to indicate what action the City Commission is expected to take on each agenda item. However, the City Commission may act upon any agenda subject, regardless of how the matter is stated on the agenda.

In accordance with the Americans with Disabilities Act and Section 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the City Clerk by 5:00 PM, Friday, February 8, 2012.

WELCOME

To the Atlantic Beach City Commission Meeting

We will conduct meetings of the City Commission with a level of civility and respect that the democratic process deserves. This allows for better public input and supports making the best decisions for the citizens who we are here to serve.

We ask that everyone in the meeting practice the following principles of Respect for each other.

RESPECT

Refrain from putdowns, criticism and personal attacks

Encourage others to state their views

Support each other, even if you don't agree

Practice active listening

Express yourself assertively, not aggressively, not submissively

Collaborate, do not compete or collude

Trust each other, unless and until such trust is violated

MINUTES
REGULAR CITY COMMISSION MEETING
January 28, 2013
CITY HALL, 800 SEMINOLE ROAD

IN ATTENDANCE:

Mayor Mike Borno	City Attorney Alan C. Jensen
Mayor Pro Tem Maria Mark	City Manager Jim Hanson
Commissioner Mark Beckenbach	City Clerk Donna L. Bartle
Commissioner Jonathan Daugherty	Recording Secretary Nancy E. Bailey
Commissioner Carolyn Woods	

Call to Order/Pledge:

Mayor Borno called the meeting to order at 6:30 p.m. Commissioner Woods gave the Invocation, followed by the Pledge of Allegiance to the Flag.

1. A. Approve the minutes of the Regular Commission Meeting of January 14, 2013.
- B. Approve the minutes of the Commission Workshop Meeting of January 14, 2013.
- C. Approve the minutes of the Commission Briefing of January 10, 2013.
- D. Approve the minutes of the Town Hall Meeting of January 5, 2013.

Mayor Borno asked if there were any corrections to the above minutes and there being none, he stated the minutes will stand as submitted.

2. Courtesy of the Floor to Visitors.

Mayor Borno opened the Courtesy of the Floor to Visitors. He welcomed the audience and explained the process for public comments.

Fred “Fel” Lee, 1501 Big Tree Rd., Neptune Beach, Chairman of Duval Public School System, invited the Commission to a reception for the new Superintendent on February 21, 2013 from 6:30 – 8:00 p.m. at Fletcher High School Media Center. He also invited them to various school visits he is holding in the area. He stated he visits all of his schools in this district once a quarter, stating he will send the schedule to the City Clerk.

Item 8E was taken out of sequence and acted on at this time.

8E. Informational Session on Fleet Landing Bond Refinancing.

Joshua Ashby, 1 Fleet Landing Blvd., Chief Executive Officer at Fleet Landing, gave a presentation related to refinancing the existing debt on the Fleet Landing bonds which will lower their interest expense by about \$300,000 annually. He distributed a map of the Fleet Landing boundaries. He also explained the proposed renovation project. He stated this first step is to do the refunding and issuance of a small new money portion to pay for the land. He stated they will be back later this year to do a new money issue to pay for the \$12-14 million renovation and expansion of the campus. He answered questions from the Commission. He stated Chauncey Lever will give an overview of the actual financing structure.

Chauncey Lever, Partner with Foley & Lardner, One Independent Drive, serving as bond counsel for the proposed bond financing, explained the past and present bond issues stating this is a conduit financing under

the Florida Industrial Development Financing Act. He stated the proposed bond resolution that will come before the City at the next meeting for consideration by the Commission approves four documents – the Trust Indenture, the Loan Agreement, a Bond Purchase Agreement between the bond underwriter, and a preliminary official statement which is similar to a prospectus document. He explained the City will not be responsible to pay the debt service on the bonds at all and all cost and expenses of the City will be reimbursed by Fleet Landing. He answered questions from the Commission and from Mr. Hanson.

Mr. Hanson explained the City has hired Peter Dame to represent the City of Atlantic Beach with recommendations from Alan Jensen. He stated Mr. Dame has no affiliation with Fleet Landing and has been in this business for a long time. He stated he is working for the City in this endeavor; however, the payment for his services will come out of the proceeds of this bond issue.

Peter Dame, 50 N. Laura St., with Akerman Senterfitt, bond counsel for Atlantic Beach, explained his role is to protect the City and to assure they have the protection they are looking for in the documents and there are no problems. He stated he has looked at all of the documents to assure they protect the City and keep the City out of trouble. He stated the bonds are payable solely from the revenues that come from the facility; there are no City revenues pledged. He stated the City is indemnified should something go wrong and the City incur some legal expenses. He stated if there is a foreclosure, they try to make sure one of the first things paid are any expenses of the City, as a trustee, and then the bond holders get paid after that. He answered questions from the Commission. Responding to a request from Commissioner Beckenbach, Mr. Dame stated an exhibit to the resolution is a public document and they will request the bond counsel send us the most recent draft with the information and backup and they will make it available to anyone who wants to look at it. Mr. Hanson stated we will post the documents to the FTP site for public records requests. Mr. Dame cautioned that it needs to be presented as part of the official records of the City; it is an offering document for a bond and they are not making an offering through that transaction, but want to provide it as part of the public records. He stated they need to be clear that we are not using that at this point as a marketing document, because it is not final.

Mayor Borno stated he and his wife are members of the Atlantic Club and asked Mr. Jensen if he should recuse himself when it comes to a decision. Mr. Jensen asked if he will gain anything financially from the transaction. Mayor Borno stated, no, it is a deposit so they had the right to be asked if they would like to be a resident there in the future. Mr. Jensen stated he does not see that as any conflict of interest.

Discussion ensued.

John November, 647 Beach Avenue, stated he attended the Timuquana Adventure Day this past Saturday and briefly explained the event. He addressed Rose Park stating he is in favor of doing the water feature now rather than waiting for the future, stating it makes the most sense financially to do this now. He further stated he believes the parking lot should be moved to the side rather than in the middle of the park, due to safety for the children. He further spoke on the police station stating they might be able to take an incremental approach where they don't have to bring the whole thing up to Code, but improve the front with better amenities for the public when they come in.

No one else from the audience spoke so Mayor Borno closed the Courtesy of the Floor to Visitors.

3. Unfinished Business from Previous Meeting

A. City Manager's Follow-up Report.

None.

4. Consent Agenda

ALL MATTERS LISTED UNDER THE CONSENT AGENDA ARE CONSIDERED TO BE ROUTINE BY THE CITY COMMISSION AND WILL BE ENACTED BY ONE MOTION IN THE FORM LISTED BELOW. THERE WILL BE NO SEPARATE DISCUSSION OF THESE ITEMS. IF DISCUSSION IS DESIRED, THAT ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED SEPARATELY. SUPPORTING DOCUMENTATION AND STAFF RECOMMENDATIONS HAVE BEEN PREVIOUSLY SUBMITTED TO THE CITY COMMISSION ON THESE ITEMS.

- A. Acknowledge receipt of the Public Works and Utility Departments Project Status Report for January 11, 2013 and the Building Department Monthly Report for December 2012.

Mayor Borno read the Consent Agenda.

Motion: Approve Consent Agenda Item A as read.

Moved by Beckenbach, Seconded by Daugherty

Votes:

Aye: 5 – Beckenbach, Daugherty, Mark, Woods, Borno

Nay: 0

MOTION CARRIED

5. Committee Reports

None.

6. Action on Resolutions

None.

7. Action on Ordinances**A. ORDINANCE NO. 20-13-120**

AN ORDINANCE AMENDING THE OPERATING BUDGET FOR THE CITY OF ATLANTIC BEACH, FLORIDA FOR FISCAL YEAR BEGINNING OCTOBER 1, 2012 AND ENDING SEPTEMBER 30, 2013, AND PROVIDING AN EFFECTIVE DATE.

Mayor Borno read Ordinance No. 20-13-120 by title.

Motion: Approve Ordinance No. 20-13-120 as read.

Moved by Woods, Seconded by Mark

Mayor Borno explained this Ordinance is to add budgets for the use of police grant funds to pay for grant writing services for two different projects.

Votes:

Aye: 5 – Borno, Beckenbach, Daugherty, Mark, Woods

Nay: 0

MOTION CARRIED

8. Miscellaneous Business

A. Evaluation of Options for Long-term Irrigation Water Supply for Selva Marina Country Club.

Mr. Hanson stated Donna Kaluzniak would present this report and John Collins was in the audience also to answer questions.

Public Utility Director Donna Kaluzniak gave a slide presentation explaining the options to provide irrigation to the Selva Marina Golf Course. She stated, using life cycle costing, the recommended option was to provide a reclaimed facility at the treatment plant and reuse the existing pipe that is in the ground from Fleet Landing to get it to the golf course. She further explained capital cost is estimated at about \$530,000, which is the lowest life cycle cost. She explained the caveats to this option are that the country club will need to provide a pond at the southwest corner of the property and it will require coordination with Fleet Landing to connect their lift station to the new Buccaneer Force Main so they can reuse that small main. She stated another issue is that what they asked the engineer to look at was only the lowest cost option to get water to the golf course for irrigation of the golf course only. She stated they weren't looking at residential and if they wanted to expand it to residential, cost would have to be added for a dedicated pipe, a larger facility, and equipment to maintain constant pressure for providing irrigation on a 24/7 basis. John Collins and Ms. Kaluzniak answered questions from the Commission. Discussion ensued.

Related to the comments about future expansion, City Manager Hanson stated he believes it would be prudent of the City to require the developer of the new subdivision to pipe for the reuse at their cost. He stated when a new developer is putting their lines in, it is much less expensive to put the piping in at that time rather than after the roads, driveways and landscaping are in. He stated the City can legally require them to put it in and he believes it makes economic sense. Mr. Hanson also answered questions from the Commission. Discussion ensued.

In going forward with Selva Marina, related to the irrigation issue, etc., Commissioner Mark asked if she should still represent the City at the table with the country club and developer, even though the task of the ad hoc committee has been completed and it has been dissolved. Mayor Borno stated he believes they have two options. He stated if she wants to stay involved the Commission could appoint her and the City Manager as the two representatives to stay in contact with them in negotiations. He stated if she does not want to get tied up in it, they can have the City Manager go and report back to the Commission. Commissioner Mark stated she is happy to stay involved as much as the Commission would like her to be and take on that responsibility.

Motion: Appoint Commissioner Mark and City Manager Hanson to sit at the table with Selva Marina Country Club and stay current and be available to do the negotiations and then report back to the Commission until this is resolved and a final decision is made.

Moved by Borno, Seconded by Daugherty

Commissioner Woods asked the City Attorney to clarify whether this will be a Sunshine Law violation because as they go through the negotiations they will all be talking to the City Manager about their concerns and he would be sharing those ideas with Commissioner Mark. She believes the point of the Sunshine Law is that it isn't supposed to work that way. She stated she believes the discussions Mr. Hanson has with the Commissioners he is not allowed, by law, to carry forward to the next Commissioner. She stated she believes they are setting themselves up for trouble.

Mr. Jensen explained he believes anyone in a staff position can speak to the different Commissioners separately and tell them all the same thing. He stated Mr. Hanson would not be trying to influence one or all of them to act in a certain way. Commissioner Woods stated that was not her question. She further explained what she was asking. Mr. Jensen stated he does not know that Mr. Hanson would get separate recommendations or suggestions from each individual Commissioner to be in a contract and take all of those to the table with Selva Marina. He stated the Commission would have to decide what they would want in the contract and approve it. Discussion about the Sunshine Law ensued.

Commissioner Daugherty stated, as a point of order, he believes for this to be voted on it has to be on the agenda unless they declare it an emergency. Mr. Jensen stated they need to see what was authorized before with Commissioner Mark. He stated he believes she was just asking for clarification as to whether they want her to continue doing that. Commissioner Mark stated she was asking if they want her to continue to be involved in it going forward because what the ad hoc committee was tasked to do was completed but they did not officially dissolve that committee. She stated there is a meeting scheduled for Friday at 11:00 with the Selva Board and possibly the developer and she was informed of that meeting. She stated, technically, this could be an emergency if they want her to be at that meeting and they would need to vote on the consensus of her going forward with it.

Commissioner Daugherty stated he wanted to make an amended motion to make Commissioner Mark a liaison for the Commission to work with the City Manager and asked if that would make it simpler. Discussion ensued.

Mayor Borno withdrew his motion, Commissioner Daugherty withdrew his second. Mayor Borno stated they can just continue under the original direction. Commissioner Mark stated she will go to the meeting and report back to the Commission. Mayor Borno stated he will prepare something for the future so they don't have to try to design it tonight.

B. Contract for Mixing Zone Assessment of Total Copper and Cyanide at the St. Johns River Outfall.

Donna Kaluzniak summarized her staff report explaining the DEP has very low limits for certain parameters, including copper and cyanide, which are much below what the drinking water standards are.

Motion: Award the contract for Mixing Zone Assessment of Total Copper and Cyanide at the St. Johns River Outfall to CDM Smith in the amount of \$27,760 and authorize the City Manager to sign the contract. Authorize payment for additional river sampling to JEA in the amount of \$1,200.

Moved by Mark, Seconded by Daugherty

Votes:

Aye: 5 – Borno, Beckenbach, Daugherty, Mark, Woods

Nay: 0

MOTION CARRIED

C. Videotaping Commission Meetings.

IT Director Keith Randich gave an overview of his staff report stating if the Commission elects to move forward to videotape their meetings, staff recommends a multiple adjustable camera system. He further stated if the Commission elects to move forward with making City documents available to website visitors in a searchable format, staff recommends the purchase of the Laserfiche web interface software. He stated staff also investigated acquiring agenda preparation software for use by City staff and did not find that use of such

a product would improve the process now used by the City Clerk or produce measurable time or cost savings for the City.

Mr. Randich answered questions from the Commission.

Commissioner Daugherty stated he is for the single camera option to start with and would like to make a motion for staff to bring back a budget amendment. Mayor Borno stated this is the same situation, they are not in an emergency; they are in the discussion of the report right now. Commissioner Daugherty stated actually this is on the agenda and asked why he can't make a motion that staff bring back a budget amendment. Mayor Borno stated, no, they can bring it up at the next meeting; they are in the discussion of the report right now.

Commissioner Woods stated she believes they need more information before making a judgment. She asked Mr. Randich to clarify the cost figures in his chart, which he did.

Commissioner Beckenbach stated although it was the single fixed camera they were talking about, Mr. Randich was making a recommendation for the multiple adjustable cameras. Mr. Randich explained for the single fixed camera they are not figuring that there is going to be any additional staff present at the meeting to play the role of editor, but once you get into a multiple camera system they will have to have an additional staff member, or in the case of Swagit, it would be an individual from that company who would be performing that task. Discussion ensued.

Commissioner Woods asked how it is getting indexed to the agenda if someone is not sitting there doing that. Mr. Randich stated in the case of the single fixed camera, what they envision happening is the existing staff, either Donna Bartle or Nancy Bailey, would have the software up on one of their machines and as you go to each item in the agenda they would click on something that would indicate to the software that they are going to this particular agenda item and it would put the time stamp on the video as it encoded it and then upload it to that vendor's website. Further discussion ensued.

Commissioner Daugherty stated he still goes with his original choice; this is not a need, but a want. He stated they should go with something that is practical and fills the purpose but is upgradable should they see a lot of people using this in the future. Commissioner Mark stated she agreed, this is a testing ground and if it really takes off and people are loving it, then they have the ability to upgrade as needed.

Commissioner Woods asked if they could make a motion, since this is on the agenda. Mayor Borno stated it is not an action item. Commissioner Woods stated the next step is to authorize staff to find the best price for us.

Mr. Hanson stated if the Commission picks which option they want and establishes a budget, it will be up to staff to get prices through a normal purchasing process. He stated before they ask vendors for quotes they need to know that they are going to do this. He stated, at this point, staff is waiting on a decision from the Commission. Commissioner Woods stated if they go with the single fixed camera that is within Mr. Hanson's authorization and they don't need to vote on it but just let him know that is the direction they want to go. Mr. Hanson stated he will need to have a budget for it, but they could do it without formal bids and would not have to come back to Commission for approval on which vendor they buy the camera from, but he would like to get the Commission to say they want a single camera system and put the money in the budget. Commissioner Daugherty asked if they need to make a motion on that. Mayor Borno stated he can't make a motion; he can make a request when he gets to Item 10.

Commissioner Woods stated there are three things being discussed. She stated, for videotaping, they all seem to agree that they will start with the one camera with indexing but they haven't talked about the other items. She asked if they need more than that from the Commission. Mr. Hanson stated, yes, he needs them to vote on it. Commissioner Mark stated they haven't made a motion. Mayor Borno stated it will be on the next agenda for an action item and somebody will make a motion on what they want. He stated they are gathering information. He stated they agreed they were going to go through this in a stepping process. Commissioner Woods stated on the next agenda I will have a budget item to go ahead with the one camera option. Mr. Hanson clarified that Commissioner Woods requested that it be put under her name on the next agenda.

Commissioner Mark stated this is hard when they even agree; she doesn't get it. Mayor Borno stated he would highly suggest that any motions in the future be in writing.

Commissioner Woods stated she would like to see them move forward with the online keyword searches of agendas, minutes and other public records. She stated she will add that to her agenda item. She stated as far as the agenda creation software goes, if Donna is happy with what she has, let's keep Donna happy.

Commissioner Daugherty stated he wants the Laserfiche item to be a separate action item. Mr. Hanson stated that was the way he had it in his notes.

D. Early Openings for Dutton Island Preserve.

Public Works Director Rick Carper stated they are seeing consistent but low usage during the early morning hours. He stated he doesn't want to use the flexibility to continue to reorient his rangers' work schedules because he would like to have them all here for most of the regular working day. He would need to go to overtime if they continue to do this, which would require a budget modification to plus up his overtime budget because he is already over 40% done for this year. He stated one of the thoughts brought up at the workshop Thursday was the potential to have an organization adopting or taking on this function for the City. He stated he believes that would have to come to the Commission for them to take that kind of obligation.

Commissioner Daugherty agreed the best option would be to find a community group and he has been talking to some people.

E. Informational Session on Fleet Landing Bond Refinancing.

This item was taken out of sequence and acted on earlier in the meeting.

9. City Manager

A. City Manager's Report.

City Manager Hanson reported on the cost of applying for and administering grants, using the recent energy grants as examples.

He also reported there will be a hazardous waste collection on May 11 in Jacksonville Beach. He further reported to schedule a special collection above the regularly scheduled ones, he was given a rough quote from Jacksonville a couple of years ago of \$18,000/20,000.

Mr. Hanson further commented on the Strategic Plan Quarterly Report pointing out several items on the report. He asked that the Commission think about what they want on the report for the upcoming year.

City Attorney Jensen left at 8:11, returned 8:14 p.m.

At Mr. Hanson's request, Mr. Carper gave a status report on the Rose Park and River Branch projects. Mr. Carper presented an alternative slide of the parking area for Rose Park showing it moved to the northwest corner as requested at the workshop. He stated with the consensus of the Commission he will direct the engineers to proceed with this portion. Mr. Carper answered questions from the Commission. Mr. Carper further pointed out that he and the engineer agreed that on-street parking with children in a playground is a hazard and an off-street parking area is significantly safer. Discussion ensued.

Mr. Carper also showed slides of the 60% Design for the Marsh Master Plan projects, explaining each project. He answered questions from the Commission. Commissioner Daugherty stated he spoke with (Councilman) Bill Bishop and he wants the meeting they previously discussed for the first or second week of February. Commissioner Woods stated she has heard from a few people that there is some concern about the neighborhood right-of-ways being not welcoming and she believes if they are going to invest in these boardwalks and amenities that they need to have people feel comfortable when they come into this community. She stated they need to start treating this as a continuation of the Mayport Road Corridor improvement plan and assure the right-of-ways are in order. Mr. Carper stated he, personally, believes the proposed improvements will impact it significantly. Discussion ensued.

10. Reports and/or requests from City Commissioners and City Attorney

Item 10B was taken out of sequence and acted on at this time.

B. Discussion on appeal process.

Commissioner Beckenbach asked that this item be taken off the agenda because he wanted to speak with Alan Jensen to discuss the appeal process, stating he will call him this week.

A. Discussion on developing an ordinance to change one Commission meeting a month to a workshop.

Commissioner Beckenbach stated there was a consensus at the workshop to ask staff to move forward with an ordinance that takes into consideration the issues of the bi-yearly election cycle and swearing-in at the regular meeting in November, as well as the December workshop and regular meeting schedule. He stated he would like to ask that staff work with Mr. Jensen to prepare an ordinance to have one workshop and one meeting per month. Commissioner Daugherty stated as he had to leave the workshop early, he was not sure what the consensus was. Commissioner Beckenbach stated it was to move forward with an ordinance that would allow for that to be voted on. Commissioner Daugherty asked for what to be voted on. Commissioner Beckenbach stated the change to the workshop and taking into consideration all of the changes that would need to be done to the ordinances that are already there.

Mr. Hanson clarified that Commissioner Beckenbach is asking staff to work with Alan Jensen to prepare an ordinance to move to one regular meeting a month and one workshop a month and take into consideration all the various portions of the City Code that need to be changed to make it as workable as possible and bring it back for a first reading.

Mayor Borno stated he is not in favor of this; he doesn't think it is broken and doesn't think it needs to be fixed. He stated they discussed other ways this could be addressed by putting workshops in front of regularly scheduled meetings. He stated he believes delaying the work of the City and making these changes is

counter-productive. He stated there is a simpler approach that would serve the same purpose they are looking to do. He reiterated he is not in favor of this at all.

Commissioner Woods stated part of the discussion was elimination of that extra meeting they have been having and there would be opportunities to have any urgent business taken care of so City business would not suffer.

Mayor Borno stated the way he sees this is what they are doing is delaying and having two weeks after a workshop before they actually take action. He stated the Commission is elected to serve and do what they are there to do and make the decisions and they haven't had any difficulty up to this point that he can see.

Commissioner Daugherty stated he was in agreement with the Mayor. He stated this could almost double the time it takes to do some things. He stated the question he posed to Commissioner Beckenbach at the workshop was what was the problem they were trying to solve by doing this. He stated he was told that citizens don't get enough time to adequately research an issue. He stated a simple solution was to move back when the agenda comes out.

City Clerk Bartle stated the minutes were the only concern she had in doing this, but the bigger concern was the City Manager having the information together to give to the Clerk's office to do the agenda. She stated if they had it in hand it would not be a problem, if they could slide the minutes and do something different with them. She stated they normally have the agenda emailed on Tuesday, unless it is a holiday. She stated staff has to get the items to the City Manager who reviews it and then he gives it to us and we can put it together within a day.

Commissioner Daugherty stated instead of changing completely the way they do things, the problem that they are trying to solve is the Commission and citizens having enough time and getting the agenda out before the newspaper writes their articles so they can report on what is going to happen, instead of what happened. He reiterated he believes a simple solution to fix the problem is to direct staff to have the agenda out on Friday; let them figure out how to do it.

Commissioner Woods stated she believes they have already gotten consensus on the direction they want to go.

Mayor Borno stated they are saying citizens need to have time to research the agenda. He stated he has never failed to be contacted by anyone who had any concern about anything that was on the agenda. He asked the Commissioners if they had experienced any difficulty with somebody calling them and telling them that had not had sufficient time to research the agenda, or they are confused or have a question they want answered.

Commissioner Beckenbach stated he ran on this specifically. He stated there was an episode that occurred a few years ago where there was a decision that was going to be made that people in Oceanwalk did not hear about pertaining to the piece of property behind the houses of Oceanwalk. He stated what happened was somebody had heard about it on that Friday night, then people ran around like crazy handing out sheets in order to have enough people here on Monday, and they did fill the place at that point. He stated that one person had found out that Friday, because it was not in the newspaper and it was very difficult to talk to any of our Commissioners at that point. He stated they had a changeover on that Monday, in which the Mayor at that time, said they saw everybody here and they should put off the vote, which they did. He stated he does not believe anything like that should happen again and his feeling is, in order to prevent it and have the citizens aware of what is going on on a regular basis that they should have the newspaper be able to report on what is going to happen, not on what happened. He stated then if you read something in the newspaper and

you don't like it, then you have that opportunity to turn to any of the Commissioners. He stated what they do is end up making the decision and then they get a phone call afterwards asking why they voted that way. He stated that is the explanation of why he feels we need the citizen involvement and it might not be a thousand citizens who are going to jump at it. He stated, in reality, there were enough citizens who were right behind his house and along the entire area that it did affect and it affects them still. He stated that is the reason he ran and the reason he is asking for the ordinance change.

Mayor Borno stated he should take into consideration that since that time, when the agenda is sent out electronically to the Commission on Tuesday or Wednesday it also goes to the press.

City Clerk Bartle stated, yes, we email it to the press. She stated as soon as the agenda is completed it is emailed to a list of recipients, including the Commission, Department Heads and the press. It is currently set up to post on the website on Thursdays. She stated the reason for that was because the Commission wanted to be able to see the agenda and get familiar with it before they started getting calls from the citizens. She stated if they would not worry about that, it might help if we could post it to the website soon after it is emailed to the recipient list, which would give an extra day and a half in most cases.

Mayor Borno stated it doesn't bother him either way, who sees it or when.

Discussion ensued about whether a motion was needed, with Commissioner Beckenbach stating his understanding was that he didn't have to do that. He stated he understood all he had to do was get a consensus, which was at the one meeting, and then move forward with it as far as the staff putting the ordinance on the agenda.

Commissioner Daugherty stated he would like to have some input on this when it comes up and he will not be at the February 11 meeting and asked if they could have it on the agenda of the following meeting.

Commissioner Mark asked if Commissioner Beckenbach was directing staff to draft an ordinance for the Commission to consider. Commissioner Beckenbach stated yes. Discussion ensued as to the direction to take. City Attorney Jensen stated he would like to prepare the ordinance, as Commissioner Beckenbach discussed, and send it to him for approval, then it will go to Jim Hanson, Donna Bartle, etc. and then the Commission can decide when they want to put it on the agenda.

B. Discussion on appeal process.

This item was taken out of sequence and acted on earlier in the meeting.

Commissioner Woods

- Stated with the election coming up this summer and believing it is very unsafe the way politicians and sign wavers gather at 5-points, she would like to put on the agenda to discuss whether they put something in the ordinance to eliminate sign waving at the 5-points.
- Invited Commissioners to the webinar on "How Government Can Meaningfully Engage Communities with Civic Ideas" on 1/31/13 at 1:00 p.m. in the Chamber. She stated the Public is invited.
- Reported the student who was going to help with the online survey is not going to be able to assist due to taking on more hours at work.

Commissioner Mark

- Reminded everyone that the Jax2025 visioning workshop is this Saturday, February 2 from 9:00-11:00 at the Prime Osborn and encouraged the elected officials to attend.

- Asked the City Manager what the total amount of the energy grant was. Mr. Hanson stated there were two grants that totaled over \$300,000. Commissioner Mark stated she believes the benefit outweighed cost and ongoing cost. Mr. Hanson stated even if the City paid for it out of our own pocket, there would have been a reasonable payback because they were 100% grants. He stated our only cost was in administration so we recouped our cost in less than a year, but even without a grant, had we done it we would have had a 7 or 8 year payback. Mayor Borno stated the key to why there was a report was that it had been requested as to what the cost impact was to staff for a grant and it was for informational purposes.

City Attorney Jensen

- Asked if the Commissioners want an ordinance to ban candy flavored tobacco sales in the City. The consensus was yes. Mr. Jensen stated he will prepare the ordinance. Mr. Hanson asked what is the likelihood that Atlantic Beach may become a test case in Florida and have to expend a lot of resources to fight that. He asked what other cities in Florida have done this or are we on the cutting edge and likely to get a challenge from the tobacco industry. Mr. Jensen stated he can't guess whether someone might sue us or not. He referred to the Memorandum of Law he received from the City Attorney's office in Gainesville from January of last year answering the questions of whether the Federal law or Florida law preempts cities from enacting an ordinance banning these types of things and the conclusion was that it did not. He stated since then there have been a number of cities that have adopted similar ordinances, the most recent was passed on January 23, 2013 by Miami-Dade County. He stated if Atlantic Beach passes one and the tobacco industry decided to sue us, he believes we would be able to get a lot of help. Commissioner Woods asked about contacting the other beach cities to see if they wanted to join us in this and they all could have the same ordinance going forward at the same time, as a sign of solidarity. She stated it would have a lot more effect if these sales were prohibited in all three beach cities. Mr. Jensen stated he would be happy to prepare the ordinance and if the Commission passes it then it would be up to the elected officials to contact the other beach cities or direct how they want that done. Mayor Borno stated we lead and they follow.

Mayor Borno

- Stated he regretfully has commitments on January 31 and February 2 and will not be able to attend either function mentioned above.

Adjournment

There being no further business to come before the Commission, the Mayor declared the meeting adjourned at 9:03 p.m.

ATTEST:

Mike Borno
Mayor/Presiding Officer

Donna L. Bartle, CMC
City Clerk

Minutes of Commission Briefing

January 24, 2013

Present: Mayor Mike Borno, Mayor Pro Tem Maria Mark, Commissioners Mark Beckenbach, Jonathan Daugherty and Carolyn Woods, City Manager Jim Hanson, Utility Director Donna Kaluzniak, Public Works Director Rick Carper, IT Director Keith Randich, City Clerk Donna Bartle, Recording Secretary Nancy Bailey, Beaches Leader Reporter Alexi Strong and four citizens.

Mayor Borno called the meeting to order in the Commission Chamber at 3:02 pm.

Subjects discussed included several items on the Agenda for the upcoming Commission meeting on January 28, 2013, as follows, with Mr. Hanson reporting on each item:

1. Commission Meeting January 28, 2013

- 7A - Budget ordinance for Jag grant and two grant applications.
 - 8A - Irrigation report for Selva Marina Country Club. Following Mr. Hanson's report, he and Ms. Kaluzniak also answered questions from the Commission on this item.
 - 8B - Copper mixing zone study
 - 8C - Videotaping of meetings. Mr. Randich reported on this item, explaining the options available. He further explained the Laserfiche system. He answered questions from the Commission. He also explained the upgrades IT is working on.
 - 8D - Early openings for Dutton Island. Mr. Carper reported on this item.
 - 8E - Fleet Landing bonds. Mr. Hanson explained they have engaged Peter Dame as the City's bond counsel, who will be at the Commission meeting on Monday to answer questions.
 - 9A - City Manager Reports
 - Cost for grant administration.
 - Hazardous waste collection drives.
 - Strategic plan quarterly report.
 - Commission meeting schedule and input from Alan Jensen.
 - Rose Park and Marsh Plan design status. Mr. Carper distributed conceptual designs and aerial photos to the Commission and reported on the status of these two designs. He answered questions from the Commission. Several comments were made regarding where the parking is located for Rose Park and suggestions to change the location to another area.
 - 10A - Change to one meeting/month. Commissioner Beckenbach reported on this item explaining his recommended changes. City Attorney Jensen gave his input, listing the Charter and Code items this change would affect. Discussion ensued.
 - 10B - Discussion on appeal process. Commissioner Beckenbach and City Attorney Jensen reported on this item. Mr. Jensen also distributed a copy of a Defense and Settlement statement related to this.
2. Strategic Planning; schedule and process. Mr. Hanson stated he requested but has received no input from the Commission.
3. Tipping fee status

- Mr. Hanson reported on the meeting with the City of Jacksonville staff.
- COJ Solid Waste Committee meeting proposed for 2/14/13 at 4:00 p.m. to discuss tipping fees with beaches.

4. Regional Council is creating a committee on sea level rise.
5. Contract for dog training lessons for the general public will be brought to the Commission for approval soon.
6. Tour/dedication of the Waste Water Treatment Plant to be scheduled February.
7. Agenda Briefing Workshops; future schedule? Next meeting will be February 7 at 3:00 p.m.
8. Commissioner Woods stated she wants to have a discussion on the Dog Ordinance, stating the City of Jacksonville is not providing the animal control services as stated in our Interlocal Agreement.
9. City Attorney Jensen is going to ask the Commission if they want him to prepare an Ordinance to ban candy flavored nicotine related products.

The Mayor adjourned the meeting at 5:25 p.m.

Mike Borno, Mayor

**MINUTES OF THE WEBINAR SESSION
PRESENTED IN THE COMMISSION CHAMBER
JANUARY 31, 2013 AT 1:00 PM**

City Commission Members present:

Mayor Pro Tem Maria D. Mark
Commissioner Carolyn Woods

Staff present:

City Manager Jim Hanson
City Clerk Donna L. Bartle

The purpose of this session was to present a webinar titled "Preparing for Civic Engagement Online in 2013: How Governments Can Meaningfully Engage Communities with CivicIdeas™".

The webinar session began at 1:00 pm. Chris Rynders, VP of Market Development for Granicus, Michelle Fure, Outreach Coordinator for Metropolitan Council in MN, and Erin Bryce, Community Outreach Manager for City of North Port, Florida presented the webinar and answered questions from the online audience.

Following the webinar session, a brief discussion ensued. It was agreed it would be appropriate to have a discussion on this topic during Strategic Planning.

There being no further discussion, Mayor Pro Tem Mark declared the meeting adjourned at 2:15 p.m.

Maria D. Mark
Mayor Pro Tem

Donna L. Bartle
City Clerk

LICENSE ACTIVITY REPORT BY BUSINESS NAME
NEW LICENSES FOR ALL YEARS BETWEEN: 01/01/13 TO 01/31/13
CLASS: ALL CLASSES

LIC #	BUSINESS NAME BUSINESS ADDRESS	ISSUED	TYPE	CLASSIFICATION	BUS PHONE #
13-00007657	ALANIA BOYLES PARKER 751 ATLANTIC BLVD 755 ATLANTIC BEACH FL 32233	1/28/13	NEW	MASSAGE THERAPIST	904-874-0299
13-00007646	ATLANTIC BEACH KWIK TRIP 715 ATLANTIC BLVD ATLANTIC BEACH FL 32233	1/07/13	NEW	SERVICE STATION	
13-00007651	NICK THE GREEK 1487 MAYPORT RD ATLANTIC BEACH FL 32233	1/17/13	NEW	RESTAURANTS(INC. SNACK BARS & TAKE O	904-241-0070
13-00007648	OCEANSTYLE 1961 MIPAULA CT ATLANTIC BEACH FL 32233	1/07/13	NEW	MISCELLANEOUS SALES, OTHER THAN LIST	904-270-0553
13-00007653	RICHARDS FURNITURE 1079 ATLANTIC BLVD 4 ATLANTIC BEACH FL 32233	1/22/13	NEW	FURNITURE SALES	904-249-3541
13-00007650	TACTICAL STEEL 97 LEVY RD ATLANTIC BEACH FL 32233	1/07/13	NEW	MISCELLANEOUS SALES, OTHER THAN LIST	904-386-4712
13-00007652	THE PEST DETECTIVE 1089 ATLANTIC BLVD UNIT 28 ATLANTIC BEACH FL 32233	1/17/13	NEW	PEST CONTROL/EXTERMINATOR	904-720-0404
13-00007654	VINTAGE BARBER SHOP LLC 1021 ATLANTIC BLVD ATLANTIC BEACH FL 32233	1/25/13	NEW	BARBER	904-303-5864
13-00007655	VINTAGE BARBER SHOP LLC 1021 ATLANTIC BLVD ATLANTIC BEACH FL 32233	1/25/13	NEW	BARBER	904-303-5864
13-00007656	VINTAGE BARBER SHOP LLC 1021 ATLANTIC BLVD ATLANTIC BEACH FL 32233	1/25/13	NEW	COSMETOLOGIST	904-303-5864
13-00007647	7 DIMENSIONS RETREAT 751 ATLANTIC BLVD 755 ATLANTIC BEACH FL 32233	1/09/13	NEW	MASSAGE THERAPIST	904-386-8664

GRAND TOTALS

	NEW LICENSES
AC:	10
PE:	1
IN:	0
VO:	0
PG:	0
BR:	0
OB:	0
UC:	0
LIC:	11

RESOLUTION NO. 13-02

A RESOLUTION PROVIDING FOR THE ISSUANCE BY THE CITY OF ATLANTIC BEACH, FLORIDA OF ITS HEALTH CARE FACILITIES REVENUE AND REFUNDING BONDS (FLEET LANDING PROJECT), SERIES 2013A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$46,000,000, AND FOR A LOAN BY THE CITY TO NAVAL CONTINUING CARE RETIREMENT FOUNDATION, INC., A FLORIDA NOT-FOR-PROFIT CORPORATION, IN A PRINCIPAL AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT OF SAID SERIES 2013A BONDS, FOR THE PURPOSES OF (A) FINANCING OR REFINANCING ALL OR ANY PART OF THE COST OF A CAPITAL PROJECT (INCLUDING LAND) FOR THE CONTINUING CARE RETIREMENT FACILITY KNOWN AS "FLEET LANDING" AS DESCRIBED IN THIS RESOLUTION, (B) REFUNDING THE OUTSTANDING CITY OF ATLANTIC BEACH, FLORIDA HEALTH CARE FACILITIES REVENUE REFUNDING BONDS (FLEET LANDING PROJECT), SERIES 1999, (C) REFUNDING THE OUTSTANDING CITY OF ATLANTIC BEACH, FLORIDA VARIABLE RATE DEMAND HEALTH CARE FACILITIES REVENUE BONDS (FLEET LANDING PROJECT), SERIES 2006, (D) FUNDING A DEBT SERVICE RESERVE FUND FOR THE SERIES 2013A BONDS AND (E) PAYING A PORTION OF THE COSTS OF ISSUING THE SERIES 2013A BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE SERIES 2013A BONDS AND FOR THE PAYMENT THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE AND LOAN AGREEMENT; AUTHORIZING A NEGOTIATED SALE OF THE SERIES 2013A BONDS, AND APPROVING THE CONDITIONS AND CRITERIA FOR SUCH SALE; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT WITH RESPECT TO THE SERIES 2013A BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT AND A FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2013A BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF THE SERIES 2013A BONDS AND OTHER RELATED INSTRUMENTS AND CERTIFICATES; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF THE SERIES 2013A BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF ATLANTIC BEACH, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the Constitution of the State of Florida, Chapter 159, Part II, Florida Statutes, as amended and supplemented, and other applicable provisions of law.

SECTION 2. DEFINITIONS. Unless the context otherwise requires, the terms defined in this section shall have the meanings specified in this section. Words importing the singular shall include the plural, words importing the plural shall include the singular, and words importing persons shall include corporations and other entities or associations.

“Act” means the Constitution of the State of Florida, Chapter 159, Part II, Florida Statutes, as amended from time to time, and other applicable provisions of law.

“Bond Purchase Agreement” means the Bond Purchase Agreement among the Issuer, the Borrower and the Underwriter, substantially in the form attached hereto as Exhibit E, as amended or supplemented from time to time.

“Borrower” means Naval Continuing Care Retirement Foundation, Inc., a Florida not-for-profit corporation and an organization described in Section 501(c)(3) of the Code, and its lawful successors and assigns, to the extent permitted by the Loan Agreement.

“City” means the City of Atlantic Beach, Florida, an incorporated municipality of the State.

“City Commission” means the City Commission of the City.

“Code” means the Internal Revenue Code of 1986, as amended.

“Facilities” means the continuing care retirement facilities known as “Fleet Landing” which are located at One Fleet Landing Boulevard in Atlantic Beach, Florida and all land, buildings, structures, improvements, equipment, fixtures, machinery, furniture, furnishings and other real and personal property now or hereafter attached to, or located in, or used in connection with, any such land, buildings, structures or improvements and all additions thereto, substitutions therefor and replacements thereof, whether now owned or hereafter acquired by the Borrower.

“Indenture” means the Indenture of Trust between the Issuer and the Trustee, substantially in the form attached hereto as Exhibit A, as amended or supplemented from time to time.

“Issuer” means the City.

“Loan Agreement” means the Loan Agreement between the Issuer and the Borrower, substantially in the form attached hereto as Exhibit B, as amended or supplemented from time to time.

“Mayor” means the Mayor or, in the Mayor’s absence, such other officer of the Issuer as may be duly authorized by the Issuer to act on his behalf.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the Series 2013A Bonds, substantially in the form attached hereto as Exhibit D.

“Project” means the acquisition of approximately two acres of land to be used as the future site of a facility operations center, located immediately south/southwest of and adjacent to the existing Facilities.

“Refunded Bonds” means, collectively, the Series 1999 Bonds and the Series 2006 Bonds.

“Series 1999 Bonds” means the Issuer’s outstanding Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999.

“Series 2006 Bonds” means the Issuer’s outstanding Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006.

“State” means the State of Florida.

“Trustee” means U.S. Bank National Association, Jacksonville, Florida, or a national banking association or trust company at the time serving as corporate trustee under the provisions of the Indenture.

“Underwriter” means B.C. Ziegler and Company, as the underwriter of the Series 2013A Bonds.

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

A. The Issuer is an incorporated municipality of the State and is a “local agency” duly authorized and empowered by the Act to finance the acquisition, construction, reconstruction, improvement, rehabilitation, renovation, expansion and enlargement, or additions to, furnishing and equipping of any capital project, including any “project” (as defined or described 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 therefor, and to obtain funds to finance or refinance the cost thereof by the issuance of its revenue bonds, as the case may be, for the purposes, among others, of enhancing and expanding the health care and senior living industry, improving the prosperity and welfare of the State and its inhabitants, improving living conditions and health care in 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.

B. On December 16, 1999, pursuant to the provisions of the Act, the Authority issued the Series 1999 Bonds for the purpose of refunding certain indebtedness which was originally issued for the purpose of financing the costs of certain capital improvements to the Facilities. On January 30, 2007, pursuant to the provisions of the Act, the Issuer issued the

Series 2006 Bonds for the purpose of financing the costs of certain capital improvements to the Facilities.

C. The Borrower has requested that the Issuer issue the Series 2013A Bonds for the purposes of (i) paying or reimbursing the Borrower for all or a part of the cost of the Project, (ii) refunding the Refunded Bonds, (iii) funding a debt service reserve fund and (iv) paying costs of issuing the Series 2013A Bonds.

D. To reduce the transaction and financing costs relating to the issuance of separate bond issues in separate cities, the Borrower has requested the Issuer to finance the Project through the issuance of the Series 2013A Bonds, with the proceeds of the Series 2013A Bonds to be loaned by the Issuer to the Borrower to finance the costs of the portions of the Project located in the City and in the City of Jacksonville, Florida (both of which are located in Duval County, Florida (the "County")). The Borrower has represented to the Issuer that financing the Project pursuant to a single financing plan will result in substantial cost savings for the Borrower in connection with the Project.

E. The Series 2013A Bonds will be secured by an obligation of the Borrower in the Loan Agreement to make payments sufficient to pay, among other things, the principal of and premium, if any, and interest on such Bonds when and as the same become due.

F. In compliance with Section 147(f) of the Code and the Treasury Regulations thereunder, notice of a public hearing pertaining to the issuance of the Series 2013A Bonds, the refunding of the Refunded Bonds, the financing of the Project and the location and nature of the Project has been duly given in the same manner as required by the Issuer for the adoption of resolutions generally, including publication of notice not less than fourteen (14) days prior to such public hearing in a newspaper of general circulation in the City. Such public hearing was held by the Issuer on February 11, 2013, and interested individuals were provided a reasonable opportunity to express their views, both orally and in writing, on the proposed issuance of the Series 2013A Bonds, the refunding of the Refunded Bonds, the financing of the Project and the location and nature of the Project.

G. The Issuer has been advised that the refunding of the Refunded Bonds and the financing of all or a part of the cost of the Project by the Issuer will be in furtherance of the purposes of the Act in that it will enhance and expand the health care and senior housing industries, promote and foster the economic growth and development of the Issuer and the State, advance the public purposes providing modern and efficient continuing care facilities in the City and the County, improve living conditions and health care and will serve other predominantly public purposes as set forth in the Act. The Project is appropriate to the needs and circumstances of and shall make a significant contribution to the economic growth and development of the City, the County and the State, shall preserve and provide gainful employment and shall serve a public purpose by advancing the economic prosperity and the general welfare of the City, the County, the State and its people as stated in Section 159.26, Florida Statutes, as amended.

H. Based on representations made by the Borrower, the City and other local agencies have been and will continue to be able to cope satisfactorily with the impact of the Facilities and have been and will be able to provide, or cause to be provided when needed, the

public facilities, including utilities and public services, that have been or will be necessary for the construction, operation, repair and maintenance of the Facilities and on account of any increases in population or other circumstances resulting therefrom.

I. Adequate provision has been made in the documents attached hereto for a loan by the Issuer to the Borrower to finance all or a portion of the cost of the Project and to refund the Refunded Bonds, for the operation, repair and maintenance of the Facilities at the expense of the Borrower and for the repayment by the Borrower of the loan in installments sufficient to pay the principal of, premium, if any, and the interest on the Series 2013A Bonds and all costs and expenses relating thereto in the amounts and at the times required, and for the payment by the Borrower of all costs incurred by the Issuer in connection with the financing of all or a portion of the cost of the Project, the refunding of the Refunded Bonds and the administration of the Facilities.

J. Based upon the financial information heretofore furnished to the Issuer by the Borrower, the Borrower is financially responsible and fully capable and willing to serve the purposes of the Act and fulfill its obligations under the proposed financing agreements for the Project and under any other agreements to be made in connection with the issuance of the Series 2013A Bonds and the use of the Bond proceeds for financing all or a part of the cost of the Project and the refunding of the Refunded Bonds, including the obligation to pay loan payments or other payments in an amount sufficient in the aggregate to pay all of the interest, principal and redemption premiums, if any, on the Series 2013A Bonds, in the amounts and at the times required, the obligation to operate, repair and maintain the Project at the Borrower's own expense, and such other responsibilities as may be imposed under such agreements, due consideration having been given to the financial condition of the Borrower, its ratio of current assets to current liabilities, net worth, earnings trends and coverage of all fixed charges, the nature of the industry or business and of the activity involved, the inherent stability thereof and other factors determinative of the capabilities of the Borrower financially and otherwise, to fulfill its obligations consistently with the purposes of the Act.

K. Based on representations made by the Borrower, the cost of the Project and the cost of the Projects paid from the proceeds of the Refunded Bonds are "costs" of a "project" within the meaning of the Act. All of the proceeds of the Series 2013A Bonds will be applied to the financing of a portion of the cost of the Project, refunding the Refunded Bonds, financing a debt service reserve fund and paying costs of issuance of the Series 2013A Bonds, as provided herein.

L. Based on information supplied by the Borrower, the best interests of the inhabitants of the City will be served, and the public purposes of the Act will be advanced, by the financing all or all or a portion of the cost of the Project and the refunding of the Refunded Bonds in the manner described in the Loan Agreement and the Indenture.

M. The principal of, premium, if any, and interest on the Series 2013A Bonds, and all sinking fund and other payments required to be made by the Issuer under the provisions of the Indenture and the Loan Agreement, shall be payable solely from certain moneys pledged under the Indenture, including but not limited to certain payments of the Borrower under the Loan Agreement. The Series 2013A Bonds shall not be deemed to constitute a debt, liability or

obligation of the Issuer, of the County or of the State or any political subdivision thereof, or a pledge of the faith and credit or the taxing power of the Issuer, of the County or of the State or any political subdivision thereof, but shall be payable solely from the revenues and proceeds pledged thereto under the Indenture. The issuance of the Series 2013A Bonds shall not directly or indirectly, or contingently, obligate the Issuer, the County or the State or any political subdivision thereof, to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. No holder or owner of any of the Series 2013A Bonds shall ever have any right to compel the exercise of the ad valorem taxing power or the levy or collection of any ad valorem taxes, directly or indirectly, for the payment of any of the principal of, premium, if any, or interest on the Series 2013A Bonds.

N. The payments to be made by the Borrower under the Loan Agreement will be sufficient to pay all principal of, premium, if any, and interest on the Series 2013A Bonds, as the same shall become due, and to make all other payments required by the Loan Agreement and the Indenture.

O. A negotiated sale of the Series 2013A Bonds is required and necessary and is in the best interest of the Issuer for the following reasons: the Series 2013A 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 collateral 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 Series 2013A Bonds, which must be borne directly or indirectly by the Borrower would most likely be greater if the Series 2013A Bonds are sold at public sale by competitive bids than if the Series 2013A 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 Series 2013A 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 Series 2013A Bonds at a predetermined price; and revenue bonds having the characteristics of the Series 2013A Bonds are typically sold at negotiated sale under prevailing market conditions.

P. The Underwriter has orally agreed with the Borrower to use its best efforts to submit to the Issuer and the Borrower an offer to purchase the Series 2013A Bonds in substantially the form of the Bond Purchase Agreement upon terms acceptable to the Issuer and the Borrower as hereinafter authorized, and it is necessary and appropriate to authorize a negotiated sale of the Series 2013A Bonds to the Underwriter and to authorize the execution and delivery of the Bond Purchase Agreement upon the terms hereinafter provided.

Q. It is appropriate that the Issuer approve the use and distribution by the Underwriter of the Preliminary Official Statement, and that the Issuer authorize the distribution of a final official statement prior to the issuance and delivery of the Series 2012 Bonds. For this purpose, it is appropriate that the Preliminary Official Statement be approved and that preparation and distribution of a final official statement in the manner hereinafter provided be authorized.

R. All conditions precedent to the financing of the Project have been satisfied, or will be satisfied prior to the delivery of the Series 2013A Bonds, and the issuance of the Series 2013A Bonds will otherwise comply with all of the provisions of the Act.

SECTION 4. FINANCING OF PROJECT AND REFUNDING OF REFUNDED BONDS AUTHORIZED. The financing by the Issuer of the Project and the refunding of the Refunding Bonds in the manner provided herein is hereby authorized.

SECTION 5. AUTHORIZATION OF THE SERIES 2013A BONDS. For the purpose of providing funds to (i) pay or reimburse the cost of the Project, (ii) refund the Refunded Bonds, (ii) fund a debt service reserve fund and (iv) pay certain costs of issuance of the Series 2013A Bonds, and subject and pursuant to the provisions hereof, the issuance of the Series 2013A Bonds in an aggregate principal amount of not to exceed \$46,000,000 is hereby authorized; provided, however, that no series of Bonds shall be issued unless and until (i) the City Attorney has rendered his legal opinion relating to the issuance of the of Series 2013A Bonds and (ii) Foley & Lardner LLP, or other nationally recognized bond counsel, has rendered an opinion to the effect (among other things) that the interest on the Series 2013A Bonds will be excluded from gross income for federal income tax purposes under existing laws of the United States of America at the time of the delivery of the Series 2013A Bonds.

The Series 2013A Bonds shall be in the aggregate principal amounts, dated such dates, shall bear interest at such rates, shall be payable or shall mature on such dates and in such amounts, shall be issued in such denominations, shall be subject to optional and mandatory redemption and tender at such time or times, and upon such terms and conditions, shall be payable at the place or places and in the manner, shall be executed, authenticated and delivered, shall otherwise be in such forms, and subject to such terms and conditions, all as provided in the Indenture and Bond Purchase Agreement.

The Series 2013A Bonds and the premium, if any, and the interest thereon shall not be deemed to constitute a general debt, liability or obligation of the Issuer, the County or the State, or of any political subdivision thereof, or a pledge of the faith and credit of the Issuer, the County or the State or of any political subdivision thereof, but shall be payable solely from the Trust Estate (as defined in the Indenture) provided therefor under the Indenture, and the Issuer is not obligated to pay the Series 2013A Bonds or the interest thereon except from such Trust Estate pledged therefor and neither the faith and credit of the Issuer nor the faith and credit or taxing power of the Issuer, the State, the County or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2013A Bonds.

SECTION 6. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE INDENTURE. The Indenture, substantially in the form attached hereto as Exhibit A with such insubstantial changes, corrections, insertions and deletions as may be approved by the Mayor, such approval to be evidenced conclusively by their execution thereof, is hereby approved and authorized; the Issuer hereby authorizes and directs the Mayor to date and execute and the City Clerk to attest, under the official seal of the Issuer, the Indenture, and to deliver the Indenture to the Trustee; and all of the provisions of the Indenture, when executed and delivered by the Issuer, as authorized herein, and by the Trustee, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein.

SECTION 7. AUTHORIZATION OF EXECUTION AND DELIVERY OF THE LOAN AGREEMENT. The Loan Agreement, substantially in the form attached hereto as Exhibit B with such insubstantial changes, corrections, insertions and deletions as may be approved by the Mayor, such approval to be evidenced conclusively by their execution thereof, is hereby approved and authorized; the Issuer hereby authorizes and directs the Mayor to date and execute and the City Clerk to attest, under the official seal of the Issuer, the Loan Agreement, and to deliver the Loan Agreement to the Borrower; and all of the provisions of the Loan Agreement, when executed and delivered by the Issuer, as authorized herein, and by the Borrower, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein.

SECTION 8. NEGOTIATED SALE OF SERIES 2013A BONDS; AUTHORIZATION OF EXECUTION AND DELIVERY OF THE BOND PURCHASE AGREEMENT. Subject to the satisfaction of the conditions set forth in this Section, a negotiated sale of the Series 2013A Bonds is hereby authorized. The Mayor is hereby authorized and directed to award the sale of the Series 2013A Bonds to the Underwriter pursuant to the provisions of the Bond Purchase Agreement, subject to all the following conditions:

A. Receipt by the Mayor of the Bond Purchase Agreement providing for, among other things, (i) the issuance of the Series 2013A Bonds in an aggregate principal amount which, together with the cumulative aggregate principal amount of any Bonds previously issued by the Issuer, shall not to exceed \$46,000,000, (ii) an underwriter's discount not in excess of 2.20% of the par amount of such Series 2013A Bonds, (iii) a true interest cost not to exceed 6.50% per annum, and (iv) the final maturity date of such Bonds to be no later than thirty-one (31) years from the dated date of such Series 2013A Bonds.

B. Receipt by the Mayor from the Underwriter of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes.

Upon satisfaction of the foregoing conditions, the Bond Purchase Agreement, with such other insubstantial changes, corrections, insertions and deletions as may be approved by the Mayor, such approval to be evidenced conclusively by the Mayor's execution thereof, is approved and authorized; the Issuer hereby authorizes and directs the Mayor to date and execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Underwriter; and all of the provisions of the Bond Purchase Agreement, when executed and delivered by the Issuer as authorized herein and by the Borrower and the Underwriter, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein.

SECTION 9. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZATION OF FINAL OFFICIAL STATEMENT. The form of the Preliminary Official Statement, with such omissions, insertions and variations as may be necessary to complete the Preliminary Official Statement and allow the Mayor to deem the Preliminary Official Statement final as hereinafter described, is authorized to be used in connection with the sale of the Series 2013A Bonds. Although the Issuer hereby consents to and approves the use and distribution by the Underwriter of the Preliminary Official Statement, the Issuer has not participated in the preparation of the Preliminary Official Statement and makes no representations as to its accuracy or completeness other than in respect to any information

contained therein under the caption "THE ISSUER" and under the caption "LITIGATION – The Issuer." The Mayor is hereby authorized to deem the Preliminary Official Statement final as of its date on behalf of the Issuer for purposes of Rule 15c2-12 of the Securities and Exchange Commission (except for such omissions permitted by such Rule), and to execute a certificate to that effect to be delivered to the Underwriter. A final official statement in substantially the form of the Preliminary Official Statement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Mayor prior to the release thereof, is hereby authorized for use and distribution by the Underwriter prior to the issuance and delivery of the Series 2013A Bonds.

SECTION 10. AUTHORIZATION OF EXECUTION OF OTHER CERTIFICATES AND INSTRUMENTS. The Mayor and the City Clerk are hereby authorized and directed, either alone or jointly, under the official seal of the Issuer, to execute and deliver certificates of the Issuer certifying such facts as counsel for the Issuer, counsel to the Underwriter or Bond Counsel shall require in connection with the issuance, sale and delivery of the Series 2013A Bonds, and to execute and deliver such other instruments, including but not limited to, tax certificates and agreements, deeds, assignments, bills of sale and financing statements, as shall be necessary or desirable to perform the Issuer's obligations under the Loan Agreement, the Indenture and the Bond Purchase Agreement, and to consummate the transactions hereby authorized.

SECTION 11. NO PERSONAL LIABILITY. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Series 2013A Bonds, the Loan Agreement, the Indenture, the Bond Purchase Agreement, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Series 2013A 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 Series 2013A Bonds, the Loan Agreement, the Indenture, the Bond Purchase Agreement, or any certificate or other instrument to be executed in connection with the issuance of the Series 2013A 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. APPOINTMENT OF BOND TRUSTEE. U.S. Bank National Association, a national banking association, with a designated corporate trust office located in Jacksonville, Florida, is hereby appointed as the Bond Trustee (the "Bond Trustee") under the Indenture relating to the Series 2013A Bonds and as registrar and paying agent with respect to the Series 2013A Bonds.

SECTION 13. VALIDATION. The Series 2013A Bonds shall not be required to be validated pursuant to Chapter 75, Florida Statutes, as amended; provided, however, that if required by counsel to the Issuer, counsel to the Borrower or Bond Counsel, the Series 2013A Bonds may be validated and in such event Issuer's counsel is hereby authorized, at the expense of the Borrower, to prepare validation pleadings on behalf of the Issuer and to take any and all action as Issuer's counsel may deem necessary or desirable for the validation of such Series 2013A Bonds.

SECTION 14. NO THIRD PARTY BENEFICIARIES. Except as provided herein or in the Series 2013A Bonds, the Loan Agreement, the Indenture, the Bond Purchase Agreement, and any assignment thereof, nothing in this Resolution or in such documents, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or other organization, other than the Issuer, the Borrower, the Bond Trustee, the Underwriter and the owners from time to time of the Series 2013A Bonds any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof or of such documents; this instrument, such documents and all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Borrower, the Bond Trustee and the owners from time to time of the Series 2013A Bonds.

SECTION 15. PREREQUISITES PERFORMED. All acts, conditions and things relating to the passage of this Resolution, to the issuance, sale and delivery of the Series 2013A Bonds, to the execution and delivery of the Loan Agreement, the Indenture and the Bond Purchase Agreement, required by the Constitution or other laws of the State, to happen, exist and be performed precedent to the passage hereof, and precedent to the issuance, sale and delivery of the Series 2013A Bonds, to the execution and delivery of the Loan Agreement, the Indenture and the Bond Purchase Agreement, have either happened, exist and have been performed as so required or will have happened, will exist and will have been performed prior to such execution and delivery.

SECTION 16. COMPLIANCE WITH CHAPTER 218, PART III, FLORIDA STATUTES. The Issuer hereby approves and authorizes the completion and filing with the Division of Bond Finance, Department of General Services of the State of Florida, at the expense of the Borrower, of Bond Information Form BF 2003, and any other acts as may be necessary to comply with Chapter 218, Part III, Florida Statutes, as amended.

SECTION 17. GENERAL AUTHORITY. The commissioners, officials, attorneys, engineers or other agents or employees of the Issuer are hereby authorized to do all acts and things required of them by this Resolution, the Series 2013A Bonds, the Loan Agreement, the Indenture, and the Bond Purchase Agreement, and to do all acts and things which are desirable and consistent with the requirements hereof or of the Series 2013A Bonds, the Loan Agreement, and the Indenture, for the full, punctual and complete performance of all the terms, covenants and agreements contained herein or in the Series 2013A Bonds, the Loan Agreement and the Indenture.

SECTION 18. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law, though not expressly prohibited, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions hereof or of the Series 2013A Bonds issued under the Indenture.

SECTION 19. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

[Remainder of this page intentionally left blank.]

SECTION 20. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 11th day of February, 2013.

CITY OF ATLANTIC BEACH, FLORIDA

By: _____
Mike Borno
Mayor

(OFFICIAL SEAL)

ATTEST:

Donna L. Bartle, CMC
City Clerk

APPROVED AS TO FORM AND CORRECTNESS:

Alan C. Jensen, Esquire
City Attorney

EXHIBIT LIST

Exhibit A – Indenture of Trust
Exhibit B – Loan Agreement
Exhibit C – Bond Purchase Agreement
Exhibit D – Official Statement

EXHIBIT A
INDENTURE OF TRUST

INDENTURE OF TRUST

by and among

CITY OF ATLANTIC BEACH, FLORIDA

and

**U.S. BANK NATIONAL ASSOCIATION,
AS BOND TRUSTEE**

Dated as of April 1, 2013

**RELATING TO
CITY OF ATLANTIC BEACH, FLORIDA
HEALTH CARE FACILITIES REVENUE AND REFUNDING BONDS
(FLEET LANDING PROJECT),
SERIES 2013A**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST dated as of April 1, 2013, between CITY OF ATLANTIC BEACH, a municipality duly organized and existing under the laws of the State of Florida (the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association with trust powers in the State of Florida having an office in Jacksonville, Florida, as bond trustee (the "Bond Trustee"), being authorized to accept and execute trusts of the character herein set out,

W I T N E S S E T H

WHEREAS, the Issuer is an incorporated municipality organized and existing under the laws of the State of Florida, and a "local agency" under and pursuant to Chapter 159, Part II, Florida Statutes, as amended and supplemented (the "Act"); and

WHEREAS, the Issuer has determined to issue a series of Bonds hereunder, designated "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A" (hereinafter called the "Bonds") in the Aggregate Principal Amount of \$_____ for the purpose of loaning the proceeds and providing funds to (i) refund the outstanding City of Atlantic Beach, Florida Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999 (the "Series 1999 Bonds"), the proceeds of which were used to refund certain outstanding indebtedness, the proceeds of which were used to finance and refinance a portion of the costs of the acquisition, construction, and equipping of a continuing care retirement community owned and operated by the Obligor and known as "Fleet Landing", initially consisting of 320 independent living units, a community center containing kitchen, dining, recreational and administration facilities, an 80-bed skilled nursing facility and a 60-unit assisted living facility, located on a site containing approximately 86.5 acres at One Fleet Landing Boulevard, in the City of Atlantic Beach, Florida (the "Series 1999 Bonds"), (ii) refund the outstanding City of Atlantic Beach, Florida Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006 (the "Series 2006 Bonds" and, together with the Series 1999 Bonds, the "Refunded Bonds"), the proceeds of which were used to finance the acquisition, construction and installation of certain capital improvements at Fleet Landing, including 34 additional independent living units, a community center and related facilities and equipment, (iii) pay or reimburse the cost of the acquisition of approximately 2 acres to be used as the future site of a facility operations center, located immediately south/southwest of and adjacent to Fleet Landing and (iv) pay costs and fund necessary reserves associated with the issuance of the Bonds; and

WHEREAS, the Issuer has found and determined, and does hereby find and determine, that in order to increase the commerce, welfare and prosperity of the inhabitants of the Issuer and the citizens of Duval County and the State of Florida, and to

improve their health and living conditions by providing access to adequate medical care and health care facilities, it has become necessary for the Issuer to issue the Bonds pursuant to the Act and this Bond Indenture for the purposes set forth in the preceding paragraph;

WHEREAS, the proceeds of the Bonds shall be loaned to the Naval Continuing Care Retirement Foundation, Inc. (the "Obligor") pursuant to a Loan Agreement dated as of April 1, 2013 (the "Loan Agreement") between the Issuer and the Obligor; and

WHEREAS, to secure the payment of the principal of the Bonds, premium, if any, and the interest thereon and the performance and observance of the covenants and conditions herein contained the Issuer has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the execution and delivery of this Indenture of Trust (hereinafter sometimes referred to as the "Bond Indenture"), and the issuance of the Bonds hereinafter authorized under this Bond Indenture, pursuant to the provisions of the Act, have been in all respects duly and validly authorized by a resolution duly adopted and approved by the Issuer; and

WHEREAS, the Bonds, the Bond Trustee's authentication certificate and the assignment are to be substantially in the following forms, with such necessary or appropriate variations, omissions, and insertions as permitted or required by this Bond Indenture:

**CITY OF ATLANTIC BEACH, FLORIDA
HEALTH CARE FACILITIES REVENUE AND REFUNDING BONDS
(FLEET LANDING PROJECT),
SERIES 2013A**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Delivery Date</u>	<u>Dated</u>	<u>CUSIP No.</u>
<u>%</u>				

PRINCIPAL AMOUNT: DOLLARS

The CITY OF ATLANTIC BEACH, a municipality duly organized and existing under the laws of the State of Florida (the "Issuer"), for value received, promises to pay, from the sources described herein, to the Registered Owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless this Bond shall have been called for prior redemption) and to pay, from such sources, interest on said sum on _____ and _____ of each year, commencing _____, 2013, at the interest rate specified above, until payment of the principal hereof has been made or provided for. This Bond will bear interest from the most recent interest payment date to which interest has been paid or provided for, or, if no interest has been paid, from the Delivery Date of this Bond.

THE STATE OF FLORIDA AND ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF FLORIDA, INCLUDING DUVAL COUNTY, FLORIDA ("DUVAL COUNTY") SHALL NOT BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THIS BOND OR THE PREMIUM, IF ANY, OR INTEREST HEREON, EXCEPT WITH RESPECT TO THE ISSUER AND SOLELY FROM THE SOURCES IDENTIFIED IN THE BOND INDENTURE AND LOAN AGREEMENT HEREINAFTER IDENTIFIED AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, DUVAL COUNTY, THE STATE OF FLORIDA, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

This Bond and the series of Bonds of which it is a part have been issued under and pursuant to the Chapter 159, Part II, Florida Statutes, and other applicable provisions of

law (the "Act"). This Bond is a limited obligation of the Issuer payable solely from the revenues, receipts and resources of the Issuer pledged to its payment and not from any other revenues, funds or assets of the Issuer. No owner of any Bonds has the right to compel the Issuer to pay the principal of, interest or redemption premium, if any, on the Bonds, except from such sources.

The principal of and premium, if any, on this Bond are payable upon the presentation and surrender hereof at the Jacksonville, Florida, trust office of U.S. Bank National Association, as bond trustee, or at the designated corporate trust office of its successor in trust (the "Bond Trustee") under an Indenture of Trust dated as of April 1, 2013 (the "Bond Indenture") by and between the Issuer and the Bond Trustee. Interest on this Bond will be paid on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), by check or draft mailed to the person in whose name this Bond is registered (the "Registered Owner") in the registration records of the Issuer maintained by the Bond Trustee at the address appearing thereon at the close of business on the last day of the calendar month next preceding such interest payment date (the "Regular Record Date") or by wire transfer of same day funds upon receipt by the Bond Trustee prior to the Regular Record Date of a written request by a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds. The CUSIP number and appropriate dollar amounts for each CUSIP number shall accompany all payments of principal of, redemption premium, if any, and interest on the Bonds. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Registered Owner hereof at the close of business on the Regular Record Date and shall be payable to the person who is the Registered Owner hereof at the close of business on a Special Record Date (as defined in the hereinafter defined Loan Agreement), for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Bond Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Registered Owners of such Bonds not less than ten days prior to such Special Record Date. Alternative means of payment of interest may be used if mutually agreed upon between the owner of this Bond and the Bond Trustee, as provided in the Bond Indenture. All such payments shall be made in lawful money of the United States of America without deduction for the services of the Bond Trustee.

This Bond shall be issued pursuant to a book entry system administered by The Depository Trust Company (together with any successor thereto, "Securities Depository"). The book entry system will evidence beneficial ownership of the Bonds with transfers of ownership effected on the register held by the Securities Depository pursuant to rules and procedures established by the Securities Depository. So long as the book entry system is in effect, transfer of principal, interest and premium payments, and provisions of notices or other communications, to beneficial owners of the Bonds will be the responsibility of the Securities Depository as set forth in the Bond Indenture.

This Bond is one of a duly authorized series of bonds of the Issuer dated _____, 2013, known as "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A" (the "Bonds") and issued in an Aggregate Principal Amount (as defined in the hereinafter defined Loan Agreement) of \$_____ for the purpose of providing funds to be loaned to the Naval Continuing Care Retirement Foundation, Inc., a Florida nonprofit corporation (the "Obligor"), to be used to finance and refinance the cost of a continuing care retirement community located in the City of Atlantic Beach, Florida (the "Project"), to fund a debt service reserve fund and to pay a portion of the cost of issuance.

To provide for its loan repayment obligations, the Obligor has issued its Note (the "Note") under a Loan Agreement dated as of April 1, 2013, between the Issuer and the Obligor (the "Loan Agreement"). The Note is issued pursuant to a Master Trust Indenture dated as of April 1, 2013, as supplemented (the "Master Indenture"), between the Obligor and U.S. Bank National Association, as master trustee (the "Master Trustee"). Pursuant to the Master Indenture, and a Mortgage and Security Agreement dated as of April 1, 2013, from the Obligor to the Master Trustee (the "Mortgage"), the Obligor has pledged and granted a security interest in, among other things, the Gross Revenues (as defined in the Master Indenture) and the Mortgaged Property (as defined in the Mortgage) to the Master Trustee to secure the Note. Additional obligations on a parity with the Note may be issued pursuant to the Master Indenture subject to the conditions and terms contained therein, and the payments on such additional obligations will also be secured by a pledge of the Gross Revenues, the Mortgaged Property and certain other property.

This Bond and the claims for interest hereon are payable only out of the revenues derived by the Issuer pursuant to the Loan Agreement. The Bonds are issued under and are equally and ratably secured and are entitled to the protection given by the Bond Indenture.

No recourse under or upon any obligation, covenant, or agreement contained in the Bond Indenture, or in any Bond, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Bond Indenture, shall be had against any director, incorporator, officer, agent, employee, or representative as such, past, present or future, of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or for or to the Registered Owner of any Bond issued thereunder or otherwise, of any sum that may be due and unpaid by the Issuer upon any such Bond.

Neither the elected officials, officers, agents, employees or representatives of the Issuer past, present or future, nor any person executing this Bond or the Bond Indenture, shall be personally liable hereon or thereon or be subject to any personal liability by reason of the issuance hereof and thereof, whether by virtue of any constitution, statute or

rule of law or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of the Bond Indenture and the issuance of this Bond.

Reference is hereby made to the Bond Indenture and all indentures supplemental thereto and the Master Indenture for a description of the revenues pledged, the nature and extent of the security, the rights, duties, and obligations of the Issuer, the Bond Trustee and the owners of the Bonds, and the terms and conditions upon which the Bonds are, and are to be, secured.

The Bonds maturing on and after _____, _____, are subject to optional redemption prior to maturity by the Issuer at the direction of the Obligor in whole or in part on _____, _____ or on any date thereafter, at the redemption price equal to the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

The Bonds maturing on _____, _____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Bonds maturing on _____, _____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on _____ of each of the following years (after credit as provided below) the following principal amounts of Bonds maturing on _____, _____, plus accrued interest to the redemption date:

Year	Amount	Year	Amount
_____	_____	_____	_____

*maturity

The Bonds maturing on _____, _____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Bonds maturing on _____, _____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on _____ of each of the following years (after credit as provided below) the following principal amounts of Bonds maturing on _____, _____, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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*maturity

At the option of the Obligor to be exercised by delivery of a written certificate to the Bond Trustee on or before the forty-fifth day next preceding any sinking fund redemption date, it may (i) deliver to the Bond Trustee for cancellation Bonds or portions thereof of the same maturity, in an Aggregate Principal Amount desired by the Obligor, or (ii) specify a principal amount of Bonds or portions thereof of the same maturity, which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Bond Trustee at the request of the Obligor and not theretofore applied as a credit against any sinking fund redemption obligation.

The Bonds shall be subject to optional redemption by the Issuer at the direction of the Obligor prior to their scheduled maturities, in whole or in part at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date on any date following the occurrence of any of the following events:

(1) in case of damage or destruction to, or condemnation of, any property, plant, and equipment of any Obligated Group Member, to the extent that the net proceeds of insurance or condemnation award exceed the Threshold Amount (as defined in the Master Indenture) and the Obligor has determined not to use such net proceeds or award to repair, rebuild or replace such property, plant, and equipment; or

(2) as a result of any changes in the Constitution or laws of the State of Florida or of the United States of America or of any legislative, executive, or administrative action (whether state or federal) or of any final decree, judgment, or order of any court or administrative body (whether state or federal), the obligations of the Obligor under the Loan Agreement have become, as established by an Opinion of Counsel, void or unenforceable in each case in any material

respect in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

If less than all Bonds are to be optionally redeemed, the Obligor may select the maturities eligible for redemption which are to be redeemed. If less than all Bonds of a single maturity are to be redeemed, the selection shall be made by the Securities Depository or by lot by the Bond Trustee. Notice of the call for any redemption shall be given by the Bond Trustee by sending a copy of the redemption notice by mail not more than 60 nor less than 30 days prior to the redemption date to the Registered Owner of each Bond to be redeemed as shown on the registration records kept by the Bond Trustee, as provided in the Bond Indenture. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their payment are on deposit at the place of payment at that time.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof and are exchangeable for an equal Aggregate Principal Amount of fully registered Bonds of the same maturity of other authorized denominations at the aforesaid office of the Bond Trustee but only in the manner and subject to the limitations and on payment of the charges provided in the Bond Indenture.

This Bond is fully transferable by the Registered Owner hereof in person or by his or her or its duly authorized attorney on the registration books kept at the principal office of the Bond Trustee upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to the Bond Trustee. Upon such transfer a new fully registered Bond of authorized denomination or denominations for the same Aggregate Principal Amount and maturity will be issued to the transferee in exchange herefor, all upon payment of the charges and subject to the terms and conditions set forth in the Bond Indenture.

The Bond Trustee will not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business 15 days before the day of mailing by the Bond Trustee of a notice of prior redemption and ending at the close of business on the day of such mailing.

The Issuer and the Bond Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of making payment (except to the extent otherwise provided hereinabove and in the Bond Indenture with respect to Regular and Special Record Dates for the payment of interest) and for all other purposes, and neither the Issuer nor the Bond Trustee shall be affected by any notice to the contrary. The principal of, premium, if any, and interest on this Bond shall be paid free from and without regard to any equities between the Obligor and the original or any intermediate owner hereof, or any setoffs or counterclaims.

The owner of this Bond shall have no right to enforce the provisions of the Bond Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Indenture. In case an event of default under the Bond Indenture shall occur, the principal of all of the Bonds at any such time Outstanding under the Bond Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Bond Indenture. The Bond Indenture provides that such declaration may in certain events be waived by the Bond Trustee or the owners of a requisite principal amount of the Bonds Outstanding under the Bond Indenture.

To the extent permitted by, and as provided in, the Bond Indenture, modifications or amendments of the Bond Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Issuer and of the owners of the Bonds may be made with the consent of the Issuer and the Bond Trustee and, in certain instances, of not less than a majority in Aggregate Principal Amount of the Bonds then Outstanding; provided, however, that no such modification or amendment shall be made which will affect the terms of payment of the principal of, premium, if any, or interest on any of the Bonds, which are unconditional. Any such consent by the owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any Bond issued upon the transfer or exchange of this Bond whether or not notation of such consent is made upon this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Indenture and issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

THIS BOND shall not be entitled to any benefit under the Bond Indenture, or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Bond Trustee shall have manually signed the certificate of authentication hereon.

IN WITNESS WHEREOF, the City of Atlantic Beach, Florida has caused this Bond to be executed with the manual or facsimile signatures of its Chairman and Secretary, and a facsimile of its corporate seal to be hereto affixed or printed, all as of the date set forth above.

CITY OF ATLANTIC BEACH, FLORIDA

By: _____
Chairman

(SEAL)

Attest:

Secretary

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This is one of the Bonds referred to in the within mentioned Bond Indenture.

Date of Authentication:

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

By:

Authorized Signatory

(END OF FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Date: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without enlargement or alteration or any change whatsoever.

Signature Guaranteed By:

Authorized Signatory

NOTE: The signature to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

* * * [END OF BOND FORM] * * *

WHEREAS, all things necessary to make the Bonds, when authenticated by the Bond Trustee and issued as in this Bond Indenture provided, the valid, binding, and legal limited and special obligations of the Issuer and to constitute this Bond Indenture a valid, binding, and legal instrument for the security of the Bonds in accordance with its terms, have been done and performed.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Issuer, in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof and of the sum of One Dollar to it duly paid by the Bond Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time Outstanding under this Bond Indenture, according to their tenor and effect, and to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered this Bond Indenture and has granted, bargained, sold, warranted, alienated, remised, released, conveyed, assigned, pledged, set over, and confirmed, and by these presents does grant, bargain, sell, warrant, alien, remise, release, convey, assign, pledge, set over, and confirm unto the Bond Trustee, and to its successors and assigns forever, all and singular the following described property, franchises, and income:

A. All of the Issuer's right, title and interest in and to the Note delivered by the Obligor to the Issuer pursuant to the Loan Agreement; and

B. All of the Issuer's right, title and interest in and to the Loan Agreement (except for the rights of the Issuer to receive payments, if any, under Sections 5.7, 7.5, and 9.5 of the Loan Agreement), together with all powers, privileges, options and other benefits of the Issuer contained in the Loan Agreement; provided, however, that nothing in this clause shall impair, diminish or otherwise affect the Issuer's obligations under the Loan Agreement or, except as otherwise provided in this Bond Indenture, impose any such obligations on the Bond Trustee; and

C. Amounts on deposit from time to time in the Bond Fund, Cost of Issuance Fund, Reserve Fund and Project Fund, but excluding the Rebate Fund (all as defined in the Loan Agreement), subject to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

D. Any and all property of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with the Bond Trustee as additional security by the Issuer or anyone on its part or with its written

consent, or which pursuant to any of the provisions hereof or of the Loan Agreement or any Note may come into the possession of or control of the Bond Trustee or a receiver appointed pursuant to Article VIII hereof, as such additional security (except amounts held in the Rebate Fund); and the Bond Trustee is hereby authorized to receive any and all such property as and for additional security for the payment of the Bonds, and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Bond Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security, and protection of all owners of the Bonds issued under and secured by this Bond Indenture without privilege, priority, or distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall pay, or cause to be paid, the principal of the Bonds and the premium, if any, and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as hereinafter required or shall provide, as permitted hereby, for the payment thereof by depositing with the Bond Trustee the entire amount due or to become due hereon, or certain securities as herein permitted and shall keep, perform, and observe all the covenants and conditions pursuant to the terms of this Bond Indenture to be kept, performed, and observed by it, and shall pay or cause to be paid to the Bond Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Bond Indenture and the rights hereby granted shall cease, determine, and be void; otherwise this Bond Indenture to be and remain in full force and effect.

THIS BOND INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and all said rights hereby pledged and assigned are to be dealt with and disposed of under, upon, and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Bond Trustee and with the respective owners from time to time of the Bonds as follows:

[END OF PREAMBLE]

ARTICLE I DEFINITIONS

SECTION 1.01. DEFINITIONS. All defined words and phrases used in this Bond Indenture shall have the meaning given and ascribed to such words and phrases in Article I of the Loan Agreement or Article I of the Master Indenture.

SECTION 1.02. RECITAL INCORPORATION. The recitals set forth in the beginning of this Bond Indenture are hereby incorporated herein.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

SECTION 2.01. AUTHORIZED AMOUNT OF BONDS. No Bonds may be issued under this Bond Indenture except in accordance with this Article. The total principal amount of Bonds that may be issued hereunder is hereby expressly limited to \$_____, except as provided in Section 2.06 hereof.

SECTION 2.02. ALL BONDS EQUALLY AND RATABLY SECURED, BONDS NOT AN OBLIGATION OF ISSUER. All Bonds issued under this Bond Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, and preference under and by virtue of this Bond Indenture, and shall all be equally and ratably secured hereby. The Bonds shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Issuer.

SECTION 2.03. AUTHORIZATION OF BONDS. (a) There is hereby authorized to be issued hereunder and secured hereby a series of bonds designated as the "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A." The Bonds shall be numbered consecutively upward from R-1.

(b) The Bonds shall bear interest from the most recent interest payment date to which interest has been paid or provided for, or, if no interest has been paid, from the Delivery Date of the Bonds. The Bonds shall bear interest on the basis of a 360 day year composed of twelve 30 day months payable each _____ and each _____, commencing _____, 2013, at the rates per annum and shall mature on _____ in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>
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(c) The Bonds shall be issued in Authorized Denominations and shall be dated _____, 2013. The Bonds are subject to prior redemption as herein set forth and shall

be substantially in the form and tenor hereinabove recited with appropriate variations, omissions, and insertions as are permitted or required by this Bond Indenture.

(d) The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the Payment Office of the Bond Trustee, or at the designated corporate trust office of its successor, upon presentation and surrender of the Bonds. Payment of interest on any Bond shall be made to the person who is the Registered Owner thereof at the close of business on the Regular Record Date for such Interest Payment Date by check mailed by the Bond Trustee on such Interest Payment Date to such Registered Owner at his or her address as it appears on the registration records kept by the Bond Trustee or by wire transfer of same day funds upon receipt by the Bond Trustee prior to the Regular Record Date of a written request by a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds. The CUSIP number and appropriate dollar amounts for each CUSIP number shall accompany all payments of principal, premium, if any, and interest on the Bonds. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Registered Owner of such Bond at the close of business on the Regular Record Date and shall be payable to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Registered Owners of the Bonds not less than ten days prior thereto by first class postage prepaid mail to each such Registered Owner as shown on the registration records, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed upon between the owners of any Bonds and the Bond Trustee. All such payments shall be made in lawful money of the United States of America.

Notwithstanding the foregoing, payments of the principal of and interest on any Bonds that are subject to the book entry system as provided in Article II of this Bond Indenture shall be made in accordance with the rules, regulations and procedures established by the securities depository in connection with the book entry system.

SECTION 2.04. EXECUTION OF BONDS, SIGNATURES. The Bonds shall be executed on behalf of the Issuer by its Chairman and its seal shall be thereunto affixed and attested by the Secretary. The signatures of such officers and the seal of the Issuer may be in facsimile. In case any officer who shall have signed any of the Bonds shall cease to hold such office and any of such Bonds shall have been authenticated by the Bond Trustee or delivered or sold, such Bonds with the signatures thereto affixed may, nevertheless, be authenticated by the Bond Trustee, and delivered, and may be sold by the Issuer, as though the person or persons who signed such Bonds had remained in office.

SECTION 2.05. REGISTRATION AND EXCHANGE OF BONDS; PERSONS TREATED AS OWNERS. The Issuer shall cause books for the registration and for the transfer of the Bonds as provided in this Bond Indenture to be kept by the Bond Trustee which is hereby appointed the bond registrar of the Issuer for the Bonds. Upon surrender for transfer of any fully registered Bond at the Payment Office of the Bond Trustee, duly endorsed for transfer or accomplished by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of a like Aggregate Principal Amount for a like principal amount and maturity.

The Issuer shall execute and the Bond Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously Outstanding. The execution by the Issuer of any fully registered Bond of any denomination shall constitute full and due authorization of such denomination and the Bond Trustee shall thereby be authorized to authenticate and deliver such Bond.

The Bond Trustee shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business fifteen days before the day of mailing by the Bond Trustee of a notice of prior redemption and ending at the close of business on the day of such mailing except for Bondholders of \$1,000,000 or more in aggregate principal amount of the Bonds.

As to any Bond, the Person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of or interest on any Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Bond Trustee shall require the payment by any Bondholder requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

SECTION 2.06. LOST, STOLEN, DESTROYED, AND MUTILATED BONDS. Upon receipt by the Bond Trustee of evidence satisfactory to it of the ownership of and the loss, theft, destruction, or mutilation of any Bond and, in the case of a lost, stolen, or destroyed Bond, of indemnity satisfactory to it, and upon surrender and cancellation of the Bond if mutilated, (i) the Issuer shall execute, and the Bond Trustee shall authenticate and deliver, a new Bond of the same series, date and maturity as the lost, stolen, destroyed or mutilated Bond in lieu of such lost, stolen, destroyed, or mutilated Bond, or (ii) if such lost, stolen, destroyed, or mutilated Bond shall have

matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Issuer may pay such Bond. Any such new Bond shall bear a number not contemporaneously Outstanding. The applicant for any such new Bond may be required to pay all expenses and charges of the Issuer and of the Bond Trustee in connection with the issue of such new Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds, negotiable instruments, or other securities. If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such duplicate Bond was issued presents for payment such original Bond, the Obligor or the Bond Trustee shall be entitled to recover upon such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Obligor or the Bond Trustee in connection therewith.

SECTION 2.07. DELIVERY OF BONDS. Upon the execution and delivery of this Bond Indenture, the Issuer shall execute and deliver to the Bond Trustee and the Bond Trustee shall authenticate the Bonds and deliver them to the initial purchasers thereof as directed by the Issuer and as hereinafter in this Section provided.

Prior to the delivery by the Bond Trustee of any of the Bonds there shall be filed with and delivered to the Bond Trustee at least:

(a) A certified resolution of the Issuer authorizing the execution and delivery of the Loan Agreement, this Bond Indenture and the issuance of the Bonds.

(b) Original executed counterparts of the Loan Agreement, this Bond Indenture, the Collateral Assignment, the Mortgage, the Tax Compliance Agreement, the Continuing Disclosure Agreement, the Supplemental Indenture and the Master Indenture.

(c) The Note, duly executed and authenticated and duly assigned and payable to the Bond Trustee.

(d) A request and authorization to the Bond Trustee on behalf of the Issuer and signed by its Chairman to authenticate and deliver the Bonds to the purchasers therein identified upon payment to the Bond Trustee but for the account of the Issuer of a sum specified in such request and authorization plus accrued interest thereon to the date of delivery, together with instructions (which may be in the form of a separate certificate) as to the disposition of the proceeds of the Bonds.

(e) An Opinion of Bond Counsel addressed to the Bond Trustee (or a reliance letter therefor) to the effect that the Bonds have been duly and validly authorized, issued and delivered and constitute valid and binding obligations of the Issuer, enforceable

against the Issuer in accordance with their terms, that the interest payable on the Bonds is excludable from gross income for federal income tax purposes and that each of the instruments to which the Issuer is a party has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to customary qualifications on enforceability.

SECTION 2.08. BOND TRUSTEE'S AUTHENTICATION CERTIFICATE. The Bond Trustee's authentication certificate upon the Bonds shall be substantially in the form and tenor hereinbefore provided. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Bond Trustee and such certificate of the Bond Trustee upon any Bond shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered hereunder. The Bond Trustee's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized signatory of the Bond Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

SECTION 2.09. NO ISSUANCE OF ADDITIONAL BONDS. The Issuer agrees that it will not issue any additional bonds under this Bond Indenture. Only the Bonds shall be Outstanding under this Bond Indenture and entitled to the security of the Trust Estate.

SECTION 2.10. CANCELLATION AND DESTRUCTION OF BONDS BY THE BOND TRUSTEE. Whenever any Outstanding Bonds shall be delivered to the Bond Trustee for the cancellation thereof pursuant to this Bond Indenture, upon payment of the principal amount or interest represented thereby or for replacement pursuant to Section 2.06 hereof, such Bonds shall be promptly cancelled and treated in accordance with the Bond Trustee's standard retention policies. In the event of destruction of the Bonds by the Bond Trustee, a certificate of destruction evidencing such destruction shall be furnished by the Bond Trustee to the Issuer and the Obligor upon written request.

SECTION 2.11. BOOK ENTRY ONLY SYSTEM. The Bonds shall be initially issued in the form of a single fully registered Bond for each maturity of the Bonds registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 2.12 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Bond Trustee shall have no responsibility or obligation to any participant in DTC (a "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Bond

Indenture. Without limiting the immediately preceding sentence, the Issuer and the Bond Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the registration books, of any notice with respect to the Bonds, including any notice of redemption, (c) any consent given or other action taken by DTC or Cede & Co. as the Registered Owner, or (d) the payment to any DTC Participant or any other person, other than a Bondholder as shown in the registration books, of any amount with respect to principal of, premium, if any, or interest on, the Bonds. Notwithstanding any other provision of this Bond Indenture to the contrary, the Issuer and the Bond Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the registration books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the registration books as provided in this Bond Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the registration books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, pursuant to this Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Bond Indenture with respect to payment of interest to the Registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Bond Indenture shall refer to such new nominee of DTC.

SECTION 2.12. SUCCESSOR SECURITIES DEPOSITORY; TRANSFERS OUTSIDE BOOK ENTRY ONLY SYSTEM. (a) In the event that the Obligor determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC (the "DTC Letter") and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer, at the direction of the Obligor, shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC and DTC Participants, identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository, or (ii) notify DTC and DTC Participants, identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants, identified by DTC, having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to

being registered in the registration books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Bond Indenture.

(b) Upon the written consent of 100% of the beneficial owners of the Bonds, the Bond Trustee, in accordance with the DTC Letter, shall withdraw the Bonds from DTC, and authenticate and deliver Bonds fully registered to the assignees of DTC or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the Persons requesting such withdrawal, authentication and delivery.

SECTION 2.13. PAYMENTS TO CEDE & CO. Notwithstanding any other provision of this Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on, such Bond and all notices, transfers and deliveries with respect to such Bond shall be made and given, respectively, in the manner provided in the DTC Letter.

ARTICLE III REVENUES AND FUNDS

SECTION 3.01. APPLICATION OF PROCEEDS OF BONDS. The Issuer will sell and cause to be delivered to the initial purchasers thereto the Bonds and will deliver the proceeds thereof to the Bond Trustee for disposal as follows:

(a) Payment of the redemption price and discharge of the Series 1999 Bonds on the date of issuance of the Bonds;

(b) Reimbursement to Wells Fargo Bank, N.A., successor to Wachovia Bank, N.A., as provider of the letter of credit securing the Series 2006 Bonds, for the payment of the redemption price and discharge of the Series 2006 Bonds on the date of issuance of the Bonds;

(c) Deposit, into the Reserve Fund, the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d) hereof.

(d) Deposit, into the Cost of Issuance Fund, the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d) hereof.

(e) Deposit, into the Project Fund, the balance of the proceeds of the Bonds.

SECTION 3.02. CREATION OF THE BOND FUND. There is hereby created by the Issuer and ordered established with the Bond Trustee a trust fund to be designated as the "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project) Bond Fund" (the "Bond Fund"). There are hereby created by the Issuer and ordered established with the Bond Trustee two separate accounts within the Bond Fund to be designated as the Principal Account and the Interest Account, respectively. Moneys on deposit in the Principal Account shall be used to pay the principal of and premium, if any, on the Bonds, when due and payable. Moneys on deposit in the Interest Account shall be used to pay the interest on the Bonds.

SECTION 3.03. PAYMENTS INTO THE BOND FUND. There shall be deposited into the Interest Account all accrued interest received from the sale of the Bonds to the initial purchasers thereof. In addition, there shall also be deposited into the Principal Account or the Interest Account, as and when received, (i) all payments on the Note, (ii) all moneys transferred to the Bond Fund from the Reserve Fund pursuant to Section 3.10 hereof, (iii) all other moneys required to be deposited therein pursuant to the Loan Agreement, and (iv) all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be paid into the Principal Account or the Interest Account. There also shall be retained or deposited in the Principal Account or the Interest Account all interest and other income received on investments or moneys required to be transferred thereto, in accordance with Section 6.02 hereof. The Issuer

hereby covenants and agrees that so long as any of the Bonds are Outstanding it will deposit, or cause to be deposited, into the Principal Account or the Interest Account for its account sufficient sums from revenues and receipts derived from the Loan Agreement promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

SECTION 3.04. USE OF MONEYS IN THE PRINCIPAL ACCOUNT AND THE INTEREST ACCOUNT. Except as provided in Sections 3.15 and 8.05 hereof, moneys in the Principal Account or the Interest Account shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds on a pro rata basis.

SECTION 3.05. CUSTODY OF THE BOND FUND. The Bond Fund shall be in the custody of the Bond Trustee but in the name of the Issuer, and the Issuer hereby authorizes and directs the Bond Trustee to withdraw sufficient funds from the Principal Account or the Interest Account of the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same come due and payable, which authorization and direction the Bond Trustee hereby accepts.

SECTION 3.06. PROJECT FUND. (a) There is hereby created and established with the Bond Trustee a trust fund designated as the "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project) Project Fund" (the "Project Fund"). Moneys in the Project Fund shall be used to pay Costs of the Project or as hereinafter provided. Under no circumstances shall moneys in the Project Fund be used to pay Cost of Issuance.

(b) Payments from the Project Fund shall be made in accordance with this Article III and Article IV of the Loan Agreement. Upon receipt of the required certificates, the Bond Trustee shall pay the amount requested to the extent that the Obligor is entitled to payment pursuant to the Loan Agreement.

(c) If an Event of Default occurs under this Bond Indenture, and the Bond Trustee declares the principal of all Bonds and the interest accrued thereon to be due and payable, no moneys may be paid out of the Project Fund by the Bond Trustee during the continuance of such an Event of Default; provided, however, that if such an Event of Default shall be waived and such declaration shall be rescinded by the Bond Trustee or the holders and owners of the Bonds pursuant to the terms of this Bond Indenture, the full amount of any such remaining moneys in the Project Fund may again be disbursed by the Bond Trustee in accordance with the provisions of the Loan Agreement and this Bond Indenture.

(d) The Bond Trustee shall not be accountable for the use or application of the proceeds from the Project Fund disbursed in accordance with the provisions of the Loan Agreement and this Bond Indenture.

SECTION 3.07. COMPLETION CERTIFICATE. At such time as the Obligor determines that construction of the Project has been completed in substantial compliance with the final plans and specifications for the Project or has determined to terminate any further construction of the Project, it shall deliver the Completion Certificate to the Bond Trustee in accordance with and to the extent required by the Loan Agreement.

SECTION 3.08. CREATION OF THE RESERVE FUND. (a) There is hereby created and established with the Bond Trustee a trust fund designated as the "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project) Debt Service Reserve Fund" (the "Reserve Fund").

(b) Moneys on deposit in the Reserve Fund shall be used to provide a reserve for the payment of the principal of and interest on the Bonds.

SECTION 3.09. PAYMENTS INTO THE RESERVE FUND. In addition to the deposits required by Section 3.01 hereof, there shall be deposited into the Reserve Fund any Reserve Fund Obligations delivered by the Obligor to the Bond Trustee pursuant to Section 5.6 of the Loan Agreement. In addition, there shall be deposited into the Reserve Fund all moneys required to be transferred thereto pursuant to Section 6.02 hereof, and all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be paid into the Reserve Fund. There shall also be retained in the Reserve Fund all interest and other income received on investments of Reserve Fund moneys in the Reserve Fund to the extent provided in Section 6.02 hereof.

SECTION 3.10. USE OF MONEYS IN THE RESERVE FUND. (a) Except as provided in this Section 3.10 and in Section 3.15 hereof, moneys in the Reserve Fund shall be used solely for the payment of the principal of and interest on the Bonds in the event moneys in the Bond Fund and the Funded Interest Account are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

(b) Upon the occurrence of an Event of Default of which the Bond Trustee is deemed to have notice hereunder and the election by the Bond Trustee of the remedy specified in Section 8.02(a) hereof, any Reserve Fund Obligations in the Reserve Fund shall, subject to the provisions of Section 3.16 hereof, be transferred by the Bond Trustee to the Principal Account and applied in accordance with Section 8.05 hereof. In the event of the redemption of a portion of the Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on the Bonds to be Outstanding immediately after such redemption may, subject to the provisions of Section 3.16 hereof, be transferred to the Principal Account and applied to the payment of the principal of the Bonds to be redeemed. On _____ and _____ in each year, any earnings on the Reserve Fund Obligations on deposit in the Reserve Fund that are in

excess of the Reserve Fund Requirement shall be transferred into the Interest Account of the Bond Fund.

(c) On the final maturity date of the Bonds, any Reserve Fund Obligations in the Reserve Fund in excess of the Reserve Fund Requirement after giving effect to such maturity may, upon the direction of the Obligor, be used to pay the principal of and interest on the Bonds on such final maturity date.

(d) If at any time moneys in the Reserve Fund are sufficient to pay the principal or redemption price of all Bonds, the Bond Trustee may use the moneys on deposit in the Reserve Fund to pay such principal or redemption price of the Bonds.

(e) In accordance with Section 651.035, Florida Statutes, not less than ten (10) days prior to any withdrawal of monies from the Reserve Fund, notice of the withdrawal from the Reserve Fund shall be given by the Bond Trustee or the Obligor by telephone (850/413-3140) (promptly confirmed in writing) or facsimile (850/488-0313) to the Florida Office of Insurance Regulation, Specialty Product Administration, The Larson Building 200 East Gaines Street, Tallahassee, Florida 32399-0327 (the "Office of Insurance"), provided that such notice by telephone, by facsimile or in writing may be given to the Office of Insurance at other telephone numbers or other addresses if required by the Office of Insurance to be used in lieu of the foregoing. The Bond Trustee shall provide the Office of Insurance with any information concerning the Reserve Fund upon request of the Office of Insurance or the Borrower.

SECTION 3.11. CUSTODY OF THE RESERVE FUND. The Reserve Fund shall be in the custody of the Bond Trustee but in the name of the Issuer, and the Issuer hereby authorizes and directs the Bond Trustee to transfer sufficient moneys from the Reserve Fund to the Bond Trustee for deposit to the Bond Fund to pay the principal of and interest on the Bonds for the purposes herein described, which authorization and direction the Bond Trustee hereby accepts. In the event there shall be a deficiency in the Principal Account or the Interest Account on any payment date for the Bonds, the Bond Trustee shall promptly make up such deficiency from the Reserve Fund.

SECTION 3.12. NONPRESENTMENT OF BONDS. In the event that any Bonds shall not be presented for payment when the principal thereof or interest thereon becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof shall have been deposited into the Bond Fund or otherwise made available to the Bond Trustee for deposit therein as provided in Section 3.03 hereof, all liability of the Issuer to the owner or owners thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the owner or owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his or their part under this Bond Indenture or on, or with respect to, said Bond,

and all such funds shall remain uninvested. If any Bond shall not be presented for payment within the period of two years following the date of final maturity of such Bond, the Bond Trustee shall, to the extent required by law, transfer such funds to the state treasury of the state in which the principal office of the Bond Trustee is located, in which case the owner of such Bonds shall look only to such state for payment, or, in the alternative, to the extent permitted by law, the Bond Trustee shall, upon request in writing by the Obligor, return such funds to the Obligor free of any trust or lien and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Obligor. In either event, the Bond Trustee shall have no further responsibility with respect to such moneys or payment of such Bonds. Thereafter, the Bondholders shall be entitled to look only to the Obligor for payment, and then only to the extent of the amount so repaid by the Bond Trustee. The Obligor shall not be liable for any interest on any sums paid to it.

SECTION 3.13. BOND TRUSTEE'S AND PAYING AGENTS' FEES, CHARGES, AND EXPENSES. Pursuant to the provisions of the Loan Agreement, the Obligor has agreed to pay to the Bond Trustee and to each Paying Agent, commencing with the effective date of the Loan Agreement and continuing until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this Bond Indenture, the reasonable and necessary fees and expenses (including reasonable attorneys fees) of the Bond Trustee and each Paying Agent, as and when the same become due, upon the submission by the Bond Trustee and each Paying Agent of a statement therefor.

SECTION 3.14. MONEYS TO BE HELD IN TRUST. All moneys required to be deposited with or paid to the Bond Trustee under any provision of this Bond Indenture (except moneys in the Rebate Fund) shall be held by the Bond Trustee in trust for the purposes specified in this Bond Indenture, and except for moneys deposited with or paid to the Bond Trustee for the redemption of Bonds for which the notice of redemption has been duly given, shall, while held by the Bond Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 3.15. REPAYMENT TO THE OBLIGOR FROM THE FUNDS. Any amounts remaining in the Cost of Issuance Fund, Bond Fund, Reserve Fund or Project Fund after payment in full of the Bonds (or after making provision for such payment), the fees and expenses of the Bond Trustee and the Paying Agents (including attorneys fees, if any), the Administration Expenses, and all other amounts required to be paid hereunder and under the Loan Agreement shall be paid to the Obligor upon the termination of the Loan Agreement.

SECTION 3.16. REBATE FUND.

(a) A special Rebate Fund is hereby established by the Issuer. The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation the Bondholders. The Rebate Fund is established for the purpose of complying with Section 148 of the Code. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section. The Rebate Fund is not a portion of the Trust Estate and is not subject to the lien of this Bond Indenture. Notwithstanding the foregoing, the Bond Trustee with respect to the Rebate Fund is afforded all the rights, protections and immunities otherwise accorded to it hereunder.

(b) Within 60 days after the close of each fifth "Bond Year," the Obligor shall provide the Bond Trustee a computation in the form of a certificate of an officer of the Obligor of the amount of "Excess Earnings," if any, for the period beginning on the date of delivery of the Bonds and ending at the close of such "Bond Year" and the Obligor shall pay to the Bond Trustee for deposit into the Rebate Fund an amount equal to the difference, if any, between the amount then in the Rebate Fund and the Excess Earnings so computed. The term "Bond Year" means with respect to the Bonds each one-year period ending on the anniversary of the date of delivery of the Bonds or such other period as may be elected by the Issuer in accordance with the Code and notice of which election has been given to the Bond Trustee. If, at the close of any Bond Year, the amount in the Rebate Fund exceeds the amount that would be required to be paid to the United States of America under paragraph (d) below if the Bonds had been paid in full, such excess may, at the request of the Obligor, be transferred from the Rebate Fund and paid to the Obligor.

(c) In general, "Excess Earnings" for any period of time means the sum of

(i) the excess of --

(A) the aggregate amount earned during such period of time on all "Nonpurpose Investments" (including gains on the disposition of such Obligations) in which "Gross Proceeds" of the issue are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)), over

(B) the amount that would have been earned during such period of time if the "Yield" on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the yield on the issue, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

The term Nonpurpose Investments, Gross Proceeds, Issue Date and Yield shall have the meanings given to such terms in Section 148 of the Code.

(d) The Bond Trustee shall, as directed in writing by the Obligor, pay to the United States of America at least once every five years, to the extent that funds are available in the Rebate Fund or otherwise provided by the Obligor, an amount that ensures that at least 90 percent of the Excess Earnings from the date of delivery of the Bonds to the close of the period for which the payment is being made will have been paid. The Bond Trustee shall pay to the United States of America not later than 60 days after the Bonds have been paid in full as directed by the Obligor in writing, to the extent that funds are available in the Rebate Fund or otherwise provided by the Obligor, 100 percent of the amount then required to be paid under Section 148(f) of the Code as a result of Excess Earnings.

(e) The amounts to be computed, paid, deposited or disbursed under this section shall be determined by the Obligor acting on behalf of the Issuer within thirty days after each Bond Year. By such date, the Obligor shall also notify, in writing, the Bond Trustee and the Issuer of the determinations the Obligor has made and the payment to be made pursuant to the provisions of this section. Upon written request of any Registered Owner of Bonds, the Obligor shall furnish to such Registered Owner of Bonds a certificate (supported by reasonable documentation, which may include calculation by Bond Counsel or by some other service organization) showing compliance with this section and other applicable provisions of Section 148 of the Code.

(f) The Bond Trustee shall maintain a record of the periodic determinations by the Obligor of the Excess Earnings for a period beginning on the first anniversary date of the issuance of the Bonds and ending on the date six years after the final retirement of the Bonds. Such records shall state each such anniversary date and summarize the manner in which the Excess Earnings, if any, was determined.

(g) If the Bond Trustee shall declare the principal of the Bonds and the interest accrued thereon immediately due and payable as the result of an Event of Default specified in this Bond Indenture, or if the Bonds are optionally or mandatorily prepaid or redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in any of the funds shall be transferred to the Rebate Fund to the extent that the amount therein is less than the Excess Earnings computed by the Obligor as of the date of such acceleration or redemption, and the balance of such amount shall be used immediately by the Bond Trustee for the purpose of paying principal of, redemption premium, if any, and interest on the Bonds when due. In furtherance of such intention, the Issuer hereby authorizes and directs its Chairman to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the

Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(h) The requirements contained in this Section relating to the computation and payment of Excess Earnings shall not be applicable if all Gross Proceeds of the Bonds are expended in compliance with Section 1.148-7 of the Code.

(i) Notwithstanding any of the provisions of this Section, the Bond Trustee shall have no duty or responsibility with respect to the Rebate Fund except to follow the specific written instructions of the Obligor.

SECTION 3.17. COST OF ISSUANCE FUND. There is hereby created and established with the Bond Trustee a trust fund designated as the "City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project) Cost of Issuance Fund" (the "Cost of Issuance Fund"). The Bond Trustee shall disburse moneys in the Cost of Issuance Fund as provided in Article IV of the Loan Agreement. Moneys in the Cost of Issuance Fund may be used only for payment of the Cost of Issuance. On the earlier of (a) the day the Bond Trustee receives a certificate of the Obligor to the effect that all Cost of Issuance relating to the Bonds has been paid, and (b) the 180th day following the Delivery Date, any moneys remaining in the Cost of Issuance Fund shall be transferred to the Interest Account of the Bond Fund. The Cost of Issuance Fund shall then be closed.

ARTICLE IV COVENANTS OF THE ISSUER

SECTION 4.01. PERFORMANCE OF COVENANTS; AUTHORITY.

The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Bond Indenture, in any and every Bond and in all proceedings of the Issuer pertaining hereto; provided, however, that except for the covenant of the Issuer set forth in Section 4.02 hereof relating to payment of the Bonds, the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Obligor or by the Bond Trustee, or shall have received the instrument to be executed and at the option of the Issuer shall have received from the party requesting such execution assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument. The Issuer covenants that it is duly authorized under the laws of the State of Florida, including particularly and without limitation the Act, to issue the Bonds and to execute this Bond Indenture, and to pledge the revenues and receipts hereby pledged, and to assign its rights under and pursuant to the Loan Agreement and the Note in the manner and to the extent herein set forth, that all action on its part and to the extent herein set forth, that all action on its part for the issuance of the Bonds and the execution and delivery of this Bond Indenture has been duly and effectively taken and will be duly taken as provided herein, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable limited obligations of the Issuer according to the import hereof, except as enforcement thereof and hereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors and by the application of general principles of equity, if such remedies are pursued.

SECTION 4.02. PAYMENTS OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. The Issuer will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof. The principal, premium, if any, and interest payments are payable solely from revenues and other amounts derived from the Note, and from the other security pledged hereby, which revenues and security are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Bond Indenture shall be considered or construed as pledging any funds or assets of the Issuer other than those pledged hereby.

SECTION 4.03. SUPPLEMENTAL INDENTURES; RECORDATION OF BOND INDENTURE AND SUPPLEMENTAL INDENTURES. The Issuer will execute and deliver all indentures supplemental hereto, and will cause this Bond Indenture, the Loan Agreement, and all supplements hereto and thereto, as well as all security instruments and financing statements relating thereto, to be filed in each office

required by law in order to publish notice of the liens created by this Bond Indenture and the Loan Agreement. The Bond Trustee, at the Obligor's expense will cause all continuation statements and all supplements to any financing statement or continuation statement and other instruments as may be required, at all times to be recorded, registered and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Bondholders and all rights of the Bond Trustee hereunder. Notwithstanding the preceding sentence, the Bond Trustee shall not be liable for failure to effect any such filings.

SECTION 4.04. LIEN OF BOND INDENTURE. The Issuer hereby agrees not to create any lien having priority or preference over the lien of this Bond Indenture upon the Trust Estate or any part thereof, other than the security interest granted by it to the Bond Trustee, except as otherwise specifically provided in Article VIII hereof. The Issuer agrees that no obligations the payment of which is secured by payments or other moneys or amounts derived from the Loan Agreement and the other sources provided herein will be issued by it except in accordance with Sections 2.09 and 2.10 of this Bond Indenture.

SECTION 4.05. RIGHTS UNDER THE LOAN AGREEMENT. The Issuer will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Loan Agreement. The Issuer agrees that wherever in the Loan Agreement it is stated that the Issuer will notify the Bond Trustee, give the Bond Trustee some right or privilege, or in any way attempts to confer upon the Bond Trustee the ability for the Bond Trustee to protect the security for payment of the Bonds, that such part of the Loan Agreement shall be as though it were set out in this Bond Indenture in full.

The Issuer agrees that the Bond Trustee as assignee of the Loan Agreement may enforce, in its name or in the name of the Issuer, all rights of the Issuer (except those rights of the Issuer to indemnification and payment under Sections 5.7, 7.5 and 9.5 thereof) and all obligations of the Obligor under and pursuant to the Loan Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

SECTION 4.05. TAX COVENANTS. (a) The Issuer covenants and agrees that until the final maturity of the Bonds, based upon the Obligor's covenants in Section 4.9 of the Loan Agreement, it will not knowingly take any action, use any money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other source, in a manner that would cause the Bonds to be arbitrage bonds, within the meaning of Section 148 of the Code. In the event the Obligor notifies the Issuer that it is necessary to restrict or limit the yield on the investment of moneys held by the Bond Trustee pursuant to this Bond Indenture, or to use such moneys in any certain manner to avoid the Bonds being considered arbitrage bonds, the Issuer at the written direction and expense of the Obligor shall deliver to the Bond Trustee appropriate written instructions

of the Issuer, in which event the Bond Trustee shall take such action as instructed to restrict or limit the yield on such investment or to use such moneys in accordance with such instructions.

(b) The Issuer shall not knowingly use any proceeds of Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not knowingly take any other action or actions, that would result in any of the Bonds being treated other than as an obligation described in Section 103(a) of the Code.

(c) The Issuer will not knowingly use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, to make or finance loans to Persons who are not "Exempt Persons." For purposes of the preceding sentence, a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, constitutes a loan to a Person who is not an "Exempt Person."

(d) The Issuer will not knowingly take any action that would result in all or any portion of the Bonds being treated as federally guaranteed within the meaning of Section 149(b)(2) of the Code.

(e) For purposes of this Section, the Issuer's compliance shall be based solely on acts or omissions by the Issuer, and no acts, omissions or directions of the Obligor, the Bond Trustee or any other Persons shall be attributable to the Issuer.

SECTION 4.07. CHANGE IN LAW. To the extent that published rulings of the Internal Revenue Service, or amendments to the Code modify the covenants of the Issuer that are set forth in this Bond Indenture or that are necessary for interest on the Bonds to be excludable from gross income for federal income tax purposes, the Issuer, upon receiving the written Opinion of Bond Counsel to such effect, will comply, at the expense of the Obligor, with such modifications and direct the Bond Trustee to take such action as may be required to comply with such modifications.

SECTION 4.08. PROGRAM INVESTMENT. The proceeds of the Bonds are to be used to finance the Project. With respect to the Bonds, the Issuer asserts:

(a) At least 95 percent of all obligations acquired with the proceeds of the Bonds, by amount of cost outstanding, will be evidences of loans to a substantial number of persons representing the general public, loans to exempt persons, or loans to provide housing and related facilities, or any combination of the foregoing.

(b) At least 95 percent of all amounts received by the Issuer with respect to the Bonds will be used for one or more of the following purposes: to make loans to exempt organizations, to pay the principal or interest or otherwise to service the debt on the Bonds; to reimburse the Issuer or to pay for administrative costs of issuing such

obligations; or to redeem or retire such Bonds of the Issuer at the next earliest possible date of redemption.

(c) Any person or any related party, as defined in Section 1.150-1 of the Code, as amended, from whom the Issuer may acquire obligations, shall not, pursuant to an arrangement, formal or informal, purchase the Issuer's bonds in an amount related to the amount of the obligations to be acquired from such person by the Issuer.

(d) The Issuer does not waive the right to treat the Loan Agreement as a program investment.

ARTICLE V
REDEMPTION OF BONDS

SECTION 5.01. OPTIONAL REDEMPTION OF BONDS. The Bonds maturing on and after _____, _____, are subject to optional redemption prior to maturity by the Issuer at the written direction of the Obligor in whole or in part on _____, _____ or on any date thereafter, at the redemption price equal to the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

SECTION 5.02. SINKING FUND REDEMPTION.

(a) The Bonds maturing on _____, _____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Bonds maturing on _____, _____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on _____ of each of the following years (after credit as provided below) the following principal amounts of Bonds maturing on _____, _____, plus accrued interest to the redemption date:

Year	Amount	Year	Amount
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*maturity

(b) The Bonds maturing on _____, _____ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Bonds maturing on _____, _____, the Issuer shall cause to be deposited into the Principal Account of the Bond Fund a sum which is sufficient to redeem on _____ of each of the following years (after credit as provided below) the following principal amounts of Bonds maturing on _____, _____, plus accrued interest to the redemption date:

Year	Amount	Year	Amount
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*maturity

(c) On or before the thirtieth day prior to each sinking fund payment date, the Bond Trustee shall proceed to select for redemption (by lot in such manner as the Bond Trustee may determine) from all Bonds Outstanding maturing on _____, _____ or _____, _____, as the case may be, a principal amount of such Bonds equal to the Aggregate Principal Amount of such Bonds redeemable with the required sinking fund payment, and shall call such Bonds or portions thereof (\$5,000 or any integral multiple thereof) for redemption from the sinking fund on the next _____, and give notice of such call. At the option of the Obligor to be exercised by delivery of a written certificate to the Bond Trustee on or before the forty-fifth day next preceding any sinking fund redemption date, it may (i) deliver to the Bond Trustee for cancellation Bonds or portions thereof maturing on _____, _____ or _____, _____, as the case may be, in an Aggregate Principal Amount desired by the Obligor, or (ii) specify a principal amount of Bonds or portions thereof maturing on _____, _____ or _____, _____, as the case may be, which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Bond Trustee at the request of the Issuer and not theretofore applied as a credit against any sinking fund redemption obligation. Each such Bond or portion thereof so delivered or previously redeemed shall be credited by the Bond Trustee at 100% of the principal amount thereof against the obligation of the Issuer to redeem Bonds on such sinking fund redemption date. Any excess shall be credited against the next sinking fund redemption obligation to redeem Bonds. In the event that the Obligor shall avail itself of the provisions of clause (i) of the second sentence of this paragraph, the certificate required by the second sentence of this paragraph shall be accompanied by the Bonds or portions thereof to be canceled.

SECTION 5.03. METHOD OF SELECTION OF BONDS IN CASE OF PARTIAL REDEMPTION; REDEMPTION PRIORITY.

(a) In the event that less than all of the Outstanding Bonds are to be redeemed as provided in Sections 5.01 or 5.08 hereof, the Obligor may select the particular maturities to be redeemed. If less than all of the Outstanding Bonds of a single maturity are to be redeemed, they shall be selected by the Securities Depository or by lot in such manner as the Bond Trustee may determine.

(b) If a Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed, but Bonds shall be redeemed only in the principal amount of an Authorized Denomination and no Bond may be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination.

SECTION 5.04. NOTICE OF REDEMPTION. Bonds shall be called for redemption by the Bond Trustee as herein provided upon receipt by the Bond Trustee at least 45 days prior to the redemption date of a certificate of the Obligor specifying the principal amount of Bonds to be called for redemption, the applicable redemption price or

prices and the provision or provisions of this Bond Indenture pursuant to which such Bonds are to be called for redemption. The provisions of the preceding sentence shall not apply to the redemption of Bonds pursuant to the sinking fund provided in Section 5.02 hereof, and such Bonds shall be called for redemption by the Bond Trustee without the necessity of any action by the Obligor or the Issuer. In case of every redemption, the Bond Trustee shall cause notice of such redemption to be given by mailing by first class mail, postage prepaid, a copy of the redemption notice to the owners of the Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration books, in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption shall be sent by first class or registered mail, return receipt requested, or by over night delivery service (1) contemporaneously with such mailing: (A) to any owner of \$1,000,000 or more in principal amount of Bonds, and (B) to at least two or more information services of national recognition that disseminate redemption information with respect to municipal bonds; and (2) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption shall be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of Bonds selected for redemption that has not surrendered the Bonds called for redemption, at the address as the same shall last appear upon the registration books.

All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) the identification, including complete designation (including series) and issue date of the Bonds and the CUSIP number (and in the case of partial redemption, certificate number and the respective principal amounts, interest rates and maturity dates) of the Bonds to be redeemed,
- (4) the condition for redemption, if any,
- (5) that on the redemption date the redemption price will become due and payable upon each such Bonds, and that interest thereon shall cease to accrue from and after said date, and
- (6) the name and address of the Bond Trustee and any paying agent for such Bonds, including the place where such Bonds are to be surrendered for payment of the redemption price and the name and phone number of a contact person at such address.

Provided, however, that failure to give any such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds.

SECTION 5.05. BONDS DUE AND PAYABLE ON REDEMPTION DATE; INTEREST CEASES TO ACCRUE. On or before the Business Day prior to the redemption date specified in the notice of redemption, an amount of money sufficient to redeem all Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption, shall be deposited with the Bond Trustee. If at the time of mailing of notice of any optional redemption the Obligor shall not have deposited with the Bond Trustee moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of moneys with the Bond Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited. On the redemption date the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit having been made in accordance with the provisions of this Article V, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any such Bonds. From and after such date of redemption (such notice having been given and such deposit having been made), the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the Issuer shall be under no further liability in respect thereof.

SECTION 5.06 CANCELLATION. All Bonds which have been redeemed shall be cancelled by the Bond Trustee and treated as provided in Section 2.10 hereof.

SECTION 5.07. PARTIAL REDEMPTION OF FULLY REGISTERED BONDS. Upon surrender of any fully registered Bond for redemption in part only, the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the owner thereof, at the expense of the Obligor, a new Bond or Bonds of the same maturity of Authorized Denominations in an Aggregate Principal Amount equal to the unredeemed portion of the Bond surrendered.

SECTION 5.08. EXTRAORDINARY OPTIONAL REDEMPTION. The Bonds shall be subject to optional redemption by the Issuer at the written direction of the Obligor prior to their scheduled maturities, in whole or in part at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date on any date following the occurrence of any of the following events:

(1) in case of damage or destruction to, or condemnation of, any property, plant, and equipment of any Obligated Group Member, to the extent that the net proceeds of insurance or condemnation award exceed the Threshold Amount and the Obligor has

determined not to use such net proceeds or award to repair, rebuild or replace such property, plant, and equipment; or

(2) as a result of any changes in the Constitution or laws of the State of Florida or of the United States of America or of any legislative, executive, or administrative action (whether state or federal) or of any final decree, judgment, or order of any court or administrative body (whether state or federal), the obligations of the Obligor under the Loan Agreement have become, as established by an Opinion of Counsel, void or unenforceable in each case in any material respect in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

ARTICLE VI INVESTMENTS

SECTION 6.01. INVESTMENT OF BOND FUND, PROJECT FUND AND RESERVE FUND MONEYS. Any moneys held as part of the Bond Fund, Project Fund or Reserve Fund shall be invested or reinvested by the Bond Trustee at the written request and direction of the Obligor (upon which the Bond Trustee is entitled to rely) in Permitted Investments, subject to the provisions of this Bond Indenture. All Permitted Investments shall be either subject to redemption at any time at a fixed value at the option of the owner thereof or shall mature or be marketable not later than the Business Day prior to the date on which the proceeds are expected to be expended. For the purpose of any investment or replacement under this Section, the Permitted Investments shall be deemed to mature at the earliest date on which the Obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligation. The Bond Trustee may make any and all investments permitted by the provisions of this Section through its trust department and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In order to comply with the directions of the Obligor, the Bond Trustee may sell, at the market price, or present for redemption, or may otherwise cause liquidation prior to their maturities, any of the obligations in which funds have been invested, and the Bond Trustee shall not be liable for any loss or penalty of any nature resulting therefrom. In order to avoid loss in the event of any need for funds, the Obligor may instruct the Bond Trustee, in lieu of a liquidation or redemption of investments in the fund or account needing funds, to exchange such investment for investments in another fund or account that may be liquidated at no, or at reduced, loss. The Bond Trustee shall be under no liability for interest on any moneys received hereunder unless specifically agreed to in writing. Notwithstanding anything to the contrary in this Section 6.01, (i) the Obligor shall not direct the Bond Trustee to purchase any Premium Security unless the written instructions of the Obligor to make such purchase set forth the amount of premium on such Premium Security, and (ii) the Obligor shall not direct the Bond Trustee to sell any Premium Security, unless prior to such sale, the Obligor has directed the Bond Trustee as to the amount of realized premium on such Premium Security to be transferred from the Funded Interest Account to the account in which such Premium Security was held.

Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities and without regard to ratings subcategories. The Bond Trustee shall have no responsibility to monitor the ratings of Investment Securities after the initial purchase of such Investment Securities.

SECTION 6.02. ALLOCATION AND TRANSFERS OF INVESTMENT INCOME. Any investments in any Fund shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the Fund from which the investment was made. Any loss resulting from such investments shall be charged to such

Fund. The Bond Trustee shall not be liable for any loss or penalty resulting from any such investment made in accordance with any permitted direction by an Obligor or for the Bonds becoming "arbitrage bonds" by reason of any such investment. Any interest or other gain from any fund from any investment or reinvestment pursuant to Section 6.01 hereof shall be allocated and transferred as follows:

(a) On a monthly basis the Bond Trustee shall furnish to the Obligor a full and complete statement of all receipts and disbursements of Permitted Investments in any Fund and Account covering such period.

(b) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Principal Account and the Interest Account of the Bond Fund shall be credited at least semiannually to the Interest Account unless a deficiency exists in the Reserve Fund, in which case such interest or other gain shall be paid into the Reserve Fund forthwith.

(c) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Reserve Fund shall be credited to the Reserve Fund if a deficiency exists therein at that time. If a deficiency does not exist in the Reserve Fund at that time, such interest or other gain on other amounts paid into the Reserve Fund shall be paid during the construction period for the Project for deposit into the Funded Interest Account of the Project Fund created in connection with the issuance of Bonds for the Project or if after the completion of such construction period, for deposit into the Interest Account of the Bond Fund, in each case at least semiannually.

The Bond Trustee shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in any fund is insufficient for the purposes of such fund.

SECTION 6.03. VALUATION OF PERMITTED INVESTMENTS.

Accounting and valuation of Permitted Investments in any Fund or Account will be performed as follows:

(a) On a monthly basis the Bond Trustee shall furnish to the Obligor a full and complete statement of all receipts and disbursements of Permitted Investments in any Fund and Account covering such period.

(b) The Bond Trustee shall also furnish on or before _____ of each year a statement of the assets contained in each Fund and Account. Assets will be valued at market value as _____ by the Bond Trustee in such statement in accordance with the normal valuation procedures of the Bond Trustee; provided, however, in the event monies are withdrawn from the Reserve Fund for a deficiency in the Principal Account or Interest Account pursuant to Section 3.10(b) hereof, assets in the Reserve Fund shall also

be valued as of the first Business Day after such transfer is made (such date and each _____ referred to as a "Valuation Date").

(c) If on any Valuation Date, the amount on deposit in the Reserve Fund is less than 90% of the Reserve Fund Requirement as a result of a decline in the market value of investments on deposit in the Reserve Fund, the Obligor shall deposit with the Bond Trustee an amount necessary to restore the Reserve Fund to the Reserve Fund Requirement within 120 days following the date on which the Obligor receives notice of such deficiency.

(d) If at any time, the amount on deposit in the Reserve Fund is less than 100% of the Reserve Fund Requirement as a result of a draw on such Reserve Fund, the Obligor shall deposit with the Bond Trustee an amount necessary to restore the Reserve Fund to the Reserve Fund Requirement in not more than 12 substantially equal monthly installments beginning on the first day of the seventh month after the month in which such draw occurred.

ARTICLE VII DISCHARGE OF BOND INDENTURE

SECTION 7.01. DISCHARGE OF THE BOND INDENTURE. If, when the Bonds secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Bond Indenture and the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable hereunder (including but not limited to the fees and expenses of the Bond Trustee and any Paying Agent, in accordance with Section 3.13 hereof), then the right, title and interest of the Bond Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the written request of the Issuer or of the Obligor, and upon receipt of an Opinion of Counsel to the effect that all conditions precedent herein provided relating to the satisfaction and discharge of this Bond Indenture have been complied with, the Bond Trustee shall execute such documents as may be reasonably required by the Issuer and shall turn over to the Obligor any surplus in the Cost of Issuance Fund, Bond Fund, Reserve Fund and Project Fund.

All Outstanding Bonds of any one or more series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section if (i) in case said Bonds are to be redeemed on any date prior to their maturity, the Obligor shall have given to the Bond Trustee in form satisfactory to it irrevocable written instructions to give on a date in accordance with the provisions of Section 5.04 hereof notice of redemption of such Bonds on said redemption date, such notice to be given in accordance with the provisions of Section 5.04 hereof, (ii) there shall have been deposited with the Bond Trustee (or another Paying Agent) either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer, or any other Person other than the holder thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Bond Trustee or any Paying Agent at the same time (including the Bond Fund and the Reserve Fund), shall be sufficient, in the opinion of an independent certified public accountant, to pay when due the principal of, premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event that said Bonds are not by their terms subject to redemption within the next 45 days, the Obligor shall have given the Bond Trustee in form satisfactory to it irrevocable written instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.04 hereof, a notice to the owners of such Bonds that the deposit required by subclause (ii) above has been made with the Bond Trustee (or

another depository) and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on said Bonds. Neither the Government Obligations nor moneys deposited with the Bond Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds; provided any such cash received from such principal or interest payments on such Government Obligations deposited with the Bond Trustee, if not then needed for such purpose, shall, at the written direction of the Obligor, either (1) be reinvested, to the extent practicable, in Government Obligations of the type described in clause (ii) of this paragraph maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, or (2) be used to pay principal and/or interest on the Bonds. At such time as any Bond shall be deemed paid as aforesaid, it shall no longer be secured by or entitled to the benefits of this Bond Indenture, except for the purpose of any payment from such moneys or Government Obligations deposited with the Bond Trustee and the purpose of transfer and exchange pursuant to Section 2.05 hereof.

The release of the obligations of the Issuer under this Section shall be without prejudice to the rights of the Bond Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable and necessary expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.

ARTICLE VIII DEFAULTS AND REMEDIES

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events occur, it is hereby defined as and shall be deemed an "Event of Default":

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption or as required by the sinking fund provisions hereof or otherwise.

(b) Default in the payment of any installment of interest on any Bond when the same shall become due and payable.

(c) Declaration under the Master Indenture that the principal of, and accrued interest on, any Obligation issued thereunder is immediately due and payable.

(d) Failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, which failure shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied, is given to the Issuer and the Obligor by the Bond Trustee or to the Issuer, the Obligor and to the Bond Trustee by the owners of not less than 25% in principal amount of the Bonds Outstanding; provided that such failure is the result of the failure of the Obligor to perform its obligations under the Loan Agreement.

SECTION 8.02. REMEDIES ON EVENTS OF DEFAULT. Upon the occurrence of an Event of Default, the Bond Trustee shall have the following rights and remedies:

(a) The Bond Trustee shall, in the event that the payment of the principal of and accrued interest on any Note has been declared due and payable immediately by the Master Trustee, by notice in writing given to the Issuer and the Obligor, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable. Upon any declaration of acceleration hereunder, the Bond Trustee shall give notice to the Bondholders in the same manner as a notice of redemption under Article V hereof, stating the date upon which the Note and the Bonds shall be payable.

The provisions of the preceding paragraph, however, are subject to the condition that if, after the payment of the principal of, and accrued interest on, the Note and the Bonds has been declared due and payable immediately, the declaration of the acceleration of the Note shall be annulled in accordance with the provisions of the Master Indenture,

the declaration of the acceleration of the Bonds shall be automatically annulled, and the Bond Trustee shall promptly give written notice of such annulment to the Issuer and the Obligor and notice to Bondholders in the same manner as a notice of redemption under Article V hereof; but no such annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon;

(b) The Bond Trustee may, by mandamus, or other suit, action or proceeding at law or in equity, enforce the rights of the Bondholders, and require the Issuer or the Obligor or both of them to carry out the agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act, the Loan Agreement and this Bond Indenture.

(c) The Bond Trustee may, by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Bondholders but any such judgment against the Issuer shall be enforceable only against the funds and accounts hereunder in the hands of the Bond Trustee.

(d) The Bond Trustee may, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(e) The Bond Trustee may, upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate upon a showing of good cause with such powers as the court making such appointment may confer.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

If any Event of Default shall have occurred and if requested by the owners of at least 25% in Aggregate Principal Amount of Bonds then Outstanding and indemnified as provided in Section 9.01(m) hereof (except the remedy under Section 8.02(a) above, for which no indemnity may be required), the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as it, being advised by counsel, shall deem most expedient in the interests of such Bondholders. In the event the Bond Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of owners of Outstanding Bonds, each representing less than a majority of the aggregate principal amount of the Outstanding Bonds, the Bond Trustee, in its sole discretion, may determine what action, if any, shall be taken.

SECTION 8.03. MAJORITY OF BONDHOLDERS MAY CONTROL PROCEEDINGS. Anything in this Bond Indenture to the contrary notwithstanding the owners of at least a majority in Aggregate Principal Amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an

instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method, and place of conducting all proceedings, to be taken in connection with the enforcement of the terms and conditions of this Bond Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions hereof and provided, further, that notwithstanding anything to the contrary in this Bond Indenture, the Issuer shall have the sole ability to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of Section 4.10 of the Loan Agreement. The Bond Trustee shall not be required to act on any direction given to it pursuant to this Section until indemnity as set forth in Section 9.01(m) hereof is provided to it by such Bondholders.

SECTION 8.04. RIGHTS AND REMEDIES OF BONDHOLDERS. No owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of this Bond Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other applicable remedy hereunder, unless a default has occurred of which the Bond Trustee has been notified as provided in Section 9.01 hereof, or of which by said Section it is deemed to have notice, nor unless such default shall have become an Event of Default and the owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have made written request to the Bond Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in their own names, nor unless they have also offered to the Bond Trustee indemnity as provided in Section 9.01(m) hereof, nor unless the Bond Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are hereby declared in every case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of this Bond Indenture, and to any action or cause of action for the enforcement of this Bond Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more owners of the Bonds shall have the right in any manner whatsoever to affect, disturb, or prejudice the lien of this Bond Indenture by his, her, its, or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the owners of all Bonds then Outstanding. Nothing in this Bond Indenture contained shall, however, affect or impair the right of any owner of Bonds to enforce the payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner herein, and in the Bonds expressed.

SECTION 8.05. APPLICATION OF MONEYS. (a) Subject to the provisions of subparagraph (c) hereof, all moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses (including reasonable attorney fees) of the proceedings resulting in the collection of such moneys and the expenses, liabilities, and advances incurred or made by the Bond Trustee, be deposited into the Bond Fund, and all moneys so deposited into the Bond Fund and all moneys held in or deposited into the Bond Fund during the continuance of an Event of Default and available for payment of the Bonds under the provisions of Section 3.04 hereof shall (after payment of the fees and expenses of the Bond Trustee and the Issuer) be applied as follows:

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

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

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due at the rate of interest borne by such Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds (together with interest on overdue installments of principal at the rate of interest borne by each Bond), without preference or priority of principal over interest, any other installment of interest, or of any Bond over any other Bond, or of any series of Bonds over any other series of Bonds ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (ii)

of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of the foregoing paragraph (i) of this Section.

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

(c) Notwithstanding the foregoing, any moneys transferred into any Account of the Bond Fund from the Reserve Fund shall be held by the Bond Trustee separate and apart from any other moneys in such Account of the Bond Fund.

(d) Whenever all of the Bonds and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Bond Trustee and the Paying Agents and all Administration Expenses have been paid, any balance remaining in any funds shall be paid to the Obligor as provided in Section 3.15 hereof.

SECTION 8.06. BOND TRUSTEE MAY ENFORCE RIGHTS WITHOUT BONDS. All rights of action and claims under this Bond Indenture or any of the Bonds Outstanding hereunder may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Bond Trustee shall be brought in its name as Bond Trustee, without the necessity of joining as plaintiffs or defendants any owners of the Bonds and any recovery of judgment shall be for the ratable benefit of the owners of the Bonds, subject to the provisions of this Bond Indenture.

SECTION 8.07. BOND TRUSTEE TO FILE PROOFS OF CLAIM IN RECEIVERSHIP, ETC. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceedings affecting the Obligor, the Bond Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Bond Trustee and of the Bondholders allowed in such proceedings for the entire amount due and payable by the Issuer under this Bond Indenture or by the Obligor at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without

prejudice, however, to the right of any Bondholder to file a claim in his, her or its own behalf.

No provision of this Bond Indenture empowers the Bond Trustee to authorize, consent to, accept or adopt on behalf of any Bondholder any plan or reorganization, arrangement, adjustment or composition affecting any of the rights of any Bondholders, or authorizes the Bond Trustee to vote in respect of the claim in any proceeding described in this Section.

In the event the Bond Trustee incurs expenses or renders services in any proceedings affecting the Obligor and described in this Section, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

SECTION 8.08. DELAY OR OMISSION NO WAIVER. No delay or omission of the Bond Trustee or of any Bondholder to exercise any right or power accruing upon any default or Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every power and remedy given by this Bond Indenture may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.09. DISCONTINUANCE OF PROCEEDINGS ON DEFAULT, POSITION OF PARTIES RESTORED. In case the Bond Trustee shall have proceeded to enforce any right under this Bond Indenture, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee, then and in every such case the Issuer and the Bond Trustee shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies, and powers of the Bond Trustee shall continue as if no such proceedings had been taken.

SECTION 8.10. ENFORCEMENT OF RIGHTS. The Bond Trustee, as pledgee and assignee for security purposes of all the right, title, and interest of the Issuer in and to the Loan Agreement (except those rights of the Issuer under Section 5.7, 7.5, and 9.5 thereof) and the Note shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article VIII, be the sole real party in interest in respect of, and shall have standing, exclusive of owners of Bonds to enforce each and every right granted to the Issuer under the Loan Agreement and under the Note. The Issuer and the Bond Trustee hereby agree, without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Issuer in and to the Note and the Loan Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of this Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Issuer or its default hereunder or on the Bonds. Subject to Section 9.01 hereof, in exercising such

right and the rights given the Bond Trustee under this Article VIII, the Bond Trustee shall take such action as, in the judgment of the Bond Trustee, would best serve the interests of the Bondholders, taking into account the provisions of the Master Indenture, together with the security and remedies afforded to owners of the Note.

SECTION 8.11. UNDERTAKING FOR COSTS. All parties to this Bond Indenture agree, and each Bondholder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Bond Indenture, or in any suit against the Bond Trustee for any action taken or omitted by it as Bond Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Bond Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding in aggregate more than 10% in principal amount of the Outstanding Bonds, or to any suit instituted by a Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the respective maturities thereof expressed in such Bond (or, in the case of redemption, on or after the redemption date).

SECTION 8.12. WAIVER OF EVENTS OF DEFAULT. The Bond Trustee may in its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that the Bond Trustee may not waive an Event of Default described in subparagraph (a) of Section 8.01 hereof without the written consent of the Registered Owners of all Bonds then Outstanding; and provided, further, that notwithstanding anything to the contrary in this Bond Indenture, the Issuer shall have the sole ability to waive any Event of Default in connection with the covenants and obligations of the Obligor under Section 4.10 of the Loan Agreement.

ARTICLE IX
CONCERNING THE BOND TRUSTEE AND PAYING AGENTS

SECTION 9.01. DUTIES OF THE BOND TRUSTEE. The Bond Trustee hereby accepts the trust imposed upon it by this Bond Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee:

(a) The Bond Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Bond Indenture. In case an Event of Default has occurred (which has not been cured) the Bond Trustee shall exercise such of the rights and powers vested in it by this Bond Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Bond Trustee may execute any of the trusts or powers hereof and perform any of its duties hereunder, either directly or by or through attorneys, agents, receivers, or employees, and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any receiver, agent or attorney appointed with due care by it hereunder, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trust hereof. The Bond Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Bond Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication by the Bond Trustee endorsed on the Bonds and the acceptance of the trusts hereunder).

(d) The Bond Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder or the proceeds thereof, or for any moneys disbursed by the Bond Trustee in accordance with this Bond Indenture. The Bond Trustee makes no representations as to the validity or sufficiency of this Bond Indenture or the Bonds. The Bond Trustee is not a party to, is not responsible for, and makes no representations with respect to matters set forth in any preliminary or final official statement, or similar document prepared and distributed in connection with the sale of the Bonds. The Bond Trustee may become the owner of the Bonds with the same rights which it would have if not Bond Trustee.

(e) The Bond Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, teletransmission or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any request or direction of the Issuer or the Obligor mentioned herein shall be sufficiently evidenced by a written request, order, or consent signed in the name of the Issuer or Obligor, by the Issuer Representative, or Obligor, as the case may be. Any action taken by the Bond Trustee pursuant to this Bond Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

(f) As to the existence or nonexistence of any fact or matter or as to the sufficiency or validity of any instrument, paper, or proceeding, the Bond Trustee shall be entitled to rely and shall be protected in acting or refraining to act upon a certificate signed on behalf of the Issuer or the Obligor by the Issuer Representative or Obligor or such other person as may be designated for such purpose as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Bond Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty (except as otherwise herein provided) and the Bond Trustee shall not be answerable for other than its own negligence or willful misconduct, except that:

(1) the Bond Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts;

(2) the Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bondholders of at least a majority in Aggregate Principal Amount of the Outstanding Bonds relating to the time, method, and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee, under this Bond Indenture; and

(3) the Bond Trustee shall not be liable if the Bond Trustee reasonably relies in good faith upon an Officer's Certificate delivered pursuant to this Bond Indenture or an Opinion of Counsel.

(h) The Bond Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Issuer to cause to be made any of the payments to the Bond Trustee required to be made by Article III hereof unless the Bond Trustee shall be specifically notified in writing of such default by the Issuer or by the owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding and all notices or other instruments required by this Bond Indenture to be delivered to the Bond Trustee, must, in order to be effective, be delivered to a Responsible Officer at the designated corporate trust office of the Bond Trustee, and in the absence of such notice so delivered, the Bond Trustee may conclusively assume there is no default except as aforesaid.

(i) All moneys received by the Bond Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received, but need not be segregated from other funds except to the extent required by this Bond Indenture or law.

(j) At any and all reasonable times the Bond Trustee and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right, but shall not be required, to inspect the Project, including all books, papers, and records of the Issuer and the Obligor pertaining to the Project and the Bonds.

(k) The Bond Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises, and no provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, without regard to whether it shall have grounds for believing that repayment of such funds or indemnity satisfactory against such risk or liability is not assured to it.

(l) Notwithstanding anything in this Bond Indenture contained, the Bond Trustee shall have the right, but shall not be required, to demand in respect of the authentication of any Bonds, the withdrawal of any cash, or any action whatsoever within the purview of this Bond Indenture, any showings, certificates, opinion, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Bond Trustee deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Bond Trustee.

(m) Before taking any action under this Section or Article VIII hereof, the Bond Trustee may require that indemnity reasonably satisfactory to it be furnished to it for the reimbursement of its reasonable fees, costs, liabilities and all expenses (including attorneys fees) which it may incur and to protect it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

(n) Except as provided in Section 9.01(a) above, it shall not be the duty of the Bond Trustee, except as expressly provided herein, to see that any duties or obligations imposed herein or in the Loan Agreement upon the Issuer, the Obligor, or other Persons are performed, and the Bond Trustee shall not be liable or responsible because of the failure of the Issuer, the Obligor, or other Persons to perform any act required of them pursuant to the terms of this Bond Indenture.

(o) In acting or omitting to act pursuant to the provisions of the Loan Agreement, the Bond Trustee shall be entitled to and be protected by the rights and immunities accorded to it by the terms of this Bond Indenture.

(p) In the event the Bond Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, the Bond Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(q) The Bond Trustee's immunities and protections from liability in connection with the performance of its duties under this Bond Indenture shall extend to the Bond Trustee's officers, directors, agents and employees. Such immunities and protections, together with the Bond Trustee's right to compensation, shall survive the Bond Trustee's resignation or removal and final payment of the Bonds.

(r) The Bond Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Bond Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Bond Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(s) Notwithstanding the effective date of this Bond Indenture or anything to the contrary in this Bond Indenture, the Bond Trustee shall have no liability or responsibility for any act or event relating to this Bond Indenture which occurs prior to the date the Bond Trustee formally executes this Bond Indenture and commences acting as Bond Trustee hereunder.

(t) The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty.

SECTION 9.02. FEES AND EXPENSES OF BOND TRUSTEE AND PAYING AGENT. The Issuer agrees, but solely from any funds received from the Obligor pursuant to the Loan Agreement,

(a) to pay to the Bond Trustee, each Paying Agent and all other agents their reasonable and necessary fees for services rendered hereunder as and when the same become due and all expenses (including attorneys fees) reasonably and necessarily made or incurred by the Bond Trustee, such Paying Agent or such other agent in connection with such services as and when the same become due as provided in Section 3.13 hereof; and

(b) to reimburse the Bond Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bond Trustee in accordance with any provisions of this Bond Indenture (including the reasonable compensation, expenses, and disbursements of its agents and counsel), except any such expense, disbursement, or advance as may be attributable to the negligence or bad faith of the Bond Trustee.

As security for the performance of the obligations of the Issuer under this Section, the Bond Trustee shall be secured under this Bond Indenture by a lien subject and subordinate to the Bonds, in the case of money held for the credit of the Project Fund or the Reserve Fund, and otherwise prior to the Bonds, and for the payment of the expenses and reimbursements due hereunder, the Bond Trustee shall have the right to use and apply any trust funds held by it hereunder, unless held or required to be held in the Rebate Fund.

SECTION 9.03. RESIGNATION OR REPLACEMENT OF BOND TRUSTEE. The present or any future Bond Trustee may resign by giving to the Issuer, the Obligor and each Bondholder thirty days' notice of such resignation. Such resignation shall not be effective until such time as a successor Bond Trustee shall have accepted its appointment. The present or any future Bond Trustee may be removed (a) at any time by an instrument in writing executed by the owners of at least a majority in Aggregate Principal Amount of Bonds Outstanding, or (b) if an Event of Default hereunder has not occurred and is continuing, by an instrument in writing executed by the Obligor.

In case the present or any future Bond Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such Bondholders, or their attorneys in fact duly appointed; provided that the Issuer may, by an instrument executed by order of the Governing Body, appoint a successor until a new successor shall be appointed by the Bondholders as herein authorized. The Issuer upon making such appointment shall forthwith give notice thereof to each Bondholder and to the Obligor, which notice may be given concurrently with the notice of resignation given by any resigning Bond Trustee.

Any successor so appointed by the Issuer shall immediately and without further act be superseded by a successor appointed in the manner above provided by the owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding. In the event that the Issuer does not so act within thirty days after notice of resignation, the Bond Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor Bond Trustee.

Every successor Bond Trustee shall always be a bank, banking corporation or trust company duly organized under the laws of the United States of America or any state or territory thereof, with trust powers in good standing, qualified to act hereunder, and having a combined capital and surplus of not less than \$50,000,000. Any successor appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the predecessor Bond Trustee an instrument accepting such appointment hereunder and thereupon such successor shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its predecessor in the trust hereunder with like effect as if originally named as Bond Trustee herein; but the Bond Trustee retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers, and trusts of the predecessor, who shall, upon payment of the expenses, charges and other disbursements which are due and owing to it pursuant to Sections 3.13 and 9.02 hereof, duly assign, transfer and deliver to the successor all properties and moneys held by it under this Bond Indenture. Should any instrument in writing from the Issuer be required by any successor for more fully and certainly vesting in and confirming to it all of such estates, properties, rights, powers, and trusts, the Issuer shall, on request of such successor, make, execute, acknowledge, and deliver the deeds, conveyances, and necessary instruments in writing.

The notices herein provided for shall be given by mailing a copy thereof to the Obligor and the Registered Owners of the Bonds at their addresses as the same shall last appear on the registration books. The instruments evidencing the resignation or removal of the Bond Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor Bond Trustee in each recording office where this Bond Indenture shall have been filed and/or recorded.

SECTION 9.04. CONVERSION, CONSOLIDATION OR MERGER OF BOND TRUSTEE. Any bank, banking corporation or trust company into which the Bond Trustee merges or is consolidated, or to which it (or a receiver on its behalf) may sell or transfer its corporate trust business as a whole, or substantially as a whole, shall be the successor of the Bond Trustee under this Bond Indenture with the same rights, powers, duties, and obligations and subject to the same restrictions, limitations, and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary

notwithstanding. In case any of the Bonds to be issued hereunder shall have authenticated, but not delivered, any successor Bond Trustee may adopt the certificate of any predecessor Bond Trustee, and deliver the same as authenticated; and, in case any of such Bonds shall not have been authenticated, any successor Bond Trustee may authenticate such Bonds in the name of such successor Bond Trustee.

SECTION 9.05. DESIGNATION AND SUCCESSION OF PAYING AGENT. The Bond Trustee and any other banks or trust companies, if any, designated as Paying Agent or Paying Agents in any supplemental indenture shall be the Paying Agent or Paying Agents for the Bonds.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Bond Indenture. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within thirty days thereafter, appoint such bank or trust company as shall be specified by the Obligor and located in the same city as such Paying Agent to fill such vacancy; provided, however, that if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Trustee shall make such appointment.

The Paying Agents, if any, shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in Section 9.01 hereof with respect to the Bond Trustee insofar as such provisions may be applicable.

ARTICLE X
SUPPLEMENTAL INDENTURES AND AMENDMENTS TO THE LOAN
AGREEMENT

SECTION 10.01. SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer and the Bond Trustee may, without the consent of, or notice to, the Bondholders, enter into such indentures or agreements supplemental hereto (which supplemental indentures or agreements shall thereafter form a part hereof) for any one or more or all of the following purposes:

(a) To add to the covenants and agreements in this Bond Indenture contained other covenants and agreements thereafter to be observed for the protection or benefit of the Bondholders.

(b) To cure any ambiguity, or to cure, correct, or supplement any defect or inconsistent provision contained in this Bond Indenture, or to make any provisions with respect to matters arising under this Bond Indenture or for any other purpose if such provisions are necessary or desirable and do not, in the judgment of the Bond Trustee, adversely affect the interests of the owners of Bonds.

(c) To subject to this Bond Indenture additional revenues, properties, or collateral.

(d) To qualify this Bond Indenture under the Trust Indenture Act of 1939, if such be hereafter required in the Opinion of Counsel.

(e) To satisfy any requirements imposed by a Rating Agency if necessary to maintain the then current rating on the Bonds.

(f) To maintain the extent to which the interest on the Bonds is not includable in the gross income of the recipients thereof, if in the Opinion of Bond Counsel such supplemental indenture or agreement is necessary.

SECTION 10.02. SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS. Exclusive of supplemental indentures covered by Section 10.01 hereof, the owners of not less than a majority in Aggregate Principal Amount of the Bonds then Outstanding affected thereby shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Bond Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Bond Indenture; provided, however, that without the consent of the owners of all the Bonds at the time Outstanding nothing herein contained shall permit, or be construed as permitting any of the following:

(a) An extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond.

(b) The deprivation of the owner of any Bond then Outstanding of the lien created by this Bond Indenture (other than as originally permitted hereby).

(c) A privilege or priority of any Bond or Bonds, over any other Bond.

(d) A reduction in the Aggregate Principal Amount of the Bonds required for consent to any supplemental bond indenture.

Upon the execution of any supplemental bond indenture pursuant to the provisions of this Section, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Bond Indenture of the Issuer, the Bond Trustee and all owners of Bonds then Outstanding shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such modifications and amendments.

If at any time the Issuer shall request the Bond Trustee to enter into such supplemental bond indenture for any of the purposes of this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to costs, fees and expenses (including attorneys fees), cause notice of the proposed execution of such supplemental indenture to be mailed to the Registered Owners of the Bonds at their addresses as the same last appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental bond indenture and shall state that copies thereof are on file at the designated office of the Bond Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the owners of not less than a majority in Aggregate Principal Amount of the Bonds Outstanding at the time of the execution of any such supplemental bond indenture shall have consented to and approved the execution thereof as herein provided, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

SECTION 10.03. EXECUTION OF SUPPLEMENTAL INDENTURE. The Bond Trustee is authorized to join with the Issuer in the execution of any such supplemental bond indenture and to make further agreements and stipulations which may be contained therein, but the Bond Trustee shall not be obligated to enter into any such supplemental bond indenture which affects its rights, duties, or immunities under this Bond Indenture. The Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution and delivery of a supplemental bond indenture is authorized or permitted by this Bond Indenture and

has been effected in compliance with the provisions hereof. In connection with a supplemental bond indenture entered into pursuant to Section 10.01(b) hereof, the Bond Trustee may in its discretion determine whether or not in accordance with such provision the Bondholders would be affected by modification or amendment of this Bond Indenture, and any such determination shall be binding and conclusive upon the Issuer, the Obligor, and Bondholders. The Bond Trustee may receive an Opinion of Counsel as conclusive evidence as to whether the Bondholders would be so affected by any such modification or amendment to this Bond Indenture.

Any supplemental bond indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Bond Indenture; and all the terms and conditions contained in any such supplemental bond indenture as to any provision authorized to be contained therein shall be deemed to be part of this Bond Indenture for any and all purposes. In case of the execution and delivery of any supplemental bond indenture, express reference may be made thereto in the text of the Bonds issued thereafter, if any, if deemed necessary or desirable by the Bond Trustee.

SECTION 10.04. CONSENT OF OBLIGOR. Anything herein to the contrary notwithstanding, a supplemental bond indenture under this Article shall not become effective unless and until the Obligor shall have consented in writing to the execution and delivery of such supplemental bond indenture unless the Obligor is in default under the Loan Agreement or an Event of Default described under Section 8.01(a), (b) or (c) hereunder has occurred and is continuing, in which case no consent of the Obligor shall be required. The Bond Trustee shall cause notice of the proposed execution of any supplemental indenture together with a copy of the proposed supplemental bond indenture to be mailed to the Obligor at least fifteen days prior to the proposed date of execution of such supplemental bond indenture.

SECTION 10.05. AMENDMENTS, ETC., OF THE LOAN AGREEMENT NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer and the Bond Trustee shall, without the consent of or notice to the Bondholders, consent to any amendment, change, or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement and this Bond Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) to satisfy any requirements imposed by a Rating Agency if necessary to maintain the then current rating on the Bonds, (d) to maintain the extent to which the interest on the Bonds is not includable in the gross income of the recipients thereof, if in the Opinion of Bond Counsel such amendment is necessary, and (e) in connection with any other change therein which does not adversely affect the Bond Trustee or the owners of the Bonds.

SECTION 10.06. AMENDMENTS, ETC., OF THE LOAN AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. Except for the amendments, changes, or modifications as provided in Section 10.05 hereof, neither the Issuer nor the Bond Trustee shall consent to any other amendment, change, or modification of the Loan

Agreement without the giving of notice to and the written approval or consent of the owners of not less than a majority in Aggregate Principal Amount of the Bonds at the time Outstanding given and procured as provided in Section 10.02 hereof. If at any time the Issuer and the Obligor shall request the consent of the Bond Trustee to any such proposed amendment, change, or modification of the Loan Agreement, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Bond Trustee for inspection by all Bondholders.

In executing any amendment, change or modification of the Loan Agreement, the Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution and delivery of such amendment, change, modification of the Loan Agreement is authorized or permitted by this Bond Indenture and the Loan Agreement and has been effected in compliance with the provisions of this Bond Indenture and the Loan Agreement. The Bond Trustee may, but shall not be obligated to, enter into any such amendment, change, or modification which affects the Bond Trustee's own rights, duties or immunities. In connection with any amendment, change or modification in connection with Section 10.05(e), the Bond Trustee may in its discretion determine whether or not in accordance with such provision the Bond Trustee or the Bondholders would be prejudiced by such amendment, change, modification. Any such determination shall be binding and conclusive on the Issuer, the Obligor, and the Bondholders. The Bond Trustee may receive an Opinion of Counsel as conclusive evidence as to whether the Bondholders would be so affected by any such amendment, change, or modification of the Loan Agreement.

ARTICLE XI MISCELLANEOUS

SECTION 11.01. EVIDENCE OF SIGNATURE OF BONDHOLDERS AND OWNERSHIP OF BONDS. Any request, consent, or other instrument which this Bond Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or of the ownership of Bonds shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Bond Trustee may, nevertheless, in its discretion, require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(b) The ownership of any fully registered Bond and the amount and numbers of such Bonds and the date of holding the same shall be proved by the registration books of the Issuer kept by the Bond Trustee.

Any request or consent of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer or the Bond Trustee in accordance therewith.

SECTION 11.02. NO PERSONAL LIABILITY. No recourse under or upon any obligation, covenant or agreement contained in this Bond Indenture, or in any Bond hereby secured, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Bond Indenture, shall be had against any elected official, officer, director, agent or employee, as such, past, present or future, of any of the Issuer, the Bond Trustee, or Duval County, Florida, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond issued hereunder or otherwise of any sum that may be due and unpaid by the Issuer upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such person to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Issuer or any receiver thereof or for or to the holder of any Bond issued hereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds hereby secured or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Bond Indenture and the issue of such Bonds.

SECTION 11.03. LIMITED OBLIGATION. The Issuer, Duval County, Florida, or any political subdivision thereof, except the Issuer to the extent set forth herein, shall in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds issued hereunder. The Bonds are limited obligations of the Issuer payable solely from the revenues, receipts and resources of the Issuer pledged to their payment and not from any other revenues, funds or assets of the Issuer. None of the Bonds of the Issuer issued hereunder shall be construed or constitute an indebtedness of the Issuer or an indebtedness or obligation (special, moral or general) of the Issuer, Duval County, Florida, or any political subdivision thereof, except the Issuer to the extent set forth herein, within the meaning of any constitutional or statutory provision whatsoever.

SECTION 11.04. PARTIES INTERESTED HEREIN. With the exception of rights herein expressly conferred on the Obligor, nothing in this Bond Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Issuer, the Bond Trustee, the Paying Agents, and the owners of the Bonds, any right, remedy, or claim under or by reason of this Bond Indenture, and any covenants, stipulations, promises, and agreements in this Bond Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Bond Trustee and the owners of the Bonds.

SECTION 11.05. TITLES, HEADINGS, ETC. The titles and headings of the articles, sections, and subdivisions of this Bond Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 11.06. SEVERABILITY. In the event any provision of this Bond Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.07. GOVERNING LAW. This Bond Indenture shall be governed and construed in accordance with the laws of the State of Florida.

SECTION 11.08. EXECUTION OF COUNTERPARTS. This Bond Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 11.09. CONSEQUENTIAL/PUNITIVE DAMAGES. Anything in this Bond Indenture to the contrary notwithstanding, in no event shall the Bond Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Bond Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 11.10. WAIVER OF JURY TRIAL. Each party hereto hereby agrees not to elect a trial by jury of any issue triable of right by jury, and waives any right

to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Bond Indenture, or any claim, counterclaim or other action arising in connection herewith. This waiver of right to trial by jury is given knowingly and voluntarily by each party, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue.

SECTION 11.11. NO LIABILITY OF BOND TRUSTEE'S OFFICERS. No recourse under or upon any obligation, covenant, or agreement contained in this Bond Indenture, or in the Bonds, or for any claim based thereon, or under any judgment obtained against the Bond Trustee, or by the enforcement of any assessment or penalty or otherwise or by any legal or equitable proceeding by virtue of any constitution, rule of law or equity, or statute or otherwise or under any other circumstances, under or independent of this Bond Indenture, shall be had against any incorporator, member, or officer, as such, past, present, or future of the Bond Trustee, or any incorporator, member, or officer of any successor corporation, as such, either directly or through the Bond Trustee, or any successor corporation, or otherwise, for the payment for or to the Bond Trustee as trustee hereunder or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, or officer, as such, to respond by reason of any act or omission on his part, on the part of the Bond Trustee, or otherwise, for or to the Bond Trustee as trustee hereunder or otherwise, of any sum that may remain due and unpaid hereunder, is hereby expressly waived and released as a condition of and in consideration for the execution of this Bond Indenture

SECTION 11.12. NOTICES. Any notice, request or other communication under this Loan Agreement shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

(a) The date of notice by facsimile, electronic mail or similar communications, which is confirmed promptly in writing;

(b) Three Business Days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail;

(c) The date of the receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the parties shall be as follows:

To the Issuer: City of Atlantic Beach, Florida
800 Seminole Road
Atlantic Beach, Florida 32233-5445
Attn: City Manager
Telephone: (904) 247-5809
Telecopier: (904) 247-5805

To the Obligor: Naval Continuing Care Retirement
Foundation, Inc.
1 Fleet Landing Boulevard
Atlantic Beach, Florida 32233
Attn: Chief Executive Officer
Telephone: (904) 246-9900
Telecopier: (904) 246-9447

To the Bond Trustee: U.S. Bank National Association
225 Water Street, Suite 700
Jacksonville, Florida 32202
Attention: Stephanie Moore
Telephone: (904) 358-5363
Telecopier: (904) 358-5374

Notwithstanding the foregoing, notices to the Bond Trustee shall be effective only upon receipt.

SECTION 11.13. PAYMENTS DUE ON HOLIDAYS. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Bond Indenture, shall be a legal holiday or a day on which banking institutions in Jacksonville, Florida, are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed with the same force and effect as if done on the nominal date provided in this Bond Indenture.

IN WITNESS WHEREOF, CITY OF ATLANTIC BEACH, FLORIDA has caused this Bond Indenture to be executed on its behalf by its Chairman, and U.S. BANK NATIONAL ASSOCIATION has caused this Bond Indenture to be executed on its behalf by its duly authorized officer to evidence its acceptance of the trusts hereby created, all as of the date first above written.

CITY OF ATLANTIC BEACH, FLORIDA

By: _____
Mayor

U.S. BANK NATIONAL ASSOCIATION, as
Bond Trustee

By: _____
Vice President

EXHIBIT B
LOAN AGREEMENT

LOAN AGREEMENT

by and among

CITY OF ATLANTIC BEACH, FLORIDA

and

NAVAL CONTINUING CARE RETIREMENT FOUNDATION, INC.

Dated as of April 1, 2013

**RELATING TO
CITY OF ATLANTIC BEACH, FLORIDA
HEALTH CARE FACILITIES REVENUE AND REFUNDING BONDS
(FLEET LANDING PROJECT),
SERIES 2013A**

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LOAN AGREEMENT

THIS LOAN AGREEMENT is dated as of April 1, 2013 (the "Loan Agreement"), between CITY OF ATLANTIC BEACH, a municipality duly organized and existing under the laws of the State of Florida (the "Issuer"), and the NAVAL CONTINUING CARE RETIREMENT FOUNDATION, INC., a nonprofit corporation duly organized and validly existing under the laws of the State of Florida (the "Obligor"),

WITNESSETH:

WHEREAS, pursuant to the provisions of the Act, the Issuer has determined to issue, sell and deliver its Bonds and to loan the proceeds derived from the sale thereof to the Obligor for the purpose of (i) financing all or a portion of the cost of the Project, (ii) refunding the Refunded Bonds, (iii) funding a debt service reserve fund and (ii) paying a portion of the costs of issuance of the Bonds; and

WHEREAS, the Obligor and the Issuer each have full right and lawful authority to enter into this Loan Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. DEFINITIONS. Except as otherwise provided herein, the terms used in this Loan Agreement shall have the meanings given such terms in the Master Indenture (as defined below). In addition to such terms defined in the Master Indenture, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below.

"Account" means any account established within a Fund.

"Act" means Part II, Chapter 159, Florida Statutes, and other applicable provisions of law.

"Administration Expenses" means the reasonable and necessary fees and expenses incurred by the Issuer pursuant to this Loan Agreement and the Bond Indenture.

"Aggregate Principal Amount" means the outstanding principal amount including, in the case of a security sold at a discount to the purchaser thereof the accreted value of such discount calculated in accordance with the documents authorizing such security, or if not so defined, generally accepted accounting principles.

"Authorized Denominations" means the denomination of \$5,000 or any integral multiple thereof.

"Bond Fund" means the Bond Fund created in Section 3.02 of the Bond Indenture.

"Bond Indenture" means the Indenture of Trust of even date herewith relating to the Bonds between the Issuer and the Bond Trustee, including any indentures supplemental thereto made in conformity therewith.

"Bondholder" or **"Owner"** of the Bonds mean the registered owner of any fully registered Bond.

"Bonds" means the City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A issued pursuant to the Bond Indenture.

"Bond Trustee" means U.S. Bank National Association, being the registrar, a paying agent and the trustee under the Bond Indenture, or any successor corporate trustee.

"Claims" shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action,

counter claim, cross action or impleader) any Indemnified Party, even if groundless, false, or fraudulent, so long as the claim, lawsuit, cause of action or other legal action or proceeding is alleged or determined, directly or indirectly, to arise out of, to result from, to relate to or to be based upon, in whole or in part: (a) the issuance of the Bonds, (b) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the issuance of the Bonds, or the obligations of the various parties arising under the Bond Indenture, this Loan Agreement or the Master Indenture, or (c) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof.

"Completion Certificate" means a certificate of the Obligor delivered pursuant to Section 4.2(b) hereof.

"Continuing Disclosure Agreement" means (i) with respect to the Bonds, the Continuing Disclosure Agreement between the Obligor and the Bond Trustee, as dissemination agent, dated the Delivery Date of the Bonds, and (ii) with respect to any other series of Bonds, the continuing disclosure certificate or agreement delivered by the Obligor in connection with the issuance of such series of Bonds in order to comply with the provisions of Rule 15c2-12 of the Securities Exchange Act of 1934.

"Cost" or "Costs" as applied to a Project means and includes any and all costs permitted by the Code and the Act.

"Cost of Issuance" means (a) with respect to any tax exempt Bonds all costs that are treated as issuance costs within the meaning of Section 1.150-1(b) of the Code, and (b) with respect to any Bonds, all costs associated with the issuance of such Bonds including, but not limited to, (i) underwriter's spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public); (ii) counsel fees (including Bond Counsel, underwriter's counsel, Issuer's counsel, Bond Trustee's counsel and Obligor's counsel fees that relate to the issuance of the Bonds, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds); (iii) financial advisory fees incurred in connection with the issuance of the Bonds; (iv) Rating Agency fees; (v) Bond Trustee fees incurred in connection with the issuance of the Bonds; (vi) Paying Agent and certifying registrar and authenticating agent fees related to issuance of the Bonds; (vii) accountant fees related to the issuance of the Bonds; (viii) printing costs of the Bonds and of the preliminary and final offering materials; (ix) publication costs associated with the financing proceedings; (x) any fees paid to the Issuer; and (xi) costs of engineering and feasibility studies necessary to the issuance of the Bonds; provided, that bond insurance premiums and certain credit enhancement fees, to the extent treated as interest expense under the Code, shall not be treated as "Costs of Issuance" in connection with the issuance of tax exempt Bonds.

"Cost of Issuance Fund" means the cost of issuance fund created under Section 3.17 of the Bond Indenture.

"Delivery Date" means the date the Bonds are delivered to the initial purchasers against payment therefor.

"Event of Default" means those defaults specified in Section 8.01 of the Bond Indenture.

"Facilities" means the continuing care retirement facilities known as "Fleet Landing" which are located at One Fleet Landing Boulevard in Atlantic Beach, Florida and all land, buildings, structures, improvements, equipment, fixtures, machinery, furniture, furnishings and other real and personal property located thereon and all land, buildings, structures, improvements, equipment, fixtures, machinery, furniture, furnishings and other real and personal property now or hereafter attached to, or located in, or used in connection with, any such land, buildings, structures or improvements and all additions thereto, substitutions therefor and replacements thereof, whether now owned or hereafter acquired by the Borrower.

"Funds" means the Cost of Issuance Fund, Bond Fund, the Reserve Fund, Rebate Fund and the Project Fund.

"Indemnified Party" shall mean the Issuer and any of its respective officers, directors, members, officials, consultants, agents, servants and employees, and any successor to any of such Persons.

"Indemnified Persons" means the Indemnified Parties and the Bond Trustee.

"Interest Account" means the account of such name in the Bond Fund created in Section 3.02 of the Bond Indenture.

"Interest Payment Date" means each _____ and _____, commencing _____, 20[13], or, if such day is not a Business Day, the immediately succeeding business day in the years during which the Bonds are Outstanding under the provisions of the Bond Indenture.

"Issuer" means City of Atlantic Beach, Florida, or any public corporation succeeding to its rights and obligations under this Loan Agreement.

"Issuer Representative" means the Chairman of the Issuer or such other person at the time, and from time to time, designated by written certificate of the Issuer furnished to the Obligor and the Bond Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Chairman. Such certificate shall designate an alternate or alternates, any of whom may act at any time as Issuer Representative.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto made in conformity herewith and with the Bond Indenture.

"Losses" means losses, costs, damages, expenses, judgments, and liabilities of whatever nature (including, but not limited to, reasonable attorney's, accountant's and other professional's fees, litigation and court costs and expenses, amounts paid in settlement and amounts paid to discharge judgments and amounts payable by Indemnified Persons to any other Person under any arrangement providing for indemnification of that Person) directly or indirectly resulting from arising out of or relating to one or more Claims.

"Master Indenture" means the Master Trust Indenture dated as of April 1, 2013, between the Obligor and the Master Trustee, as supplemented by the Supplemental Indenture and any supplements or amendments thereto and modifications thereof.

"Maximum Annual Debt Service Requirement" means an amount equal to the maximum principal and interest requirements (taking into account all mandatory sinking fund payments) due in any calendar year on the Bonds calculated in accordance with the provisions of the Master Indenture; provided, however, that principal of the Bonds in its final year shall be excluded from the determination of Maximum Annual Debt Service Requirement to the extent moneys are on deposit as of the date of calculation in the Reserve Fund.

"Maximum Rate" means the lesser of (a) 15% per annum, or (b) the maximum interest rate permitted by applicable Florida law.

"Minimum Liquid Reserve Account" means the account maintained pursuant to the Escrow Agreement, dated as of October 1, 1994 and reissued on October 23, 2002, as amended by the Escrow Agreement Amendment, dated as of May 9, 2007, each between the Obligor and U.S. Bank National Association or predecessor entity, as escrow agent, as acknowledged by the Florida Department of Insurance, in order to satisfy the minimum liquid reserve requirements of Section 651.035, Florida Statutes. In accordance with said Section 651.035, Florida Statutes, amounts on deposit in the Reserve Fund shall be credited against the amounts required to be on deposit in the Minimum Liquid Reserve Account.

"Mortgage" means the Mortgage and Security Agreement dated as of April 1, 2013, from the Obligor as Mortgagor, to the Master Trustee, as mortgagee.

"Note" means the promissory note issued by the Obligor pursuant to the Supplemental Indenture relating to the Bonds.

"Obligor Documents" means this Loan Agreement, the Master Indenture, the Supplemental Indenture and the Mortgage.

"Outstanding" means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

(a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds (or Government Obligations to the extent permitted in Section 7.01 of the Bond Indenture) shall have been theretofore deposited with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee, shall have been filed with the Bond Trustee and provided further that prior to such payment or redemption, the Bonds to be paid or redeemed shall be deemed to be Outstanding for the purpose of transfers and exchanges under Section 2.05 of the Bond Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06 of the Bond Indenture.

"Paying Agent" means any bank or trust company, including the Bond Trustee, designated pursuant to the Bond Indenture to serve as a paying agency or place of payment for the Bonds, and any successor designated pursuant to the Bond Indenture.

"Payment Office" with respect to the Bond Trustee or other Paying Agent means the office maintained by the Bond Trustee or any affiliate of the Bond Trustee or of another Paying Agent for the payment of interest and principal on the Bonds.

"Premium Security" means any Permitted Investment purchased or to be purchased at a premium from funds in the Project Fund.

"Principal Account" means the account of such name in the Bond Fund created in Section 3.02 of the Bond Indenture.

"Project" means the project described in EXHIBIT A attached hereto.

"Project Fund" means the project fund created under Section 3.06 of the Bond Indenture.

"Qualified Project Costs" means Costs of the Project which constitute costs for property which is to be owned by the Obligor or another member of the Obligated Group and will not be used in an "unrelated trade or business" (as such term is used in Section 513(a) of the Code) of the Obligor (or any other organization described in Section 501(c)(3) of the Code) or in the trade or business of a person who is neither a

governmental unit nor an organization described in Section 501(c)(3) of the Code. Costs of Issuance are not Qualified Project Costs and any fees paid to banks for letters of credit, for municipal bond insurance premiums or other guaranty fees and any capitalized interest on the Bonds shall be allocated between Qualified Project Costs to be paid or reimbursed from proceeds of the Bonds and Costs other than Qualified Project Costs to be paid or reimbursed from the proceeds of the Bonds. Qualified Project Costs shall not include costs or expenses paid more than sixty (60) days prior to the adoption by the Issuer, the Obligor or another member of the Obligated Group of a reimbursement resolution unless those expenditures qualify as "preliminary expenditures" within the meaning of the Code.

"Rebate Fund" means that special fund established in the name of the Issuer with the Bond Trustee pursuant to Section 3.16 of the Bond Indenture.

"Refunded Bonds" means, collectively, the Series 1999 Bonds and the Series 2006 Bonds.

"Refunded Bonds Projects" means the capital improvement projects at the Facilities financed or refinanced with proceeds of the Refunded Bonds.

"Registered Owner" or **"Owners"** means the person or persons in whose name or names a Bond shall be registered on books of the Issuer kept by the Bond Trustee for that purpose in accordance with the terms of the Bond Indenture.

"Regular Record Date" means the last day of the month preceding each regularly scheduled interest payment date therefor.

"Reserve Fund" means the Debt Service Reserve Fund created in Section 3.08 of the Bond Indenture.

"Reserve Fund Obligations" means cash and Permitted Investments.

"Reserve Fund Requirement" means an amount equal to Maximum Annual Debt Service Requirement on the Bonds.

"Responsible Officer" when used with respect to the Bond Trustee means an officer of the Bond Trustee having direct responsibility for administration of the Bond Indenture.

"Securities Depository" means The Depository Trust Company, New York, New York, and any successor thereto as permitted by the Bond Indenture.

"Series 1999 Bonds" means the Issuer's outstanding Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999.

"Series 2006 Bonds" means the Issuer's outstanding Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006.

"Special Record Date" means a special date fixed to determine the names and addresses of owners of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 2.03 of the Bond Indenture.

"Supplemental Indenture" means the Supplemental Master Trust Indenture Number 1, dated as of April 1, 2013, by the Obligor executed and delivered to the Master Trustee, supplementing the Master Trust Indenture and providing for the issuance of the Note.

"Surplus Project Fund Moneys" means all moneys (including moneys earned pursuant to the provisions of Article VI of the Bond Indenture) remaining in the Project Fund after completion or termination of the Project (as evidenced by a Completion Certificate) and payment of all other costs then due and payable from the Project Fund.

"Tax Compliance Agreement" means the Tax Compliance Agreement dated as of _____, 2013, among the Issuer, the Obligor and the Bond Trustee related to the Bonds.

"Trust Estate" means the property pledged and assigned to the Bond Trustee pursuant to the granting clauses of the Bond Indenture.

ARTICLE II REPRESENTATIONS

SECTION 2.1. REPRESENTATIONS BY THE ISSUER. The Issuer represents that:

(a) The Issuer is a municipality duly organized and validly existing under and pursuant to the laws of the State of Florida and has full power and authority under the laws of the State of Florida (including, in particular, the Act) to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder. By proper action the Issuer has duly authorized the execution and delivery of this Loan Agreement and the Bond Indenture and the performance of its obligations under this Loan Agreement and the Bond Indenture.

(b) To the best of the Issuer's knowledge, neither the execution and delivery of the Bonds, the Bond Indenture or this Loan Agreement, the consummation of the transactions contemplated thereby and hereby nor the fulfillment of or compliance with the terms and conditions or provisions of the Bonds, the Bond Indenture or this Loan Agreement conflict with or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State of Florida or of any agreement or instrument or judgment, order or decree of which the Issuer has notice that it is a party or constitutes a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature upon any property or assets of the Issuer under the terms of any instrument or agreement.

(c) The Issuer has the power and authority to issue the Bonds for the purpose of financing all or a portion of the Cost of the Project, refunding the Refunded Bonds, funding a debt service reserve fund and paying a portion of the Cost of Issuance. The Bonds shall be in the principal amount, mature, bear interest, be subject to redemption prior to maturity, be secured, and have such other terms and conditions as are set forth in the Bond Indenture.

(d) The Bonds are to be issued under and secured by the Bond Indenture pursuant to which the Issuer's interest in this Loan Agreement and in the Note, and the revenues and receipts derived by the Issuer from the Note, will be pledged and assigned to the Bond Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(e) The Obligor has represented to the Issuer that that the Project and the Refunded Bonds Projects constitute "projects" within the meaning of the Act.

(f) The issuance of the Bonds and the execution of this Loan Agreement and the Bond Indenture have been approved by the Issuer at a duly constituted meeting.

(g) Except as otherwise permitted by this Loan Agreement, the Issuer covenants that it has not and will not pledge the income and revenues derived from this Loan Agreement other than to secure the Bonds.

(h) After reasonable public notice given by publication in The Financial News and Daily Record, a newspaper published and of general circulation in the City of Atlantic Beach, Florida on January 28, 2013, the Issuer held a public hearing on February 11, 2013 concerning the issuance of the Bonds, the refunding of the Refunded Bonds, financing of the Project and the location of the Project. After such hearing, the Issuer authorized the issuance of the Bonds by duly adopting a resolution on February 11, 2013.

(i) After reasonable public notice given by publication in The Financial News and Daily Record, a newspaper published and of general circulation in Duval County, Florida on January 16, 2013, the City of Jacksonville, Florida held a public hearing on January 30, 2013, concerning the issuance of the Bonds, the refunding of the Refunded Bonds, the financing of the Project, and the location of the Project.

SECTION 2.2. REPRESENTATIONS BY THE OBLIGOR. The Obligor represents that:

(a) The Obligor is a nonprofit corporation duly incorporated and in good standing under the laws of the State of Florida, has power to enter into the Obligor Documents and by proper corporate action has duly authorized the execution and delivery of the Obligor Documents.

(b) Neither the execution and delivery of any of the Obligor Documents, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions of the Obligor Documents, conflict with or result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Obligor is now a party or by which it is bound or constitute a default under any of the foregoing.

(c) No event of default or any event which, with the giving of notice or the lapse of time, or both, would constitute an event of default under the Master Indenture, has occurred.

(d) To the best of the Obligor's knowledge, information and belief, all of the documents, instruments and written information supplied by or on behalf of the Obligor, which have been reasonably relied upon by Bond Counsel in rendering their opinion with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes or counsel to the Obligor in rendering its opinion with respect to the status of the Obligor under Section 501(c)(3) of the Code, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein to make the information provided

therein, in light of the circumstances under which such information was provided, not misleading.

(e) The Project and the Refunded Bonds Projects consist entirely of property that is owned, or to be owned, and operated by the Obligor. Neither the Project nor the Refunded Bonds Projects will be used in an "unrelated trade or business" (as such term is used in Section 513(a) of the Code) of the Obligor (or any other organization that is exempt from federal income tax under Section 501(c)(3) of the Code that may rent or use any portion of the Project or the Refunded Bonds Projects) or for any private business use (other than by an organization that is exempt from federal income tax under Section 501(c)(3) of the Code) within the meaning and contemplation of Section 141(b) of the Code.

(f) The Tax Compliance Agreement executed and delivered by the Obligor concurrently with the issuance and delivery of the Bonds is true, accurate and complete in all material respects as of the date on which executed and delivered.

(g) The Obligor agrees that it and any other Obligated Group Member (i) shall not perform any act or enter into any agreement which would adversely affect its members' federal income tax status and shall conduct its operations in the manner which conforms to the standards necessary to qualify the members as a charitable organization within the meaning of Section 501(c)(3) of the Code or any successor provisions of federal income tax law, (ii) shall not perform any act, enter into any agreement or use or permit the Facilities, or any portion thereof, to be used in any manner, or for any trade or business or other non-exempt use related to the purposes of the Obligor, which would adversely affect the exclusion of interest on the Bonds, from federal gross income pursuant to Section 103 of the Code, (iii) shall not do or fail to do any act or undertaking which may give rise to unrelated trade or business income with respect to its operations at the Facilities, and (iv) shall not directly or indirectly use or permit the use (including the making of any investment) of any proceeds of the Bonds or any other funds of the Issuer or the Obligated Group, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(h) The Obligor agrees that neither it nor any related party to the Obligor (as defined in Section 1.150-1(b) of the Code) will purchase any of the Bonds in an amount related to the obligation represented by this Loan Agreement, as described in Section 1.148-1(b) of the Code.

(i) Any information that has been or will be supplied by the Obligor that has been or will be relied upon by the Issuer, the Bond Trustee and Bond Counsel with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds is true and correct.

(j) The Obligor is duly authorized to operate the Facilities under the laws, rulings, regulations and ordinances of the State of Florida and the departments, agencies and political subdivisions thereof.

(k) The Project and the Refunded Bonds Projects constitute a "project" within the meaning of the Act. All proceeds of the Bonds will be used to finance a "cost" within the meaning of the Act.

(l) Based on current facts, estimates and circumstances, it is currently expected that neither the Project nor the Refunded Bonds Projects will be sold or disposed of in a manner producing sale proceeds which, together with accumulated proceeds of the Bonds or earnings thereon, would be sufficient to enable the Obligor to retire substantially all of the Bonds prior to the maturity of the Bonds.

(m) The Obligor will construct the Project and operate its Facilities in accordance with all applicable zoning, planning, building and environmental laws, ordinances, rules and regulations of governmental authorities rating or inspection organizations, bureaus, associations, or offices having jurisdiction over the Facilities or the Project, as the case may be. The Obligor has obtained or will cause to be obtained all requisite approvals of the State of Florida and of other federal, state, regional and local governmental bodies for the Facilities and the Project.

(n) Substantially all of the net proceeds of the Bonds, including earnings from the investment thereof, were used, or will be used, to pay Qualified Project Costs and to refund the Refunded Bonds.

(o) The Obligor will not discriminate against the residents of its Facilities or the Project on the basis of race, religion, sex or national origin.

(p) The Obligor agrees to perform all obligations imposed upon it by the express terms of the Bond Indenture.

ARTICLE III
TERM OF LOAN AGREEMENT

SECTION 3.1. TERM OF THIS LOAN AGREEMENT. Subject to Section 11.12 herein, this Loan Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the Bonds shall have been fully paid or provision made for such payment pursuant to the Bond Indenture and all reasonable and necessary fees and expenses of the Bond Trustee and the Issuer accrued and to accrue through final payment of the Bonds and all liabilities of the Obligor with respect to the Bonds accrued and to accrue through final payment of the Bonds have been paid.

ARTICLE IV
ISSUANCE OF THE BONDS; CONSTRUCTION OF PROJECTS;
DISBURSEMENTS

SECTION 4.1. AGREEMENT TO ISSUE BONDS, APPLICATION OF BOND PROCEEDS. The Issuer will sell and cause to be delivered to the initial purchasers thereof the Bonds and will deliver the proceeds thereof to the Bond Trustee for disposal as follows:

(a) Payment of the redemption price and discharge of the Series 1999 Bonds on the date of issuance of the Series 2013A Bonds;

(b) Reimbursement to Wells Fargo Bank, N.A., successor to Wachovia Bank, N.A., as provider of the letter of credit securing the Series 2006 Bonds, for the payment of the redemption price and discharge of the Series 2006 Bonds on the date of issuance of the Series 2013A Bonds;

(c) Deposit, into the Reserve Fund, the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d) of the Bond Indenture.

(d) Deposit, into the Cost of Issuance Fund, the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d) of the Bond Indenture.

(e) Deposit into the Project Fund \$ _____ for Costs of the Project.

SECTION 4.2. PROJECT; COMPLETION CERTIFICATE. The Obligor anticipates that the Project will consist entirely of previously acquired land (as further described in Exhibit A hereto) and that the Obligor shall, upon providing the Bond Trustee with a proper reimbursement request in accordance with Section 4.6 hereof, be reimbursed on the date of issuance of the Bonds for costs previously incurred to acquire such Project. In such case, no moneys will remain on deposit in the Project Fund after the date of issuance of the Bonds and Section 4.2(b), Section 4.3 and Section 4.13 will not be applicable.

(a) The Obligor shall cause the Project to be acquired, constructed and improved, as applicable, with due diligence and pursuant to the requirements of the applicable laws of the State of Florida in all material respects.

(b) The Obligor shall deliver to the Bond Trustee within 90 days after the final completion or termination of the Project a certificate (the "Completion Certificate") of an Obligor to the effect that:

(i) the Project has been completed substantially in accordance with the plans and specifications, as then amended, and the date of completion;

(ii) the Cost of the Project has been fully paid for and no claim or claims exist against the Obligor or against the Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Obligor intends to contest such claim or claims in accordance with this Loan Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that moneys are on deposit in the applicable account of the Project Fund sufficient to make payment of the full amount that might in any event be payable in order to satisfy such claim or claims; provided, further, that there may also be excepted from the foregoing statement any claim that has been insured over pursuant to an endorsement to any title insurance; and

(iii) all permits, certificates and licenses necessary for the occupancy and use of the Project have been obtained and are in full force and effect.

SECTION 4.3. COST OF CONSTRUCTION. The Obligor represents and warrants that it will use its best efforts to construct or cause the construction of the Project at a price which will permit completion of the Project within the amount of the funds to be deposited in the Construction Fund and within the amount of other available funds of the Obligor.

SECTION 4.4. PLANS; MODIFICATIONS OF PROJECT. The Obligor hereby covenants and agrees that no changes or modifications, or substitutions, deletions, or additions shall be made with respect to the Project if such change disqualifies the Project under the Act.

SECTION 4.5. COMPLIANCE WITH REGULATORY REQUIREMENTS. The Obligor agrees that the Project shall be constructed strictly in accordance with all applicable ordinances and statutes, and in accordance with the requirements of all regulatory authorities in all material respects, and any rating or inspection organization, bureau, association, or office having jurisdiction, and it will furnish to the Issuer all information necessary for the Issuer to comply with all of the foregoing and all laws, regulations, orders and other governmental requirements.

The Obligor shall, at no expense to the Issuer, promptly comply in all material respects or cause compliance in all material respects with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Obligor or to its Facilities and operations, including without limitation, Chapter 651, Florida Statutes. The Obligor shall cause the Minimum Liquid Reserve Account to be maintained and funded in an amount which, together with the moneys on deposit in the Reserve Fund, shall satisfy all of the Obligor's escrow requirements under Section 651.035, Florida Statutes.

SECTION 4.6. REQUESTS FOR DISBURSEMENTS. (a) The Obligor shall be entitled to disbursements of moneys in the Project Fund to pay the Costs related to the Project. The Obligor shall request disbursements from the Project Fund on the form attached hereto as EXHIBIT C to pay Costs of the Project, and to reimburse itself for Costs of the Project paid by the Obligor, upon presentation to the Bond Trustee of a request for disbursement signed by the Obligor, but in no event more often than once a month.

(b) Notwithstanding the foregoing, the Obligor shall make no request for disbursement of moneys from the Project Fund for payment of Cost of Issuance.

SECTION 4.7. COST OF ISSUANCE FUND. The Obligor shall be entitled to disbursement of moneys in the Cost of Issuance Fund to pay the Cost of Issuance. The Obligor shall request disbursements from the Cost of Issuance Fund on the form attached hereto as EXHIBIT B to pay Cost of Issuance, and to reimburse itself for Cost of Issuance paid by the Obligor, upon presentation to the Bond Trustee of a request for disbursement signed by the Obligor, but in no event more often than four times a month.

SECTION 4.8. MODIFICATION OF DISBURSEMENTS. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the Bond Trustee of the work theretofore done. Upon prior notice to the Obligor and in order to satisfy requirements specified in the Master Indenture, the Bond Trustee may deduct from any disbursement to be made under this Loan Agreement any amount necessary for the payment of fees and expenses required to be paid under this Loan Agreement and any insurance premiums, taxes, assessments, water rates, sewer rents and other charges, liens and encumbrances upon the facilities, whether before or after the making of this Loan Agreement, and any amounts necessary for the discharge of mechanic's liens, and apply such amounts in payment of such fees, expenses, premiums, taxes, assessments, charges, liens and encumbrances. All such sums so applied shall be deemed disbursements under this Loan Agreement.

SECTION 4.9. COVENANTS REGARDING TAX EXEMPTION. The Obligor hereby represents and covenants as follows:

(a) the Obligor will, at the expense of the Obligor, comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or the Internal Revenue Service with respect to the obligations such as the Bonds, if any;

(b) the Obligor will continue to conduct its operations in a manner that will result in its continuing to qualify as an organization described in Section 501(c)(3) of the Code including but not limited to the timely filing of all returns, reports and requests for determination with the Internal Revenue Service and the timely notification of the

Internal Revenue Service of all changes in its organization and purposes from the organization and purposes previously disclosed to the Internal Revenue Service;

(c) the Obligor will not divert any substantial part of its corpus or income for a purpose or purposes other than those for which it is organized and operated as described in Section 4.11 hereof;

(d) the Obligor will use no portion of the proceeds of the Bonds to provide any airplane, sky-box or other private luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises; and

(e) the Obligor agrees to provide to the Bond Trustee, at such time as required by the Bond Trustee, all information required by the Bond Trustee with respect to Nonpurpose Investments (as defined in Section 148 of the Code) not held in any fund under the Bond Indenture.

SECTION 4.10. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Obligor covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Cost of the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Obligor shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired, unless the Obligor obtains an Opinion of Bond Counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Obligor shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 4.11. REPRESENTATIONS AND WARRANTIES AS TO TAX EXEMPT STATUS OF OBLIGOR. The Obligor hereby represents and warrants as follows:

(a) the Obligor is an organization exempt from federal income taxation under Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code;

(b) the purposes, character, activities and methods of operation of the Obligor have not changed materially since its organization and are not materially different from the purposes, character, activities and methods of operation at the time of its receipt of a determination by the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Code (the "Determination");

(c) the Obligor has not diverted a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or disclosed to the Internal Revenue Service in connection with its Determination;

(d) the Obligor has not operated since its organization in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-1(c)(3) of the Code including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(e) with the exception of the payment of compensation (and the payment or reimbursement of expenses) which is not excessive and is for personal services which are reasonable and necessary to carrying out the purposes of the Obligor, no person controlled by any such individual or individuals nor any person having a personal or private interest in the activities of the Obligor has acquired or received, directly or indirectly, any income or assets, regardless of form, of the Obligor during the current Fiscal Year and the period, if any, preceding the current Fiscal Year, other than as reported to the Internal Revenue Service by the Obligor;

(f) the Obligor is not a "private foundation" within the meaning of Section 509(a) of the Code;

(g) the Obligor has not received any indication or notice whatsoever to the effect that its exemption under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(h) the Obligor has filed with the Internal Revenue Service all requests for determination, reports and returns required to be filed by it and such requests for determination, reports and returns have not omitted or misstated any material fact and has notified the Internal Revenue Service of any changes in its organization and operation since the date of its Determination;

(i) the Obligor has not devoted more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code; and

(j) the Obligor has not taken any action, nor does it know of any action that any other person has taken, nor does it know of the existence of any condition, which would cause the Obligor to lose its exemption from taxation under Section 501(a) of the Code or cause the interest on the Bonds to become taxable to the recipient thereof because such interest is not excludable from the gross income of such recipient for federal income tax purposes under Section 103(a) of the Code.

SECTION 4.12. DISPOSITION OF PROJECT. The Obligor covenants that the property constituting the Project or any portion thereof will not be sold or otherwise disposed in a transaction resulting in the receipt by the Obligor of cash or other compensation, unless the Obligor obtains an Opinion of Bond Counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds.

SECTION 4.13. SURPLUS PROJECT FUND MONEYS. If, upon delivery of the Completion Certificate, there shall be any Surplus Project Fund Moneys, such Surplus Project Fund Moneys (to the extent not otherwise required to be rebated to the United States in accordance with section 148(f) of the Code) shall, upon the written request of the Obligor to the Bond Trustee, be used by the Bond Trustee either (i) to purchase for cancellation Bonds at any reasonable price as determined by the Obligor, which price, however, shall not exceed the principal amount thereof plus accrued interest thereon; (ii) unless the Project has been canceled, for application toward the costs of acquisition, construction, and improvement of additional facilities related thereto; or (iii) for any combination of (i) and (ii) above all as set forth in such written request. If the Bonds are then subject to redemption at par, any of such Surplus Project Fund Moneys not to be used in a manner set forth in (i), (ii) or (iii) above shall be applied to redeem Bonds in the largest principal amount then subject to redemption at par that does not exceed the amount of such Surplus Project Fund Moneys. Prior to any such application described above the Bond Trustee shall have been furnished with an Opinion of Bond Counsel to the effect that such action will not adversely affect any exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Any of such Surplus Project Fund Moneys not to be applied for the purposes set forth in (i), (ii) or (iii) above or which may not be applied to redeem Bonds as set forth above shall be deposited in an escrow account and moneys on deposit in such escrow account shall at the written request of the Obligor be applied to pay the principal of Bonds upon redemption thereof on the earliest practicable redemption date upon which such Bonds may be redeemed at par; provided, that any moneys held in such escrow account shall be invested in accordance with Section 6.01 of the Bond Indenture but may not be invested to produce a yield greater than the yield on the Bonds except to the extent permitted by the Code. In lieu of treating the Surplus Project Fund Moneys as set forth above, upon the written request of the Obligor, such Surplus Project Fund Moneys shall either be deposited or disbursed by the Bond Trustee in any manner designated in writing by the Obligor if the Bond Trustee shall have been furnished with an Opinion of Bond Counsel to the effect that such action will not adversely affect any exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and is authorized by the Act.

ARTICLE V
LOAN OF BOND PROCEEDS; NOTE; PROVISION FOR PAYMENT

SECTION 5.1. LOAN OF BOND PROCEEDS. The Issuer hereby agrees to loan to the Obligor the proceeds of the Bonds to provide financing and refinancing for the Costs of the Project. The Obligor hereby agrees to repay the loan pursuant to the conditions set forth in Section 5.2 hereof.

SECTION 5.2. REPAYMENT OF LOAN. The Obligor agrees to pay to the Bond Trustee for the account of the Issuer all payments when due on the Note pursuant to the payment provisions contained in such Note. If for any reason the amounts paid to the Bond Trustee by the Obligor on the Note, together with any other amounts available in the Bond Fund, are not sufficient to pay principal of, premium, if any, and interest on the Bonds when due, the Obligor agrees to pay the amount required to make up such deficiency.

SECTION 5.3. CREDITS. Any amount in an account of the Bond Fund at the close of business of the Bond Trustee on the day immediately preceding any payment date on the Note in excess of the aggregate amount then required to be contained in such account of the Bond Fund pursuant to Section 5.2 hereof shall be credited pro rata against the payments due by the Obligor on such next succeeding principal or interest payment date on the Note.

In the event that all of the Bonds then Outstanding are called for redemption, any amounts contained in the Reserve Fund and the Bond Fund at the close of business of the Bond Trustee on the day immediately preceding such redemption date shall be credited against the payments due by the Obligor on the Note, as provided below.

The principal amount of any Bonds to be applied by the Bond Trustee as a credit against any sinking fund payment pursuant to Section 5.02 of the Bond Indenture shall be credited against the obligation of the Obligor with respect to payment of installments of principal of the Note as described in the Supplemental Indenture.

The cancellation by the Bond Trustee of any Bonds purchased by the Obligor or of any Bonds redeemed or purchased by the Issuer through funds other than funds received on the Note shall constitute payment of a principal amount of the Note equal to the principal amount of the Bonds so cancelled. Upon receipt of written notice from the Bond Trustee of such cancellation, the Master Trustee shall at the request of the Obligor endorse on the Note such payment of such principal amount thereof.

SECTION 5.4. NOTE. Concurrently with the sale and delivery by the Issuer of the Bonds, the Obligor shall execute and deliver the Note substantially in the form set forth in the Supplemental Indenture.

SECTION 5.5. PAYMENT OF BOND TRUSTEE'S AND PAYING AGENT'S FEES AND EXPENSES. The Obligor agrees to pay the reasonable and necessary fees and expenses (including attorney's fees) of the Bond Trustee and any Paying Agents as and when the same become due, upon submission by the Bond Trustee or any Paying Agent of a statement therefor.

SECTION 5.6. RESERVE FUND. (a) In the event any moneys in the Reserve Fund are transferred to the Bond Trustee for deposit to the Bond Fund pursuant to Section 3.10 or 3.11 of the Bond Indenture, except if such moneys are transferred due to the redemption of all Bonds, the Obligor agrees to deposit additional Reserve Fund Obligations into the Reserve Fund in an amount sufficient to satisfy the Reserve Fund Requirement, such amount to be deposited in accordance with Section 6.03(d) of the Bond Indenture.

(b) In the event the value of the Reserve Fund Obligations (as determined pursuant to the statement of the Bond Trustee furnished in accordance with Section 6.03(b) of the Bond Indenture) on deposit in the Reserve Fund is less than 90% of the Reserve Fund Requirement as a result of a decline in the market value of investments on deposit in the Reserve Fund, the Obligor agrees to deposit additional Reserve Fund Obligations into the Reserve Fund in an amount sufficient to satisfy the Reserve Fund Requirement, such amount to be deposited in accordance with Section 6.03(c) of the Bond Indenture.

SECTION 5.7. PAYMENT OF ADMINISTRATION EXPENSES. In consideration of the agreement of the Issuer to issue the Bonds and loan the proceeds thereof to provide financing for the Project, the Obligor hereby agrees to pay any and all costs paid or incurred by the Issuer in connection with the financing or refinancing of the Project, whenever incurred, including out of pocket expenses and compensation in connection with the issuance of Bonds, including, without limitation, reasonable sums for reimbursement of the fees and expenses incurred by the Issuer's financial advisors, consultants and legal counsel in connection with the Project and the issuance of the Bonds.

SECTION 5.8. PAYEES OF PAYMENTS. The payments on the Note pursuant to Section 5.2 hereof shall be paid in funds immediately available at the Payment Office of the Bond Trustee, directly to the Bond Trustee for the account of the Issuer and shall be deposited into the appropriate account of the Bond Fund. The amounts provided for in Section 5.6 hereof shall be paid to the Bond Trustee for the account of the Issuer and shall be deposited into the Reserve Fund. The payments to be made to the Bond Trustee and the Paying Agent under Section 5.5 hereof shall be paid directly to the Bond Trustee and the Paying Agent for their own use. The payments for Administration Expenses under Section 5.7 hereof shall be paid directly to the Issuer for its own use.

SECTION 5.9. OBLIGATIONS OF OBLIGOR HEREUNDER UNCONDITIONAL. The obligations of the Obligor to make the payments required in Section 5.2 hereof shall be absolute and unconditional. The Obligor will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in Section 5.2 hereof for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Florida or any political subdivision of either, 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 Loan Agreement, whether express or implied. Nothing contained in this Section shall be construed to release the Issuer from the performance of any agreements on its part herein contained; and in the event the Issuer shall fail to perform any such agreement, the Obligor may institute such action against the Issuer as the Obligor may deem necessary to compel performance, provided that no such action shall violate the agreements on the part of the Obligor contained herein and the Issuer shall not be required to pay any costs, expenses, damages or any amounts of whatever nature except for amounts received pursuant to this Loan Agreement. Nothing herein shall be construed to impair the Obligor's right to institute an independent action for any claim that it may have against the Issuer, the Bond Trustee, any Bondholder or any other third party. The Obligor may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceedings or take any other action involving third persons which the Obligor deems reasonably necessary in order to secure or protect this right of possession, occupancy, and use hereunder, and in such event the Issuer hereby agrees to cooperate fully with the Obligor.

**ARTICLE VI
MAINTENANCE AND INSURANCE**

SECTION 6.1. MAINTENANCE AND MODIFICATIONS OF PROJECT BY OBLIGOR. The Obligor may, at its own expense, cause to be made from time to time any additions, modifications or improvements to the Project provided such additions, modifications or improvements do not impair the character of the Project as a "health care facility" and a "project" within the meaning of the Act or impair the extent of the exemption of interest on the Bonds from Federal income taxation.

SECTION 6.2. INSURANCE. Throughout the term of this Loan Agreement, the Obligor will, at its own expense, provide or cause to be provided insurance against loss or damage to the Project in accordance with the terms of the Master Indenture.

ARTICLE VII SPECIAL COVENANTS

SECTION 7.1. NO WARRANTY OF MERCHANTABILITY, CONDITION OR SUITABILITY BY THE ISSUER. The Issuer makes no warranty, either express or implied, as to the condition of the Project or that the Project will be suitable for the Obligor's purposes or needs. Without limiting the effect of the preceding sentence, it is expressly agreed that in connection with each sale or conveyance pursuant to this Loan Agreement (i) the Issuer makes no warranty of merchantability and (ii) there are no warranties which extend beyond the description contained herein.

SECTION 7.2. RIGHT OF ACCESS TO THE PROJECT. The Obligor agrees that the Issuer, the Bond Trustee, and any of their duly authorized agents shall have the right at all reasonable times upon reasonable notice to the Obligor to examine and inspect the Project to determine that the Obligor is in compliance with the terms and conditions of this Loan Agreement; provided that any such inspection will be conducted in a manner that will minimize any intrusion on the operations of the Project.

SECTION 7.3. NONSECTARIAN USE. The Obligor agrees that no proceeds of the Bonds will be used to construct, acquire or install any portion of the Project which is intended to be used or which is being used for sectarian purposes.

SECTION 7.4. FURTHER ASSURANCES. The Issuer and the Obligor agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Loan Agreement.

SECTION 7.5. INDEMNIFICATION. (a) THE OBLIGOR AGREES THAT IT WILL AT ALL TIMES INDEMNIFY AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS OR DEMANDS OR EXPENSES (INCLUDING ATTORNEYS FEES), INCLUDING LOSSES AS A RESULT OF THE NEGLIGENT ACTS OR OMISSIONS OF ANY INDEMNIFIED PARTY, OTHER THAN LOSSES RESULTING FROM FRAUD, WILLFUL MISCONDUCT OR THEFT ON THE PART OF THE INDEMNIFIED PARTY CLAIMING INDEMNIFICATION. THE OBLIGOR ALSO SHALL INDEMNIFY THE BOND TRUSTEE FOR, AND DEFEND AND HOLD IT HARMLESS AGAINST, ANY LOSSES, LIABILITIES, CLAIMS OR DEMANDS OR EXPENSES (INCLUDING ATTORNEYS FEES) INCURRED WITHOUT NEGLIGENCE OR BAD FAITH ON ITS PART, ARISING OUT OF OR IN CONNECTION WITH THE ACCEPTANCE OR ADMINISTRATION OF THE TRUST CREATED UNDER THE BOND INDENTURE OR THE PERFORMANCE OF ITS DUTIES UNDER THE BOND INDENTURE, INCLUDING THE COSTS AND EXPENSES OF DEFENDING ITSELF AGAINST ANY CLAIM OR LIABILITY IN

CONNECTION WITH THE EXERCISE OR PERFORMANCE OF ANY OF ITS POWERS OR DUTIES UNDER THE BOND INDENTURE. THE BOND TRUSTEE MAY ENFORCE ITS RIGHTS UNDER THE PRECEDING SENTENCE AS A THIRD PARTY BENEFICIARY OF THIS LOAN AGREEMENT.

(b) NONE OF THE INDEMNIFIED PERSONS SHALL BE LIABLE TO THE OBLIGOR FOR, AND THE OBLIGOR HEREBY RELEASES EACH OF THEM FROM, ALL LIABILITY TO THE OBLIGOR FOR, ALL INJURIES, DAMAGES OR DESTRUCTION TO ALL OR ANY PART OF ANY PROPERTY OWNED OR CLAIMED BY THE OBLIGOR THAT DIRECTLY OR INDIRECTLY RESULT FROM, ARISE OUT OF OR RELATE TO THE DESIGN, CONSTRUCTION, OPERATION, USE, OCCUPANCY, MAINTENANCE OR OWNERSHIP OF THE PROJECT OR ANY PART THEREOF, EVEN IF SUCH INJURIES, DAMAGES OR DESTRUCTION DIRECTLY OR INDIRECTLY RESULT FROM, ARISE OUT OF OR RELATE TO, IN WHOLE OR IN PART, ONE OR MORE ACTS OR OMISSIONS, INCLUDING ACTS OR OMISSIONS CONSTITUTING NEGLIGENCE ON THE PART OF ANY INDEMNIFIED PERSON (BUT NOT INCLUDING ACTS OR OMISSIONS CONSTITUTING FRAUD, WILLFUL MISCONDUCT OR THEFT ON THE PART OF THE INDEMNIFIED PERSON CLAIMING RELEASE) IN CONNECTION WITH THE ISSUANCE OF ANY SERIES OF THE BONDS OR IN CONNECTION WITH THE PROJECT.

(c) Each Indemnified Person, as appropriate, shall reimburse the Obligor for payments made by the Obligor pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any other source (but not from the proceeds of any claim against any other Indemnified Person) with respect to any Loss to the extent necessary to prevent a recovery of more than the Loss by such Indemnified Person with respect to such Loss. At the request and expense of the Obligor, each Indemnified Person shall claim or prosecute any such rights of recovery from other sources (other than any claim against another Indemnified Person) and such Indemnified Person shall assign its rights to such rights of recovery from other sources (other than any claim against another Indemnified Person), to the extent of such required reimbursement, to the Obligor.

(d) In case any Claim shall be brought or, to the knowledge of any Indemnified Person, threatened against any Indemnified Person in respect of which indemnity may be sought against the Obligor, such Indemnified Person promptly shall notify the Obligor in writing; provided, however, that any failure so to notify shall not relieve the Obligor of its obligations under this Section.

(e) The Obligor shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Person shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such

counsel shall be paid by such Indemnified Person unless (i) the employment of such counsel has been specifically authorized by the Obligor, in writing, (ii) the Obligor has failed after receipt of notice of such Claim to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Person and the Obligor, and the Indemnified Person shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Obligor (in which case, if such Indemnified Person notifies the Obligor in writing that it elects to employ separate counsel at the Obligor's expense, the Obligor shall not have the right to assume the defense of the action on behalf of such Indemnified Person; provided, however, that the Obligor shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by the Indemnified Parties).

(f) Each Indemnified Person shall cooperate with the Obligor, and the Obligor shall cooperate with each Indemnified Person, in the defense of any action or Claim.

(g) The Obligor shall not be liable for any settlement of any action or Claim without the Obligor's consent but, if any such action or Claim is settled with the consent of the Obligor or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the Obligor shall indemnify and hold harmless the Indemnified Persons from and against any Loss by reason of such settlement or judgment to the extent provided in subsection (a) above.

(h) The provisions of this Section shall survive the termination of this Loan Agreement, and the obligations of the Obligor hereunder shall apply to Losses or Claims under subsection (a) above whether asserted prior to or after the termination of this Loan Agreement or the resignation or removal of the Bond Trustee. In the event of failure by the Obligor to observe the covenants, conditions and agreements contained in this Section, any Indemnified Person may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Obligor under this Section. The obligations of the Obligor under this Section shall not be affected by any assignment or other transfer by the Issuer of its rights, titles or interests under this Loan Agreement to the Bond Trustee pursuant to the Bond Indenture and will continue to inure to the benefit of the Indemnified Parties after any such transfer. The provisions of this Section shall be cumulative with and in addition to any other agreement by the Obligor to indemnify any Indemnified Person.

SECTION 7.6. AUTHORITY OF OBLIGOR. Whenever under the provisions of this Loan Agreement the approval of the Obligor is required, or the Issuer or the Bond Trustee are required to take some action at the request of the Obligor, such

approval or such request shall be made by the Obligor unless otherwise specified in this Loan Agreement and the Issuer or the Bond Trustee shall be authorized to act on any such approval or request and the Obligor shall have no complaint against the Issuer or the Bond Trustee as a result of any action taken.

SECTION 7.7. AUTHORITY OF ISSUER REPRESENTATIVE.

Whenever under the provisions of this Loan Agreement the approval of the Issuer or the Bond Trustee are required, or the Obligor is required to take some action at the request of the Issuer, such approval or such request shall be made by the Issuer Representative unless otherwise specified in this Loan Agreement and the Obligor or the Bond Trustee shall be authorized to act on any such approval or request and the Issuer shall have no complaint against the Obligor or the Bond Trustee as a result of any such action taken.

SECTION 7.8. NO PERSONAL LIABILITY. No obligations contained in the Bonds, the Bond Indenture or this Loan Agreement shall be deemed to be the obligations of any officer, director, member, trustee, agent or employee of the Issuer, the Bond Trustee or the Obligor in his or her individual capacity, and neither the governing body of the Obligor or the Bond Trustee, nor any official of the Issuer executing the Bonds, the Bond Indenture or this Loan Agreement shall be liable personally thereon or be subject to any personal liability or accountability with respect thereto.

SECTION 7.9. FEES AND EXPENSES. The Obligor agrees to pay promptly upon demand therefor all costs paid, incurred or charged by the Issuer in connection with the Bonds, including without limitation, (i) all fees required to be paid to the Issuer with respect to the Bonds, (ii) all out of pocket expenses and Cost of Issuance (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the issuance of the Bonds, and (iii) all out of pocket expenses (including reasonable fees and expenses of attorneys employed by the Issuer) reasonably incurred by the Issuer in connection with the enforcement of any of its rights or remedies or the performance of its duties under the Bond Indenture or this Loan Agreement.

ARTICLE VIII ASSIGNMENT AND LEASING

SECTION 8.1. ASSIGNMENT AND LEASING BY OBLIGOR. This Loan Agreement may be assigned, and all or any portion of the Project may be leased by the Obligor without the consent of either the Issuer or the Bond Trustee, provided that each of the following conditions is complied with:

(a) No assignment or leasing shall relieve the Obligor from primary liability for any of its obligations hereunder, and in the event of any such assignment or leasing the Obligor shall continue to remain primarily liable for payment of the loan payments and other payments specified in Article V hereof and for performance and observance of the other covenants and agreements contained herein; provided that if: (i) the Obligor withdraws from the Obligated Group (as defined in the Master Indenture) and is released from its obligations on the Note by the Master Trustee pursuant to the Master Indenture; and (ii) this Loan Agreement has been assigned to a remaining member of the Obligated Group in accordance with this Section 8.1, the Obligor shall also be released from its liability for its obligations hereunder, including payment of the loan payments and other payments specified in Article V hereof and the performance and observance of the other covenants and agreements contained herein.

(b) The assignee or lessee shall assume in writing the obligations of the Obligor hereunder to the extent of the interest assigned or leased, provided that the provisions of this subsection shall not apply to a lease of a portion of the Project or an operating contract for the performance by others of Obligor or medical services on or in connection with the Project, or any part thereof.

(c) The requirements relating to assignment and leasing contained in the Tax Compliance Agreement and Master Indenture are met.

(d) The Obligor shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Issuer and the Bond Trustee a true and complete copy of each such assumption of obligations and assignment or lease of the Project, as the case may be.

SECTION 8.2. ASSIGNMENT AND PLEDGE BY ISSUER. Solely pursuant to the Bond Indenture, the Issuer may assign its interest in and pledge any moneys receivable under the Note and this Loan Agreement (except in respect of certain rights to indemnification and for Administration Expenses, indemnification and payment of attorneys' fees and expenses pursuant to Sections 5.7, 7.5 and 9.5 hereof and to the right to receive notices) to the Bond Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds. The Obligor consents to such assignment and pledge.

ARTICLE IX
FAILURE TO PERFORM COVENANTS AND REMEDIES THEREFOR

SECTION 9.1. FAILURE TO PERFORM COVENANTS. Upon failure of the Obligor to pay when due any payment (other than failure to make any payment on any Note, which default shall have no grace period) required to be made under this Loan Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, and continuation of such failure for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Obligor by the Issuer or the Bond Trustee, the Issuer or the Bond Trustee shall have the remedies provided in Section 9.2 hereof.

SECTION 9.2. REMEDIES FOR FAILURE TO PERFORM. Upon the occurrence of a failure of the Obligor to perform as provided in Section 9.1 hereof, the Issuer or the Bond Trustee, as assignee or successor of the Issuer, upon compliance with all applicable law, in its discretion may take any one or more of the following steps:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Issuer, and require the Obligor to carry out any agreements with or for the benefit of the Bondholders and to enforce performance and observance of any duty, obligation, agreement or covenant of the Obligor under the Act or this Loan Agreement; or

(b) by action or suit in equity require the Obligor to account as if it were the trustee of an express trust for the Issuer; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer; or

(d) upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate upon a showing of good cause with such powers as the court making such appointment may confer.

SECTION 9.3. DISCONTINUANCE OF PROCEEDINGS. In case any proceeding taken by the Issuer or the Bond Trustee on account of any failure to perform under Section 9.1 shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Issuer or the Bond Trustee, then and in every case the Issuer and the Bond Trustee shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee shall continue as though no such proceeding had been taken.

SECTION 9.4. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Issuer or the Bond Trustee 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 Loan Agreement 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 shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Bond Trustee to exercise any remedy reserved to it in this Article IX, it shall not be necessary to give any notice, other than notice required in Section 9.1 hereof. Such rights and remedies given the Issuer hereunder shall also extend to the Bond Trustee and the holders of the Bonds, subject to the Bond Indenture.

SECTION 9.5. LOAN AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event the Issuer or the Bond Trustee should employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Obligor herein or in the Bond Indenture contained, the Obligor agrees that it will on demand therefor pay to the Issuer or the Bond Trustee, as the case may be, the reasonable fee of such attorneys and such other reasonable expenses incurred by the Issuer or the Bond Trustee.

SECTION 9.6. WAIVERS. In the event any agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Issuer's rights in and under this Loan Agreement to the Bond Trustee under the Bond Indenture, the Issuer shall have no power to waive any failure to perform under Section 9.1 hereunder without the consent of the Bond Trustee (other than a failure to observe the covenants contained in Section 4.10 hereof, which may be waived by the Issuer without the consent of the Bond Trustee).

ARTICLE X
PREPAYMENT OF NOTE

SECTION 10.1. GENERAL OPTION TO PREPAY NOTE. The Obligor shall have and is hereby granted the option exercisable at any time to prepay all or any portion of its payments due or to become due on the Note by depositing with the Bond Trustee for payment into the Bond Fund an amount of money or Government Obligations the principal and interest on which when due, will be equal to an amount sufficient to pay the principal of, premium, if any, and interest on any portion of the Bonds then Outstanding under the Bond Indenture, without penalty. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted at that time under the provisions of the Bond Indenture and the Obligor specifies the date for such redemption. In the event the Obligor prepays all of its payments due and to become due on the Note by exercising the option granted by this Section and upon payment of all reasonable and necessary fees and expenses of the Bond Trustee, the Issuer and any Paying Agent accrued and to accrue through final payment of the Bonds called for redemption as a result of such prepayment and of all Administration Expenses through final payment of the Bonds called for redemption as a result of such prepayment, this Loan Agreement shall terminate; provided that no such termination shall occur unless all of the Bonds are no longer Outstanding.

SECTION 10.2. CONDITIONS TO EXERCISE OF OPTION. To exercise the option granted in Section 10.1 hereof, the Obligor shall give written notice to the Bond Trustee which shall specify therein the date of such redemption, which date shall be not less than 30 days from the date the notice is mailed.

ARTICLE XI MISCELLANEOUS

SECTION 11.1. NOTICES. Any notice, request or other communication under this Loan Agreement shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

(a) The date of notice by facsimile, electronic mail or similar communications, which is confirmed promptly in writing;

(b) Three Business Days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail; or

(c) The date of the receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the parties shall be as follows:

To the Issuer: City of Atlantic Beach, Florida
800 Seminole Road
Atlantic Beach, Florida 32233-5445
Attn: City Manager
Telephone: (904) 247-5809
Telecopier: (904) 247-5805

To the Borrower: Naval Continuing Care Retirement
Foundation, Inc.
1 Fleet Landing Boulevard
Atlantic Beach, Florida 32233
Attn: Chief Executive Officer
Telephone: (904) 246-9900
Telecopier: (904) 246-9447

To the Bond Trustee: U.S. Bank National Association
225 Water Street, Suite 700
Jacksonville, Florida 32202
Attention: Stephanie Moore
Telephone: (904) 358-5363
Telecopier: (904) 358-5374

Notwithstanding the foregoing, notices to the Bond Trustee shall be effective only upon receipt.

SECTION 11.2. BINDING EFFECT. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Obligor, and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.1, 8.2 and 11.9 hereof.

SECTION 11.3. SEVERABILITY. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.4. AMOUNTS REMAINING IN FUNDS. It is agreed by the parties hereto that any amounts remaining in the Cost of Issuance Fund, Bond Fund, the Reserve Fund and any Project Fund upon expiration or sooner termination of this Loan Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Bond Indenture), the fees, charges, and expenses of the Bond Trustee, the Issuer and the Paying Agent in accordance with the Bond Indenture, the Administration Expenses and all other amounts required to be paid under this Loan Agreement and the Bond Indenture, shall belong to and be paid to the Obligor by the Bond Trustee or the Issuer.

SECTION 11.5. AMENDMENTS, CHANGES, AND MODIFICATIONS. Except as otherwise provided in this Loan Agreement or in the Bond Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Bond Indenture), this Loan Agreement may not be effectively amended, changed, modified, altered, or terminated without the written consent of the Bond Trustee.

SECTION 11.6. EXECUTION IN COUNTERPARTS. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 11.7. PAYMENT. At such time as the principal of, premium, if any, and interest on all Bonds Outstanding under the Bond Indenture shall have been paid, or shall be deemed to be paid, in accordance with the Bond Indenture, and all other sums payable by the Obligor under this Loan Agreement shall have been paid, the Note shall be deemed to be fully paid and shall be delivered by the Bond Trustee to the Obligor.

SECTION 11.8. GOVERNING LAW. This Loan Agreement shall be governed and construed in accordance with the law of the State of Florida.

SECTION 11.9. NO PECUNIARY LIABILITY OF ISSUER. No provision, covenant, or agreement contained in this Loan Agreement, or any obligations herein imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer within the meaning of any Florida constitutional provision or statutory

limitation or shall constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Issuer has not obligated itself except with respect to the application of the revenues, income, and all other property therefrom, as hereinabove provided.

SECTION 11.10. PAYMENTS DUE ON HOLIDAYS. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Loan Agreement, shall be a legal holiday or a day on which banking institutions in Jacksonville, Florida are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed with the same force and effect as if done on the nominal date provided in this Loan Agreement.

SECTION 11.11. NO INDIVIDUAL LIABILITY. No covenant or agreement contained in this Loan Agreement or the Bond Indenture shall be deemed to be the covenant or agreement of any member of the governing body of the Obligor or the Bond Trustee or of any officer, director, trustee, agent or employee of the Issuer, the Bond Trustee or the Obligor or the governing body of Duval County, Florida, in his or her individual capacity, and none of such persons shall be subject to any personal liability or accountability by reason of the execution hereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement or any assessment or penalty, or otherwise.

SECTION 11.12. SURVIVAL OF COVENANTS. All covenants, agreements, representations and warranties made by the Obligor in this Loan Agreement, the Bond Indenture, the Note and the Bonds, and in any certificates or other documents or instruments delivered pursuant to this Loan Agreement or the Bond Indenture, shall survive the execution and delivery of this Loan Agreement, and the Bond Indenture and the Note and shall continue in full force and effect until the Bonds and the Note are paid in full and all of the Obligor's other payment obligations (including without limitation the indemnification obligation under Section 7.5 hereof and the obligations under Sections 5.5, 5.7 and 9.5 hereof) under this Loan Agreement, the Bond Indenture, the Note and the Bonds are satisfied. All such covenants, agreements, representations and warranties shall be binding upon any successor and assigns of the Obligor.

IN WITNESS WHEREOF, the Issuer and the Obligor have caused this Loan Agreement to be executed in their respective corporate names, all as of the date first above written.

CITY OF ATLANTIC BEACH, FLORIDA

By: _____
Mayor

**NAVAL CONTINUING CARE
RETIREMENT FOUNDATION, INC.**

By: _____
Chief Executive Officer

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of the acquisition of approximately two (2) acres of land (the “Additional Land”) to be used as a future site for a facility operations center, located immediately south/southwest of and adjacent to the existing Facilities. A legal description of the Additional Land is attached hereto as Schedule I.

SCHEDULE I
(Legal Description)

Schedule I to Exhibit A

EXHIBIT B
FORM FOR COST OF ISSUANCE DISBURSEMENT
NO. _____

U.S. Bank National Association
225 Water Street, Suite 700
Jacksonville, Florida 32202
Attention: Corporate Trust Department

Re: City of Atlantic Beach, Florida Health Care Facilities Revenue and
Refunding Bonds (Fleet Landing Project), Series 2013A

Ladies and Gentlemen:

This request for disbursement is submitted to you pursuant to Section 4.7 of the Loan Agreement (the "Loan Agreement") dated as of April 1, 2013, between the City of Atlantic Beach, Florida and the Naval Continuing Care Retirement Foundation, Inc. (the "Obligor") relating to the captioned Bonds. Terms used in this requisition shall have the meanings specified for them in the Loan Agreement. The Bond Trustee is hereby authorized and directed to make payment from the Project Fund as specified in SCHEDULE A attached hereto. The undersigned authorized representative of the Obligor hereby certifies to you in connection with the amount for which payment is requested by this requisition, as follows:

1. The obligations in the amounts stated on Schedule A hereto have been incurred by the Obligor for the Cost of the Project and are presently due and payable or to be reimbursed for the payment thereof.

2. All previous disbursements, if any, made pursuant to Section 4.7 of the Loan Agreement have been expended for Costs of Issuance described in prior requisitions, if any, submitted by the authorized representative of the Obligor;

3. This requisition is for costs that were properly incurred and are proper charges against the Project Fund;

4. Nothing has come to the attention of the Obligor that would cause it to conclude that the representations and warranties contained in the Loan Agreement are not true and correct as of the date hereof; and

5. No event has occurred and is continuing which constitutes an Event of Default under the Bond Indenture or the Loan Agreement.

Date: _____

**NAVAL CONTINUING CARE
RETIREMENT FOUNDATION, INC.,** as
Obligor

By: _____
Authorized Officer

EXHIBIT C

FORM FOR COST OF ISSUANCE DISBURSEMENT

NO. _____

U.S. Bank National Association
225 Water Street, Suite 700
Jacksonville, Florida 32202
Attention: Corporate Trust Department

Re: City of Atlantic Beach, Florida Health Care Facilities Revenue and
Refunding Bonds (Fleet Landing Project), Series 2013A

Ladies and Gentlemen:

This request for disbursement is submitted to you pursuant to Section 4.7 of the Loan Agreement (the "Loan Agreement") dated as of _____, 2013, between the City of Atlantic Beach, Florida and the Naval Continuing Care Retirement Foundation, Inc. (the "Obligor") relating to the captioned Bonds. Terms used in this requisition shall have the meanings specified for them in the Loan Agreement. The Bond Trustee is hereby authorized and directed to make payment from the Cost of Issuance Fund as specified in SCHEDULE A attached hereto. The undersigned authorized representative of the Obligor hereby certifies to you in connection with the amount for which payment is requested by this requisition, as follows:

1. The obligations as set forth on this requisition were incurred in connection with the issuance of the Bonds;
2. All previous disbursements, if any, made pursuant to Section 4.7 of the Loan Agreement have been expended for Costs of Issuance described in prior requisitions, if any, submitted by the authorized representative of the Obligor;
3. This requisition is for costs that were properly incurred and are proper charges against the Cost of Issuance Fund;
4. The expenditures of the amount requested under this requisition, when added to all disbursements under previous requisitions, will result in no more than two percent (2%) of the aggregate face amount of the Bonds being used for payment of Costs of Issuance related to the Bonds;
5. Nothing has come to the attention of the Obligor that would cause it to conclude that the representations and warranties contained in the Loan Agreement are not true and correct as of the date hereof; and

6. No event has occurred and is continuing which constitutes an Event of Default under the Bond Indenture or the Loan Agreement.

Date: _____

**NAVAL CONTINUING CARE
RETIREMENT FOUNDATION, INC., as
Obligor**

By: _____
Authorized Officer

EXHIBIT C
BOND PURCHASE AGREEMENT

City of Atlantic Beach, Florida
Health Care Facilities Revenue and Refunding Bonds
(Fleet Landing Project),
Series 2013A

April 1, 2013

Bond Purchase Agreement

City of Atlantic Beach, Florida
Atlantic Beach, Florida

Naval Continuing Care Retirement
Foundation, Inc.
Atlantic Beach, Florida

To the Addressees:

The undersigned, B.C. Ziegler and Company (the "Underwriter"), being duly authorized, hereby offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the City of Atlantic Beach, Florida (the "Issuer") and Naval Continuing Care Retirement Foundation, Inc. (the "Obligor"), for the purchase by the Underwriter and the sale by the Issuer of the Bonds referred to in Section 1 hereof. This offer is made subject to acceptance by the Issuer and the Obligor of this Purchase Agreement, which acceptance shall be evidenced by the execution of this Purchase Agreement by duly authorized officers of the respective parties prior to 5:00 P.M., Eastern Daylight Time on _____, 2013. Upon such acceptance, execution and delivery, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer, the Obligor and the Underwriter. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Indenture (as defined below) or in the Official Statement referred to in Section 2 hereof.

1. Purchase and Sale. Upon the terms and conditions and based on the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all (but not less than all) of \$_____ in aggregate principal amount of City of Atlantic Beach, Florida Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A (the "Bonds"), at the purchase price of \$_____ (which represents the par amount of the Bonds less underwriter's discount of \$_____ plus net original issue premium of \$_____).

2. Authorizing Instruments. The Bonds shall be as described in, and shall be authorized by a resolution adopted by the Issuer on February 11, 2013 (the "Resolution"). The Bonds shall be issued and secured under and pursuant to an Indenture of Trust dated as of April 1, 2013 (the "Indenture"), between the Issuer and U.S. Bank National Association, as bond trustee (in such capacity, the "Bond Trustee"), and shall be payable from the Trust Estate (as defined in the Indenture), including the revenues derived by the Issuer under a Loan Agreement dated as of April 1, 2013 (the "Agreement"), between the Issuer and the Obligor. The Obligor will evidence its obligations with respect to the Bonds by issuing a Series 2013A Note relating to the Bonds (the "Note") pursuant to Supplemental Master Trust Indenture No. 1 dated as of April 1, 2013 (the "Supplement") to the Master Trust Indenture dated as of April 1, 2013 (the "Master Indenture"), each between the Obligor and U.S. Bank National Association, as master trustee (the "Master Trustee").

Notes issued under the Master Indenture are secured by a security interest in certain revenues of the Obligor and by a Mortgage and Security Agreement dated as of April 1, 2013, between the Obligor and the Master Trustee, relating to certain property of the Obligor (the "Mortgage").

The Bonds shall be dated their date of delivery (the "Closing Date"), and shall have the terms specified in the Preliminary Official Statement dated _____, 2013 (the "Preliminary Official Statement") and the Final Official Statement dated _____, 2013 (the "Final Official Statement"), including the maturities and interest rates set forth in Exhibit A annexed hereto. The Bonds shall be subject to optional and mandatory sinking fund redemption as described in Exhibit B hereto and otherwise as set forth in the Indenture.

3. Public Offering of Bonds. The Underwriter agrees to make a bona fide public offering of the Bonds, solely pursuant to the Preliminary Official Statement and the Final Official Statement at the initial offering prices set forth on the inside cover page of the Final Official Statement, reserving, however, the rights to (i) change such initial offering prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds and (ii) offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at concessions to be determined by the Underwriter. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

The Issuer and the Obligor acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or fiduciary of the Issuer or the Obligor; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of

the Issuer or the Obligor with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer or the Obligor on other matters) nor has it assumed any other obligation to the Issuer or the Obligor except the obligations expressly set forth in this Purchase Agreement; (iv) the Underwriter has financial and other interests that differ from those of the Issuer and the Obligor; and (v) the Issuer and the Corporation have consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds.

4. Use of Proceeds. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the Obligor pursuant to the Agreement for the purpose of (i) currently refunding all of the Issuer's outstanding Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999 and Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006, (ii) financing the cost of the acquisition of approximately 2 acres of land contiguous to the Obligor's existing campus known as Fleet Landing in the City of Atlantic Beach, Florida (the "Community"), (iii) fund a debt service reserve fund to secure the Bonds, and (iv) pay the costs of issuance of the Bonds.

5. Preliminary and Final Official Statements.

(a) The Obligor has caused to be prepared, and the Issuer and the Obligor hereby confirm that they have heretofore made available to the Underwriter the Preliminary Official Statement. The Obligor agrees to deliver to the Underwriter, at such address as the Underwriter shall specify, as many copies of the Final Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") under the Securities Exchange Act of 1934, as amended, (the "1934 Act") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The Obligor agrees to deliver such Final Official Statement within seven business days after the execution hereof. The Issuer is not undertaking any responsibility for the accuracy or completeness of any of the information in the Preliminary Official Statement or the Final Official Statement except for the information contained under the captions "THE ISSUER" and "LITIGATION—Issuer."

(b) The Issuer and the Obligor by their acceptance hereof, ratify and approve the Preliminary Official Statement as of its date and authorize and approve the Final Official Statement (the Final Official Statement and any amendments or supplements that may be authorized for use with respect to the Bonds are herein referred to collectively as the "Official Statement"), consent to their distribution and use by the Underwriter and authorize the execution of the Final Official Statement by duly authorized officers of the Obligor. The Obligor

agrees to obtain the approval in writing of Moore Stephens Lovelace, P.A. to use its report in Appendix B of the Preliminary and Final Official Statements.

(c) The Underwriter shall give notice to the Issuer and the Obligor on the date after which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Final Official Statements pursuant to paragraph (b)(4) of the Rule.

6. Disclosure. As of the date hereof, the Underwriter has filed with the Issuer a disclosure and truth-in-bonding statement pursuant to Section 218.385, Florida Statutes, as amended.

7. Agreed Upon Procedures and Auditor Consents.

(a) On or prior to the date of delivery of the Preliminary Official Statement, there has been delivered to the Underwriter (i) a letter of Moore Stephens Lovelace, P.A. dated the date of the Preliminary Official Statement, with agreed upon procedures performed to a date not more than five (5) business days prior to the date thereof in substantially the form attached as Appendix C hereto ("Agreed Upon Procedures Letter") and (ii) a letter from Moore Stephens Lovelace, P.A. consenting to the inclusion of their report on the Obligor's audited financial statements and to references to them under the heading "INDEPENDENT AUDITORS" in the Preliminary Official Statement.

(b) At least three (3) business days prior to the printing of the Final Official Statement there shall be delivered to the Underwriter (i) a letter of Moore Stephens Lovelace, P.A., to the effect that such accountants reaffirm, the statements made given in the Agreed Upon Procedures Letter and (ii) a letter from Moore Stephens Lovelace, P.A. consenting to the inclusion of their report on the Obligor's audited financial statements and to references to them under the heading "INDEPENDENT AUDITORS" in the Final Official Statement.

8. Representations, Warranties and Covenants of the Issuer. The Issuer hereby represents, warrants and covenants to the Underwriter as follows:

(a) The Issuer is a municipal corporation and a political subdivision of the State of Florida.

(b) The Issuer is authorized under the laws of the State of Florida (i) to issue the Bonds for the purposes described in Section 4 hereof; (ii) to pledge the Trust Estate to the Bond Trustee under and pursuant to the Indenture, for the benefit of the owners of the Bonds; (iii) to execute and deliver this Purchase Agreement, the Bonds, the Indenture and the Agreement; and (iv) to carry out and consummate all of the transactions contemplated on its part by this Purchase

Agreement, the Resolution, the Bonds, the Indenture, the Agreement, and the Preliminary and Final Official Statements (collectively, the "Issuer Documents").

(c) The information relating to the Issuer under the captions "THE ISSUER" and "LITIGATION—Issuer" contained in the Preliminary Official Statement is, and as of the date of closing such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not and the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. It is understood and agreed to by the parties hereto that the Issuer's representations with respect to the information contained in the Preliminary Official Statement and Final Official Statement is limited to the information contained under the captions "THE ISSUER" and "LITIGATION—Issuer."

(d) If, at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 5(c) hereof that the Final Official Statement is no longer required to be delivered under the Rule or (ii) 90 days after the Closing, any event occurs with respect to the Issuer as a result of which the Preliminary Official Statement or the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall promptly notify the Underwriter in writing of such event. Any information supplied by the Issuer for inclusion in any amendments or supplements to the Preliminary Official Statement or Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Issuer has duly adopted the Resolution and has duly authorized all actions required to be taken by it for (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Indenture; (ii) the execution, delivery and due performance of this Purchase Agreement, the Bonds, the Indenture and the Agreement; and (iii) the delivery of the Preliminary and Final Official Statements, and any and all such other agreements and documents as may be required to be executed, delivered, or performed by the Issuer in order to carry out, give effect to and consummate the transactions contemplated on its part hereby and by each of the aforesaid documents.

(f) Except as may be described in the Preliminary and Final Official Statements, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the

knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Issuer from functioning or contesting or questioning the existence of the Issuer or the titles of the present officers of the Issuer to their offices or (ii) wherein an unfavorable decision, ruling or finding would (A) adversely affect the existence or powers of the Issuer or the validity or enforceability of the Bonds, the Indenture, the Agreement, the this Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby including, without limitation, the Issuer Documents or by the aforesaid documents; or (B) materially adversely affect (i) the transactions contemplated by the Issuer Documents; or (ii) the exclusion of the interest on the Bonds from federal income taxation.

(g) The adoption by the Issuer of the Resolution and the execution and delivery by the Issuer of this Purchase Agreement, the Bonds, the Indenture, the Agreement and the other documents contemplated hereby and by the Preliminary and Final Official Statements, and the compliance with the provisions thereof, will not conflict with or constitute on the part of the Issuer a violation of, breach of or default under (i) any constitutional provision, statute, indenture, mortgage, lease, resolution, note, agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound; or (ii) any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Issuer or any of its properties.

(h) The Issuer is not in breach of or in default under the Resolution, the Indenture, the Agreement, any applicable law or administrative regulation of the State of Florida or the United States of America, or any applicable judgment or decree, or any loan agreement, note, resolution or other agreement or instrument to which the Issuer is a party or is otherwise subject, which breach or default would in any way materially adversely affect the authorization or issuance of the Bonds and the transactions contemplated hereby, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default.

(i) All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, that are required to be obtained by the Issuer in connection with the issuance and sale of the Bonds, the execution and delivery of this Purchase Agreement, and the consummation of the transactions contemplated by this Purchase Agreement, the Resolution, the Indenture, the Agreement, and the Preliminary and Final Official Statements have been duly obtained and remain in full force and effect, except that no representation is made as to compliance with any applicable state securities or "Blue Sky" laws.

(j) Neither the Issuer nor anyone acting on its behalf has, directly or indirectly, offered the Bonds or any similar securities of the Issuer relating in any way to any related project or facility or to the Obligor for sale to, or solicited any offer to buy the same from, anyone other than the Underwriter.

(k) The Preliminary and Final Official Statements have been duly authorized by the Issuer, and the Issuer has consented to the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(l) Neither the Securities and Exchange Commission nor any state securities commission has issued or, to the best of the Issuer's knowledge, threatened to issue, any order preventing or suspending the use of the Preliminary Official Statement or of the Final Official Statement.

(m) Any certificate signed by an authorized officer of the Issuer delivered to the Underwriter shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(n) The Issuer, as a conduit issuer, issues its bonds as limited obligations of the Issuer, payable solely from payments to be made by the respective non-governmental entities which use or own the projects financed. Some bonds issued by the Issuer may have been, and may continue to be, in default, but to the best knowledge of the Issuer, the borrowers under the related loan or lease agreements are unrelated to the Obligor and other Members of the Obligated Group, if any. To the best knowledge of the Issuer, the Issuer has not been in default as to principal or interest at any time after December 31, 1975, as to any debt obligations relating to the Obligor or any other member of the Obligated Group.

(o) This Purchase Agreement, the Indenture and the Agreement are in the forms approved by the Issuer and upon the execution and delivery thereof by the Issuer and the other parties thereto, each will constitute the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms (subject in each case to principles of equity, regardless of whether proceedings for enforcement be of a legal or equitable nature, and to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).

(p) The Bonds will be duly authorized, executed, authenticated, issued and delivered and will constitute legal, valid and binding obligations of the Issuer and are entitled to the benefits and security of the Indenture (subject to principles of equity, regardless of whether proceedings for enforcement be of a legal or equitable nature, and any applicable bankruptcy, reorganization, insolvency,

moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).

(q) The Bonds will be limited obligations of the Issuer, payable from and secured by the Trust Estate, including the moneys derived by the Issuer from the Obligor pursuant to the Agreement, and will not constitute an obligation or debt of the Issuer, or the State of Florida, or any political subdivision thereof, and neither the faith nor credit of the Issuer, or the State of Florida, or any political subdivision thereof, is pledged to the payment of the Bonds.

(r) The Issuer has not been advised by the Commissioner, any District Director, or any other official of the Internal Revenue Service that certifications by the Issuer with respect to arbitrage may not be relied upon.

(s) The Issuer has and will cooperate with any reasonable request of the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States of America as the Underwriter may request; provided, however, that the Issuer will not be required to pay any expenses or costs (including but not limited to legal fees) incurred in connection with such qualification or to qualify as a foreign corporation or to file any general or special consent to service of process under the laws of any state or other jurisdictions of the United States.

9. Representations, Warranties and Covenants of the Obligor. In order to induce the Underwriter and the Issuer to enter into this Purchase Agreement and in order to induce the Issuer to enter into the Agreement and this Purchase Agreement, the Obligor represents, warrants and covenants to the Underwriter and the Issuer as follows:

(a) The Obligor is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida and is qualified to transact business as a corporation in good standing under the laws of the State of Florida.

(b) The Obligor is authorized under the laws of the State of Florida to carry out and consummate all of the transactions contemplated on its part by this Purchase Agreement, the Agreement, the Master Indenture, the Note, the Supplement, the Continuing Disclosure Certificate dated as of April 1, 2013 (the "Continuing Disclosure Certificate") from the Obligor, as representative of the Obligated Group, the Mortgage, the Preliminary Official Statement and the Final Official Statement (collectively, the "Obligor Documents").

(c) The Obligor has been determined to be and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code") by virtue of being an organization described in Section

501(c)(3) of the Code, is not a "private foundation" as defined in Section 509(a) of the Code and is exempt from federal income taxation under Section 501(a) of the Code, with the exception of any taxation deemed to be unrelated business taxable income and with the exception of any amounts deemed taxable by virtue of Section 527(f) of the Code. The Obligor (i) has not impaired its status as an organization exempt from federal income taxes under the Code, (ii) is in compliance with the provisions of the Code and any applicable regulations thereunder necessary to maintain such status, (iii) is organized and operated exclusively for charitable, educational or benevolent purposes and not for pecuniary profit, and (iv) is organized and operated such that no part of the net earnings of the Obligor will inure to the benefit of any private shareholder or individual.

(d) The Obligor (i) agrees to file annual returns of an exempt organization on Form 990 for each fiscal year as required by law; and (ii) is not currently and does not expect to be the subject of any claim by the IRS that its operations or activities constitute a trade or business that, within the meaning of Section 513 of the Code, is unrelated to senior living and health care purposes for which the Obligor is organized and operated.

(e) The Obligor has all necessary corporate power and authority (i) to conduct its business and operate all of its properties and facilities, including the Community; (ii) to execute and deliver the Obligor Documents and to perform its obligations under the Obligor Documents; and (iii) to carry out and consummate all the transactions contemplated on its part by the Obligor Documents.

(f) The information relating to the Obligor and its properties contained in the Preliminary Official Statement is, and as of the date of closing such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not and the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the Obligor or omit to state any material fact relating to the Obligor necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Obligor has duly authorized all actions required to be taken by it for the execution and delivery of the Obligor Documents, and due performance of the Obligor Documents.

(h) The Agreement, the Master Indenture, the Note, the Supplement, the Continuing Disclosure Certificate, the Mortgage and this Purchase Agreement are in the forms approved or otherwise authorized by the Obligor and upon the execution and delivery thereof, each will constitute the valid and legally binding obligation of the Obligor, enforceable in accordance with its terms (subject in each

case to usual principles of equity and to any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally from time to time in effect).

(i) The Obligor will apply the moneys loaned by the Issuer from the proceeds of the sale of the Bonds as specified in the Indenture, the Agreement, the Preliminary and Final Official Statements and this Purchase Agreement.

(j) Except as described in the Preliminary and Final Official Statements, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending (as to which the Obligor has received notice or service of process) or, to the knowledge of the Obligor, threatened against or affecting any Obligated Group Member (or, to the knowledge of the Obligor, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent any Obligated Group Member from functioning, or contesting or questioning the existence of the Obligor or the titles of the current officers of any of the Obligated Group Members to their offices or (ii) wherein an unfavorable decision, ruling or finding would adversely affect (A) the existence or powers of the Obligated Group Members; (B) the financial position of the Obligated Group Members; (C) the tax-exempt status of the Obligated Group Members under Sections 501(a) and 501(c)(3) of the Code; (D) the transactions contemplated hereby or by the documents referred to in (E) immediately below; (E) the validity or enforceability of the Bonds, the Indenture, the Agreement, the Master Indenture, the Note, the Supplement, this Purchase Agreement, the Continuing Disclosure Certificate, the Mortgage or any agreement or instrument to which any of the Obligated Group Members is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the aforesaid documents; or (F) the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation.

(k) The execution and delivery by the Obligor of this Purchase Agreement, the Agreement, the Master Indenture, the Note, the Supplement, the Mortgage, the Continuing Disclosure Certificate and the other documents contemplated hereby and by the Preliminary and Final Official Statements, and the compliance by the Obligor with the provisions thereof, do not conflict with or constitute on the part of the Obligor a violation of, breach of or default under (i) its Articles of Incorporation, Bylaws or any other governing instruments; (ii) any constitutional provision, statute, indenture, mortgage, lease, resolution, note, agreement or other agreement or instrument to which it is a party or by which it is bound; or (iii) any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Obligor or any of its properties. All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, that are required to be obtained by the Obligor in connection with the

issuance and sale of the Bonds, the execution and delivery of this Purchase Agreement, and the consummation of the transactions contemplated by this Purchase Agreement, the Indenture, the Agreement, the Master Indenture, the Note, the Supplement, the Mortgage, the Continuing Disclosure Certificate and the Preliminary and Final Official Statements have been duly obtained and remain in full force and effect, except that no representation is made as to compliance with any applicable state securities or "Blue Sky" laws.

(l) Neither the Obligor nor anyone acting on its behalf has, directly or indirectly, offered the Bonds for sale to, or solicited any offer to buy the same from, anyone other than the Underwriter.

(m) The Preliminary and Final Official Statements have been duly authorized by the Obligor, and the Obligor has consented to the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(n) Neither the Securities and Exchange Commission nor any state securities commission has issued or, to the best of the knowledge of the Obligor, threatened to issue, any order against the Obligor preventing or suspending the use of the Preliminary Official Statement or the Final Official Statement or otherwise seeking to enjoin the offer or sale of the Bonds.

(o) Any certificate signed by an authorized officer of the Obligor and delivered to the Issuer or the Underwriter shall be deemed a representation and warranty by the Obligor to the Issuer or the Underwriter as to the statements made therein.

(p) The Obligor has never defaulted in the payment of principal of or interest on any of its bonds, notes or other securities.

(q) The Obligor has and will cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States of America as the Underwriter may request; provided, however, that the Obligor will not be required to qualify as a foreign corporation or file any special or general consents to service of process under the laws of any state.

10. Closing. By no later than 1:00 P.M., Eastern Daylight Time, on April 1, 2013 (the "Closing Date"), the Issuer will deliver, or cause to be delivered, to or upon the order of the Underwriter, the Bonds, in definitive form, duly executed and authenticated, together with the other documents required in Section 11 hereof, and the Underwriter will accept such delivery and pay the purchase price of the Bonds. Payment for the Bonds

shall be made in immediately available funds by check or by bank wire transfer payable to the order of the Bond Trustee on behalf of the Issuer.

The closing of the sale of the Bonds as aforesaid (the "Closing") shall be held at the offices of Foley & Lardner LLP, Jacksonville, Florida, except that physical delivery of the Bonds shall be made to the Bond Trustee as agent for The Depository Trust Obligor, for the account of the Underwriter. Unless otherwise requested by the Underwriter at or prior to the Closing, the Bonds will be delivered at the Closing in fully registered form, registered to Cede & Co., and in the form of one certificate for each maturity of the Bonds.

11. Closing Conditions. The obligations of the Underwriter hereunder shall be subject (i) to the performance by the Issuer and the Obligor of their respective obligations to be performed hereunder at and prior to the Closing or such earlier time as may be specified herein; (ii) to the accuracy of each of the representations and warranties of the Issuer and the Obligor contained herein as of the date hereof and as of the time of the Closing, as if made at and as of the time of the Closing; and (iii) to the following conditions, including the delivery by the Issuer and the Obligor of such documents as are contemplated hereby in form and substance satisfactory to the Underwriter and its counsel:

(a) At the time of the Closing (i) the Final Official Statement, the Indenture, the Agreement, the Master Indenture, the Note, the Continuing Disclosure Certificate, the Supplement and the Mortgage shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; (ii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions, including the Resolution as, in the reasonable opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received the following documents:

(i) The approving opinion of Bond Counsel, dated the date of the Closing and in a form reasonably acceptable to the Underwriter and its counsel.

(ii) The supplemental opinion of Bond Counsel, dated the date of the Closing and in a form reasonably acceptable to the Underwriter and its counsel.

(iii) An opinion of counsel to the Obligor, dated the date of the Closing and in a form reasonably acceptable to the Underwriter, its counsel and Bond Counsel.

(iv) An opinion of Counsel to the Issuer, dated the date of the Closing, and in a form reasonably acceptable to the Underwriter, its counsel and Bond Counsel.

(v) A certificate of the Issuer, dated the date of Closing, signed by an authorized officer of the Issuer in form and substance reasonably satisfactory to the Underwriter, its counsel and Bond Counsel, to the effect that the representations and warranties of the Issuer contained herein are true and correct in all material respects as of the Closing and that the Issuer has performed its obligations under this Purchase Agreement.

(vi) A certificate of the Obligor, dated the Closing Date, signed by an authorized officer of the Obligor in form and substance reasonably satisfactory to the Underwriter, its counsel and Bond Counsel, to the effect that the representations and warranties of the Obligor contained herein are true and correct in all material respects as of the Closing and that the Obligor has performed its obligations under this Purchase Agreement.

(vii) The Preliminary and Final Official Statements duly executed, as applicable, by the Obligor by duly authorized officers together with evidence of the consent by Moore Stephens Lovelace, P.A. to the inclusion of their report in Appendix B to the Preliminary and Final Official Statements.

(viii) Executed counterparts of the Indenture, the Agreement, the Master Indenture, the Note, the Supplement, the Continuing Disclosure Certificate and the Mortgage, together with due evidence of the recording of any Uniform Commercial Code financing statements required with respect thereto.

(ix) Certified copy of the Resolution, authorizing the issuance, sale, execution and delivery of the Bonds and the execution, delivery and performance of the Indenture, the Agreement and this Purchase Agreement, and authorizing the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(x) Certified copy of resolutions of the Obligor authorizing the execution, delivery and performance of the Agreement and this Purchase Agreement, and authorizing the use of the Preliminary and Final Official Statements by the Underwriter in connection with the offering of the Bonds.

(xi) A specimen of the Bonds.

(xii) Evidence of maintenance of insurance required by the Master Indenture.

(xiii) A letter from Moore Stephens Lovelace, P.A., dated the Closing Date, addressed to the Issuer and the Underwriter, substantially in the form of Exhibit C hereto, to the effect that such accountants reaffirm, as of a date not more than three business days before the Closing, the statements made and the consents given in the letters furnished by such accountants pursuant to Sections 7 and 11(b)(vii) hereof.

(xiv) Copies of the (A) Articles of Incorporation of the Obligor, certified as of a recent date by the Secretary of State of Florida and (B) Bylaws of the Obligor, together with a certificate of an officer of the Obligor that such Articles of Incorporation and bylaws have not been amended, modified, revoked or rescinded and are in full force and effect as of the Closing Date.

(xv) A Certificate of the Secretary of State of the State of Florida with respect to the good standing of the Obligor.

(xvi) Internal Revenue Service Form 8038, signed by an authorized officer of the Issuer.

(xvii) Evidence that Form BF2003/2004 has been executed by the Issuer, to be filed with the Florida Division of Bond Finance.

(xviii) Evidence satisfactory to Bond Counsel and counsel to the Underwriter that the Obligor is an organization described in Section 501(c)(3) of the Code and is not a private foundation as described in Section 509(a) of the Code.

(xix) Evidence of the Issuer's public hearing and approval relating thereto as required by Section 147(f) of the Code.

(xx) The certificates and opinions required by the Master Indenture for the issuance thereunder of the Note.

(xxi) One executed copy of the Tax Regulatory Agreement dated as of April 1, 2013, between the Obligor and the Issuer.

(xxii) One signed copy of a request and authorization to the Bond Trustee to authenticate and deliver the Bonds.

[(xxiii) Fitch Rating Letter.]

(xxiv) Such additional legal opinions, certificates, proceedings, instruments and other documents as counsel for the Underwriter may reasonably request to evidence compliance by the Issuer and the Obligor with the legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the Issuer and the Obligor herein contained and the due performance or satisfaction by the Issuer and the Obligor, at or prior to the Closing, of all agreements then required to be performed and all conditions then required to be satisfied by the Issuer and the Obligor at the Closing.

12. Conditions to Obligations of the Underwriter. The Underwriter shall have the right to cancel its obligations to purchase and accept delivery of the Bonds hereunder by notifying the Issuer and the Obligor, in writing, of its election to do so between the date hereof and the Closing if, on or after the date hereof and prior to the Closing:

(a) legislation shall be enacted or be actively considered for enactment by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress by a committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the IRS or other governmental agency shall be made or proposed to be made with respect to federal taxation upon revenues or other income of the general character to be derived by the Obligor or the Issuer or by any similar body, or upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired that have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including but not limited to any challenge of the Obligor as to its status as an organization described in Sections 501(a) and 501(c)(3) of the Code, that, in the reasonable opinion of the Underwriter, materially and adversely affects the market price of the Bonds or the market price generally of obligations of the general character of the Bonds; or

(b) any legislation, ordinance or regulation shall be enacted or be actively considered for enactment by the Issuer, any governmental body, department or agency of the State of Florida or a decision by any court of competent jurisdiction within the State of Florida shall be rendered that, in the reasonable opinion of the Underwriter, materially and adversely affects the market price of the Bonds; or

(c) any action shall have been taken by the Securities and Exchange Commission that would require the registration of the Bonds under the Securities Act of 1933, as amended (the "1933 Act"), or the qualification of the Resolution,

the Indenture or the Master Indenture under the Trust Indenture Act of 1939, as amended (the "TIA"); or

(d) any event shall have occurred or shall exist that, in the opinion of the Underwriter, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary and Final Official Statements, or (ii) is not reflected in the Preliminary and Final Official Statements and should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, and the Issuer and the Obligor shall not agree to supplement the Preliminary and Final Official Statements to correct the same; or

(e) there shall have occurred any outbreak of, or escalation in, hostilities or other national or international calamity or crisis or a financial crisis, including, but not limited to, (i) the United States engaging in hostilities or (ii) a declaration of war or a national emergency by the United States (including acts of terrorism) on or after the date hereof which, in the sole opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds (it being understood that no such situation exists on the date hereof); or

(f) trading shall be suspended, or new or additional trading or loan restrictions shall be imposed, by the New York Stock Exchange or other national securities exchange or governmental authority with respect to obligations of the general character of the Bonds or a general banking moratorium shall be declared by federal, Florida or New York authorities; or

(g) there shall have occurred any change in the financial condition or affairs of the Obligor, the effect of which, in the sole judgment of the Underwriter, is so material and adverse as to make it impracticable or inadvisable to proceed with the offering or delivery of the Bonds on the terms and in the manner contemplated by the Preliminary and Final Official Statements; or

(h) Any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or questioning any authority for or the validity of the Bonds or the money or revenues pledged to the payment thereof or any of the proceedings of the Issuer or the Obligor taken with respect to the issuance and sale thereof;

[(i) Fitch shall withdraw its rating.]

13. Termination. If the Issuer or the Obligor is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase

Agreement shall terminate at the option of the Underwriter and neither the Underwriter nor the Issuer nor the Obligor shall be under further obligation hereunder; except that the respective obligations to indemnify and pay expenses, as provided in Sections 14 and 17 hereof, shall continue in full force and effect.

14. Indemnification. (a) To the fullest extent permitted by applicable law, the Obligor agrees to indemnify and hold harmless the Underwriter, the Issuer or the other persons described in subsection (b) below against any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), (i) to which the Underwriter, the Issuer or the other persons described in subsection (b) below may become subject under any federal or state securities laws or other statutory law or at common law or otherwise, caused by or arising out of or based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Preliminary and Final Official Statements and not furnished by the indemnified party (it being understood and agreed that the Issuer is solely responsible for the information contained under the captions "THE ISSUER" and "LITIGATION—Issuer") or in the information furnished by the Obligor, directly or indirectly or caused by any omission or alleged omission of information regarding the Obligor from the Preliminary and Final Official Statements and (ii) to which the parties indemnified hereunder or any of them may become subject under the 1933 Act, the 1934 Act, the TIA, the rules or regulations under said Acts, insofar as such losses, claims, damages, expenses, actions or liabilities arise out of or are based upon the failure to register the Bonds or any security therefor under the 1933 Act or to qualify the Indenture or the Master Indenture under the TIA; provided, however, that with respect to (i) above, the Obligor shall not be required to indemnify or hold harmless the Issuer with respect to statements in the Preliminary and Final Official Statements under the captions "THE ISSUER" and "LITIGATION—Issuer" and with respect to (ii) above, the Obligor shall not be required to indemnify or hold harmless the Issuer or the Underwriter with respect to willful misconduct of the Issuer or the negligence or willful misconduct of the Underwriter, respectively.

(b) The indemnity provided under this Section 14 shall extend upon the same terms and conditions to each officer, director, employee, agent or attorney of the Underwriter or the Issuer, and each person, if any, who controls the Underwriter or the Issuer within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act. Such indemnity shall also extend, without limitation, to any and all expenses whatsoever reasonably incurred by any indemnified party in connection with investigating, preparing for or defending against, or providing evidence, producing documents or taking any other reasonable action in respect of any such loss, damage, expense, liability or claim (or action in respect thereof), whether or not resulting in any liability, and shall include any loss to the extent of the aggregate amount paid in settlement of any litigation, commenced or

threatened, or of any claim whatsoever as set forth herein if such settlement is effected with the written consent of the Obligor.

(c) Within a reasonable time after an indemnified party under paragraphs (a) and (b) of this Section 14 shall have been served with the summons or other first legal process or shall have received written notice of the threat of a claim in respect of which an indemnity may be claimed, such indemnified party shall, if a claim for indemnity in respect thereof is to be made against the Obligor under this Section 14, notify the Obligor in writing of the commencement thereof; but the omission to so notify the Obligor shall not relieve it from any liability that it may have to any indemnified party other than pursuant to paragraphs (a) and (b) of this Section 14. The Obligor shall be entitled to participate at its own expense in the defense, and if the Obligor so elects within a reasonable time after receipt of such notice, or all indemnified parties seeking indemnification in such notice so direct in writing, the Obligor shall assume the defense of any suit brought to enforce any such claim, and in either such case, such defense shall be conducted by counsel chosen promptly by the Obligor and reasonably satisfactory to the indemnified party; provided however, that, if the defendants in any such action include such an indemnified party and the Obligor, or include more than one indemnified party and any such indemnified party shall have been advised by its counsel that there may be legal defenses available to such indemnified party that are different from or additional to those available to the Obligor or another defendant indemnified party, and that in the reasonable opinion of such counsel are sufficient to make it undesirable for the same counsel to represent such indemnified party and the Obligor, or another defendant indemnified party, such indemnified party shall have the right to employ separate counsel (who are reasonably acceptable to the Obligor) in such action, and in such event the reasonable fees and expenses of such counsel shall be borne by the Obligor. Nothing contained in this paragraph (c) shall preclude any indemnified party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the hereunder.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 14 is unavailable or insufficient to hold harmless and indemnify any indemnified party in respect of any losses, damages, expenses, liabilities, or claims (or actions in respect thereof) referred to therein, then the Obligor, on the one hand, and the Underwriter, on the other hand, shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, expenses, actions or liabilities in such proportion as is appropriate to reflect the relative benefits received by the Obligor on the one hand and the Underwriter on the other hand from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, or if the indemnified party failed to give the notice required under subsection

(c) above, the Obligor on the one hand and the Underwriter on the other hand shall contribute to such amount paid or payable by the indemnified party in such proportion as is appropriate to effect not only such relative benefits but also the relative fault of the Obligor on the one hand and the Underwriter on the other in connection with the statements or omissions that resulted in such losses, claims, damages, expenses, actions or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Obligor on the one hand and the Underwriter on the other hand shall be deemed to be in such proportion so that the Underwriter is responsible for that portion represented by the percentage that the underwriting discount payable to the Underwriter hereunder (i.e., the excess of the aggregate public offering price for the Bonds as set forth on the inside cover page of the Final Official Statement over the price to be paid by the Underwriter to the Issuer upon delivery of the Bonds as specified in Section 1 hereof) bears to the aggregate public offering price as described above, and the Obligor is responsible for the balance. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Obligor on the one hand or the Underwriter on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Obligor and the Underwriter agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, damages, expenses, liabilities, claims or actions referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

15. Survival of Indemnity. The indemnity and contribution provided by Section 14 hereof shall be in addition to any other liability that the Obligor may otherwise have hereunder, at common law or otherwise, and is provided solely for the benefit of the Underwriter, the Issuer and each director, officer, employee, agent, attorney and controlling person referred to therein, and their respective successors, assigns and legal representatives, and no other person acquire or have any right under or by virtue of such provisions of this Purchase Agreement. The indemnity and contribution provided by Section 14 hereof shall survive the termination or performance of this Purchase Agreement.

16. Survival of Representations. All representations, warranties and agreements of the Obligor set forth in or made pursuant to this Purchase Agreement shall

remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

17. Payment of Expenses. If the Bonds are sold to the Underwriter by the Issuer, the Obligor shall pay, out of the proceeds of the Bonds or from their own funds, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation, reproduction, printing, distribution, mailing, execution, delivery, filing and recording, as the case may be, of this Purchase Agreement, the Indenture, the Agreement, the Master Indenture, the Note, the Supplement, the Continuing Disclosure Certificate, the Mortgage, the Preliminary Official Statement, the Final Official Statement, Blue Sky Memoranda, and all other agreements and documents required in connection with the consummation of the transactions contemplated hereby; (ii) the cost of the preparation, engraving, printing, execution and delivery of the definitive Bonds; (iii) the fees and disbursements of Bond Counsel, financial advisor to the Issuer, counsel for the Issuer, counsel for the Obligor, counsel for the Bond Trustee and the Master Trustee, counsel for the Underwriter, accountants, and any other experts retained by the Obligor; (iv) the acceptance fees of the Bond Trustee and Master Trustee; (v) the cost of transportation and lodging for officials and representatives of the Issuer and the Obligor in connection with attending meetings and the Closing; and (vi) the cost of qualifying the Bonds under the laws of such jurisdictions as the Underwriter may designate, including filing fees and fees and disbursements of counsel for the Underwriter in connection with such qualification and the preparation of Blue Sky Memoranda.

The Obligor shall also pay any expenses incident to the performance of its obligations hereunder and, if the Bonds are not sold by the Issuer to the Underwriter, the Obligor shall pay all expenses incident to the performance of the Issuer's obligations hereunder as provided above.

The Underwriter shall pay (i) the cost of preparing and publishing all advertisements approved by it relating to the Bonds upon commencement of the offering of the Bonds; (ii) the cost of the transportation and lodging for officials and representatives of the Underwriter to attend meetings and the Closing; (iii) any fees of the Municipal Securities Rulemaking Board in connection with the issuance of the Bonds; and (iv) the cost of obtaining a CUSIP number assignment for the Bonds.

18. Benefit of the Agreement. This Purchase Agreement shall inure to the benefit of and be binding upon the Issuer, the Obligor and the Underwriter and their respective successors and assigns. Nothing in this Purchase Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and assigns, and the persons entitled to indemnity and contribution under Section 0 hereof, and their respective successors, assigns and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Purchase Agreement or any provision herein contained. This Purchase Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit

of the parties hereto and their respective successors and assigns, and the persons entitled to indemnity and contribution under Section 0 hereof, and their respective successors, assigns and legal representatives, and for the benefit of no other person, firm or corporation. No Underwriter who purchases the Bonds from the Underwriter or other person or entity shall be deemed to be a successor merely by reason of such purchase.

19. Notices. Any notice or other communication to be given to the Issuer or the Obligor under this Purchase Agreement may be given by delivering the same in writing or by telex or telecopy to the address shown below, and any notice under this Purchase Agreement to the Underwriter may be given by delivering the same in writing to the Underwriter, as follows:

To the Issuer: City of Atlantic Beach, Florida
800 Seminole Road
Atlantic Beach, Florida 32233
Attention: City Manager

To the Obligor: Naval Continuing Care Retirement Foundation
1 Fleet Landing Boulevard
Atlantic Beach, Florida 32233
Attn: Chief Executive Officer

To the Underwriter: B.C. Ziegler and Company
One South Wacker Drive, Suite 3080
Chicago, IL 60606
Attn: Daniel J. Hermann

together with a copy to: Nabors, Giblin & Nickerson, P.A.
2502 Rocky Point Drive
Tampa, FL 33607
Attn: John R. Stokes, Esq.

20. Waiver and Release of Personal Liability. No recourse under or upon any obligation, indemnity, covenant or agreement contained in this Purchase Agreement or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by legal or equitable proceedings by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Purchase Agreement, shall be had against any trustee, director, member, commissioner, officer, employee or agent, as such, past, present or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or to the Underwriter or otherwise of any amount that may become owed by the Obligor hereunder. Any and all personal liability of every nature, whether at common law or in equity, or by statute or constitution or otherwise, of any trustee, director, member,

commissioner, officer, employee or agent, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Issuer or any receiver thereof, the Underwriter or otherwise, of any amount that may become owed by the Issuer hereunder is hereby expressly waived and released as a condition of and in consideration for the execution of this Purchase Agreement.

21. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

22. Effective Time of this Agreement. This Purchase Agreement shall become effective upon the acceptance hereof by the Issuer and the Obligor.

23. Severability. If any provisions of this Purchase Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstance shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or Sections in this Purchase Agreement contained, shall not affect the remaining portions of this Purchase Agreement, or any part thereof.

24. Execution in Counterparts. This Purchase Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

Very truly yours,

B.C. ZIEGLER AND COMPANY,
as Underwriter

By: _____
Richard Scanlon, Managing Director

[Signature Page to Bond Purchase Agreement.]

Accepted and agreed to as
of the date first above written:

CITY OF ATLANTIC BEACH, FLORIDA,
as Issuer

By: _____
Mayor

[Signature Page to Bond Purchase Agreement.]

Accepted and agreed to as
of the date first above written:

NAVAL CONTINUING CARE
RETIREMENT FOUNDATION, INC.

By: _____
Chief Executive Officer

[Signature Page to Bond Purchase Agreement.]

EXHIBIT A

Maturities, Amounts, Interest Rates, Yields and Prices of Bonds

\$ _____ **Serial Bonds**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
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Term Bonds

\$ _____ % Due October 1, 20__ Yield _____ % Price _____

EXHIBIT B

Mandatory Sinking Fund and Optional Redemption of the Bonds

Mandatory Sinking Fund and Optional Redemption Provisions

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture by the Obligor, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on October 1 in each of the years and amounts as follows:

Maturing October 1, 20__		Maturing October 1, 20__		Maturing October 1, 20__	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
	\$		\$		\$

*Stated Maturity

Optional Redemption. The Bonds maturing on and after October 1, 20__ are subject to optional redemption prior to maturity by the Issuer at the written direction of the Obligor in whole or in part on October 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds to be redeemed, together with accrued interest to the date of redemption.

EXHIBIT C

Form of Agreed Upon Procedures Letter

EXHIBIT D
OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2013

BOOK ENTRY ONLY

Fitch Rating: ____
(See "RATING" herein)

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. See the heading "TAX MATTERS" herein for a more detailed discussion of some of the federal tax consequences of owning the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto. Prospective Bondholders should consult with their own financial advisors on the impact of federal and Florida law on their particular situations.

\$ _____ *
CITY OF ATLANTIC BEACH, FLORIDA
Health Care Facilities Revenue and Refunding Bonds
(Fleet Landing Project)
Series 2013A

Dates, Interest Rates, Prices or Yields, and Maturities
Are Shown on the Inside of the Front Cover

The City of Atlantic Beach, Florida (the "Issuer") is issuing its Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A (the "Bonds") under an Indenture of Trust, dated as of April 1, 2013 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as Bond Trustee (the "Bond Trustee"). The proceeds of the Bonds will be loaned to Naval Continuing Care Retirement Foundation, Inc., a Florida nonprofit corporation (the "Obligor") pursuant to a Loan Agreement dated as of April 1, 2013 (the "Loan Agreement"), between the Issuer and the Obligor. The Obligor will use the proceeds of the Bonds, together with certain other moneys, to (i) currently refund the Issuer's outstanding Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999 and Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006, (ii) pay or reimburse the Obligor for the cost of acquiring approximately two acres of land adjacent to the Obligor's existing campus known as Fleet Landing in the City of Atlantic Beach, Florida, (as more fully described herein, the "Project"), (iii) fund a debt

service reserve fund for the Bonds, and (iv) pay a portion of the costs associated with issuing the Bonds. See "PLAN OF FINANCE" herein.

Except as described in this Official Statement, the Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, the payments to be made by the Obligor pursuant to the Loan Agreement, and the Series 2013A Note (as defined herein) issued by the Obligor under a Master Trust Indenture, as supplemented by Supplemental Indenture Number 1, each dated as of April 1, 2013 (as supplemented, the "Master Indenture"), and each between U.S. Bank National Association, as Master Trustee, and the Obligor. The sources of payment of, and security for, the Bonds are more fully described in this Official Statement.

The Bonds are subject to acceleration of maturity and optional and mandatory redemption, in whole or in part, prior to maturity at the prices and under the circumstances described herein.

The Bonds when issued will be registered only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Principal of and interest on the Bonds will be paid by the Bond Trustee to DTC, which in turn will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See APPENDIX E—Book-Entry Only System.

An investment in the Bonds involves a certain degree of risk related to, among other things, the nature of the Obligor's business, the regulatory environment, and the provisions of the principal documents. A prospective Bondholder is advised to read "SECURITY FOR THE BONDS" and "RISK FACTORS" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL AND INTEREST ARE PAYABLE SOLELY OUT OF CERTAIN PAYMENTS UNDER THE LOAN AGREEMENT BETWEEN THE ISSUER AND THE OBLIGOR AND THE RELATED NOTE ISSUED UNDER THE MASTER INDENTURE AS DESCRIBED HEREIN, BY RECOURSE TO THE MORTGAGE AND FROM MONEYS PLEDGED UNDER THE BOND INDENTURE AS DESCRIBED HEREIN. THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT CONSTITUTE AN INDEBTEDNESS

OF THE STATE OF FLORIDA, DUVAL COUNTY, FLORIDA ("DUVAL COUNTY"), THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND DO NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE, DUVAL COUNTY, THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE STATE, DUVAL COUNTY OR ANY POLITICAL SUBDIVISION THEREOF.

The Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the approving opinion of Foley & Lardner LLP, Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Alan C. Jensen, Attorney at Law, Jacksonville Beach, Florida; for the Obligor by its counsel, Foley & Lardner LLP, Jacksonville, Florida; and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. It is expected that the Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about April 1, 2013.



The date of this Official Statement is _____, 2013.

*Preliminary, subject to change.

\$ _____ *

CITY OF ATLANTIC BEACH, FLORIDA
Health Care Facilities Revenue and Refunding Bonds
(Fleet Landing Project)
Series 2013A

Dated Date of Delivery

Due: As shown below

The Bonds will be issuable in fully registered form without coupons in minimum denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Bonds will be payable on each May 15 and November 15, commencing _____ 15, 2013.

MATURITY SCHEDULE

\$ _____ Serial Bonds

Maturity Date <u>November 15,</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Price	Yield	CUSIP No. ⁽¹⁾
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\$ _____ Term Bonds

\$ _____	% Due November 15, _____	Yield _____	% Price _____	; CUSIP No. _____ ¹
\$ _____	% Due November 15, _____	Yield _____	% Price _____	; CUSIP No. _____ ¹

 *Preliminary, subject to change.

 (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, the Underwriter, or the Obligor, and are included solely for the convenience of the holders of the Bonds. Neither the Issuer nor the Underwriter nor the Obligor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

[COMMUNITY PICTURES]

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Obligor, the Issuer, or the Underwriter. The information set forth herein concerning the Obligor has been furnished by the Obligor and is believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Obligor since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information contained in this Official Statement has been furnished by the Obligor, the Issuer, DTC and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A to this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE OBLIGOR DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT
relating to the
\$ _____ *
CITY OF ATLANTIC BEACH, FLORIDA
Health Care Facilities Revenue and Refunding Bonds
(Fleet Landing Project),
Series 2013A

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover page, inside cover page and Appendices hereto, is provided to furnish information with respect to the issuance, sale and delivery by City of Atlantic Beach, Florida (the "Issuer") of its Health Care Facilities Revenue and Refunding Bonds (Fleet Landing Project), Series 2013A (the "Bonds").

The Bonds are being issued pursuant to Part II, Chapter 159, Florida Statutes, as amended (the "Act"), in conformity with the provisions, restrictions and limitations thereof and pursuant to the Indenture of Trust dated as of April 1, 2013 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

Certain capitalized terms used herein are defined in "DEFINITIONS OF CERTAIN TERMS" in APPENDIX C hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document.

Purpose of the Bonds

The proceeds of the Bonds will be loaned to Naval Continuing Care Retirement Foundation, Inc., a Florida nonprofit corporation (the "Obligor" or the "Obligated Group Representative") pursuant to a Loan Agreement dated as of April 1, 2013, between the Issuer and the Obligor (the "Loan Agreement") and will be used, together with other available moneys described herein, to (i) currently refund the Issuer's outstanding Health Care Facilities Revenue Refunding Bonds (Fleet Landing Project), Series 1999 (the "Series 1999 Bonds") and Variable Rate Demand Health Care Facilities Revenue Bonds (Fleet Landing Project), Series 2006, (collectively, the "Refunded Bonds"), (ii) pay or reimburse the Obligor for the cost of acquiring approximately two acres of land adjacent to the Obligor's existing campus known as Fleet Landing in the City of Atlantic Beach, Florida; (iii) fund the debt service reserve fund to secure the Bonds; and (iv) pay a

portion of the costs associated with the issuance of the Bonds. See "THE OBLIGOR AND THE COMMUNITY," "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Risk Factors. Certain risks are inherent in the successful operation of facilities such as the Community (defined below) on a basis such that sufficient cash will be available to pay interest on and to retire indebtedness. See "RISK FACTORS" below for a discussion of certain of these risks.

Security for the Bonds

General. The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee, (1) the hereinafter described Series 2013A Note relating to the Bonds, (2) certain rights of the Issuer under the hereinafter described Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in them, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2013A Note.

Pursuant to the Loan Agreement, the Obligor has agreed to make loan payments sufficient, among other things, to pay in full when due all principal of, premium, if any, and interest on the Bonds and the administrative fees of the Bond Trustee, and, to make payments as required to restore any deficiencies in the debt service reserve fund. See "SECURITY FOR THE BONDS-The Loan Agreement." See also "EXCERPTS FROM LOAN AGREEMENT" in APPENDIX C hereto.

The obligation of the Obligor to repay the loan from the Issuer will be evidenced by a promissory note of the Obligor (the "Series 2013A Note"), issued under and entitled to the benefit and security of a Master Trust Indenture, as supplemented by Supplemental Indenture Number 1, each dated as of April 1, 2013, and each between U.S. Bank National Association, as master trustee (the "Master Trustee") and the Obligor (collectively, the "Master Indenture"). See "SECURITY FOR THE BONDS—The Master Indenture." See also "EXCERPTS FROM MASTER TRUST INDENTURE" in APPENDIX C hereto. The Series 2013A Note will constitute an unconditional promise by each Obligated Group Member (as defined in the Master Indenture) to pay amounts sufficient to pay principal of (whether at maturity, by acceleration or call for redemption) and premium, if any, and interest on the Bonds; and the Series 2013A Note will be secured on a parity basis with any other Obligations hereafter issued under the Master Indenture, by a lien on and security interest in the Mortgaged Property granted to the Master Trustee pursuant to a Mortgage and Security Agreement, dated as of April 1, 2013, executed by the Obligor and delivered to U.S. Bank National Association, in its capacity as Master Trustee under the Master Indenture (the "Mortgage") and a security

interest in the Gross Revenues of the Obligated Group and the Funds established under the Master Indenture. Currently, only the Obligor and the Master Trustee are parties to the Master Indenture, and the Obligor is the only Obligated Group Member. The Obligor and each Obligated Group Member admitted in the future will be jointly and severally liable for the payment for all obligations entitled to the benefits of the Master Indenture and will be subject to the financial and operating covenants thereunder.

Pledge of Gross Revenues. In order to secure the payment of the principal of, premium, if any, and interest on the Series 2013A Note, the Obligated Group Members will pledge, assign, confirm and grant a security interest unto the Master Trustee in the Gross Revenues of the Obligated Group Members as well as all moneys and securities from time to time held by the Master Trustee under the terms of the Master Indenture. See "SECURITY FOR THE BONDS—Revenue Fund" herein.

Debt Service Reserve Fund. As additional security for the Bonds, a debt service reserve fund (the "Reserve Fund") will be established pursuant to the Bond Indenture and will be funded from the proceeds of the Bonds. The Reserve Fund is required to be funded in an amount equal to the Maximum Annual Debt Service on the Bonds outstanding. See "SECURITY FOR THE BONDS—Debt Service Reserve Fund for the Bonds." See also "EXCERPTS FROM INDENTURE OF TRUST" in APPENDIX C hereto.

THE ISSUER

The Issuer is a political subdivision of the State of Florida. The Issuer is authorized under the provisions of the Act to issue the Bonds for the purpose of refunding the Refunded Bonds and financing the Project, to enter into the Indenture and the Loan Agreement and to secure the Bonds by an assignment to Bond Trustee of the payments to be made by the Issuer under the Loan Agreement and a pledge of other moneys deposited with the Bond Trustee under the Indenture.

The Issuer has not undertaken to review this Official Statement nor has it assumed any responsibility for the matters contained herein except solely as to matters relating to the Issuer. All findings and determinations by the Issuer have been made for its own internal uses and purposes in performing its duties under the Act. Notwithstanding its approval of the Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the Issuer does not endorse or in any manner, directly or indirectly, guarantee or promise to pay the Bonds from any source of funds or guarantee, warrant or endorse the creditworthiness or credit standing of the Obligor or in any manner guarantee, warrant or endorse the investment quality or value of the Bonds. The Bonds are payable solely as described in this Official Statement and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Issuer. By its issuance of the Bonds, the Issuer does not in any manner, directly or

indirectly, guarantee, warrant or endorse the creditworthiness of the Obligor or the investment quality or value of the Bonds.

The Issuer has not participated in the preparation of this Official Statement and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement other than in this section and the section entitled "LITIGATION—Issuer." The Issuer is not responsible for providing any purchaser of the Bonds with any information relating to the Bonds or any of the parties or transactions referred to in this Official Statement or for the accuracy or completeness of any such information obtained by any purchaser.

THE OBLIGOR AND THE COMMUNITY

The Obligor is a Florida not for profit corporation formed in 1985 and has received a determination letter from the Internal Revenue Service that it is an organization exempt from federal income tax under Section 501(c)(3) (a "qualified 501(c)(3) organization") of the Internal Revenue Code of 1986, as amended (the "Code").

The Obligor owns and operates a continuing care retirement community known as "Fleet Landing" (the "Community") which opened in 1990 and is designed to meet the needs of former military officers, their spouses and others of retirement age. Located on an approximately 100-acre campus in the City of Atlantic Beach, Florida, the Community currently has available for occupancy 354 residential independent living units (including 164 congregate living units), 76 assisted living units and 80 skilled nursing beds, together with a variety of related common and support areas. The Community is managed by the Obligor.

For more information regarding the Obligor and the Community, see APPENDIX A hereto.

PLAN OF FINANCE

The Refunded Bonds. Concurrently with the issuance of the Bonds, a portion of the proceeds will be applied to fully redeem and pay the Refunded Bonds. The proceeds of the Refunded Bonds were used to finance or refinance costs related to the acquisition, construction, equipping and improvement of the Community.

The Project. A portion of the proceeds of the Bonds will be deposited in the Project Fund and disbursed by the Bond Trustee to the Obligor to pay the costs related to the acquisition of approximately two acres of land adjacent to the Community to be used by the Obligor for future expansion of Community facilities (the "Project").

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Bonds are as follows:

Sources of Funds

Bonds	\$
Net Original Issue Premium (Discount)	
Obligor Contribution ⁽¹⁾	_____
	\$ _____

Uses of Funds

Redemption of Refunded Bonds	\$
Project Fund	
Reserve Fund ⁽²⁾	
Costs of Issuance ⁽³⁾	_____
	\$ _____

(1) Represents funds of the Obligor to be used to pay a portion of the costs of issuance.

(2) A Debt Service Reserve Fund will be established at closing in an amount equal to Maximum Annual Debt Service on the Bonds.

(3) Includes legal fees, auditor fees, underwriter's fee, and other costs associated with the issuance of the Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated amounts required for the payment of principal of the Bonds at maturity or by mandatory sinking fund redemption and for the payment of interest on the Bonds for each Bond Year ending November 15.

Bond Year Ending <u>November 15</u>	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$</u>	<u>\$</u>	<u>\$</u>

THE BONDS

Specific information about the Bonds is contained below. Information about security for the Bonds is contained in "SECURITY FOR THE BONDS."

General; Book-Entry-Only System. The Bonds provide that no recourse under any obligation, covenant or agreement contained in the Bond Indenture, or in any Bond, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Bond Indenture, will be had against any past, present or future director, incorporator, agent, representative, member, officer or employee of the Issuer, as such, either directly or through the Issuer, for the payment for or to the Issuer or for or to the registered owner of any Bond, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and, as a material part of the consideration for the issue of the Bonds, expressly waived and released.

So long as DTC acts as securities depository for the Bonds, as described in APPENDIX E hereto, all references herein to "Owner," "owner," "Holder" or "holder" of any Bonds or to Series 2013A "Bondowner," "Bondholder," "bondowner" or "bondholder" are deemed to refer to Cede & Co., as nominee for DTC, and not to Participants, Indirect Participants or Beneficial Owners (as defined herein).

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Bonds will be paid as described in APPENDIX E hereto. The following information is subject in its entirety to the provisions described in APPENDIX E hereto

The Bonds will be issued only in fully registered form without coupons in the denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated their date of issuance and will accrue interest from the date of delivery, except as otherwise provided in the Bond Indenture. The Bonds will bear interest (based on a 360-day year of twelve 30-day months) at the rate set forth on the inside cover hereof, payable semiannually on May 15 and November 15 each year, commencing _____ 15, 2013 (each, an "Interest Payment Date"), and mature on the dates set forth on the inside cover page hereof.

Payment of Principal and Interest. The principal of and premium, if any, on the Bonds are required to be payable in lawful money of the United States of America at the Payment Office of the Bond Trustee, or at the designated corporate trust office of its successor, upon presentation and surrender of the Bonds. Payment of interest on each Bond will be made to the person in whose name such Bond is registered on the Bond Register at the close of business on the applicable Record Date and are required to be paid (i) by check or draft mailed to such registered owner on the applicable Interest Payment Date at such owner's address as it appears on the bond register or at such other address as is furnished to the Bond Trustee in writing by the applicable Record Date by such owner or (ii) as to any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds who so elects, by wire transfer of funds to such wire transfer

address within the continental United States of America as the registered owner shall have furnished to the Bond Trustee in writing on or prior to the Record Date and upon compliance with the reasonable requirements of the Bond Trustee. In the Event of Default in the payment of interest due on such Interest Payment Date, defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest established by notice mailed by the Bond Trustee to the registered owners of Bonds not less than ten days preceding such Special Record Date.

Transfers and Exchanges; Persons Treated as Owners. The Bonds are exchangeable for an equal aggregate principal amount of fully registered Bonds of the same maturity of other authorized denominations at the Jacksonville, Florida office of the Bond Trustee but only in the manner and subject to the limitations and on payment of the charges provided in the Bond Indenture.

The Bonds are fully transferable by the registered owner in person or by his or her duly authorized attorney on the registration books kept at the principal office of the Bond Trustee upon surrender of the Bond together with a duly executed written instrument of transfer satisfactory to the Bond Trustee. Upon such transfer a new fully registered Bond of authorized denomination or denominations for the same aggregate principal amount and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the Bond Indenture.

The Bond Trustee will not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business 15 days before the day of mailing by the Bond Trustee of a notice of prior redemption and ending at the close of business on the day of such mailing except for Bondholders of \$1,000,000 or more in aggregate principal amount of Bonds.

The Issuer and the Bond Trustee may deem and treat the person in whose name the Bond is registered as the absolute owner thereof for the purpose of making payment (except to the extent otherwise provided in the Bond Indenture with respect to Regular and Special Record Dates for the payment of interest) and for all other purposes, and neither the Issuer nor the Bond Trustee will be affected by any notice to the contrary.

Optional Redemption

The Bonds maturing on and after November 15, 20__ are subject to optional redemption prior to maturity by the Issuer at the written direction of the Obligor in whole or in part on November 15, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds to be redeemed, together with accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Bonds are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture by the Obligor, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on November 15 in each of the years and amounts as follows:

Maturing November 15, 20__		Maturing November 15, 20__		Maturing November 15, 20__	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
	\$		\$		\$

*Stated Maturity

The Obligor may reduce the principal amount of the Bonds of the maturity so required to be redeemed on any such date by the principal amount of the Bonds of such maturity either (i) purchased by or on behalf of the Obligor and surrendered to the Bond Trustee for cancellation not later than forty-five days prior to the redemption date; or (ii) redeemed other than through sinking fund redemption and cancelled by the Bond Trustee not later than forty-five days prior to the redemption date, which in either case have not been previously made the basis for a reduction of the principal amounts of the Bonds to be redeemed by operation of the sinking fund redemption. Any excess will be credited against the next sinking fund redemption obligation to redeem Bonds.

Extraordinary Optional Redemption

The Bonds will be subject to optional redemption by the Issuer at the written direction of the Obligor prior to their scheduled maturities, in whole or in part at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date on any date following the occurrence of any of the following events:

(a) in case of damage or destruction to, or condemnation of, any property, plant, and equipment of any Obligated Group Member, to the extent that the net proceeds of insurance or condemnation award exceed the Threshold Amount (as defined in the Master Indenture), and the Obligor has determined not to use such net proceeds or award to repair, rebuild or replace such property, plant, and equipment; or

(b) as a result of any changes in the Constitution or laws of the State of Florida or of the United States of America or of any legislative, executive, or administrative action (whether state or federal) or of any final decree, judgment, or order of any court or administrative body (whether state or federal), the obligations of the Obligor under the Agreement have become, as established by an Opinion of Counsel, void or unenforceable in each case in any material respect in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

Partial Redemption

In the event that less than all of the Bonds or portions thereof are to be redeemed, the Obligor may select the particular maturities to be redeemed. If less than all Bonds or portions thereof of a single maturity are to be redeemed, they will be selected by the securities depository or by lot in such manner as the Bond Trustee may determine.

If a Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed, but Bonds will be redeemed only in the principal amount of an Authorized Denomination and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination.

Notice of Redemption

In case of every redemption, the Bond Trustee will cause notice of such redemption to be given by mailing by first-class mail, postage prepaid, a copy of the redemption notice to the owners of the Bonds designated for redemption in whole or in part, at their addresses as the same will last appear upon the registration books, in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption will be sent by first class or registered mail, return receipt requested, or by overnight delivery service (1) contemporaneously with such mailing: (A) to any owner of \$1,000,000 or more in principal amount of the Bonds, and (B) to at least two or more information services of national recognition that disseminate redemption information with respect to municipal bonds; and (2) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of the Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption will be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of the Fixed Bonds selected for redemption that has not surrendered the Bonds called for redemption, at the address as the same will last appear upon the registration books.

Failure to give any such notice, or any defect therein, will not affect the validity of any proceedings for the redemption of such Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Issuer will assign and pledge to the Bond Trustee (1) the Series 2013A Note, (2) certain rights of the Issuer under the Loan Agreement, (3) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Bonds or which may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2013A Note.

The proceeds of the Bonds will be loaned to the Obligor, and the obligation of the Obligor to repay that loan will be evidenced by a promissory note of the Obligor issued pursuant to, and entitled to the benefit and security of, the Master Indenture.

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL AND INTEREST ARE PAYABLE SOLELY OUT OF CERTAIN PAYMENTS UNDER THE LOAN AGREEMENT BETWEEN THE ISSUER AND THE OBLIGOR AND THE RELATED NOTE ISSUED UNDER THE MASTER INDENTURE AS DESCRIBED HEREIN, BY RECOURSE TO THE MORTGAGE AND FROM MONEYS PLEDGED UNDER THE BOND INDENTURE AS DESCRIBED HEREIN. THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF FLORIDA, DUVAL COUNTY, OR THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND DO NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE, DUVAL COUNTY, THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE STATE, DUVAL COUNTY, OR ANY POLITICAL SUBDIVISION THEREOF.

Debt Service Reserve Fund for the Bonds

The Bond Indenture creates and establishes with the Bond Trustee a Debt Service Reserve Fund (the "Reserve Fund") with respect to the Bonds. Moneys on deposit in the Reserve Fund will be used to provide a reserve for the payment of the principal of and interest on the related series of Bonds. See "EXCERPTS FROM INDENTURE OF TRUST" in APPENDIX C hereto.

Payments into the Reserve Fund. Pursuant to the Bond Indenture, the Reserve Fund is required to be funded in an amount equal to the Maximum Annual Debt Service on the Bonds outstanding.

In addition to the deposits required by the Bond Indenture, there will be deposited into the Reserve Fund any Reserve Fund Obligations delivered by the Obligor to the Bond Trustee pursuant to the Loan Agreement. In addition, there will be deposited into the Reserve Fund all moneys required to be transferred thereto pursuant to the Bond Indenture, and all other moneys received by the Bond Trustee when accompanied by directions that such moneys are to be paid into the Reserve Fund. There will also be retained in the Reserve Fund all interest and other income received on investments of Reserve Fund moneys in the Reserve Fund to the extent provided in the Bond Indenture.

Use of Moneys in the Reserve Fund. Except as provided in the Bond Indenture, moneys in the Reserve Fund will be used solely for the payment of the principal of and interest on the Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

Effect of Event of Default. Upon the occurrence of an Event of Default of which the Bond Trustee is deemed to have notice under the Bond Indenture and the election by the Bond Trustee of the remedy specified in the Bond Indenture, any Reserve Fund Obligations in the Reserve Fund will, subject to the provisions of the Bond Indenture, be transferred by the Bond Trustee to the Principal Account and applied in accordance with the provisions of the Bond Indenture. In the event of the redemption of any series of Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on the Bonds to be Outstanding immediately after such redemption may, subject to the provisions of the Bond Indenture, be transferred to the Principal Account and applied to the payment of the principal of the Bonds to be redeemed. On _____ and _____ in each year, any earnings on the Reserve Fund Obligations on deposit in the Reserve Fund that are in excess of the Reserve Fund Requirement will be transferred into the Interest Account of the Bond Fund for the Bonds.

Remaining Funds. On the final maturity date or redemption date of the Bonds, any moneys in the Reserve Fund may be used to pay the principal of, premium, if any, and interest on the Bonds.

The Loan Agreement

Under the Loan Agreement, the Obligor is required to duly and punctually to pay the principal of, premium, if any, and interest on the Bonds, and to make payments to the Bond Trustee to maintain the Reserve Fund at the required amount and to make certain

other payments. See "EXCERPTS FROM LOAN AGREEMENT" in APPENDIX C hereto.

The Master Indenture

General. The Master Indenture is intended to provide assurance for the repayment of obligations entitled to its benefits by imposing financial and operating covenants which restrict the Obligor and any other future Obligated Group Members and by the appointment of the Master Trustee to enforce such covenants for the benefit of the holders of such obligations. The Series 2013A Note is the only obligation presently entitled to the benefits of the Master Indenture. The holders of all obligations entitled to the benefit of the Master Indenture will be on a parity with respect to the benefits of the Master Indenture. Pursuant to the Master Indenture, the Obligor and any future Obligated Group Members have pledged and granted to the Master Trustee (a) a security interest in all personal property owned or hereafter acquired by the Obligated Group, (b) a security interest in all the Gross Revenues of the Obligated Group, with certain limited exceptions, (c) a security interest in the Funds established under the Master Indenture, and (d) a security interest in any other property from time to time subjected to the lien of the Master Indenture. Pursuant to the Mortgage, the Obligor has pledged and granted to the Master Trustee a lien on the Mortgaged Property and a security interest in all property owned or hereafter acquired by the Obligor. See "EXCERPTS FROM MASTER TRUST INDENTURE" in APPENDIX C.

"Gross Revenues" means all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third party payments), condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) all such items, whether now owned or hereafter acquired by the Obligated Group Members, which by their terms or by reason of applicable law cannot be granted, assigned or pledged hereunder or which would become void or voidable if granted, assigned or pledged hereunder by the Obligated Group Members, or which cannot be granted, pledged or assigned hereunder without the consent of other parties whose consent is not secured, or without subjecting the Master Trustee to a liability not otherwise

contemplated by the provisions hereof, or which otherwise may not be, or are not, hereby lawfully and effectively granted, pledged and assigned by the Obligated Group Members, (ii) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (iii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use of payments required under this Master Trust Indenture, (iv) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other areas of the Facilities to be occupied or leased to such residents or tenants, (v) all deposits made pursuant to Residency Agreements to be held in escrow until construction of the Facilities is completed, a certificate of occupancy has been issued and appropriate licenses, if required, have been issued, and (vi) all deposits and/or advance payments made in connection with any leases of the Independent Living Units and received prior to receipt of such certificate and licenses.

The Series 2013A Note will constitute a joint and several obligation of each Obligated Group Member, and the Series 2013A Note will be secured on a parity basis with any other Obligations hereafter issued under the Master Indenture by a lien on the trust estate pledged thereunder, which includes the Mortgaged Property and the Gross Revenues of the Obligated Group.

Currently, only the Obligor and the Master Trustee are parties to the Master Indenture, and the Obligor is the only Obligated Group Member. The Obligor and each Obligated Group Member that may be admitted in the future will be jointly and severally liable for the payment for all obligations entitled to the benefits of the Master Indenture and will be subject to the financial and operating covenants thereunder. See "EXCERPTS FROM MASTER TRUST INDENTURE—Section 6.01—Admission of Obligated Group Members" and "—Section 6.03—Withdrawal of Obligated Group Members" in APPENDIX C for a description of the limitations on admission and release of Obligated Group Members.

Certain Covenants of the Obligor and any Future Members of the Obligated Group

In addition to the covenants described below, the Master Indenture contains additional covenants relating to, among others, the maintenance of the Obligated Group's property, corporate existence, the maintenance of certain levels of insurance coverage, the incurrence of additional debt, the sale or lease of certain property, and permitted liens. For a full description of these and other covenants, see "EXCERPTS FROM MASTER TRUST INDENTURE" in APPENDIX C hereto.

Rate Covenant. Pursuant to the Master Indenture, the Obligated Group has covenanted to operate all of its Facilities on a revenue-producing basis and to charge such

fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it hereunder to the extent permitted by law. Each Obligated Group Member has agreed that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture.

The Members covenant and agree that the Obligated Group Representative will calculate the Historical Debt Service Coverage Ratio of the Obligated Group for each Fiscal Year, commencing with the Fiscal Year ending December 31, 2012 in accordance with the Master Indenture.

If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.20:1, the Obligated Group Representative, at the Obligated Group's expense, is required to select a Consultant and notify the Master Trustee of the selection within thirty (30) days following the calculation described above, and engage a Consultant in accordance with the Master Indenture to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase such Historical Debt Service Coverage Ratio to at least 1.20:1 for the following Fiscal Year; provided, however, the Obligated Group Representative shall not be required to engage a Consultant for a Fiscal Year in which the Historical Debt Service Coverage Ratio is less than 1.20:1 if: (i) Days Cash on Hand exceeds two hundred (200) days; and (ii) average occupancy of the Independent Living Units was not less than ninety-three percent (93%) for the Fiscal Year or less than ninety percent (90%) for the last day of the Fiscal Year; but the Obligated Group Representative shall be required to engage a Consultant, regardless of Days Cash on Hand or Independent Living Units, if the Historical Debt Service Coverage Ratio is less than 1.20:1 for two (2) consecutive Fiscal Years.

Within sixty (60) days of the actual engagement of any such Consultant, the Obligated Group Representative is required to cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member of the Obligated Group and each Required Information Recipient (as defined in the Master Indenture). Each Member of the Obligated Group is required to follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law. This provision shall not be construed to prohibit any Member of the Obligated Group from serving indigent residents to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of residents without charge or at

reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of the Master Indenture.

If the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of 1.20:1 for a Fiscal Year, such failure shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and follows each recommendation contained in such report to the extent feasible (as determined by the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law; provided, however, it shall be an Event of Default under the Master Indenture if (i) the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 and the Days Cash on Hand of the Obligated Group as of the last day of the Fiscal Year is less than [one hundred eighty (180)] days or (ii) the Obligated Group fails to achieve a Historical Debt Service Coverage Ratio of at least 1.00:1 for two (2) consecutive Fiscal Years.

Under certain circumstances, if applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements summarized above, the Obligated Group will be relieved of that requirement if the rates charged by the Obligated Group are such that the Obligated Group has generated the maximum amount of revenues reasonably practicable given such laws or regulations, and the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. See "EXCERPTS FROM MASTER TRUST INDENTURE—Section 4.11—Rates and Charges" in APPENDIX C hereto.

In the event that any Member of the Obligated Group incurs any Additional Indebtedness for any acquisition, construction, renovation or replacement project, the Debt Service Requirements on such Additional Indebtedness and the Revenues and Expenses relating to the project or projects financed with the proceeds of such Additional Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement project being paid for with the proceeds of such Additional Indebtedness provided that such completion occurs no later than six months following the completion date for such project set forth in the Consultant's report described in (A) below, or (ii) the first full Fiscal Year after which Stable Occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fifth full Fiscal Year following the incurrence of such Additional Indebtedness, or (iii) the end of the fifth full Fiscal Year after the incurrence of such Additional Indebtedness, if the following conditions are met:

(A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for each of the first two full Fiscal Years following the later of (1) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Additional Indebtedness, or (2) the first full Fiscal Year following the year in which Stable Occupancy is achieved in the case of construction, renovation or replacement of elderly housing facilities or nursing facilities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fifth full Fiscal Year following the incurrence of such Additional Indebtedness, will be not less than 1.20:1 after giving effect to the incurrence of such Additional Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or Federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and

(B) there is delivered to the Master Trustee an Officer's Certificate on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service Coverage Ratio to be computed without taking into account (1) the Additional Indebtedness to be incurred if (x) the interest on such Additional Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefor and (y) no principal of such Additional Indebtedness is payable during such period, and (2) the Revenues to be derived from the project to be financed from the proceeds of such Additional Indebtedness. See "EXCERPTS FROM MASTER INDENTURE—Section 4.11—Rates and Charges" in APPENDIX C hereto.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "SECURITY FOR THE BONDS—Approval of Consultants" and APPENDIX C—"THE MASTER INDENTURE—Approval of Consultants."

Liquidity Covenant. The Master Indenture requires that the Obligated Group calculate the Days Cash on Hand of the Obligated Group as of June 30 and December 31

of each Fiscal year, commencing on June 30, 2013 (each such date being a "Testing Date"). Each Obligated Group Member is required to conduct its business so that on each Testing Date the Obligated Group shall have no less than [180] Days Cash on Hand (the "Liquidity Requirement").

If the Days Cash on Hand on any Testing Date is less than the Liquidity Requirement, the Obligated Group Representative is required, within 30 days after delivery of the Officer's Certificate disclosing such deficiency, to deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to raise the level of Days Cash on Hand to the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised the level of Days Cash on Hand to the Liquidity Requirement by the next Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative is required, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, to select a Consultant in accordance with the terms of the Master Indenture to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to raise the level of Days Cash on Hand to the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, is required to be filed with each member and each Required Information Recipient within 60 days after the date such Consultant is actually engaged. Each member of the Obligated Group is required to follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required liquidity level will not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the required procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law. See "The Master Indenture—Liquidity Covenant" in APPENDIX D hereto.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "SECURITY FOR THE BONDS—Approval of Consultants" and APPENDIX C—"THE MASTER INDENTURE—Approval of Consultants."

Actuarial Study. [During the Fiscal Year ending December 31, 2013, and at least once every three (3) Fiscal Years thereafter, the Obligated Group Representative, at the Obligated Group's expense, shall provide the actuarial study described below to each Member and each Required Information Recipient.] The actuarial study shall be prepared by a Consultant and include: (i) the amount, if any, of the Obligated Group's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges for the Facilities then in effect, and (ii) recommendations, if any, with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to enable the Obligated Group to satisfy such obligations. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law.

Rating

The Obligated Group has covenanted to use its best efforts to maintain an investment grade rating on the Bonds.

In the event that the Bonds lose their investment grade rating, the Obligated Group has covenanted that it will seek a rating of the Bonds from any Rating Agency each year after a determination is made by the Obligated Group in consultation with the Underwriter or other such qualified entity that an investment grade rating for the Bonds is reasonably attainable, until achievement of an investment grade rating, provided that if during any such year the Obligated Group receives a preliminary indication from any Rating Agency that the Bonds will not be assigned an investment grade rating, the Obligated Group shall withdraw its rating request for such year.

Approval of Consultants

The Master Indenture provides that if at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture with respect to the Rate Covenant, Liquidity Covenant or occupancy covenants, such Consultant shall be engaged in the manner as set forth below.

Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Representative will notify the Master Trustee of such selection. The Master Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations outstanding under the Master Indenture of such selection. Such notice will (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of this Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in

such notice unless such Obligation holder submits an objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligations holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee is required to notify the Obligated Group of the number of objections. If 66.6% or more in aggregate principal amount of the holders of the outstanding Obligations have been deemed to have consented to the selection of the Consultant, the Obligated Group Representative is required to engage the Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the owners of the Obligations outstanding have objected to the Consultant selected, the Obligated Group Representative shall select another Consultant which may be engaged upon compliance with the procedures described above and in accordance with the Master Indenture.

For further information about the approval of Consultants, including the ability of owners to object to the selection of a Consultant, see APPENDIX C—"THE MASTER INDENTURE—Approval of Consultants.

Revenue Fund

If an Event of Default under the Master Indenture occurs due to failure to pay any debt service on any Obligations when due and continues for a period of five days, each Obligated Group Member is required to deposit with the Master Trustee for deposit into the Revenue Fund all Gross Revenues and Federal Subsidy Payments of such Obligated Group Member (except to the extent otherwise provided by or inconsistent with any instrument creating any mortgage, lien, charge, encumbrance, pledge or other security interest granted, created, assumed, incurred or existing in accordance with the provisions of the Master Indenture) during each succeeding month, beginning on the first day thereof and on each day thereafter, until no payment default under the Master Indenture then exists.

On the fifth Business Day preceding the end of each month in which any Obligated Group Member has made payments to the Master Trustee for deposit into the Revenue Fund, the Master Trustee will withdraw and pay or deposit from the amounts on deposit in the Revenue Fund the following amounts in the order indicated:

FIRST, to the payment of all amounts due the Master Trustee under the Master Indenture;

SECOND, to the payment of the amounts then due and unpaid upon the Obligations, other than Obligations constituting Subordinated Indebtedness, for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively;

THIRD, to the payment of the amounts then due and unpaid upon the Obligations constituting Subordinated Indebtedness for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Obligations for principal (and premium, if any) and interest, respectively; and

FOURTH, to the Obligated Group Representative.

RISK FACTORS

General Risk Factors

The Bonds are special and limited obligations of the Issuer, payable solely from and secured exclusively by the funds pledged thereto, including the payments to be made by the Obligated Group under the Master Indenture.

A BONDOWNER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, AND SPECIAL REFERENCE IS MADE TO THE SECTION "SECURITY FOR THE BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

As described herein under the caption "SECURITY FOR THE BONDS," except to the extent that the principal of, premium, if any, and interest on the Bonds may be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Mortgaged Property, such principal, premium and interest will be payable solely from amounts paid by the Obligor under the Loan Agreement or by the Obligated Group (currently consisting solely of the Obligor) under the Master Indenture.

No representation or assurance is given or can be made that revenues will be realized by the Obligated Group (which in the context of this discussion of risk factors, should be understood to include the Obligor individually and together with future Members of the Obligated Group, if any) sufficient to ensure the payment of the principal and interest on the Bonds in the amounts and at the times required to pay debt service on each series of the Bonds when due. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. The ability of the Obligated Group to generate sufficient revenues may be impacted by a number of factors. Some, but not necessarily all of these risk factors are discussed in this section below; these risk factors should be considered by investors considering any purchase of the Bonds. Neither the

Underwriter nor the Issuer has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

Impact of Market Turmoil

The disruption of the credit and financial markets in the last several years have resulted in volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies, and is considered a major cause of the current economic downturn. In addition, as investor confidence has waned, investments previously recognized as stable, such as tax-exempt money market funds (which are one of the largest purchasers of tax-exempt bonds), have experienced significant withdrawals. This could affect the market demand for the Bonds. In addition, the general market disruption has affected and could continue to adversely affect the value of any investments the Obligor may have.

Credit market conditions may cause the Obligor's ability to borrow to fund capital expenditures to be more limited and more expensive now and in the future.

Additions to the Obligated Group

Currently, the Obligor is the only Member of the Obligated Group. Upon satisfaction of certain conditions in the Master Indenture, other entities can become members of the Obligated Group. See "THE MASTER INDENTURE—Admission of Obligated Group Members" in APPENDIX C. Management of the Obligor currently has no plans to add additional members to the Obligated Group. However, if and when new members are added, the Obligated Group's financial situation and operations will likely be altered from that of the Obligor alone.

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL AND INTEREST ARE PAYABLE SOLELY OUT OF CERTAIN PAYMENTS UNDER THE LOAN AGREEMENT BETWEEN THE ISSUER AND THE OBLIGOR AND THE RELATED NOTE ISSUED UNDER THE MASTER INDENTURE AS DESCRIBED HEREIN, BY RECOURSE TO THE MORTGAGE AND FROM MONEYS PLEDGED UNDER THE BOND INDENTURE AS DESCRIBED HEREIN. THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE, AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF FLORIDA, DUVAL COUNTY OR THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND DO NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE, DUVAL COUNTY, THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF

OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE STATE, DUVAL COUNTY OR ANY POLITICAL SUBDIVISION THEREOF.

Uncertainty of Revenues

The Obligor has no assets other than the Mortgaged Property and is not expected to have any revenues except those derived from operations of the Community in the near term. As noted elsewhere, except to the extent that the holders receive under certain circumstances, proceeds of insurance, sale or condemnation awards, each series of the Bonds will be payable solely from payments or prepayments to be made by the Obligor under the Loan Agreement and by the Obligor and any other future Obligated Group Members on the Series 2013A Note. The ability of the Obligor to make payments under the Loan Agreement and the ability of the Obligor and any other future Obligated Group Members to make payments on the Series 2013A Note is dependent upon the generation by the Obligor of revenues in the amounts necessary for the Obligor to pay the principal, premium, if any, and interest on the Bonds, as well as other operating and capital expenses. The realization of future revenues and expenses are subject to, among other things, the capabilities of the management of the Obligor, government regulation and future economic and other conditions that are unpredictable and that may affect revenues and payment of principal of and interest on the Bonds. No representation or assurance can be made that revenues will be realized by the Obligor in amounts sufficient to make the required payments with respect to debt service on the Bonds.

Failure to Maintain Occupancy

The ability of the Obligated Group to generate sufficient revenues to pay the operating costs of their facilities and to pay debt service on the Bonds depends in part, on the ability of the Obligor to attract sufficient numbers of residents to the Community and to maintain substantial occupancy throughout the term of the Bonds. This depends to some extent on factors outside management's control, such as the residents' right to terminate their Residency Agreements, subject to the conditions provided in the Residency Agreements.

Competition

The Community provides services in areas where other competitive facilities exist and may face additional competition in the future as a result of the construction or renovation of competitive facilities in the primary or secondary market area of the Community. There may also arise in the future competition from other continuing care facilities, some of which may offer similar facilities, but not necessarily similar services, at lower prices.

Regulation of Residency Agreements

As described herein under "FLORIDA REGULATION OF CONTINUING CARE FACILITIES," Chapter 651 requires every continuing care facility to maintain a certificate of authority from the Office of Insurance Regulation in order to operate. The Obligor has received a final certificate of authority for the Community. If the Obligor fails to comply with the requirements of Chapter 651, it would be subject to sanctions including the possible revocation of the certificate of authority for the Community. The certificate of authority may be revoked if certain grounds exist including, among others, failure by the provider to continue to meet the requirement for the authority originally granted, on account of deficiency of assets, failure of the provider to maintain escrow accounts or funds required by Chapter 651 and failure by the provider to honor its Residency Agreements with residents. Under certain circumstances the Office of Insurance Regulation may petition for an appropriate court order for rehabilitation, liquidation, conservation, reorganization, seizure or summary proceedings. If the Office of Insurance Regulations has been appointed a receiver of a continuing care facility, it may petition a court to enjoin a secured creditor of a facility from seeking to dispose of the collateral securing its debt for a period of up to 12 months.

Liquidation of Security May Not be Sufficient in the Event of a Default

The Bond Trustee and the Issuer must look solely to the Gross Revenues, the Mortgaged Property and any funds held under the Bond Indenture and the Master Indenture to pay and satisfy the Bonds in accordance with their terms. The Bondholders are dependent upon the success of the Community and the value of the assets of the Obligated Group for the payment of the principal of, redemption price, if any and interest on, the Bonds. [The Obligor has not made any representations to Bondholders regarding the current market value of the Community.] In the event of a default, the value of the Mortgaged Property may be less than the amount of the outstanding Bonds, since the Community exists for the narrow use as a continuing care retirement community. In addition, even without consideration of the special purpose nature of the Community, the sale of property at a foreclosure sale may not result in the full value of such property being obtained. The special design features of a continuing care facility and the continuing rights of residents under continuing care and lease agreements may make it difficult to convert the facilities to other uses, which may have the effect of reducing their attractiveness to potential purchasers. In the event of a default and subsequent foreclosure and sale of the Mortgaged Property, Bondholders have no assurance that the value of the Mortgaged Property would be sufficient to pay the outstanding principal and interest due under the terms of the Bonds. Accordingly, in the event of foreclosure and sale of the Mortgaged Property, Bondholders may not receive all principal and interest due under the terms of the Bonds.

The Nature of the Income of the Elderly

A percentage of the monthly income of certain residents of the Community may be fixed income derived from pensions and social security. In addition, some residents may have to liquidate assets in order to pay the fees and other charges for occupancy of the Community. If, due to inflation or otherwise, substantial increases in fees and other charges are required to cover increased operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased fees and other charges. Furthermore, investment income of the residents may be adversely affected by declines in market rates and stock prices, which may also result in payment difficulties.

Sale of Homes

It is anticipated that many future residents of the Community will come from a personal residence. Many of these individuals may have to sell their current homes prior to occupancy to meet the financial obligations under their Residency Agreement. If prospective residents encounter difficulties in selling their homes due to local or national economic conditions affecting the sale of residential real estate, such prospective residents may not have sufficient funds to pay fees or other obligations under their Residency Agreements, thereby causing a delay in marketing vacated units. Any such delay could have an adverse impact on the revenues of the Obligated Group and the ability of the Obligated Group to pay debt service requirements on the Bonds.

Utilization Demand

Several factors could, if implemented, affect demand for services provided at the Community including: (i) efforts by insurers and governmental agencies to reduce utilization of skilled nursing home and long-term care facilities by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology; (iii) a decline in the population, a change in the age composition of the population or a decline in the economic conditions of the service area for the Community; and (iv) increased or more effective competition from retirement communities and long-term care facilities now or hereafter located in the service area of the facility. The Financial Feasibility Study should be read in its entirety, including management's notes and assumptions set forth therein. See APPENDIX C hereto.

Factors Affecting Real Estate Taxes

In recent years various State and local legislative, regulatory and judicial bodies have reviewed the exemption of non-profit corporations from real estate taxes. Various State and local government bodies have challenged with increasing frequency and success the tax-exempt status of such institutions and have sought to remove the exemption of property from real estate taxes of part or all of the property of various non-

profit institutions on the grounds that a portion of such property was not being used to further the charitable purposes of the institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

The Community is currently exempt from the payment of property taxes and the Community is assumed by management of the Obligor to remain exempt. There can be no assurance that future changes in the laws and regulations of State or local governments will not materially and adversely affect the operation and revenues of the Obligated Group by requiring the Obligor to pay real estate taxes for the Community.

Malpractice Claims and Losses

The Obligated Group has covenanted in the Master Indenture to maintain professional liability insurance with commercial insurance carriers unless the Obligated Group Representative provides a certificate of an insurance consultant complying with the terms of the Master Indenture. The operations of the Obligated Group may be affected by increases in the incidence of malpractice lawsuits against elder care facilities and care providers in general and by increases in the dollar amount of client damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Obligated Group or the premiums at which such coverage can be obtained.

Healthcare Reform Act

Health care reform has been an immediate and important priority of President Obama's administration. On November 7, 2009, the U.S. House of Representatives passed the Affordable Health Care for America Act and on December 24, 2009, the Senate passed the Patient Project and Affordable Care Act. To bridge the differences between the two bills, on March 21, 2010, the House of Representatives passed the Patient Project and Affordable Care Act (H.R. 3590) without amendment. H.R. 3590 was signed into law by President Obama on March 23, 2010. Also on March 21, the House passed Health Care and Education Reconciliation Act of 2010 (H.R. 4872) (the "reconciliation bill"), which modified certain provisions in H.R. 3590. Next, the House and Senate both passed a modified version of the reconciliation bill on March 25, 2010, President Obama signed the reconciliation bill on March 30, 2010. Together, H.R. 3590, which is now Public Law 111-148, and H.R. 4872, which is now, Public Law 111-152, form the basis of the health care reform, that impact providers ("Health Care Reform Statutes").

Generally, the Health Care Reform Statutes require most U.S. citizens and legal residents to have health insurance, creates state-based health benefit exchanges and a tax credit system to help the uninsured purchase coverage requires employers to either provide insurance or pay tax penalties for employees that receive tax credits, imposes

new regulations on health plans, and expands Medicaid. The Health Care Reform Statutes impose additional compliance and regulatory requirements on nursing homes, some of which may adversely impact nursing home reimbursement for the Obligated Group.

Nursing Staff Shortage

Recently the healthcare industry has experienced a shortage of nursing staff, which has resulted in increased costs for healthcare providers due to the need to hire agency nursing personnel at higher rates. Both the federal and state governments have implemented, or are considering implementing, legislative efforts to combat the health care industry's workforce shortages, including those in nursing. If the nursing shortage continues, it could adversely affect the Obligated Group's operations or financial condition.

Third-Party Payments and Managed Care

In the environment of increasing managed care, the Obligated Group can expect additional challenges in maintaining its resident population and attendant revenues. Third-party payors, such as health maintenance organizations, direct their subscribers to providers who have agreed to accept discounted rates or reduced per diem charges. Continuing care retirement communities are less sensitive to this directed utilization than stand-alone skilled nursing facilities; however, the risk may increase and the Obligated Group may be required to accept residents under such conditions should managed care cost reduction measures now pervasive in the health care industry continue to grow.

Fraud and Abuse Enforcement

Health care fraud and abuse laws were enacted at the federal and state levels to regulate both the provision of services to government program beneficiaries and the submission of claims for services rendered to such beneficiaries. Under these laws, individuals and organizations, such as the Obligor, can be punished for submitting claims for services that were not provided, not medically necessary, incorrectly coded, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, billed in a manner that does not comply with applicable government requirements, furnished in a substandard manner, or other similar reasons.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including recoveries of amounts paid to the provider, imprisonment, exclusion of the provider from participation in the Medicare and Medicaid programs, civil monetary penalties and suspension of payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available penalties may be imposed for each violation. The federal government has made the

investigation and prosecution of health care fraud and abuse a priority, and Congress has authorized significant funding of this effort. As a result, there have been a substantial number of investigations, prosecutions and civil enforcement proceedings of health care-related fraud and abuse in recent years.

Laws governing fraud and abuse apply to virtually all individuals and entities with which a health care provider does business, including hospitals, home health agencies, long-term care entities, infusion providers, pharmaceutical providers, insurers, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), third party administrators, physicians, physician groups, physician practice management companies, ambulatory care entities, laboratories, diagnostic testing facilities, suppliers of medical items and services and other potential referral sources. Fraud and abuse prosecutions can have a catastrophic effect on such entities and a material adverse impact on the financial condition of other entities in the health care delivery system of which that entity is a part.

Federal Criminal Fraud and Abuse Liability of Health Care Providers. Both individuals and organizations may be subject to prosecution under several federal criminal fraud and abuse statutes. Criminal conviction for an offense related to a health care provider's participation in the Medicare program may result in substantial fines and/or the provider's suspension, exclusion or debarment from all government programs, including the Medicare program. Any such fines, exclusions or debarment could have a material adverse effect on the Obligor's financial condition. Even the assertion of a violation could have an effect.

Criminal False Claims Act. The criminal False Claims Act ("Criminal FCA") prohibits anyone from knowingly and willfully making a false statement or misrepresentation of a material fact in submitting a claim to a government health care program (defined as "any plan or program that provides health benefits, whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the United States Government" other than the Federal Employees Health Benefit Program). There are numerous specific rules that a health care provider must follow with respect to the submission of claims. Violation of the Criminal FCA can result in imprisonment of five years and a fine of up to \$25,000. Violation of the Criminal FCA also results in mandatory exclusion from participation in the government health care programs.

Anti-Kickback Law. The federal anti-kickback law ("Anti-Kickback Law") is a criminal statute that prohibits the offering, payment, solicitation or receipt of remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, for (1) the referral of patients or arranging for the referral of patients to receive services for which payment may be made in whole or in part under a government health care program or any state health care program; or (2) the purchase, lease, order, or arranging for the purchase, lease or order of any good, facility, service or item for which payment may be made under a government health care program.

Generally, courts have taken a broad interpretation of the scope of the Anti-Kickback Law. Courts have held that the Anti-Kickback Law may be violated if merely one purpose of a financial arrangement is to induce future referrals of federal or state health care program covered items or services.

The criminal sanctions for a conviction under the Anti-Kickback Law are imprisonment for not more than five years, a fine of not more than \$25,000 or both, for each incident or offense, although under 18 U.S.C. §3521, this fine may be increased to \$250,000 for individuals and \$500,000 for organizations. If a party is convicted of a criminal offense related to participation in the Medicare program or any state health care program, or is convicted of a felony relating to health care fraud, the secretary of the United States Department of Health and Human Services ("DHHS") is required to bar the party from participation in federal health care programs and to notify the appropriate state agencies to bar the individual from participation in state health care programs. Imposition of such penalties or exclusions would result in a significant loss of reimbursement and may have a material adverse effect on the Obligor's financial condition. Even the assertion of a violation could have a material adverse effect on the financial condition and results of operations of the Obligor.

OIG Advisory Opinions. In the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), Congress provided for an advisory opinion process in conjunction with the Anti-Kickback Law. These advisory opinions are issued only to the requestors and cannot be relied on by any other individual or entity. The Obligor has not requested, and does not plan to request, an OIG Advisory Opinion with respect to issues or arrangements that the Obligor may have relating to Anti-Kickback Law, including compliance with the safe harbor provisions discussed below.

"Safe Harbor" Regulations. The Medicare and Medicaid Patient and Program Protection Act of 1987 required the OIG to promulgate regulations to clarify that certain investment and payment practices in the health care industry would not violate the Anti-Fraud and Abuse Statute. In response, the OIG has promulgated final "safe harbor" regulations that set forth requirements that, if met, will protect certain payment arrangements. The scope of these safe harbors is narrow, and the requirements are specific. To date, the safe harbor regulations include: (i) investment interests in certain publicly traded companies, certain small business entities and providers in medically underserved areas; (ii) space rental; (iii) equipment rental; (iv) personal services and management contracts; (v) sales of physician practices; (vi) referral services; (vii) warranties; (viii) discounts; (ix) employees; (x) group purchasing organizations; (xi) waiver of beneficiary coinsurance/deductible amounts; (xii) increased coverage, reduced cost-sharing amounts, or reduced premium amounts offered by health plans; (xiii) price reductions offered to health plans; (xiv) practitioner recruitment; (xv) subsidies for obstetrical malpractice insurance; (xvi) investments in physician group practices; (xvii) payments to cooperative hospital services organizations;

(xviii) investments in ambulatory surgery centers; (xix) specialty referral arrangements between providers; (xx) ambulance replenishing; and (xxi) e-prescribing and electronic health record arrangements. The OIG has also published two interim final safe harbors in regulations for shared-risk arrangements.

The scope of the Anti-Kickback Law is not expanded by way of the safe harbor regulations; these regulations give those who comply with a safe harbor the assurance that they will not be prosecuted under the statute. As explained by the OIG in the preamble to the July 1991 safe harbor regulations, failure to comply with a safe harbor can mean one of three things: (1) the arrangement does not fall within the broad scope of the anti-kickback provisions so there is no risk of prosecution; (2) the arrangement clearly violates the statute and is subject to prosecution; or (3) the arrangement may violate the statute in a less serious manner, in which case there is no way to predict the degree of risk. Parties to a particular venture or contemplating entering into a specific arrangement may seek an Advisory Opinion from the OIG to ascertain whether the arrangement will meet the requirements of a safe harbor or otherwise will violate the Anti-Kickback Law.

Health care providers have exposure under the Anti-Kickback Law. Because of the government's vigorous enforcement efforts, many health care providers may be subject to some type of government investigation for alleged Anti-Kickback Law violations involving relationships such as those between healthcare providers and physicians, as well as the operations of any nursing homes, home health agencies, hospices and ancillary service providers owned or operated by a healthcare provider. The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict and defense efforts can be costly.

Federal Civil Fraud and Abuse Liability of Health Care Providers. Unlike criminal statutes, which require the government to prove that the health care provider intended to violate, or recklessly disregarded, the law, civil statutes may be violated simply by the provider's participation in a prohibited financial arrangement or actual or assumed knowledge that its claims procedures are not in full compliance with the law.

Civil False Claims Act. The civil False Claims Act ("Civil FCA"), which has become one of the federal government's primary weapons against health care fraud, allows the government to recover significant damages from persons or entities that submit false or fraudulent claims for payment to a federal agency. It also permits private individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can recover significant amounts from the damages awarded to the government.

Under the Civil FCA, health care providers may be liable if they: (1) knowingly present or cause to be presented a false or fraudulent claim for payment to the United States; (2) knowingly make, use, or cause to be made or used a false record or statement to

obtain payment on a false or fraudulent claim paid by the United States; or (3) engage in a conspiracy to defraud the United States by getting a false or fraudulent claim paid. The "knowing" standard under the Civil FCA requires that the person or entity have actual knowledge of the falsity of the claim or act in deliberate ignorance or reckless disregard of the truth or falsity of the claim. In several cases, Civil FCA violations have been alleged solely on the existence of violations of the Anti-Kickback Law, discussed above, or the Stark Law, discussed below, even in the absence of evidence that false claims had been submitted as a result of those arrangements. The U.S. Department of Justice has also begun using the Civil FCA in its prosecutions of nursing homes for providing substandard care. Most of these cases have not yet been resolved by the courts, so it is not possible to predict with certainty whether the federal government will be successful in prosecuting these anti-kickback, self-referral and quality of care violations as false claims, although at least one appellate court has accepted the theory that a false certification of compliance with Stark or the Anti-Kickback Law would be actionable under the Civil FCA. If the courts ultimately determine that the Civil FCA applies to these alleged violations, the sums necessary for even an innocent health care provider to fight or settle the matter could have a material adverse impact on that provider and, potentially, its affiliates.

If a health care provider is found to have violated the Civil FCA, the potential liability is substantial. The violator can be held liable for up to triple the actual damages incurred by the government and a fine of \$5,500 to \$11,000 for each violation of the Civil FCA. A private party may file a qui tam suit on behalf of the government under the Civil False Claims Act. If the government takes over the suit and is successful, the private party may receive between 15 and 25 percent of any awarded damages. If the government does not take over the case and the private party continues the suit and prevails, the private party may receive between 25 and 30 percent of the damage award. Qui tam lawsuits significantly increase the possibility that a health care provider may be challenged under the Civil FCA. In addition, the Deficit Reduction Act of 2005 (the "DRA") introduced a new basis for liability under the Civil FCA. The DRA also proposes financial incentives for States to enact their own false claims acts. The DRA provides that a State that has a false claims statute that meets the minimum standards in effect on January 1, 2007, earns an additional 10 percent of any Medicare funds recovered under that statute. This provision creates a strong incentive for states to enact their own false claims statutes or strengthen their additional false claims statutes. Currently, a significant number of states have enacted their own false claims statutes. In large part because of the enactment of the DRA, additional states have false claims legislation pending.

On May 20, 2009, President Obama signed into law the Fraud Enforcement and Recovery Act of 2009. The Act includes several amendments to the Civil FCA intended to protect federal government funds disbursed to subcontractors to the same extent that the Civil FCA protects funds distributed to prime contractors. The Act also seeks to

address recent judicial interpretations of the statute's so-called "presentment clause," which requires that a false claim be presented to a government employee for payment before liability may be imposed, by clarifying that FCA liability "attaches whenever a person knowingly makes a false claim to obtain money or property, any part of which is provided by the Government without regard to whether the wrongdoer deals directly with the Federal Government; with an agent acting on the Government's behalf; or with a third party contractor, grantee, or other recipient of such money or property." The Act also allows the attorney general to delegate to Department of Justice attorneys the power to issue civil investigative demands for testimony, documents and interrogatory answers in FCA investigations and provides that information obtained through the use of the civil investigative demands can be used in a range of federal investigations and prosecutions. At this time, the impact of the Act on FCA enforcement actions and potential false claims liability for health care providers, including the Obligor, is unknown.

Stark Law. Current federal law (known as the "Stark" law provisions) prohibits providers of "designated health services" from billing Medicare when the patient is referred by a physician or an immediate family member with a financial relationship with the provider, unless the financial relationship fits into a statutory or regulatory exception. "Designated health services" include the following: clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The sanctions under the Stark law include denial and refund of payments, civil monetary penalties and exclusions from the Medicare program.

The Stark law includes specific reporting requirements providing that each entity furnishing covered items or services, upon request, must provide the Secretary of DHHS with certain information concerning its ownership, investment and compensation arrangements. Reportable information includes the covered items and services provided by the entity and the names and unique physician identification numbers of all physicians who have a financial relationship with the entity. Failure to adhere to these reporting requirements may subject the entity to significant civil money penalties.

Management of the Obligor will have a compliance program to ensure material compliance with the Stark law. However, in light of the scarcity of case law interpreting the Stark law, there can be no assurances that the Obligor will not be found to have violated the Stark law, and if so, whether any sanction imposed would have a material adverse effect on the operations or the financial condition of the Obligor.

Civil Provisions of Anti-Kickback Law. The federal Anti-Kickback Law, discussed above, also includes civil standards and penalties for conduct that implicates

this statute but falls short of the necessary level of intent and knowledge to be criminal. In the Balanced Budget Act of 1997, Congress expanded civil sanctions under the Anti-Kickback Law to include civil money penalties of \$50,000 for each prohibited act and up to "three times the total amount of remuneration offered, paid, solicited, or received, without regard to whether a portion of such remuneration was offered, paid, solicited, or received for a lawful purpose."

Administrative Enforcement. As with civil laws, administrative enforcement provisions require a lower standard of proof of a violation than the criminal standard. Thus, health care providers have a risk of incurring monetary penalties as a result of an administrative enforcement action.

Civil Monetary Penalty Statute. The federal Civil Monetary Penalty Statute in part prohibits a hospital from knowingly making a payment, directly or indirectly, to a physician as an inducement to reduce or limit services to Medicare patients under the physician's direct care. Violations of the statute can result in civil money penalties against both the hospital and the physician in the amount of \$2,000 each for each patient affected by such an arrangement. In July 1999, the OIG issued a Special Advisory Bulletin in which the OIG stated that it considered certain hospital/physician "gainsharing" arrangements (typically arrangements whereby hospitals share cost savings in patient care attributable in part to the physicians' efforts) to be in violation of this provision of the Civil Monetary Penalty Statute. According to the bulletin, the OIG believes that such arrangements may improperly induce physicians to reduce the level of care provided to patients. However, since the publication of the Special Advisory Bulletin, the OIG has issued a series of Advisory Opinions approving several proposed arrangements under the Civil Monetary Penalty Statute and the Anti-kickback Law whereby a hospital proposed to share with a group of physicians a percentage of the hospital's cost savings arising from the physicians' implementation of a number of cost reduction measures related to certain specified procedures. Nonetheless, each of the Advisory Opinions was very narrow in scope, applied only to the facts of that situation and to the parties to whom it was issued, and indicated that the OIG will still closely scrutinize similar types of arrangements. The Centers for Medicare and Medicaid Services ("CMS") has proposed but not yet finalized an exception to the Stark Law for physicians who participate in incentive payment and shared savings programs.

Exclusions from Medicare Participation. The term "exclusion" means that no Medicare or state health care program reimbursement will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. The Secretary of DHHS is required to exclude from federal health care program participation for not less than five years any individual or entity convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program; any criminal offense relating to patient neglect or abuse in connection with the delivery of health care; a felony relating

to fraud, theft, embezzlement, breach of fiduciary responsibility or other misdemeanor in connection with the delivery of health care services or with respect to any act or omission in a health care program (other than Medicare or a state health care program) operated by or financed in whole or in part by a governmental agency; or a felony offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The Secretary also has permissive authority to exclude individuals or entities under certain other circumstances, such as a misdemeanor conviction for fraud in connection with delivery of health care services or conviction for obstruction of an investigation of a health care violation. The minimum period of exclusion for certain permissive exclusions is three years. Exclusion of the Obligor could have a material impact on the ability of the Obligated Group to make payments on the Series 2013A Note.

Enforcement Activity. Enforcement activity against health care providers is increasing, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals, physician groups and other health care providers will be subject to investigation, audit or inquiry regarding billing practices or false claims. As with other health care providers, the Obligor may be the subject of Medicare intermediary or carrier, OIG, U.S. Attorney General, Department of Justice, state attorney general investigations, audits or inquiries in the future. Because of the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries is increasing and could result in enforcement action against the Obligor.

Regardless of the merits of a particular case or cases, the Obligor could incur significant legal and settlement costs. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Obligor and certain of its affiliates, regardless of the outcome, and could have material adverse consequences on the financial condition of the Obligated Group.

Other Sources of Liability for Health Care Providers

Health care providers may be subject to criminal prosecution and civil penalties under a variety of federal laws in addition to those discussed in the previous paragraphs.

The confidentiality and security of patient medical records and other health information is subject to considerable regulation by state and federal governments. The administrative simplification provisions of HIPAA as amended by the Health Information Technology for Economic and Clinical Health Act, or the "HITECH Act," under the American Recovery and Reinvestment Act of 2009 ("ARRA") which was signed into law on February 17, 2009, established programs under Medicare and Medicaid for privacy and security of patient identifiable information, provided incentive payments for the "meaningful use" of certified electronic health records ("HER") technology, and mandated that standards and requirements be adopted for the electronic transmission of

certain health information. DHHS has issued a series of regulations to comport with these requirements.

The ARRA contained significant changes to HIPAA including a new requirement that covered entities must make notification in the event of a material breach of privacy, security or integrity of protected health information to individuals, DHHS, and in certain instances, depending on the number of people whose information was subject to the breach, to the media. In addition, the ARRA increased the liability of business associates of covered entities and places additional administrative responsibilities on health care providers and other covered entities regarding the privacy and security of health information. Pursuant to the ARRA, DHHS will be required to conduct periodic HIPAA compliance audits to ensure that covered entities, including health care providers, are complying with HIPAA and the new requirements created by the ARRA.

Congress also established criminal penalties for knowingly violating patient privacy. Criminal penalties include up to \$50,000 and one year in prison for obtaining or disclosing protected health information; up to \$100,000 and up to five years in prison for obtaining protected health information under "false pretenses"; and up to \$250,000 and up to ten years in prison for obtaining or disclosing protected health information with the intent to sell, transfer or use it for commercial advantage, personal gain or malicious harm. In addition, the ARRA authorizes state attorneys general to bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations that threaten state residents.

The Obligor incurs significant costs in implementing the policies and systems required to comply with these new requirements. The Obligor is considered a covered entity under HIPAA and intends to continue operating in compliance with HIPAA.

If the Obligor is found to have violated any state or federal statute or regulation with regard to the security, confidentiality, dissemination or use of patient medical information, it could be liable for damages, or civil or criminal penalties. These standards impose very complex procedures and operational requirements with which the Obligor is required to comply. There can be no assurance that differing interpretations of existing laws and regulations or the adoption of new laws and regulations would not have a material adverse effect on the ability of the Obligor to obtain or use health information which, in turn, could have a material adverse effect on the business of the Obligor. Similarly, because of the complexity of these regulations, there can be no assurances that the Obligor would not be reviewed, found to violate these standards and assessed penalties for such violations.

Medicare and Medicaid Programs

Currently, the Obligor's Health Center is licensed for Medicare. For the Fiscal Year ended December 31, 2012, approximately 18.8% of the revenues from nursing beds

at the Health Center were generated by Medicare patients. See "THE COMMUNITY—Health Center" in APPENDIX A hereto.

The Obligor is subject to highly technical regulations by a number of federal, state and local government agencies and private agencies, including those that administer the Medicare program. Changes in the structure of the Medicare system, as well as potential limitations on payments from governmental and other third party payors, could potentially have an adverse effect on the results of operations of the Obligated Group. Actions by governmental agencies concerning the licensure and certification of the Community or the initiation of audits and investigations concerning billing practices could also potentially have an adverse effect on the results of operations of the Obligated Group.

There is an expanding and increasingly complex body of law, regulation and policy (both federal and state) relating to the Medicare program, which is not directly related to payments under such programs. This includes reporting and other technical rules as well as broadly stated prohibitions regarding improper inducements for referrals, referrals by physicians for designated health services to entities with which the physicians have a prohibited financial relationship, and payment of kickbacks in connection with the purchase of goods and services (see "Fraud and Abuse Enforcement" and "Administrative Enforcement" above). Violations of prohibitions against false claims, improper inducements and payments, prohibited physician referrals, and illegal kickbacks may result in civil and/or criminal sanctions and penalties. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion from the Medicare program. The determination that any of the facilities of the Obligated Group were in violation of these laws could have a material adverse effect on finances of the Obligated Group.

Medicare Reimbursement

Medicare reimbursement to skilled nursing facilities ("SNFs") depends on several factors, including the character of the facility, the beneficiary's circumstances, and the type of items and services provided. Extended care services furnished by SNFs are covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within thirty (30) days of discharge from a qualifying hospital stay. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by the SNF. "Ancillary" services furnished to the non-Medicare Part A SNF patients are also covered under Medicare Part B. SNF services for Medicare Part A inpatient stays are reimbursed for up to one hundred (100) days for each spell of illness. Medicare payments are subject to coinsurance and deductibles from the patient.

Payments of Medicare patients in SNFs are now based on a Prospective Payment System ("PPS"). Under the PPS, SNFs are paid a single per diem rate per resident according to the Resource Utilization Group ("RUG") to which the patient is assigned. RUG rates are based on the expected resource needs of patients and cover routine services, therapy services, and nursing costs. SNF PPS payment rates are adjusted annually based on the skilled nursing facility "market basket" index, or the cost of providing SNF services. There is no guarantee that the SNF rates, as they may change from time to time, will cover the actual costs of providing care to Medicare SNF patients. In March 2010, the Medicare Payment Advisory Commission recommended eliminating the market based update for skilled nursing facilities. In addition, the Health Care Reform Statutes contain certain changes to Medicare reimbursement that may negatively impact the Medicare reimbursement levels for the Obligated Group. Commencing in 2013, the market basket adjustment is reduced by a productivity adjustment, which may result in payments lower than previous years.

The Health Care Reform Statutes also required the Secretary of DHHS to develop a "value based" purchasing program (based on performance and quality measures and other factors) for skilled nursing facilities. DHHS is required to publish the measures selected with respect to fiscal year 2014, including procedures for the public to review such data. This will eventually result in a mandatory requirement for nursing homes reporting on key performance and other quality performance measures and the development of a pay for performance program for SNFs which will impact reimbursement to skilled nursing facilities. Compliance with the performance and other quality performance measures will be essential for full reimbursement under the Medicare Program. In 2014, the Health Care Reform Statutes require that the annual update to the standard federal rate for discharges during the rate year will be reduced by two percentage points for each facility that does not report quality data. The Secretary is also required to study the impact of expanding Medicare's healthcare acquired conditions reduced payment policy to skilled nursing facilities. Because the Health Care Reform Statutes are relatively new, the full impact of these provisions is unknown and subsequent laws, regulation and guidance impacting Medicare policy and reimbursement may provide additional changes which may adversely impact skilled nursing homes.

Medicare has also increased its efforts to recover overpayments. CMS is expanding its use of Recovery Audit Contractors ("RACs") to further assure accurate payments to providers. RACs search for potentially improper Medicare payments from prior years that may have been detected through CMS existing program integrity efforts. RACs use their own software and review processes to determine areas for review. Once a RAC identifies a potentially improper claim as a result of an audit, it applies an assessment to the provider's Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. In 2007, during which time the RAC project was limited to five states including Florida, it returned approximately \$247 million to the Medicare program. The permanent RAC program has

been implemented in all 50 states. Such audits may result in reduced reimbursement for past alleged overpayments and may slow future Medicare payments to providers pending resolution of appeals process with RACs, as well as increase purported Medicare overpayments and associated costs for the Obligated Group.

Other future legislation, regulation or actions by the federal government are expected to continue to trend toward more restrictive limitations on reimbursement for the long term care services. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the financial performance of the Obligated Group cannot be determined at this time.

Possible Changes in Tax Status

The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Obligor of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Obligor and thereby the revenues of the Obligor. The Obligor has obtained a letter from the Internal Revenue Service determined that it is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code. As an exempt organization, the Obligor is subject to a number of requirements affecting its operation. The failure of the Obligor to remain qualified as an exempt organization would affect the funds available to the Obligor for payments to be made under the Loan Agreement. Failure of the Obligor or the Issuer to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with Bond proceeds, could cause interest on the Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Obligated Group by requiring it to pay income taxes.

Intermediate Sanctions

On July 31, 1996, the Taxpayers Bill of Rights 2 (the "Taxpayers Act") was signed into law. The Taxpayers Act provides the IRS with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status.

Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (i.e., a director, officer or other related party) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving excessive compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription.

A disqualified person who benefits from an excess benefit transaction will be subject to a "first tier" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A "second tier" penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Rights of Residents

Although the Residency Agreements given to each resident of the Community a contractual right to use space and not any ownership rights in the Mortgaged Property, in the event that the Bond Trustee or the registered holders of the Bonds seek to enforce any of the remedies provided by the Bond Indenture, the Loan Agreement, the Series 2013A Note or the Mortgage upon the occurrence of a default under any or all of such documents, it is impossible to predict the resolution that a court might make of competing claims between the Bond Trustee or the registered holders of the Bonds and a resident of the Community who has fully complied with all the terms and conditions of his or her Residency Agreement.

Other Tax Status Issues

The IRS has also issued Revenue Rulings dealing specifically with the manner in which a facility providing residential services to the elderly must operate in order to maintain its exemption under Section 501(c)(3). Revenue Rulings 61-72 and 72-124 hold that, if otherwise qualified, a facility providing residential services to the elderly is exempt under Section 501(c)(3) if the organization (1) is dedicated to providing, and in fact provides or otherwise makes available services for, care and housing to aged individuals who otherwise would be unable to provide for themselves without hardship, (2) to the extent of its financial ability, renders services to all or a reasonable proportion of its residents at substantially below actual cost, and (3) renders services that minister to the needs of the elderly and relieve hardship or distress. Revenue Ruling 79-18 holds that a facility providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the community's elderly persons, and that the organization is committed by established policy to maintaining persons as

residents, even if they become unable to pay the monthly charges after being admitted to the facility.

Lack of Marketability for the Bonds

Although the Underwriter intends, but is not obligated, to make a market for the Bonds, there can be no assurance that there will be a secondary market for the Bonds, and the absence of such a market for the Bonds could result in investors not being able to resell the Bonds, or at a particular price, should they need to or wish to do so.

Bankruptcy

If the Obligor were to file a petition for relief under the Federal Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligor and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, the Obligor's property, including their accounts receivable and proceeds thereof, could be used for the benefit of the Obligor despite the security interest of the Master Trustee therein, provided that "adequate protection" is given to the lienholder.

In a bankruptcy proceeding, the petitioner could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly in favor of junior creditors. Certain judicial decisions have cast doubt upon the right of a trustee, in the event of a health care facility's bankruptcy, to collect and retain for the benefit of bondholders portions of revenues consisting of Medicare and other governmental receivables.

On April 20, 2005, the Healthcare Bankruptcy Bill was enacted (the "Healthcare Bankruptcy Act"). The stated goal of the Healthcare Bankruptcy Act was to encourage healthcare companies to consider the patients' rights and interests when administering their bankruptcy cases related to (1) disposal of patient records, (2) transferring patients

to new facilities, (3) appointment of a patient ombudsman, and (4) exclusions of a debtor from Medicare and other federal healthcare programs.

In the event of bankruptcy of the Obligor, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement, the Master Indenture and certain other documents would survive. Accordingly, the Obligor, as debtor in possession, or a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Owners for federal income tax purposes.

Additional Indebtedness

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2013A Note. Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2013A Note in any moneys realized from the exercise of remedies in the event of a default under the Master Indenture. The issuance of additional parity indebtedness could reduce the maximum Annual Debt Service Coverage Ratio and could impair the ability of the Obligated Group to maintain its compliance with certain covenants described in "The Master Indenture" in APPENDIX C hereto. There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2013A Note may not be materially adversely affected upon the incurrence of Additional Indebtedness.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligor and any future Member of the Obligated Group under the Series 2013A Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligor and any future Member of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Obligations, including the Series 2013A Note pledged under the related Bond Indenture as security for the related series of Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Obligations issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or

similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested with respect to payments on any Obligations issued by a member other than the member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a Tax-Exempt Organization; (ii) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Obligations cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on the Series 2013A Note may be voided by a trustee in bankruptcy in the event of bankruptcy of a Member of the Obligated Group, or by third-party creditors in an action brought pursuant to Florida fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Florida fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Florida fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group to pay debt service on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that such member is analogous to a guarantor of the debt of the Obligated Group who directly benefited from the borrowing and that sufficient consideration for such member's guaranty was not received and that the incurrence of such Obligation has rendered or will render the such member insolvent.

The effectiveness of the security interest in the Obligated Group's Gross Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid, general assistance and other governmental programs; (iii) commingling of the proceeds of Gross Revenues with other moneys of a Member of the Obligated Group not subject to the security interest in Gross Revenues; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the enforceability of the mortgage or the security interest in the Gross Revenues of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a Member of the Obligated Group; (viii) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Florida Uniform Commercial Code as from time to time in effect.

Pursuant to the Master Indenture, each Member of the Obligated Group who pledges its Gross Revenues under the Master Indenture covenants and agrees that, if an Event of Default involving a failure to pay any installment of interest or principal on an Obligation should occur and be continuing, it will deposit daily the proceeds of its Gross Revenues. Such deposits will continue daily until such default is cured.

It is unclear whether the covenant to deposit the proceeds of Gross Revenues with the Master Trustee is enforceable. In light of the foregoing and of questions as to limitations on the effectiveness of the security interest granted in such Gross Revenues, as described above, no opinion will be expressed by counsel to the Obligor as to enforceability of such covenant with respect to the required deposits.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, health care operations, facilities and properties owned or operated by health care providers. Among the type of regulatory requirements faced by health care providers are (a) air and water quality control requirements, (b) waste management requirements, including medical waste disposal, (c) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the clinics, (e) requirements for training

employees in the proper handling and management of hazardous materials and wastes and (f) other requirements.

In its role as the owner and operator of properties or facilities, each Member of the Obligated Group may be subject to liability for investigating and remedying any hazardous substances that may have migrated off of its property. Typical health care operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (a) result in damage to individuals, property or the environment, (b) interrupt operations and increase their cost, (c) result in legal liability, damages, injunctions or fines and (d) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that a Member of the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

The Mortgaged Property was subject to a "Phase I" environmental assessment which concluded [that no significant environmental issues are present on the Mortgaged Property and no further testing is recommended at this time.] At the present time management of the Obligor is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Obligor, would have a material adverse effect on its operations or financial condition.

Taxation of Interest on the Bonds

Because the existence and continuation of the excludability of the interest on the Bonds from federal gross income depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under the caption "TAX MATTERS" herein assumes the compliance by the Obligor and the Issuer with the provisions of the Code and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Obligor or the Issuer to comply with the provisions of the Code and the regulations thereunder may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Bond Examinations

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In 2007 the IRS sent approximately two hundred post-issuance compliance questionnaires to nonprofit corporations that have borrowed on a tax-exempt basis

regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire included questions relating to the nonprofit corporation's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. On September 11, 2008, the IRS issued an interim report analyzing the responses from the completed questionnaires. The report indicates that there are significant gaps in the implementation by nonprofit corporations of post-issuance and record retention procedures for tax-exempt bonds. IRS representatives indicate that after analyzing responses from the first wave of questionnaires, thousands more will be sent.

Revision of IRS Service Form 990 for Nonprofit Corporations

The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including the Obligor) to submit information required by the federal government for tax exemption. On December 20, 2007, the IRS released a revised Form 990 that requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The revised form also requires the disclosure of a significantly greater amount of both hard data and anecdotal information on community benefit information on Schedule H to the Form, and establishes uniform standards for reporting of information relating to tax exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make a wealth of detailed information on compliance risk areas to the IRS and other stakeholders. Nonprofit health care organizations also became subject to additional reporting for tax-exempt bonds. These reporting and recordkeeping requirements go beyond what many hospitals have done historically and require substantial additional efforts on the part of hospitals with outstanding tax-exempt bonds. A new schedule to the Form 990 return (Schedule K) is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. These concerns were reinforced, in the IRS's view, by the results of a bond questionnaire distributed to select hospitals in September 2007, the results of which were released in September 2008 and described above. Schedule K also focuses on the investment of bond proceeds that could violate the arbitrage rebate requirements and the private use of bond-financed facilities. At this time it is difficult to predict the additional burden that completion of the revised Form 990 may place on the Obligor and its operations.

Property and Casualty Insurance

Pursuant to the Master Indenture, the Obligated Group maintains insurance coverage (including one or more self-insurance or shared or pooled-insurance programs) to protect it and its Property and operations, including without limitation professional liability claims. Recent hurricane seasons and the performance of the stock markets have reduced the number and quality of providers in the insurance industry which has led to increased premiums and reduced coverage for purchasers of insurance. Management of the Obligor believes that the current coverage limits provide reasonable coverage under the circumstances to protect the Community, which coverage is consistent with the coverage generally available to similarly situated communities. Nevertheless, should losses exceed insurance coverage, it could have a material adverse effect on the financial condition of the Obligated Group. Moreover, the Obligor is unable to predict the cost or availability of any such property and casualty insurance when its current coverage expires.

Amendments to Documents

Certain amendments to the Master Indenture, the Bond Indenture, the Loan Agreement and the Mortgage may be made without notice to or the consent of the holders of the Bonds. Such amendments could affect the security for the Bonds. Certain amendments, however, are not permitted without the consent of the holder of each outstanding Bond affected thereby, including (1) extensions in the stated maturity of the principal, or any installment of interest on, any Bond, or (2) any reduction in the principal amount of or interest on any Bond. See "The Master Indenture—Amendments and Waivers," "The Bond Indenture—Supplemental Bond Indenture," and "The Loan Agreement—Amendments, Changes and Modifications" in APPENDIX C hereto.

Other Possible Risk Factors

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

1. Reinstatement or establishment of mandatory governmental wage, rent or price controls;
2. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;
3. Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;

4. Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Obligor;
5. The cost and availability of energy;
6. Increased unemployment or other adverse economic conditions in the service areas of the Obligor which would increase the proportion of patients who are unable to pay fully for the cost of their care;
7. Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Obligor;
8. Inflation or other adverse economic conditions;
9. Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;
10. Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments;
11. The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, or failures of storm water detention devices during such naturally occurring events, which may damage the Community and other facilities of the Obligated Group, interrupt utility service to the Community and such facilities, or otherwise impair the operation and generation of revenues from said facilities; or
12. Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability, that organizations such as the Obligor and any other Members of the Obligated Group generally carry.

FLORIDA REGULATION OF CONTINUING CARE FACILITIES

Continuing care facilities in Florida are regulated by the Department of Insurance of the State of Florida (the "Insurance Department") under the provisions of Chapter 651, Florida Statutes, as amended ("Chapter 651"). Under Chapter 651, "continuing care" means furnishing pursuant to an agreement shelter, food and either nursing care or certain personal services, whether such nursing care or personal services are provided in the facility or in another setting designated by the agreement for continuing care, to an individual not related by consanguinity or affinity to the provider furnishing such care, upon payment of an entrance fee. Agreements to provide continuing care include agreements to provide care for any duration, including agreements that are terminable by

either party. "Personal services" include, but are not limited to, such services as individual assistance with or supervision of essential activities of daily living. "Entrance fee" means an initial or deferred payment of a sum of money or property made as full or partial payment to assure the resident a place in a facility. An accommodation fee, admission fee or other fee of similar form and application is considered to be an entrance fee.

Certificate of Authority

Chapter 651 provides that no person may engage in the business of providing continuing care or enter into continuing care agreements or construct a facility for the purpose of providing continuing care without a certificate of authority issued by the Insurance Department. A final certificate of authority may be issued after the applicant has provided the Insurance Department with the information and documents required by Chapter 651. The Obligor received a final certificate of authority for the Community, which remains in full force and effect.

Once issued, a certificate of authority is renewable annually as of each September 30 upon a determination by the Insurance Department that the provider continues to meet the requirements of Chapter 651. Annual reports containing financial and other information about the provider and the facility are required to be filed with the Insurance Department annually on or before each June 1. If a provider fails to correct deficiencies within 20 days of notice from the Insurance Department, and if the time for correction is not extended, the Insurance Department may institute delinquency proceedings against the provider, as described below.

Required Reserves

Chapter 651 requires that each continuing care provider maintain: (a) a debt service reserve in an amount equal to the principal and interest payments becoming due during the current fiscal year (18 months' interest on the financing if no principal payments are currently due) on any mortgage loan or other long term financing, including taxes and insurance; (b) an operating reserve in an amount equal to 15% of the facility's average total annual operating expenses set forth in the annual reports filed pursuant to Chapter 651 for the immediate preceding 3-year period, subject to adjustment in the event there is a change in the number of facilities owned; and (c) a renewal and replacement reserve in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements included in the facility's annual report filed pursuant to Chapter 651, not to exceed 15% of the facility's average operating expenses for the past 3 fiscal years based on the audited financial statements for each of such years. These reserves are required to be held in a segregated escrow account maintained with a Florida bank, savings and loan association or trust company acceptable to the Insurance Department and, in the case of the operating reserve, must be in an unencumbered account held in escrow for the benefit of the residents. The Reserve Account established

with the Bond Trustee pursuant to the Bond Indenture and the escrow account established with First National Bank of South Miami, as escrow agent, are intended to meet the requirements of Chapter 651 for those reserves (the "Required Reserves").

Chapter 651 requires the escrow agent holding the Required Reserves to deliver to the Insurance Department quarterly reports on the status of the escrow funds, including balances, deposits and disbursements. Chapter 651 provides that withdrawals can be made from the Required Reserves only after ten days' prior written notice to the Insurance Department, except that in an emergency the provider may petition for a waiver of such ten-day notice requirement (a waiver being deemed granted if not denied by the Insurance Department within three working days). Fines may be imposed for failure to deliver the quarterly reports or notices of withdrawal within the required time periods.

Continuing Care Agreements and Residents' Rights

Chapter 651 prescribes certain requirements for continuing care agreements and requires Insurance Department approval of the form of an agreement before it is used and of any changes to the terms of an agreement once it has been approved. In addition to requiring that the agreement state the amounts payable by the resident, the services to be provided and the health and financial conditions for acceptance of a resident, Chapter 651 requires that the agreement may be canceled by either party upon at least 30 days' notice. A provider that does not give its residents a transferable membership right or ownership interest in the facility may retain 2% of the entrance fee per month of occupancy prior to cancellation, plus a processing fee not exceeding 4% of the entrance fee, and must pay the refund within 120 days of notice of cancellation. The Resident Agreements for the Community meet the requirements of this provision.

Chapter 651 requires that a prospective resident have the right to cancel without penalty a continuing care agreement within seven days of signing the continuing care agreement. During this seven-day period, any entrance fee or deposit must be held in escrow or, at the request of the prospective resident, held by the provider. If the prospective resident rescinds the continuing care contract during the seven-day rescission period, the entrance fee or deposit must be refunded to the prospective resident without deduction. If cancellation occurs after seven days, but prior to occupancy, the entire entrance fee must be refunded, less a processing fee not exceeding 4%, within 60 days of notice of cancellation. However, if cancellation occurs prior to occupancy due to death, illness, injury or incapacity of the prospective resident, the entire entrance fee must be refunded, less any costs specifically incurred by the provider at the written request of the resident.

Chapter 651 further requires that a resident may not be dismissed or discharged without just cause. Failure to pay monthly maintenance fees will not be considered just cause until such time as the amounts paid by the resident, plus any benefits under

Medicare or third party insurance, exceed the cost of caring for the resident, based on the per capita cost to the facility (which cost may be adjusted proportionately for amounts paid above the minimum charge for above-standard accommodations).

Chapter 651 also contains provisions giving residents the right: to form residents' organizations and choose representatives; to attend quarterly meetings with the provider; and to inspect the provider's annual reports to the Insurance Department and any examination reports prepared by the Insurance Department or any other governmental agencies (except those which are required by law to be kept confidential). Prior to the implementation of any increase in the monthly maintenance fee, the provider must provide, at a quarterly meeting of the residents, the reasons, by department cost centers, for any increase in the fee that exceeds the most recently published Consumer Price Index for all Urban Consumers, all items, Class A Areas of the Southern Region. Residents must also be notified of any plans filed with the Insurance Department relating to expansion of the facility or any additional financing or refinancing.

Examinations and Delinquency Proceedings

The Insurance Department is required to examine the business of each continuing care provider at least once every three years, in the same manner as provided under Florida law for examination for insurance companies. Inspections may also be requested by any interested party. The Insurance Department is required to notify the provider of any discrepancies and to set a reasonable time for corrective action and compliance by the provider.

The Insurance Department may deny, suspend, revoke or refuse to renew a certificate of authority for various grounds relating to: the insolvent condition of the provider or the provider's being in a condition which renders its conduct of further business hazardous or injurious to the public; lack of one or more of the qualifications for a certificate of authority; material misstatements, misrepresentation, fraud, misappropriation of moneys or demonstrated lack of fitness or untrustworthiness; violations of Chapter 651 or any regulation or order of the Insurance Department; or refusal to permit examination or to furnish required information.

Suspension of a certificate of authority may not exceed one year, during which period the provider may continue to operate and must file annual reports, but may not issue new continuing care agreements. At the end of the suspension period, the certificate of authority is to be reinstated, unless the Insurance Department finds that the causes for suspension have not been removed or that the provider is otherwise not in compliance with Chapter 651 (in which event the certificate of authority is deemed to have been revoked as of the end of the suspension period). In lieu of suspension, administrative fines may be levied, not exceeding \$1,000 per violation, or \$10,000 for knowing and willful violations.

If the Insurance Department finds that sufficient grounds exist as to a continuing care provider for the rehabilitation (i.e., receivership), liquidation, conservation, reorganization, seizure or summary proceedings of an insurer as provided under Florida law pertaining to insurance companies, the Insurance Department may petition for an appropriate court order or pursue such other relief as is afforded under Part I of Chapter 631, Florida Statutes, as amended (the "Insurers Rehabilitation and Liquidation Act"), for insurance companies generally. Such grounds include, but are not limited to, insolvency or failure or refusal to comply with Insurance Department requirements.

Chapter 651 provides that the rights of the Insurance Department are subordinate to the rights of a trustee or lender pursuant to an indenture, loan agreement or mortgage securing bonds issued to finance or refinance the facility. However, if the Insurance Department has been appointed as receiver of the facility, the court having jurisdiction over the receivership proceeding is authorized to enjoin a secured creditor from seeking to dispose of the collateral securing its mortgage for up to 12 months, upon a showing of good cause, such as a showing that the collateral should be retained in order to protect the life, health, safety or welfare of the residents or to provide sufficient time for relocation of the residents.

If a trustee or lender becomes the mortgagee under the Mortgage pursuant to a foreclosure sale or otherwise through the exercise of remedies upon the default of the mortgagor, the rights of a resident of any portion of the applicable Mortgaged Property governed by Chapter 651, Florida Statutes, under a continuing care agreement, shall be honored and shall not be disturbed or affected (except as described below) as long as the resident continues to comply with all provisions of the continuing care agreement and has asserted no claim inconsistent with the rights of the trustee or lender. In such event, the Insurance Department shall not exercise its remedial rights provided under Chapter 651 with respect to the facility, including its right to enjoin disposal of the facility as described in the preceding paragraph. Upon acquisition of a facility by a trustee or lender pursuant to remedies under the Mortgage, the Insurance Department shall issue a 90-day temporary certificate of authority to operate the facility, provided that the trustee or lender will not be required to continue to engage in the marketing or resale of new continuing care agreements, pay any refunds of entrance fees otherwise required to be paid under a resident's continuing care agreement until expiration of such 90-day period, be responsible for acts or omissions of the operator of the facility arising prior to the acquisition of the facility by the trustee or lender, or provide services to the residents to the extent that the trustee or lender would be required to advance funds that have not been designated or set aside for such purposes.

DISCLOSURE OF POTENTIAL RELATIONSHIPS

In connection with this financing, the Obligor will establish a Project Fund, Reserve Fund, Cost of Issuance Fund or other such account with the Bond Trustee that

will hold net bond proceeds and various funds held with the Master Trustee that will be funded with funds provided for the benefit of the Project, in each case, until they are withdrawn and expended. Under the terms of the Bond Indenture and the Master Indenture, the Obligor may direct the Bond Trustee and/or the Master Trustee, respectively to invest some or all of the funds within the investment parameters established in the Bond Indenture or the Master Indenture, as applicable. It is possible that the Obligor will elect to hire Ziegler Lotsoff Capital Management LLC, an affiliate of the Underwriter, to direct the investment of these funds. If that occurs, Ziegler Lotsoff Capital Management, LLC will receive a fee for managing those assets. At this time, no relationship has been formally established.

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting

The Master Indenture requires that the Obligated Group Representative provide to each Required Information Recipient, the following:

(i) Quarterly unaudited financial statements of the Obligated Group as soon as practicable after they are available but in no event more than 45 days after the completion of such fiscal quarter, including a combined or combining statement of revenues and expenses and statement of cash flows of the Obligated Group during such period, a combined or combining balance sheet as of the end of each such fiscal quarter, and a calculation of Days Cash on Hand, Historical Debt Service Coverage Ratio and Occupancy, for such fiscal quarter all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative. Such financing statements and calculations will be accompanied by a comparison to the annual budget provided pursuant to subparagraph (iii) below.

If the Historical Debt Service Coverage Ratio for the Obligated Group for any Fiscal Year is less than 1.00:1 and Days Cash on Hand of the Obligated Group is less than the Liquidity Requirement for any Testing Date as provided in the Master Indenture, the Obligated Group will deliver the financial information and the calculations described in the above paragraph on a monthly basis within 45 days of the end of each month until the Historical Debt Service Coverage Ratio of the Obligated Group is at least 1.00:1 and Days Cash on Hand of the Obligated Group is at least equal to the applicable Liquidity Requirement.

(ii) Within 150 days of the end of each Fiscal Year, an annual audited financial report of the Obligated Group prepared by a firm of certified public accountants, including a combined and an unaudited combining balance sheet as of the end of such Fiscal Year and a combined and an unaudited combining statement of cash flows for such Fiscal Year and a combined and an unaudited combining statement of revenues and

expenses for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with a separate written statement of the accountants preparing such report containing calculations of the Obligated Group's Historical Debt Service Coverage Ratio and Days Cash on Hand for said Fiscal Year and a statement that such accountants have no knowledge of any default under the Master Indenture, or if such accountants have obtained knowledge of any such default or defaults, they are required to disclose in such statement the default or defaults and the nature thereof.

(iii) On or before the date of delivery of the financial reports referred to in paragraph (ii) above, an Officer's Certificate of the Obligated Group Representative (A) stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof, (B) calculating and certifying Days Cash on Hand and the Historical Debt Service Coverage Ratio as of the end of such month or Fiscal Year, as appropriate, and (C) attaching a summary of the Obligated Group's annual operating and capital budget for the coming Fiscal Year.

(iv) On or before the date of delivery of the financial reports referred to in paragraphs (i) and (ii) above, a management's discussion and analysis of results for the applicable fiscal period.

(v) Copies of (A) any board-approved revisions to the summary of the annual budget provided pursuant to paragraph (iii) above, or (B) any correspondence to or from the Internal Revenue Service concerning the status of the Obligor as an organization described in Section 501(c)(3) of the Code or with respect to the tax-exempt status of the Bonds, promptly upon receipt.

(vi) Such additional information as the Master Trustee, the Bond Trustee or Bondholder may reasonably request concerning any Member of the Obligated Group.

Continuing Disclosure

General. Inasmuch as the Bonds are limited obligations of the Issuer, the Issuer has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Obligor has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described below, and the Issuer shall have no liability to the holders or any other person with respect to such disclosures. The Obligor has covenanted for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Continuing Disclosure Certificate (the "Disclosure Agreement") to be executed and delivered by the Obligor, to provide or cause to be provided (i) each year, certain financial information and operating data relating to the Obligated Group (the "Annual Report") by not later than each April 30

after the last day of the fiscal year of the Obligated Group, commencing with the Annual Report for the fiscal year ending December 31, 2012; provided, however, that if the audited financial statements of the Obligated Group are not available by such date, unaudited financial statements will be included in the Annual Report and audited financial statements will be provided when and if available; and (ii) timely notices of the occurrence of certain enumerated events, if material. Currently the fiscal year of the Obligated Group commences on January 1. "Beneficial Owners" means the beneficial owner of any Bond held in a book-entry only system. In addition, the Obligor will provide the Dissemination Agent and the Repositories, as defined in the Disclosure Agreement, a copy of any information provided pursuant to the Master Indenture as described above under the subcaption "Financial Reporting" (the "Additional Information").

The Annual Report and the Additional Information will be filed by or on behalf of the Obligor and made available to holders of the Bonds through EMMA (<http://emma.msrb.org>), the information repository of the Municipal Securities Rulemaking Board, to comply with Rule 15c2-12 (as amended from time to time the "Rule") of the Securities and Exchange Commission (the "SEC"). These covenants have been made in order to assist the Underwriter and registered brokers, dealers and municipal securities dealers in complying with the requirements of the Rule.

Notice of Certain Events, If Material. The Obligor covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financing difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of the owners of the Bonds;
- (8) Bond calls;
- (9) Defeasances;

- (10) Release, substitution, or sale of property securing repayment of the Bonds;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation or acquisition involving the obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Annual Report. The Annual Report will contain or incorporate by reference at least the following items:

(a) The audited financial statements of the Obligated Group for the fiscal year ending immediately preceding the due date of the Annual Report; provided, however, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report. The financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles.

(b) The Additional Information required by the Master Indenture.

The Obligor may modify from time to time the specific types of information provided to the extent necessary to conform to changes in legal requirements, provided that any such modification will be done in a manner consistent with the Rule and will not materially impair the interests of the Bondowners.

Any or all of the items listed above may be included by specific reference to other documents which previously have been provided to each of the repositories described above or filed with the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Obligor shall clearly identify each such other document as included by reference.

Failure to Comply. In the event of a failure of the Obligor to comply with any provision of the Disclosure Agreement, any owner of Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Obligor to comply with the obligations under

the Disclosure Agreement. A failure to comply with the Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture. The sole remedy under the Disclosure Agreement in the event of any failure of the Obligor to comply with the Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

This will be the first Disclosure Agreement to which the Obligor will be a party, and consequently, there have been no previous instances of the Obligor's failure to comply with the Rule.

Amendment of the Disclosure Agreement. The provisions of the Disclosure Agreement, including but not limited to the provisions relating to the accounting principles pursuant to which the financial statements are prepared, may be amended as deemed appropriate by an authorized officer of the Obligor but any such amendment must be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretation thereof made from time to time by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Obligated Group or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondowners, as determined by parties unaffiliated with the Obligor (such as independent legal counsel). The foregoing interpretations may be changed in the future.

Compliance with Prior Undertakings. In connection with the issuance of the Series 1999 Bonds (which are part of the Refunded Bonds) the Obligor entered into an undertaking in accordance with the Rule. During the period 2007 - 2011, the Obligor failed to either provide the required information or did not do so in a timely manner in accordance with such undertaking. The Obligor has subsequently filed all of the required information and, in connection with the issuance of the Bonds, has implemented procedures to ensure that the Annual Report and other required information under the Disclosure Agreement are filed in a timely manner.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the Issuer except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Florida Department of Financial Services (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal

proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the Issuer, and certain additional financial information, unless the Issuer believes in good faith that such information would not be considered material by a reasonable investor.

As described herein, the Issuer has the power to issue bonds for the purpose of financing other projects for other borrowers which are payable from the revenues of the particular project or borrower. Revenue bonds issued by the Issuer for other projects may be in default as to principal and interest. The source of payment, however, for any such defaulted bond is separate and distinct from the source of payment of the Bonds and, therefore, any default on such bonds would not, in the judgment of the Issuer, be considered material by a potential purchaser of the Bonds.

The Obligor has not defaulted in any payment of principal or interest after December 31, 1975.

LITIGATION

Issuer

There is not now pending or, to the Issuer's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery by the Issuer of the Bond Indenture, or the Loan Agreement or questioning or affecting the validity of the Bonds or the security therefor or the proceedings or Issuer under which they are or are to be issued, respectively.

Obligor

There is no litigation pending or, to the Obligor's knowledge, threatened against the Obligor, wherein an unfavorable decision would (i) adversely affect the ability of the Obligor to construct the Project or to operate its facilities or to carry out its obligations under the Master Indenture, the Loan Agreement or the Mortgage or (ii) would have a material adverse impact on the financial position or results of operations of the Obligor.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified opinion of Bond Counsel. Foley & Lardner LLP has acted in the capacity as Bond Counsel for the purpose of rendering an opinion with respect to the authorization, issuance, delivery, legality and validity of the Bonds and for the purpose of rendering an opinion on the exclusion of the interest on the Bonds from gross income for federal income tax purposes and certain other tax matters and as Counsel to the Obligor.

Certain matters will be passed upon for the Issuer by its counsel, Alan C. Jensen, Attorney at Law, Jacksonville Beach, Florida; for the Obligor by its counsel, Foley & Lardner LLP; and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer and the Obligor have covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

The opinion of Bond Counsel relies on factual representations made by the Issuer, the Obligor and other persons, including but not limited to the Underwriter. These factual representations include but are not limited to certifications by the Obligor regarding the investment of proceeds of the Bonds and regarding use of property financed

and refinanced with proceeds of the Bonds that is reasonably expected to occur during the entire term of the Bonds. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in financial analysis, financial projections or similar disciplines. Failure of any of these factual representations to be correct may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds.

Certain requirements and procedures contained or referred to in the Bond Indenture, the Loan Agreement, the Tax Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Florida taxation to the extent described herein, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service, or the courts, and is not a guarantee of result. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Obligor or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. The Issuer and the Obligor have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Obligor or the Beneficial owners regarding the tax-exempt status of the Bonds in the event of an examination by the Internal Revenue Service. Under current procedures, parties other than the Issuer, the Obligor and their appointed counsel, including the Beneficial Owners, may have little, if any, right to participate in the examination process. Moreover, because achieving judicial review in connection with an examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the Issuer or the Obligor legitimately disagrees, may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for examination, or the course or result of such examination, or an examination of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer, the Obligor or the Beneficial Owners to incur significant expense.

Original Issue Discount

Some of the Bonds may have an issue price that is less than the amount payable at the maturity of such Bonds (hereinafter called the "Discount Bonds"). Under existing law, the original issue discount in the selling price of the Discount Bonds, to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "issue price").

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption, or payment at maturity) of such Discount Bond.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Original Issue Premium

Some of the Bonds may have an issue price that is greater than the amount payable at the maturity of such Bonds (hereinafter called the "Premium Bonds"). Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at an issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Premium Bonds.

ADDITIONAL RISK FACTORS REGARDING FEDERAL INCOME TAX MATTERS

The tax-exempt status of the Bonds currently depends, among other things, upon the maintenance by the Obligor of its status as an organization described in Section 501(c)(3) of the Code. The maintenance by the Obligor of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they

often do not adequately address the myriad of operations and transactions entered into by organizations such as the Obligor. The Internal Revenue Service has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities. In addition, Foley & Lardner, in its capacity as Bond Counsel or counsel to the Obligor, has not rendered any opinion relating to whether actions that may be taken upon default by the Obligor under covenants relating to the Bonds or other obligations of the Obligor may adversely affect the status of the Obligor as an organization described in section 501(c)(3) of the Code.

If a tax-exempt entity is found to have operated in such a manner as to result in an inurement or unlawful private benefit, the only remedy available to the IRS under the Code against that entity is revocation of that entity's tax-exempt status. Although the IRS has not often revoked such 501(c)(3) tax-exempt status of an organization, it could do so in the future. The loss of tax-exempt status by the Obligor could result in loss of the tax exempt status of the Bonds and of other tax-exempt debt of the Obligor retroactively to the date of issuance of such Bonds or debt, and, in turn, could cause defaults in the Obligor's covenants relating to the Bonds and other the Obligor tax-exempt debt.

With increasing frequency, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt organizations that own and operate hospitals in lieu of revoking tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations typically are imposed on the tax-exempt organization pursuant to a "closing agreement." The imposition of such penalties could have an adverse effect on the Obligor.

Less onerous sanctions have been enacted, which sanctions focus enforcement on private persons that transact business with an exempt organization rather than the exempt organization itself, but these sanctions do not replace the other remedies available to the IRS as mentioned above. For example, the Taxpayers Bill of Rights 2, referred to for purposes of this Official Statement as the Intermediate Sanctions Law, allows the Internal Revenue Service to impose "intermediate sanctions" against certain individuals in circumstances involving the violation by tax-exempt organizations of the prohibition against private inurement. Intermediate sanctions may be imposed in situations in which a "disqualified person" (such as an "insider") (i) engages in a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receives unreasonable compensation from a tax-exempt organization or (iii) receives payment in an arrangement that violates the prohibition against private inurement. These transactions are referred to as "excess benefit transactions." Intermediate sanctions may be imposed in addition to revocation of tax-exempt status.

In recent years, the Internal Revenue Service and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated

business taxable income. An investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported unrelated business taxable income and in some cases could ultimately affect the tax-exempt status of the Obligor as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds and other tax-exempt debt of the Obligor. In addition, legislation, if any, which may be adopted at the federal, state and local levels with respect to unrelated business income cannot be predicted. Any legislation could have the effect of subjecting a portion of the income of the Obligor to federal or state income taxes.

Federal legislative health care reform initiatives proposed by certain members of Congress have included provisions to revise the requirements for hospitals to qualify as organizations described in Section 501(c)(3) of the Code. These proposals have in certain cases included such new provisions as a requirement for a period community needs assessment, requirements not to charge the maximum rate for patients who would qualify and requirements for minimum amounts of charity care. Current legislative proposals generally do not include transitional rules for hospitals, and tax-exempt bonds issued for the benefit of hospitals, qualifying under the existing community benefit standard. The effect of any of these proposed revisions, if enacted, is uncertain.

In addition to the foregoing proposals with respect to income by not-for-profit corporations, various state and local governmental bodies have challenged the tax-exempt status of not-for-profit institutions and have sought to remove the exemption from real estate taxes of part or all of the property of various not-for-profit institutions on the grounds that a portion of its property was not being used to further the charitable purposes of the institutions or that the institutions did not provide sufficient care to indigent persons so as to warrant exemption from taxation as a charitable institution. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not for profit corporations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments will not materially adversely affect the operations and financial condition of the Obligor by requiring it to pay income or local property taxes.

INDEPENDENT AUDITORS

The audited financial statements of the Obligor as of and for the years ended December 31, 2010 and 2011, included in this Official Statement, have been audited by Moore Stephens Lovelace, P.A., independent auditors, as stated in their report appearing in APPENDIX B to this Official Statement.

RATING

At the time the Bonds are issued, Fitch Ratings ("Fitch") has assigned the Bonds a rating of "____" based on the creditworthiness of the Obligor.

The rating reflects only the view of the rating agency and is not a recommendation to buy, sell or hold the Bonds. Certain information and materials not included in this Official Statement were furnished to Fitch concerning the Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain for any given period of time or that such rating might not be lowered or withdrawn entirely by Fitch, if in its judgment circumstances so warrant. Except as set forth above under "FINANCIAL REPORTING AND CONTINUING DISCLOSURE," none of the Issuer, the Underwriter or the Obligor has any responsibility to bring to the attention of the holders of the Bonds any proposed revisions or withdrawal of the rating on the Bonds. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

A further explanation of the significance of the ratings may be obtained from the rating agency.

UNDERWRITING

The Bonds are being purchased by B.C. Ziegler and Company as Underwriter for a purchase price of \$_____ (representing the principal amount of the Bonds minus an underwriter's discount of \$_____ and a net original issue discount on the Bonds of \$_____), plus accrued interest on the Bonds, pursuant to a Bond Purchase Agreement, entered into by and between the Issuer and the Underwriter as approved by the Obligor (the "Contract of Purchase"). Pursuant to a Letter of Representation and Indemnification delivered concurrently with the Contract of Purchase, the Obligor has agreed to indemnify the Underwriter and the Issuer against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Contract of Purchase. The Contract of Purchase provides that the Underwriter will purchase all of the Bonds if any Bonds are purchased.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, the Mortgage and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof.

Reference is hereby made to such instruments, documents and other materials, copies of which will be furnished by the Bond Trustees upon request for further information.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The attached APPENDICES A through E are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Bonds.

The information assembled in this Official Statement has been supplied by the Obligor and other sources believed to be reliable, and, except for the statements under the heading "THE ISSUER" herein and information relating to the Issuer under the heading "LITIGATION—Issuer," the Issuer makes no representations with respect to nor warrants the accuracy of such information. The Obligor has agreed to indemnify the Issuer and the Underwriter against certain liabilities relating to the Official Statement.

**NAVAL CONTINUING CARE
RETIREMENT FOUNDATION, INC.**

By: _____
President

APPENDIX A

THE OBLIGOR AND THE COMMUNITY

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND EXCERPTS OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Authority ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to

registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Indentures will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Issuer or the Underwriter.

Effect of Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Issuer, the following provisions will be applicable to the Bonds. The Bonds may be exchanged for an equal aggregate principal amount of the Bonds in authorized denominations and of the same maturity upon surrender thereof at the principal office for payment of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the surrender of such Bond to the Bond Trustee with a duly executed assignment in form satisfactory to the Bond Trustee. For every exchange or transfer of registration of Bonds, the Bond Trustee and the Issuer may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Issuer shall pay the fee, if any, charged by the Bond Trustee for the transfer or exchange. The Bond Trustee will not be required to transfer or exchange any Bond after its selection for redemption. The Issuer and the Bond Trustee may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on, such Bond.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Issuer and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Issuer's respective obligations under the Bond Indenture and the Obligor's respective obligations under the Loan Agreement to the extent of the payments so made.

None of the Issuer, the Underwriter nor the Bond Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial

ownership interest in any Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Bond including, without limitation, any notice of redemption, tender, purchase or any event that would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Issuer and the Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Bonds, (ii) giving notices of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds, and (iv) the selection of Bonds for redemption.

ORDINANCE NO. 20-13-120

**AN ORDINANCE AMENDING THE OPERATING BUDGET
FOR THE CITY OF ATLANTIC BEACH, FLORIDA FOR
FISCAL YEAR BEGINNING OCTOBER 1, 2012 AND
ENDING SEPTEMBER 30, 2013, AND PROVIDING AN
EFFECTIVE DATE.**

WHEREAS, the City Charter of the City of Atlantic Beach requires that the City Commission approve all budgetary increases and transfers at the fund level, and

WHEREAS, the nature of budgetary systems and those day-to-day decisions affecting such budgetary systems require adjustments from time-to-time, and

WHEREAS, the City is amending the current year's Operating Budget to create a budget for the recently approved application for funding assistance by F.D.L.E. This ordinance creates a budget for the Edward Byrne Memorial Justice Assistance Grant to purchase a thermal night vision viewer for \$2,785. There is no City match required for this grant, and

WHEREAS, The City recently approved a Grant Support Services Proposal at the January 14, 2012 meeting and authorizing the City Manager to sign the application for the grants when completed. This proposal requires a budget of \$20,000 from the General Fund, and

WHEREAS, THE Public works Department is requesting reimbursement for funds spent on assistance with a Safe Routes to School grant in the amount of \$5,225.

**NOW, THEREFORE, BE IT ENACTED BY THE CITY COMMISSION ON
BEHALF OF THE PEOPLE OF THE CITY OF ATLANTIC BEACH, FLORIDA, that;**

1. The Fiscal Year 2012/2013 Budget to be amended as follows:

JUSTICE ASSISTANCE GRANT FUND

Revenues:

Grant Proceeds	<u>\$2,785</u>
----------------	----------------

Expenses:

General Government	
Police Departmental	
Equipment	<u>\$2,785</u>

Fund Balance	<u><u>\$0</u></u>
---------------------	-------------------

GENERAL FUND

Expenses:

Parks and Recreation - Maintenance	
Professional Services	\$20,000

Public Works	
Contract Services	5,225
Total Expenses	<u>\$25,225</u>
Fund Balance	<u><\$25,225></u>

2. This ordinance shall take effect immediately upon its adoption.

Passed by the City Commission on first reading this 25th day of January 2013.

Passed by the City Commission on second and final reading this 11th day of February 2013.

Mike Borno
Mayor / Presiding Officer

Approved as to form and correctness:

ATTEST:

Alan C. Jensen, Esquire
City Attorney

Donna L. Bartle, CMC
City Clerk

ORDINANCE NO. 5-13-58

AN ORDINANCE OF THE CITY OF ATLANTIC BEACH, FLORIDA, AMENDING CHAPTER 2 OF THE CODE OF ORDINANCES, ADMINISTRATION, ARTICLE II, CITY COMMISSION, SEC. 2-16, TIME AND PLACE OF REGULAR MEETINGS, TO PROVIDE FOR ONE (1) REGULAR MEETING AND ONE (1) SCHEDULED WORKSHOP PER MONTH, AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION ON BEHALF OF THE PEOPLE OF THE CITY OF ATLANTIC BEACH, FLORIDA:

SECTION 1: Sec. 2-16 of the Code of Ordinances of the City of Atlantic Beach, Florida, is hereby amended to read as follows”

“Sec. 2-16. Time and place of regular meetings and scheduled workshops.

(a) The regular meetings of the city commission shall be held as follows:

(1) In the months of January through October, on the fourth Monday of the month.

(2) In the months of November and December, on the second Monday of the month.

(b) Scheduled workshops of the city commission shall be held as follows:

(1) In the months of January through November, on the second Monday of the month.

(2) In the month of December, on the first Monday of the month.

(c) All regular meetings and scheduled workshops of the city commission shall be held in city hall at 6:30 p.m. In the month of November, however, the regular meeting shall be held immediately following the scheduled workshop.

(d) If the second or fourth Monday falls on a holiday, the regular meeting or scheduled workshop shall be held on Tuesday immediately following the holiday.”

SECTION 2. This Ordinance shall take effect immediately upon its final passage and adoption.

PASSED by the City Commission on first reading this ____ day of _____,
2013.

PASSED by the City Commission on second and final reading this ____ day of
_____, 2013.

ATTEST:

DONNA L. BARTLE, CMC
City Clerk

LOUIS BORNO, JR.
Mayor, Presiding Officer

Approved as to form and correctness:

ALAN C. JENSEN, ESQUIRE
City Attorney

AGENDA ITEM NO. _____
DATE: _____

**CITY OF ATLANTIC BEACH
CITY COMMISSION MEETING
STAFF REPORT**

AGENDA ITEM: Pedestrian/Bike Education Campaign

SUBMITTED BY: Michael D. Classey, ^{MC} Chief of Police

DATE: January 31, 2013

STRATEGIC PLAN LINK: Goal Number 3; Pedestrian Safety

BACKGROUND:

Pedestrian and bicycle accidents have been steadily increasing over the past few years. The commission identified pedestrian safety as the number 3 priority for the city during strategic planning last year. The first step in the process was to collect and analyze the accident data for the last three years. This allowed staff to track where, when and why the accidents occurred. One fact became quickly apparent which was that the vast majority of all the accidents occurred at intersections with either Atlantic Blvd or Mayport Road.

When developing a pedestrian/bike safety plan, it is essential to consider the three Es, Engineering, Education and Enforcement. Preliminary staff evaluation did not reveal any inherent design problems at these intersections. However, the two state routes are under the purview of the Florida Department of Transportation (FDOT). They were contacted to conduct an evaluation of the intersections along both corridors. The FDOT concluded that there were no engineering problems associated with these intersections.

The traffic analysis also revealed that the accidents were caused by either pedestrian, bicyclist or driver error. The fault was pretty closely split down the middle between the vehicles and the pedestrian/bicyclist. Education is one of the three major tenets of a traffic safety plan. Over the past several months, staff has partnered with the North Florida Traffic Planning Organization (TPO) in planning and designing an educational campaign created specifically for the problems we are encountering.

Pennington Marketing and Public Affairs, in association with the TPO, also reviewed accident data and conducted telephone surveys with not only people involved in the accidents, but other area residents to see what their observations were and to provide feedback of the problem(s). After review of all the information, it was evident that the educational campaign needed to address drivers, pedestrians and bicyclists equally.

The decision was made to concentrate the campaign to a specific geographic area based upon the accident data. Four intersections along Atlantic Blvd were identified, Sherry, Seminole, Sailfish and Royal Palms. Next, the campaign slogan was created and is "Yield To Life...LOOK ALL-WAYS". Advertising the campaign is an integral part of educating the public as well as letting them know what Atlantic Beach is doing to address the concern of increasing accidents. A media release will be forthcoming in the immediate future.

Capturing the attention of those who travel through the specific intersection so the message is communicated is, of course, a major component as well. There are flyers, posters, stencils and t-shirts which all bear the slogan and logo. Starting in February, the flyers will be included with the water bills to AB residents. Shortly before the campaign begins, we will be speaking with the businesses in the area to inform them what we will be doing and ask them to hang a poster in their business or perhaps display the slogan on their sign, if applicable.

There will be stencils of the logo painted on the sidewalks and roads. There is also an extra large stencil and Radio Shack has given us permission to use temporary paint to display that on the side of their building which will provide excellent visibility! We will be giving the t-shirts away to the local business employees and citizens that we contact during the campaign. Further, at varying times we will have Police Officers and Explorers at the actual intersections speaking with motorists, pedestrians and bicyclists about safety. The campaign will be conducted beginning February 28th and continue through March 10th.


Accolades and special thanks should be given to the TPO and Pennington Marketing for partnering with Atlantic Beach on developing this educational campaign. They were instrumental in identifying a slogan and completely created the logo. In addition, the TPO completely funded the design work and all printing costs which exceeded \$10,000. This has been a joint venture and their contributions were beyond the capabilities of city staff.

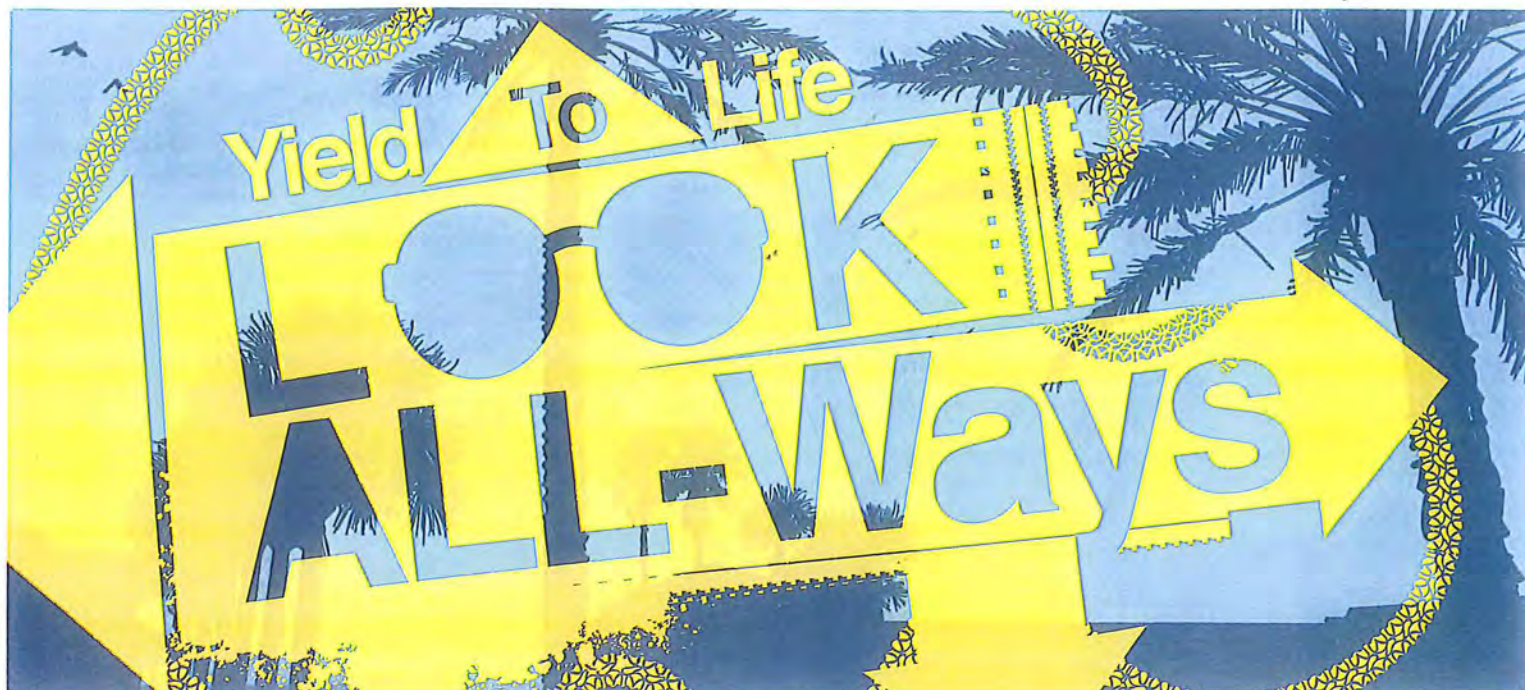
BUDGET: \$500.00

RECOMMENDATION: For information purposes only

ATTACHMENTS: Water bill insert

REVIEWED BY CITY MANAGER: _____

A handwritten signature in black ink, consisting of a stylized 'S' or 'Z' shape followed by a horizontal line, is written over the signature line.



City of Atlantic Beach
Safety Campaign:
Yield to Life – Look All Ways

THE OUTDOOR LIFESTYLE IS A BIG PART OF OUR BEACH COMMUNITY. THAT MEANS A LOT OF PEOPLE BIKING AND WALKING. UNFORTUNATELY, THE NUMBER OF CAR ACCIDENTS INVOLVING BICYCLISTS AND PEDESTRIANS IS GROWING EACH YEAR. HERE'S WHAT WE ALL CAN DO TO STAY SAFE.

CYCLISTS



Look ALL ways for cars at intersections and driveways, as they may not see you or stop. Wear reflective or bright colored clothing, and use headlights and taillights at night. Pay attention – don't use headphones or cell phones while bicycling. Obey all traffic signs and signals, and yield to cars and pedestrians as needed.

MOTORISTS



Look ALL ways for bicycles and pedestrians when driving and especially when turning at intersections. Every corner is a crosswalk, even if it's not marked, so be sure to yield to people and bikers, and give them extra time to cross. Keep an eye out for people walking and biking at night.

PEDESTRIANS



Look ALL ways for cars and cross at the crosswalks where you have the best view of traffic. Be sure drivers see you and will stop for you prior to crossing. Always try to walk on the sidewalk or walk facing traffic, as far from the road as possible.

CITY OF ATLANTIC BEACH
NORTH FLORIDA TPO

// www.coab.us
// www.northfloridatpo.com

North Florida TPO
Transportation Planning & Research
ROAD. FINE. MOVING.

AGENDA ITEM NO. _____
DATE: _____

**CITY OF ATLANTIC BEACH
CITY COMMISSION MEETING
STAFF REPORT**

AGENDA ITEM: Animal Control Facility
SUBMITTED BY: Michael D. Classey, Chief of Police *MC*
DATE: February 1, 2013

STRATEGIC PLAN LINK: N/A

BACKGROUND:

Following a visit to the building, Commissioner Daugherty asked staff to investigate and report on adding dog runs to the kennels. The facility is equipped to house up to 6 dogs at one time. There are 6 extra large crates which secure the dogs at all times, except when the Animal Control staff takes them for a walk and bathroom break, which occurs twice daily.

Installing runs would provide a secure enclosure extending from the sides of the building providing a better environment for the dogs; allowing them to get fresh air and have more exercise time. The construction would consist of cutting through the block wall, installing access doors in the openings, pouring a concrete slab, building concrete block dividers between individual runs and enclosing the sides, ends and tops with chain link fencing. The cost to construct 6 dog runs would be approximately \$15,000.

Not only does this provide a much better environment for the dogs, it would also save a significant amount of staff time each day. When you take the time for daily walks multiplied by the pay and benefit cost and the average number of dogs per day, it is estimated that the savings would be approximately \$8,000 per year.

Staff had previously identified total space as an area of concern as well. While inspecting the facility for the runs, the overall building was re-evaluated. The interior of the building is one large room which means that cats and dogs are co-mingled in that room. This creates additional stress on the animals, but also does not allow the recommended chemicals to be used to disinfect the dog kennels due to the cats' sensitivity. In addition, there is a significant amount of equipment which must be stored on the back porch (which is exposed to the elements and shortens the serviceable life of the equipment).


Finally, there is no space or hook ups for a washer or dryer. The animals are given blankets to lie on and staff uses towels to clean with. We have to take those to a commercial laundering business to have them laundered. This amounts to an annual expense of approximately \$1,500. Staff previously obtained an estimate to enclose the end of the building to create a separate room for the cats and equipment storage. This would provide enough space to have a washer and dryer within the facility. The approximate cost of the additional space was \$15,000.

BUDGET: Approximately \$30,000

RECOMMENDATION: For discussion

ATTACHMENTS: None

REVIEWED BY CITY MANAGER:

A handwritten signature in black ink, consisting of a large loop and a long horizontal stroke, is written over a solid horizontal line.

**Atlantic Beach
Police Department**



Annual Report for 2012

Highlights

The Police Department applied for and received grant funding for one full time detective position for the Crime Suppression Unit as well as funding for one full time Community Oriented Policing (COPs) officer salary and approximately half of a second full time COPS officer salary. This funding was for the fiscal year of October 2011-September 30th, 2012. Although the grant funding was reduced for the 2012/13 fiscal year, the department was still able to receive funding for one Crime Suppression Unit detective and one full time COPS officer which began October 1, 2012.

After the commission's strategic planning session; pedestrian and bicycle safety was identified as the number three priority. Staff met with the Florida Department of Transportation to discuss the concerns with the rising number of these accidents, which virtually all occurred at intersections with the two state routes within the city. FDOT conducted an engineering evaluation of these intersections and concluded that there were no engineering defects.

The Police Department conducted extensive research and analyzed the accident data which revealed that the accidents were caused almost equally by driver or pedestrian/bicyclist error. In part, this tends to support FDOT's evaluation that it is an education and enforcement matter. Staff partnered with the Traffic Planning Organization (TPO) to get citizen input on the problems and to develop an education campaign slogan and logo. The TPO funded the design and printing costs for the first campaign, which will be conducted for 10 days beginning on February 28th.

In 2012, the police department has provided education to drivers and pedestrians/bicyclist primarily through the use of warnings. During the past year, strict

enforcement has not been pursued. The report for 2012 show that reported traffic crashes involving bicyclists or pedestrians rose again for the 3rd straight year:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
# of bicyclist/pedestrian involved crashes	10	15	21	27

In response to the state mandated 911 Telecommunicator certification requirement, all sworn police officers had to study and take a certification test administered by the Department of Health. This certification is required in order for a police officer to answer 9-1-1 or to relieve a dispatcher to go on a short break. In addition to the officer certification, the department's 9-1-1 Public Safety Telecommunicator Training Program received recertification for an additional two years. This allows new dispatchers to receive their required 232 hour training in house.

The Atlantic Beach Police Department continues to have an exceptional emergency response time. The average emergency response time for 2012 was 2 minutes and 29 seconds.

Crime

Part I crimes include murder, rape, robbery, aggravated assault, burglary, larceny and auto theft. Each of these categories was down from the preceding year. City wide, there was a 22% decrease in Part I crimes in 2012 as compared to 2011 (from 473 to 368). This drop in crime represents the lowest crime rate in more than a decade and continues the downward trend over the past few years. The state wide numbers will not be available until later in the spring.

With a continued multi-year focus on the Mayport corridor; Part 1 crimes within the Mayport Corridor for 2012 were down 29% from 2011 (277 crimes vs. 391 in 2011), with violent crimes down 49%. It is evident that the overall city wide drop was directly attributable to the decrease specifically in the Mayport Corridor. This major decrease

can be largely correlated with a specific change and it is not anticipated that the decrease will be maintained at that level long term. In addition, several of the criminals and drug dealers that were sent to prison over the past several years have started getting released back to Atlantic Beach and recidivism has become a valid concern going forward.

Productivity

In 2012, members of the Atlantic Beach Police Department made 902 arrests, which include 269 DUI arrests. These statistics are almost identical to the 2011 numbers and represent a 9% increase when compared to 2010. The department has a clearance rate of 28 % of all reported crimes, which means that the officers and detectives solved more than one quarter of the Part I crimes.

The Crime Suppression Unit (CSU) and Investigations Division continue to be very productive, as does the Animal Control division. There were no prostitution arrests during the year which is an indicator of the past successes in getting felony convictions and jail time for the repeat offenders. Much like the criminals described above, these people will be getting released in the future and the department will need to remain cognizant of that to ensure they do not return to their prior illegal activities. Animal Control answered 2000 phone calls regarding animal concerns. The citations and numbers of animals impounded both decreased, but can be attributed to operating at half staff for several months during the year.

Personnel

At the end of 2012 all positions within the police department and animal control division were fully staffed.

Training

The Department remains deeply committed to providing quality training to all its employees. In addition to employees that are taking college classes on their own time, advanced professional training keeps employees current and on the cutting edge of Public Safety techniques, trends and strategies. In 2012, employees have attended advanced training in the following topics:

- Supervisor Liability
- Administrative Investigations for First Line Supervisors
- Excel
- Interviews and Interrogations
- Crime Prevention through Environmental Design
- Radar/Laser speed measurement
- DUI Standardized Field Sobriety Testing
- Crime Scene Processing
- Narcotics & Dangerous Drugs
- Domestic Drug Interdiction
- Glock Armorer
- Case Preparation & Courtroom Testimony
- Developing your Emotional Intelligence
- Gangs and Security Threat Groups
- Police Applicant Background
- Dispatcher FTO
- Vice Operations
- Taser Instructor Certification
- Police Bicycle Operator
- Advanced CPTED Lighting

Atlantic Beach Police Department

4th Quarter 2012

Part I Crimes	4th Quarter 2010	4th Quarter 2011	4th Quarter 2012	2011-2012 Comparison	Year to Date 2010	Year to Date 2011	Year to Date 2012	2011-2012 Comparison
Murder	0	0	1	100%	0	1	1	0%
Rape	1	1	0	-100%	6	9	3	-67%
Robbery	3	6	0	-600%	18	18	11	-39%
Aggravated Assault	15	15	12	-20%	49	53	39	-26%
Burglary	17	24	14	-42%	97	91	62	-32%
Larceny	59	51	48	-6%	300	285	247	-13%
Auto Theft	4	1	2	100%	20	16	5	-69%
Total	99	98	77	-21%	490	473	368	-22%
Calls for Service	6,730	6017	5,274	-12%	29889	26200	21,831	-17%
TOTAL ARRESTS	235	241	215	-11%	830	912	902	-1%
DUI Arrests	114	84	67	-20%	322	281	269	-4%
Traffic Citations	1,356	1478	1,154	-22%	4734	4664	4,209	-10%
Auto Accidents	63	56	69	23%	240	265	257	-3%
Emergency Response Time Average	2 min 13 sec	2 min 38 sec	2 min 03 sec		1 min 47 sec	2 min 01 sec	2 min 29 sec	
Stolen Property	\$ 57,956	\$ 121,641	\$ 70,277	-42%	\$ 730,102	\$ 647,548	\$ 407,658	-37%
Recovered Property	\$ 43,519	\$ 10,632	\$ 2,808	-74%	\$ 315,784	\$ 208,519	\$ 87,491	-58%
Recovery Percentage	75%	9%	4%	-56%	43%	32%	21%	-34%
Crime Suppression								
Felony Arrests	6	19	12	-37%	49	68	36	-47%
Misdemeanor Arrests	7	14	2	-86%	51	40	60	50%
Alcohol Deployment Arrests	3	7	1	-86%	10	12	11	-8%
Prostitution Arrests	4	0	0	0%	29	5	0	-500%
Animal Control								
Phone Calls	672	565	340	-40%	2647	2300	2093	-9%
Citations	98	73	38	-48%	293	293	167	-43%
Animal Bites Reported	6	4	5	25%	17	16	15	-6%
Animals Impounded	126	94	52	-45%	485	382	334	-13%
Fire Department								
EMS Calls	201	258	142	-45%	774	943	969	3%
Response Time	4 min 28 sec	4 min 22 sec	5 min 34 sec		4 min 38 sec	4 min 28 sec	4 min 51 sec	
Fire Department	46	49	13	-73%	181	201	178	-11%
Response Time	4 min 15 sec	4 min 31 sec	5 min 45 sec		4 min 7 sec	4 min 33 sec	4 min 58 sec	

**CITY OF ATLANTIC BEACH
CITY COMMISSIONER MEETING
STAFF REPORT**

AGENDA ITEM: Videotaping Commission Meetings

SUBMITTED BY: Commissioner Carolyn Woods

DATE: February 11, 2013

BACKGROUND: The City's IT Director, Keith Randich, spent several weeks researching the possibility and options for Atlantic Beach utilizing video-streamed Commission meetings with input from other City staff and citizens.

The purpose and intent of video streaming the Commission meetings is twofold. One is to provide an important and timely service to citizens that engages, informs, and involves citizens in their City's decisions that affect their quality of life and the public budget. A one-camera system does not allow the viewer to see any of the information presented at a meeting. A three-camera system allows the viewer to see all graphics and hear all presentations at the meeting. The one-camera system provides a partial service; the three-camera system will provide a complete service to the citizens.

A secondary, but no less important reason for video streaming the Commission meetings is because the entire service can be a great marketing tool. This will in reality be a showcase opportunity for Atlantic Beach. In today's competitive market for business growth and residential homeowners, Atlantic Beach needs a competitive edge. Today's families and businesses increasingly make use of being online to connect, relate, and investigate. They expect and demand these kinds of services from their city. We want to create a marketing tool we can take pride in, not a marketing flop. Quite simply only a professional quality product will accomplish this goal.

We have a great, talented, and capable staff here in Atlantic Beach and we should take the well thought out, researched and good advice of our very capable IT Director's recommendation: *Multiple adjustable cameras would give the highest quality video recording, while providing citizens with a searchable, indexed agenda from each meeting. If the Commission elects to move forward with videotaping meetings, they should select one of the multiple camera options.*

**CITY OF ATLANTIC BEACH
CITY COMMISSIONER MEETING
STAFF REPORT**

BUDGET: There is no additional funding needed. This year's budget has unused allocated funds that can be applied to the purchase, installation and implementation of the video recording system.

RECOMMENDATION: Move ahead with the purchase and installation of multiple adjustable camera system with remote offsite indexing and editing that does not require any additional staff time or support.

OPTIONS:

1. Authorize staff to purchase and install a one-camera system for video recording Commission meetings, and ask that a budget amendment reallocating unused funds be prepared for \$7,920.
2. Authorize staff to contract for the **lease purchase** and installation of a three-camera video recording system, with adjustable camera, agenda indexing, and remote offsite editing with a package of up to 30 meetings per year, and ask that a budget amendment reallocating unused funds be prepared for \$11,790 for this fiscal year.
3. Authorize staff to contract for the **purchase** and installation of a three-camera video recording system, with adjustable camera, agenda indexing, and remote offsite editing with a package of a minimum of 30 meetings per year, and ask that a budget amendment reallocating unused funds be prepared for \$33,941 for this fiscal year.

**CITY OF ATLANTIC BEACH
CITY COMMISSIONER MEETING
STAFF REPORT**

AGENDA ITEM: Online Searches of Public Records

SUBMITTED BY: Commissioner Carolyn Woods

DATE: February 11, 2013

BACKGROUND: The City's IT Director, Keith Randich, researched the possibility and options for Atlantic Beach to provide online access to our public records data base.

He found that the search capability of our current system is very rudimentary. Any search only searches documents uploaded to our website, not our archives, and the search capabilities are limited.

Laserfiche is the software that the City uses to archive all the documents it must store to meet the public records requirements. Currently access to this information is limited to the staff.

Laserfiche offers a software module that the City can acquire that allows access to the archive through the City's website. Anyone with access to the internet could have access to the City's records eliminating the need for Staff time to search and reproduce most public records requests.

BUDGET: No additional funds are required; unused already allocated funds are available in the current budget.

RECOMMENDATION: Direct staff to purchase and install the Laserfiche web link module for \$15,000 and the yearly maintenance and support fee of \$2,000, and create a prominent link for citizens to use for public records searches on our City website.

**CITY OF ATLANTIC BEACH
CITY COMMISSIONER MEETING
STAFF REPORT**

AGENDA ITEM: Campaign Sign Waving at 5-Points Intersection

SUBMITTED BY: Commissioner Carolyn Woods

DATE: February 11, 2013

BACKGROUND: During Campaign season there is often a period of a few weeks when the different campaigns have volunteers out waving signs at key traffic points in the City. This is a popular practice and serves the purpose of getting the candidates' names out to the public and in general making the public aware that Election Day is nearing. It is also a hazard at the very busy 5-way stop in front of the Fire Station. Over the years, many citizens have complained and many politicians have agreed. It is time to put a stop to this practice before the next campaign season and before some is injured.

BUDGET: No funds are required.

RECOMMENDATION: Direct staff to insert language into the current sign ordinance that would prohibit any sign waving at the 5-way stop intersection and bring the ordinance back to the Commission for approval.

MINUTES
Board Member Review Committee Meeting
January 24, 2013

Call to order

The meeting was called to order by Commissioner Jonathan Daugherty at 5:11 pm. Those in attendance were Commissioner Jonathan Daugherty (Chairman), Members Mitchell Reeves and Jerry Johnson, General Employees' Pension Board of Trustees Chairman Tim Townsend, Finance Director Nelson Van Liere and City Clerk Donna Bartle.

1. Approval of the minutes of the BMRC meeting of November 29, 2012.

Motion: Approve minutes of the Board Member Review Committee meeting of November 29, 2012.

Moved by Reeves, seconded by Johnson

Motion carried unanimously

Chairman Daugherty explained there is one vacancy to address.

2. Interview new candidates (listed below) and make a recommendation for appointment to fill the vacancy of the unexpired term ending 12/31/15 on the General Employees' Pension Board of Trustees.

New candidates:

A. Michael Diaz

B. Tim Saggau

The Committee interviewed both candidates listed above separately. The purpose of the interview and an overview of the duties and responsibilities of the General Employees' Pension Board of Trustees were explained to each. Each candidate explained their personal accomplishments, goals and interests in the community. The Committee offered the opportunity to ask questions and the Committee responded to those questions.

After the interviews were completed, the Committee discussed the two candidates.

Motion: (First Choice) Recommend appointing Mike Diaz to fill the unexpired term of Bob Sternfeld on the General Employees' Pension Board of Trustees beginning immediately and expiring on September 30, 2015.

Moved by Reeves, seconded by Johnson

Motion carried unanimously

Motion: (Second Choice) Recommend appointing Tim Saggau to fill the unexpired term of Bob Sternfeld on the General Employees' Pension Board of Trustees beginning immediately and expiring on September 30, 2015.

Moved by Reeves, seconded by Johnson

Motion carried unanimously

Adjournment

There being no other business, the meeting adjourned at 6:15 pm.

Jonathan Daugherty
Chairman

CITY OF ATLANTIC BEACH BOARD / COMMITTEE MEMBER APPLICATION FORM

Please **check** (✓) the box beside each Board or Committee that you are applying to serve on. If you check more than one, please **rank** your interest in each board / committee by order of priority.
(A summary of each board/committee is available on page 2 of this form.)

Received
DEC 18 2012

<input type="checkbox"/> Code Enforcement Board	Office of City Clerk	<input type="checkbox"/> Community Development Board
<input checked="" type="checkbox"/> Pension Board of Trustees		<input type="checkbox"/> Board Member Review Committee
<input type="checkbox"/> Cultural Arts and Recreation Advisory Committee		

DATE: 11/27/12 APPLICANT'S NAME: Michael R. DIAZ
 ADDRESS: 1490 Selva Mariner Dr Atlantic Bch, FL 32233
 DAYTIME PHONE: (904) 247-1873 EVENING PHONE: (904) 247-1873
 E-MAIL ADDRESS: mikediaz-us@ FAX: _____
yahoo.com

Please explain any employment experience, board/committee experience, and/or community volunteer experience relative to the board/committee applying for.

I am a Certified Public Accountant with a BS in Accounting and a Masters in Tax (both from the University of FLA). For over 30 years I have been involved in business as an accountant, Chief Financial Officer, and Chief Operating Officer of multiple companies, and was involved with the pension plans at each. I have been on the board of Selva Marina CC, Deerwood Rotary, Baptist Hospital Foundation, National Kidney Found. and many others

Please provide a brief explanation of your interest or any special qualifications you have in this field and your reasons for wishing to be appointed to this board/committee.

I am very interested in the pension board because this was one of the major challenges we faced at many of our companies. Decisions made today will affect taxpayers and employees for many years to come. My background in finance, tax, and accounting will be very helpful to my work on this committee.

Please return completed form to
Donna L. Bartle, City Clerk, 800 Seminole Road, Atlantic Beach, FL 32233

PLEASE NOTE: Members of the Code Enforcement Board, Community Development Board and Pension Board of Trustees are required to file Statement of Financial Interest Forms. Also, information regarding "Conflict of Interest" is provided on page two of this application. This application will expire two (2) years after date of submittal.

CITY OF ATLANTIC BEACH
BOARD/COMMITTEE MEMBER APPLICATION FORM

Received

JAN 14 2013

Please **check** (✓) the box beside each Board or Committee that you are applying to serve on. If you check more than one, please **rank** your interest in each board / committee by order of priority.

(A summary of each board/committee is available on page 2 of this form.)

Office of City Clerk

- ☒ Code Enforcement Board
☒ Pension Board of Trustees
☒ Cultural Arts and Recreation Advisory Committee

- ☒ Community Development Board
☐ Board Member Review Committee

DATE: 11-30-12 APPLICANT'S NAME: Tim SAGGAU

ADDRESS: 2032 DUNA VISTA Ct. Atlantic Beach FL.

DAYTIME PHONE: 904-838-3900 EVENING PHONE: 904-838-3900

E-MAIL ADDRESS: Timsaggau@yahoo.com FAX: _____

Please explain any employment experience, board/committee experience, and/or community volunteer experience relative to the board/committee applying for.

- 30 years in Human Resources @ Anheuser Busch Brewery - included Trustee on Anheuser Busch - Teamsters Pension Board
- Member Board of Directors - A.R.C. Volunteer Life Saving Corp
- Member School Board - St Paul's Catholic School - JAX Bch.

Please provide a brief explanation of your interest or any special qualifications you have in this field and your reasons for wishing to be appointed to this board/committee.

- Home Owner in Atlantic Beach - Lived in Atlantic Beach on/off since 1971.
- Fletcher CLASS OF 1972
- Interested in any area. Only direct related experience is Pension Trustee.
- Just want to help out in AB

Please return completed form to
Donna L. Bartle, City Clerk, 800 Seminole Road, Atlantic Beach, FL 32233

PLEASE NOTE: Members of the Code Enforcement Board, Community Development Board and Pension Board of Trustees are required to file Statement of Financial Interest Forms. Also, information regarding "Conflict of Interest" is provided on page two of this application. This application will expire two (2) years after date of submittal.

**CITY OF ATLANTIC BEACH
CITY COMMISSION MEETING
STAFF REPORT**

AGENDA ITEM: Donation of Property to Expand River Branch Preserve

SUBMITTED BY: Jim Hanson, City Manager 

DATE: February 5, 2013

STRATEGIC PLAN LINK: Goal #12 – Marsh Master Plan Improvements

BACKGROUND: The River Branch Foundation (the Foundation) wishes to provide funding to the City of Atlantic Beach to purchase an 8.02 acre tract of property located on the south side of Dutton Island Road.

The Foundation provided funding in 2009 to purchase approximately 350 acres for the initial land that made up the River Branch Preserve and, in 2012, for an 11.84 acre parcel located on the north side of Dutton Island Road. The Foundation has the same goal in the purchase of all three parcels: to protect and preserve the property in its natural state and provide for limited public use. A conservation easement on the property will be held by the Public Trust Environmental Law Institute, which is the same organization that holds the conservation easement on the property directly to the north.

The addition of this new property essentially amounts to the “missing piece of the puzzle” in the River Branch Preserve because it is completely surrounded by other city-owned preserves. Dutton Isle. is located directly on the west side of this new property and the River Branch Preserve borders on the north, east and south sides. Development on this last tract would severely distract from the pristine natural environment that makes the Dutton Island and River Branch Preserves so valuable.

BUDGET: The River Branch Foundation plans to make a contribution to the City of Atlantic Beach in the amount of the \$97,000 purchase price along with a 6% broker’s commission as referenced in the attached Contract for Sale and Purchase. We do not anticipate any development or maintenance costs related this property. There are no enhancements for public use that are proposed for this property in the recently approved Marsh Master Plan.

RECOMMENDATION: Authorize the Mayor to sign all the necessary closing documents and request that a budget amendment be prepared to provide accounts for the revenues and expenses related to the purchase of this property.

ATTACHMENTS:

- (1) Press Announcement from the River Branch Foundation
- (2) Contract for Sale and Purchase
- (3) A Tax Location Map

RIVER BRANCH FOUNDATION

AGENDA ITEM # 8H
FEBRUARY 11, 2013

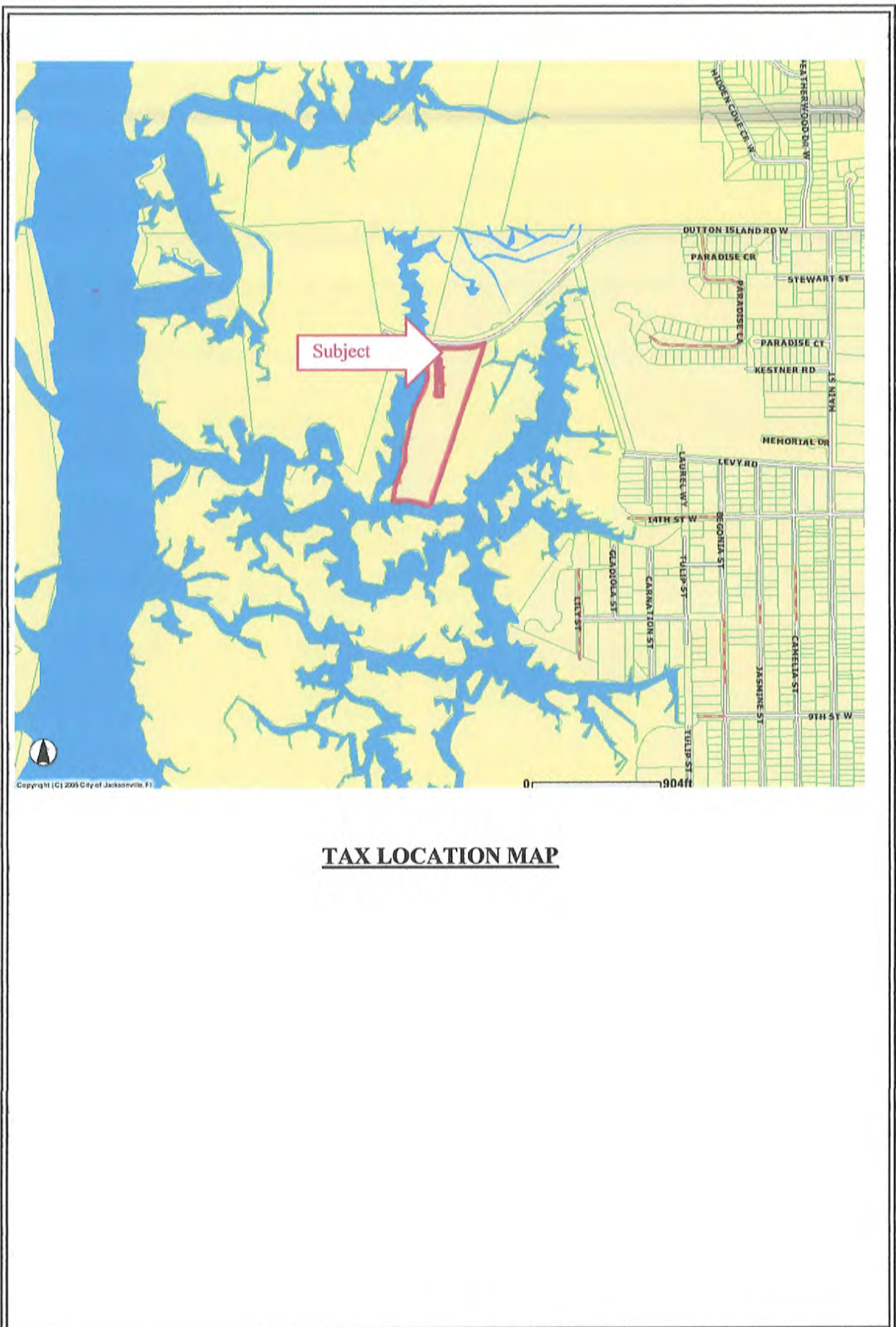
Jacksonville Beach, FL, February 4, 2013

The River Branch Foundation of Jacksonville Beach, Florida is pleased to announce a grant offer to the City of Atlantic Beach to be used for the purchase of an 8.02 acre tract at the entry of Dutton Island Preserve, in continuation of the foundation's mission of assisting in northeast Florida wilderness preservation. The Public Trust Environmental Legal Institute of Jacksonville Beach has agreed to hold the conservation easement on the property, which will be deeded to the City of Atlantic Beach.

In 2009, River Branch partnered with Public Trust Environmental Legal Institute, the City of Atlantic Beach, and the North Florida Land Trust in the purchase for conservation of the Buckman-Pritchard 350 acre tract on the Intracoastal Waterway, now known as the River Branch Preserve. In 2012, an additional grant was given to the City for an 11.84 acre tract in the Dutton Island Preserve, on which Public Trust also holds the conservation easement.

For more than 40 years, the River Branch Foundation has been actively working to improve the quality of life in the northeast Florida area through support of local nonprofit organizations. In recent years, its focus has become environmental support and wilderness land preservation.

For information contact:
jlroux@riverbranchfoundation.org



CONTRACT FOR SALE AND PURCHASE

THIS AGREEMENT, dated as of January 31, 2013 (the "Effective Date"), is by and between **LARRY W. PARKS** ("Seller") and **RIVER BRANCH FOUNDATION,,** a Florida not-for-profit foundation ("Buyer").

AGREEMENT

In consideration of the mutual covenants and agreements herein contained, Seller agrees to sell and Buyer agrees to buy the Property (as hereafter defined), on the terms and conditions set forth below.

1. Definitions.

The following terms shall have the following meanings:

(a) "Broker" shall mean Realty Masters, Inc., whose address is 2500 Blanding Blvd., Suite 300, Middleburg, FL 32068.

(b) "Buyer's Notice Address" shall mean 177 4th Avenue North, Jacksonville Beach, Florida 32250 with a copy to Kenneth M. Keefe, Jr., McGuireWoods LLP, 50 North Laura Street, Suite 3300, Jacksonville, Florida 32202.

(c) "Closing Date" shall mean the date provided for in paragraph 6 hereof.

(d) "Deposit" shall mean the sum of \$5,000.00 to be deposited pursuant to paragraph 2 hereof and any further deposits to be made hereunder.

(e) "Escrow Agent" shall mean McGuireWoods LLP, 50 North Laura Street, Suite 3300, Jacksonville, Florida 32202 (Attn: Kenneth M. Keefe).

(f) "Inspection Period" shall mean the period of time set forth in paragraph 7 during which Buyer may inspect the Property.

(g) "Permitted Exceptions" shall mean taxes for the current year that are not yet due and payable.

(h) "Personal Property" shall mean NONE.

(i) "Property" shall mean that parcel of land located in City of Atlantic Beach, Florida containing approximately 8.02 acres and described on Exhibit A attached hereto.

(j) "Purchase Price" shall mean \$97,000.00.

(k) "Seller's Notice Address" shall mean 5348 Timuquana Rd., Jacksonville, FL 32210, with a copy to John November, 647 Beach Ave, Atlantic Beach, FL 32233-5325.

2. Purchase Price and Method of Payment. The Purchase Price of the Property is payable as follows:

(a) A deposit in the amount set forth, receipt of which is hereby acknowledged by Escrow Agent (as defined below).	\$5,000.00
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(b) Cash (in addition to deposit) on closing and delivery of deed (or such greater or lesser amount as may be necessary to complete payment of purchase price after credits and adjustments). \$	<u>92,000.00</u>
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TOTAL PURCHASE PRICE	97,000.00
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3. Expenses. Expenses shall be paid as follows (B means Buyer and S means Seller):

<u>S</u>	Deed Stamps
<u>S</u>	Recording Costs for Discharging Liens
<u>B</u>	Real Estate Commission and Recording Deed and Easement
<u>S</u>	Attorneys' Fees (Seller)

<u>B</u>	Attorneys' Fees (Buyer)
<u>S</u>	Title Insurance (Fee)
<u>S</u>	Survey

4. Title Information and Examination.

(a) Seller will, at Seller's cost and expense, purchase and deliver to Buyer within thirty (30) days after the date of this agreement the Fee Title Binder. Seller will, within the same period, furnish to Buyer a boundary survey of the Property. Buyer shall have twenty (20) days after receipt of such title and survey evidence within which to examine the same and if any defects in the title are found, to notify Seller in writing. Such notice shall specify the objections to title and Seller shall have thirty (30) days after receipt of such notice within which to cure the objections so specified. Upon failure of Seller to cure such defects, the deposit shall at the option of Buyer be returned to Buyer on demand and all rights and responsibilities arising hereunder shall terminate, or Buyer may at his option close this transaction in the same manner as if no defects had been found.

(b) The term "Fee Title Binder" shall be deemed to mean a commitment for title insurance to be issued to Buyer or its assignee upon delivery and recording of the deed by title insurance company authorized to do business in Florida and generally acceptable to attorneys in the locality, agreeing to insure the fee simple title to the Property in Buyer for the full amount of the purchase price at standard premium and without exception except for the items set forth below.

(c) An acceptable survey is a map of a stake survey prepared by a land surveyor registered under laws of Florida showing no encroachments or easements on the land herein described, and showing that the improvements located on the land do not encroach on the land or easements of others, and do not violate any building

restriction or set-back lines. Such survey shall be certified to a date subsequent to the date of this agreement, and be certified to Buyer, the title company issuing the Fee Title Binder and the City of Atlantic Beach.

5. Representations and Warranties of Seller. Seller hereby represents and warrants as of the date hereof, and will affirm as of the date of Closing, as follows:

5.1 Seller has the right, power and authority to (a) sell the Property to Buyer in accordance with the terms and conditions of in this Agreement, (b) execute and deliver this Agreement and all other documents to be executed and delivered in connection with the transaction contemplated herein, and (c) perform all obligations of Seller that arise under this Agreement or under such documents.

5.2 Seller is the sole owner of fee simple title to all of the Property (subject to the title exceptions (if any) waived by Buyer pursuant to paragraph 4 hereof). Seller has granted no outstanding options to purchase or rights of first refusal with respect to all or any part of the Property and has entered into no outstanding contracts with others for the sale, mortgage, pledge, hypothecation, assignment, lease or other transfer of all or any part of the Property.

5.3 Seller has paid, or will pay at or prior to Closing, all taxes, assessments, charges, fees, levies and impositions relating to the Property coming due prior to the Closing.

5.4 Seller has not received notice of condemnation of all or any part of the Property, notice of any assessment for public improvements, or notices with respect to any zoning ordinance or other law, order, regulation or requirement relating to the use or ownership of such lands and there exists no violation of any such governmental law, order, regulation or requirement.

5.5 Seller is not indebted to the federal government or any other public authorities for delinquent taxes, assessments or other charges of any nature for

which a lien has been or could be asserted against the Property or the Buyer, or affect Buyer's interest in and to the Property, and which will not be fully paid and discharged or released at or prior to Closing.

5.6 There are no leases, written or oral, affecting the Property or any agreements entered into between Buyer or its affiliates and third parties.

5.7 There is no litigation pending or threatened, which in any manner affects the Property.

5.8 The Property does not constitute or form a part of the homestead, constitutional or otherwise, of Seller, nor does the Seller reside on any part of the Property.

5.9 To the knowledge of Seller, there exists no facts or conditions on the Property which would constitute a breach or violation of any law, rule or regulation governing the Property (such as environmental, health and safety laws).

5.10 The representations and warranties made hereunder will survive the Closing for a period of one (1) year. Seller agrees to indemnify and hold Buyer harmless from and against all demands, claims, actions, causes of action, assessments, expenses, costs, damages, losses, and liabilities (including reasonable attorneys' fees and costs) that arise or accrue within such one (1) year period, and which are incurred by reason of the breach of any of the warranties and representations made herein.

5.11 Between the Effective Date and the date of Closing, Seller agrees that, without Buyer's written consent: (i) Seller shall not enter into any new leases or tenancies with respect to the Property; (ii) Seller shall not grant or permit any new encumbrances on or about the Property; (iii) Seller shall not alter the present state of the Property; and (iv) Seller shall not undertake or omit to undertake any other act which might have a material, adverse effect on the Property.

6. Conveyance and Closing. (a) Seller agrees to convey title to the Property to Buyer (or its expected assignee, the City of Atlantic Beach) by good and sufficient warranty deed free and clear of all liens or encumbrances except the Permitted Exceptions. If the City of Atlantic Beach refuses to accept an assignment of this Agreement, Buyer may by notice to Seller given before the Closing Date terminate this Agreement, and in that event the Deposit shall be refunded to Buyer.

(b) Subject to the curative period above provided for, or the possible extension of the Inspection Period, this sale shall be closed and the deed shall be delivered on or before April 30, 2013. Seller and Buyer shall each execute and deliver such documents at the closing as are customarily needed. Seller agrees to deliver possession of the Property to Buyer at the time of closing.

7 Inspection and Property Condition. Seller shall deliver and make available to Buyer without cost to Buyer, promptly after the execution hereof, copies of all studies, surveys, analyses, easements, restrictions, agreements, soil tests, signage agreements, leases and other information and data in Seller's files pertaining to the condition, use, occupancy and characteristics of the Property. Buyer may, for the sixty (60) day period following the date hereof (the "Inspection Period", which term shall include the additional days if Buyer elects to extend the Inspection Period as provided below). In addition, Buyer may undertake its own analysis and evaluation of the Property and may make such physical inspection of the Property and conduct such engineering, soil testing, market, feasibility, and utility availability studies, analyses and evaluations as deemed necessary or desirable by Buyer. Seller shall give Buyer and its agents, employees, representatives and consultants access to the Property and to its records for such purposes. Buyer may, in its sole discretion, determine, at any time within the Inspection Period that it does not wish to proceed with the transactions contemplated by

this Agreement and, thereupon, the Deposit shall be returned to Buyer and all rights of the parties hereunder shall terminate.

Buyer shall at its sole discretion the right to extend the Inspection Period by an additional 120 days; if Buyer desires so to do, Buyer shall deliver written notice of its election to extend to Seller and Escrow Agent during the Inspection Period. Upon giving the notice, the Inspection Period shall be a period of 180 days, and the Closing Date shall in that event be twenty days after the end of the Inspection Period.

If Buyer determines that it does not wish to proceed with the transactions contemplated by this Agreement, it shall deliver written notice (the "Notice") thereof to Seller and Escrow Agent during the Inspection Period. The failure to give the Notice during the Inspection Period shall be deemed conclusive evidence that Buyer does wish to proceed with the transactions contemplated by this Agreement. If Buyer gives the Notice, Escrow Agent shall, within ten (10) days after the expiration of Inspection Period, return the Deposit to Buyer.

Buyer hereby agrees to defend, indemnify and hold Seller harmless against any claims, costs, damages, or liability arising out of Buyer's inspection of the Property, including costs and reasonable attorney's fees at both trial and appellate levels. Buyer hereby agrees to defend, indemnify and hold Seller harmless from and against all liens on the Property filed by contractors, materialmen, or laborers performing work and tests for Buyer. If this sale does not close, Buyer shall restore the Property to its original condition, and Buyer's obligation under this paragraph shall survive Closing or the sooner expiration or termination of this Agreement.

If Buyer purchases the Property in accordance with this Agreement, it is expressly understood and agreed that such purchase will be in the Property's present AS IS, WHERE IS condition at the Closing Date without any representation or warranty, express or implied, except those expressly set forth herein.

8 Default by Buyer. If Buyer fails to perform this Agreement within the time specified, time being of the essence of this agreement, this Agreement may, at the option of Seller, be terminated. In that event the Deposit shall be retained by or for the account of Seller as consideration for the execution of this agreement and in full settlement of any claims for damages. Buyer and Seller shall thereafter be relieved of all further obligations under this contract. Seller does hereby waive all other remedies at law or in equity.

9 Default by Seller. If Seller refuses to perform this agreement the deposit shall be returned to Buyer on demand, or Buyer may sue for specific performance. All other remedies are waived.

10 Destruction of Premises. If the Property is damaged by fire or other casualty before the delivery of the deed, and can be restored to substantially the same condition as existed as the date of the Casualty within a period of sixty (60) days thereafter, Seller shall so restore the improvements and the closing date and date of delivery of possession shall be extended accordingly; however, if such restoration cannot be completed within that period of time, this contract, at the option of Buyer, shall be null and void, and the aforesaid deposit shall be returned to the Buyer. If Buyer elects to purchase, he shall be entitled to the benefits of any insurance on the Property.

11. Other Agreements. No agreements or representations shall be binding upon any of the parties unless incorporated in this contract.

12 Persons Bound. The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors, and assigns of the parties hereto. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. Buyer shall have the right to assign his interests hereunder to the City of

Atlantic Beach, Florida, and upon making such assignment, Buyer shall be relieved of all obligations hereunder.

13 Prorations. Taxes, rents, insurance premiums and interest shall be prorated as of the date for delivery of deed unless otherwise specified. The cash payment shall be increased or decreased as may be required by the prorations of such items. If the amount of taxes for the current year cannot be ascertained, rates, millages, and assessed valuations of the previous year, with known changes, shall be used, due allowance being made for homestead or other exemptions if allowed for either year. However, tax prorations based on an estimate may subsequently be readjusted where so agreed in the closing statement. If part of the purchase price is paid by the assumption of a mortgage requiring deposit of funds for payment of taxes, insurance or other charges, Buyer shall reimburse Seller for any deposits assigned to Buyer at closing.

14 Brokerage. Buyer agrees to pay to Broker, and Broker agrees to accept as commission for his services in making sale of the Property, a sum equal to six percent (6 %) of the Purchase Price at the time of closing this transaction by the delivery of deed as aforesaid. Buyer will pay a \$275 document fee at closing. In the event Buyer fails to perform and the deposit aforesaid is retained, the amount of such deposit shall be applied first in payment of the cost of title evidence incurred by Seller and Broker, or either of them, and the balance shall be divided equally between Broker and Seller; provided, however, that the amount to be retained or received by Broker shall not exceed the full amount of his commission, and any excess shall be paid to Seller. If the transaction shall not be closed because of refusal of Seller to perform, then Seller shall pay the commission in full to Broker on demand.

15 Radon Gas. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to

persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit. This disclosure is required by Florida law to be contained in all contracts for sale or lease of buildings.

16 Easement. At the closing, Seller shall for no additional consideration execute and deliver to Buyer or its designee the Conservation Agreement (the "Easement Agreement") substantially in the form attached as Exhibit B, and the deed of conveyance to Buyer or its assignee shall expressly be made subject to the terms and conditions of the Easement Agreement. Prior to the execution of the Easement Agreement, Seller understands some terms and conditions of the Easement Agreement may be changed, and Seller agrees not to object thereto provided Seller's liability with respect to the Property is not materially altered from any that it may have under the Easement Agreement in its present form.

17 Escrow Provisions. Escrow Agent joins in the execution hereof for the sole purpose of confirming its agreement to the provisions set forth herein that are applicable to it. The Deposit shall be deposited by the Escrow Agent in a non-interest bearing deposit account at Bank of America and the proceeds held and disbursed in accordance with the terms of this Agreement.

In the event of any dispute or doubt as to the genuineness of any document or signature, or uncertainty as to Escrow Agent's duties, then Escrow Agent shall have the right either to continue to hold the Deposit in escrow or to pay the Deposit into court pursuant to relevant statute or rule of court.

The parties agree jointly to defend (by attorneys selected by Escrow Agent), indemnify and hold harmless Escrow Agent against and from any claim, judgment, loss, liability, cost or expense resulting from any dispute or litigation arising out of or

concerning Escrow Agent's duties or services hereunder. This indemnity includes, without limitation, disbursements and reasonable attorneys' fees either paid to retain attorneys or representing the fair value of legal services rendered by Escrow Agent to itself.

Escrow Agent shall not be liable for any error in judgment or for any act done or step taken or omitted in good faith, or for any mistake of fact or law, except for Escrow Agent's own gross negligence or willful misconduct. Seller and Purchaser acknowledge and agree that (a) the amount of the Deposit may exceed the amount of FDIC insurance coverage applicable to the Deposit in the deposit account in which the Deposit is deposited, (b) Escrow Agent has deposited the Deposit in the deposit account at the direction of Seller and Purchaser and has not exercised (and does not have) investment discretion over the Deposit, and (c) the Escrow Agent shall have no liability to Seller, Purchaser, or any other person or entity in the event of any diminution in value of, or failure of the bank in which the Deposit is deposited to pay, any deposit account in which the Deposit or any part thereof is deposited at any time.

The parties acknowledge that Escrow Agent is merely a stakeholder. Upon payment of the Deposit pursuant to the terms hereof, Escrow Agent shall be fully released from all liability and obligations with respect to the Deposit.

It is acknowledged that Escrow Agent is the attorney for Buyer and that Escrow Agent shall be entitled to represent such party in any lawsuit.

Escrow Agent shall serve without separate compensation.

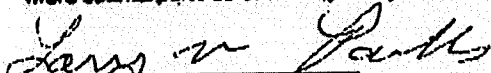
18 Time for Acceptance. If this agreement is not executed and delivered by all parties hereto on or before five (5) days after the date hereof, the aforesaid deposit shall, at the option of Buyer, be returned to him and this Agreement shall be null and void.

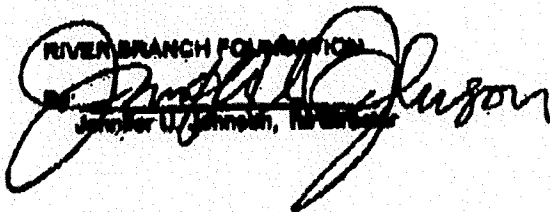
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IN WITNESS WHEREOF, the parties have executed this agreement in one or more counterparts as of the day and year first above written.


Larry W. Parks

RIVER BRANCH FOUNDATION

Jennifer U. Johnson, President

Accepted as to Esrow Agent

McGuireWoods LLP

By _____

IN WITNESS WHEREOF, the parties have executed this agreement in one or more counterparts as of the day and year first above written.

Larry W. Parks

RIVER BRANCH FOUNDATION

By: _____
Jennifer U. Johnson, Its Director

Accepted as to Escrow Agent

McGuireWoods LLP

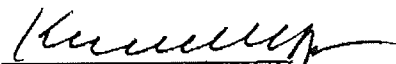
By 
1/31/13

EXHIBIT A

LEGAL DESCRIPTION AS PROVIDED

BEGIN AT THE SOUTHWEST CORNER OF LOT 1 OF SECTION 18, TOWNSHIP 2 SOUTH, RANGE 29 EAST, RUNNING NORTH 1,000 FEET; THENCE EAST 500 FEET; THENCE SOUTH 1,000 FEET; THENCE WEST 300 FEET, TO THE PLACE OF BEGINNING (ALL COURSES BEING MORE OR LESS) CONTAINING 9 1/2 ACRES MORE OR LESS, AS RECORDED IN DEED BOOK 4167, PAGE 809 OF THE PUBLIC RECORDS OF DUVAL COUNTY, FLORIDA.

NEW LEGAL DESCRIPTION

COMMENCE AT THE NORTHEAST CORNER OF SECTION 18, TOWNSHIP 2 SOUTH, RANGE 29 EAST, IN DUVAL COUNTY, FLORIDA; THENCE ALONG THE NORTHERLY LINE OF SECTION 18, A BEARING OF NORTH 90°00'00" WEST, AND A DISTANCE OF 2396.97 FEET TO THE NORTHWEST CORNER OF GOVERNMENT LOT 1; THENCE ALONG THE WESTERLY LINE OF GOVERNMENT LOT 1, A BEARING OF SOUTH 17°00'00" WEST, A DISTANCE OF 782.00 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE ALONG THE WESTERLY LINE OF GOVERNMENT LOT 1, A BEARING OF SOUTH 17°00'00" WEST, A DISTANCE OF 1000.00 FEET TO THE SOUTHWEST CORNER OF GOVERNMENT LOT 1; THENCE ALONG THE MOST SOUTHERLY LINE OF GOVERNMENT LOT 1, A BEARING OF SOUTH 71°00'00" EAST, A DISTANCE OF 264.00 FEET; THENCE NORTH 27°00'00" EAST, A DISTANCE OF 1000.00 FEET; THENCE NORTH 69°48'25" WEST, A DISTANCE OF 438.17 FEET TO THE POINT OF BEGINNING.

SAID PARCEL CONTAINING 8.02 ACRES PLUS OR MINUS.

RECORD AND RETURN TO:

The Public Trust Environmental Legal Institute of Florida, Inc.
Attn: Andrew Miller
2029 North Third Street
Jacksonville Beach, FL 32250

CONSERVATION EASEMENT

THIS INDENTURE (this "Conservation Easement") is made this _____ day of _____, 2013, between **LARRY PARKS** (the "Grantor"), whose address is 5348 Timuquana Rd., Jacksonville, FL 32210, and **THE PUBLIC TRUST ENVIRONMENTAL LEGAL INSTITUTE OF FLORIDA, INC.**, a Florida nonprofit corporation with address 2029 North Third Street, Jacksonville Beach, FL 32250, its successors and assigns (the "Holder").

WHEREAS, the Grantor is the owner in fee simple of certain real property located in Duval County, Florida which provides significant natural habitat for a variety of wildlife, fish, and plants; and has natural, aesthetic, scientific, educational, and ecological value in its present natural state; and which property is described in Exhibit A attached hereto and by this reference incorporated herein (the "Protected Property"); and

WHEREAS, the Holder hereby represents that it is a "qualified organization" as defined by Section 170(h)(3) of the Internal Revenue Code of 1986, as amended and the regulations thereunder (the "Code"); and

WHEREAS, the Holder hereby represents that it is a charitable corporation whose purposes include protecting natural, scenic or open space values of real property, assuring its availability for open space use, protecting natural resources, maintaining or enhancing water quality and is qualified to acquire conservation easements under Section 704.06, Florida Statutes; and

WHEREAS, the Holder is a tax exempt public charity under Section 501(c)(3) of the Code, and the Holder's primary purpose is to preserve natural areas and special places in North Florida; and

WHEREAS, the Protected Property qualifies as "a relatively natural habitat of fish, wildlife, or plants, or similar ecosystems," as that phrase is used in Section 170(h)(4)(a)(ii) of the Code, for many of the following attributes:

The Protected Property consists of 8.02 acres, including wetlands, which is along the Intracoastal Waterway and has ecological importance, provides natural habitat for flora and fauna, and is a portion of a long, relatively undeveloped riparian corridor along the Intracoastal Waterway that provides important benefits for wildlife.

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WHEREAS, the Protected Property qualifies as “natural habitat” as that phrase is used in Section 170(h)(4)(a)(ii) of the Code the preservation of which natural habitat is for (i) the scenic enjoyment of the general public, (ii) is pursuant to clearly delineated Federal, state, and local governmental policies and (iii) will yield significant public benefit; and

WHEREAS, the Protected Property is located in an area of increasing development and the development of the Protected Property in excess of that allowed in this Conservation Easement would significantly impair the habitat it contains and the ability of such habitat to support the species and ecological communities present there; and

WHEREAS, this Conservation Easement would prevent forestry practices harmful to the ecology, habitats, and wildlife of the Protected Property; and

WHEREAS, the Protected Property possesses significant wildlife, fish, and plant natural habitat, and significant scenic values, all as described above (collectively, the “Conservation Values”), which Conservation Values are of great importance to the Grantor and Holder; and

WHEREAS, the Conservation Values are further documented in the Baseline Documentation report for the Protected Property, dated [____], and incorporated herein by this reference (the “Report”), completed by [Mark Middlebrook] and provided to the Grantor and signed by the Grantor, a copy of which Report is on file with both the Grantor and the Holder, and which Report establishes the condition of the Protected Property at the time of the gift as provided in Treasury Regulation Section 1.170A-14(g)(5); and

WHEREAS, the parties intend hereby to comply with Section 704.06 of the Florida Statutes which permits the creation of conservation easements for the purposes of, inter alia, retaining land or water areas predominantly in their natural, scenic, open or wooded condition or as suitable habitat for fish, plants, or wildlife; and

WHEREAS, the Grantor and the Holder have the common purpose of protecting the Conservation Values by placing voluntary restrictions upon the use of the Protected Property and by providing for the transfer from the Grantor to the Holder of affirmative rights for the protection of the Protected Property.

NOW, THEREFORE, the Grantor, as an absolute gift, with no monetary consideration, and in consideration, which is hereby acknowledged, of the covenants, mutual agreements, conditions, and promises herein contained, does hereby freely give, grant, bargain, sell, and convey unto the Holder, its successors and assigns, forever, a conservation easement as defined in Section 704.06 of the Florida Statutes (without intending that the existence of this Conservation Easement be dependent on the continuing existence of such laws), in perpetuity, over the Protected Property, of the nature and character and to the extent hereinafter set forth.

A. PURPOSE

The purpose of this Conservation Easement is to forever conserve the Protected Property for the following conservation purposes (collectively, the “Purpose”):

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To protect in perpetuity the significant natural habitat, the scenic values, and open space of the Protected Property for public benefit by retaining it forever in its predominantly natural and scenic condition; and

To protect the native plants, animals, and plant and animal communities on the Protected Property including the rare and uncommon species present and their habitat; and

To conserve the water quality, wetlands, and riparian values of the Protected Property; and

The Grantor and Holder intend that this Conservation Easement will confine the use of the Protected Property to activities that are consistent with the Purpose of this Conservation Easement, including but not limited to passive public recreation, and will prohibit or prevent any use of the Protected Property in excess of that allowed by this Conservation Easement that would significantly impair or interfere with the Conservation Values.

B. AFFIRMATIVE RIGHTS OF THE HOLDER

To accomplish the Purpose of this Conservation Easement, this Conservation Easement conveys the following rights to the Holder:

1. Conservation Values. The right to preserve and protect the Conservation Values in perpetuity.
2. Right of Entry. The right of the Holder's officers, employees, and/or designated agents, including student volunteers, to enter the Protected Property in a reasonable manner and at reasonable times for the following purposes:
 - (a) to inspect the Protected Property to determine whether the Grantor is complying with the covenants and Purpose of this Conservation Easement at discretion of Holder with appropriate written notice to Grantor; provided, however, that except in cases where the Holder reasonably determines that immediate entry is required to prevent, terminate, or mitigate a violation of this Conservation Easement, the Holder shall give written notice to the Grantor no less than seven (7) days before entering the Protected Property, and the Holder shall not in any event unreasonably interfere with the Grantor's use and quiet enjoyment of the Protected Property.
 - (b) to enforce the terms of this Conservation Easement in accordance with the Holder's remedies as set forth in Section E hereof; and
 - (c) with written permission of Grantor, to make scientific and educational observations and studies and research projects and to monitor the condition of the rare plant and animal populations, plant communities, and natural habitats on the Protected Property; and
 - (d) with written permission of Grantor, the Holder, may from time to time, not to exceed two (2) times per year, conduct conservation-related events and/or tours

for the purpose of education to further the mission of the Holder. For such events the Holder must obtain the same event permit(s) as is (are) required of others when holding events on other City of Atlantic Beach properties.

3. Enforcement. The right to prevent any activity on, or use of, the Protected Property that is inconsistent with the Purpose of this Conservation Easement, and to require the restoration of such areas or features of the Protected Property that may be damaged by any inconsistent activity or use by the Grantor or by another with or without the authorization of Grantor, pursuant to Section E hereof.

The Holder will review the baseline survey, monitoring reports, and other information about the Protected Property and decide whether any landowner actions have violated the terms of this Conservation Easement and, if required, recommend enforcement actions to Holder's full board of directors. The Holder will review and be empowered to approve any ecological restoration plan, forestry management plan, or construction plan submitted by Grantor to Holder for approval.

C. RESTRICTIONS AND RESERVED RIGHTS

This Conservation Easement prohibits all of the following on the Protected Property:

1. Construction or placing of buildings, roads, signs, billboards or other advertising, utilities, or other structures on or above the ground.
2. Dumping or placing of soil or other substance or material as landfill or dumping or placing of trash, waste, or unsightly or offensive materials.
3. Removal or destruction of trees, shrubs, or other vegetation except for invasive vegetation as described in Section 9, below, or except for the removal or destruction of trees or vegetation that pose a threat to life, property, or utility lines, and provided that the primary purpose of this removal is ecological restoration, that is, to foster the return of the Protected Property to a more natural or pristine condition.
4. Excavation, dredging, or removal of loam, peat, gravel, soil, rock, or other material substance in such manner as to affect the surface.
5. Surface use except for purposes that permit the land or water area to remain predominantly in its natural condition.
6. Activities detrimental to drainage, flood control, water conservation, erosion control, soil conservation, or fish and wildlife habitat preservation.
7. Acts or uses detrimental to such retention of land or water areas.
8. Acts or uses detrimental to the preservation of the structural integrity or physical appearance of sites or properties of historical, architectural, archaeological, or cultural significance.

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

9. Planting or introduction of plant species on the Florida Exotic Pest Plant Council's *List of Invasive Species* or other plant species generally regarded as invasive exotic is prohibited. Grantor will use reasonable efforts to control invasive exotic species on the Protected Property.
10. Commercial activity on the Protected Property is prohibited except for activities having negligible impact on the conservation values of the property such as the use of the property for commercial nature tours. All but de minimus commercial recreation activities are prohibited within the meaning of Section 2031(c)(8)(B) of the Code.
11. Any division, subdivision, or partition of the Protected Property is prohibited.
12. Any industrial, ranching, or commercial agricultural use of the Protected Property beyond Section B. and D., is prohibited.
13. Use of herbicides, pesticides, and other hazardous chemicals on the Protected Property is prohibited except to control invasive exotic species, for road maintenance, for ecological restoration, or other use with written permission of Holder.
14. Any other activity not described in Section B or Section D of this Conservation Easement.

D. ADDITIONAL RESERVED RIGHTS OF GRANTOR

The Grantor reserves to itself and its successors and assigns all rights accruing from its ownership of the Protected Property, including the right to engage in, and to permit or invite others to engage in, all uses of the Protected Property that are not expressly prohibited herein, provided such uses are not inconsistent with the Purpose of this Conservation Easement. The following additional rights are expressly reserved to the Grantor:

1. Right to Sell. The right to sell, give, or otherwise convey or encumber the Protected Property, provided that any such conveyance or encumbrance shall be subject to the terms of this Conservation Easement.
2. Public Access. Nothing contained herein should be construed as affording the general public physical access to any portion of the Protected Property; however, Grantor, its successors and assigns, may from time to time permit public access by invitation for passive recreational use that is not inconsistent with the Purpose as expressed in Section A above.
3. Maintenance. The Grantor may perform the following:
 - maintain or improve existing roads, but the paving of roads with impervious surfaces or treating roads with substances that may result in pollution of water resources is prohibited;
 - repair, replace, or add structures associated with the construction of unpaved trails such as boardwalks, foot bridges, steps, and observation platforms;

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

improve, repair, or replace stream crossing structures on existing or permitted roads such as bridges, culvert crossings, and hard bottom crossings, with the same type of structure; and

construct, repair, or replace erosion control structures, except that any erosion control measure placed on the banks of the Intracoastal Waterway/St. Johns River must be designed and constructed in a manner that does not detract from the scenic and substantially unbuilt character of the Protected Property.

E. THE HOLDER'S REMEDIES

1. Notice of Violation; Corrective Action. If the Holder determines that a violation of the terms of this Conservation Easement has occurred or is threatened, the Holder shall give written notice to the Grantor of such violation, and demand corrective action sufficient to cure such violation, and where the violation involves injury to the Protected Property resulting from any use or activity conducted by Grantor or by another with or without the authorization of Grantor, which is inconsistent with the Purpose of this Conservation Easement, to restore the Protected Property so injured to its condition before the violation occurred in accordance with a plan approved by Holder.

2. Remedies. If the Grantor fails to cure any violation or threatened violation of this Conservation Easement, or cause such other corrective action to be taken as requested by the Holder within thirty (30) days after receipt of the written notice described in Paragraph 1 of this section (or, under circumstances where the requested corrective action cannot reasonably be completed within the thirty-day period, if the Grantor fails to make good faith efforts to initiate and pursue the requested corrective action within the thirty-day period), the Holder shall be entitled to bring an action or actions at law or equity in a court of competent jurisdiction in the county where the Protected Property is located, to do the following:

- (a) Enforce the terms of this Conservation Easement; and/or
- (b) Enjoin the violation by temporary or permanent injunction, as necessary and the Grantor waives any bond requirement otherwise applicable to any petition for such relief; and/or
- (c) Require the restoration of the Protected Property to its condition before the violation occurred; and/or
- (d) Report to any regulatory authorities any environmental conditions, or any potential or actual violations of environmental laws; and/or
- (e) Recover any damages arising from the violation.

If such court determines that the Grantor has failed to comply with this Conservation Easement, the Grantor shall reimburse the Holder for any reasonable costs of enforcement,

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

including Holder's staff time, court costs, and reasonable attorneys' fees, in addition to any other payments ordered by such court. If Holder initiates litigation and the court determines that the Grantor has complied with all the terms of the Conservation Easement and that Holder initiated litigation in bad faith, then the Holder shall reimburse Grantor for any reasonable costs of defending such action, including court costs and reasonable attorneys' fees.

3. Forbearance. The Holder does not waive or forfeit the right to take action as may be necessary to insure compliance with this Conservation Easement by any prior failure to act, and the Grantor hereby waives any defense of laches, estoppel or prescription with respect to any delay by the Holder in acting to enforce any restriction or exercise any rights under this Conservation Easement.

4. Acts Beyond the Grantor's Control. Nothing herein shall be construed to entitle the Holder to institute any enforcement proceeding against the Grantor for any change to the Protected Property due to causes beyond the Grantor's control, including, without limitation, change caused by fire, flood, storm, or the unauthorized wrongful acts of third persons.

5. Scope of Relief. Holder's rights under this Section E apply equally in the event of either actual or threatened violations of the terms of this Conservation Easement. Grantor agrees that Holder's remedies at law for any violation of the terms of this Conservation Easement are inadequate and that Holder shall be entitled to the injunctive relief described in Section E, Paragraph 2, both prohibitive and mandatory, in addition to such other relief to which Holder may be entitled, including specific performance of the terms of the Conservation Easement, without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies. Holder's remedies described in this Section E shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity.

F. EXTINGUISHMENT

1. Termination. If circumstances arise in the future that render the purpose of this Conservation Easement impossible to accomplish, this Conservation Easement can only be terminated or extinguished, whether in whole or in part, by judicial proceedings in a court of competent jurisdiction after notice to the original Grantor. The amount of the proceeds to which Holder shall be entitled, after the satisfaction of prior claims, from any sale, exchange, or involuntary conversion of all or any portion of the Protected Property subsequent to such termination or extinguishment, shall be the value of the Conservation Easement as determined in accordance with Section F, Paragraph 2.

2. Valuation. This Conservation Easement constitutes a real property interest immediately vested in Holder, which for the purposes of Section F, Paragraph 1, the parties stipulate to have a fair market value equal to the gross sale proceeds or condemnation award multiplied by x/y , which is a ratio representing an amount equal to the ratio of the appraised value of this easement to the unrestricted fair market value of the Protected Property, as these values are determined on the date of the termination or extinguishment. For the purposes of this paragraph, the ratio of the

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

value of the Conservation Easement to the value of the Protected Property unencumbered by the Conservation Easement shall remain constant.

G. CONDEMNATION

1. Condemnation. If all or any part of the Protected Property is taken by exercise of the power of eminent domain or acquired by purchase in lieu of condemnation, whether by public, corporate, or other authority, so as to terminate this Conservation Easement, in whole or in part, Grantor and Holder shall act jointly to recover the full value of the interests in the Protected Property subject to the taking or in lieu purchase and all direct or incidental damages resulting therefrom. All expenses reasonably incurred by Grantor and Holder in connection with the taking or in lieu purchase shall be paid out of the amount recovered. Holder's share of the balance of the amount recovered shall be determined by multiplying that balance by the ratio set forth in Section F, Paragraph 2.
2. Application of Proceeds. Holder shall use any proceeds received under the circumstances described in this Section G in a manner consistent with its conservation purposes, which are exemplified by this grant.

H. AMENDMENT

If circumstances arise under which an amendment to or modification of this Conservation Easement would be appropriate, the Grantor and the Holder may by mutual written agreement jointly amend this Conservation Easement, provided that no such amendment shall be made that will adversely affect the status of Holder under any applicable laws, including Sections 170(h) and 501(c)(3) of the Code. Any such amendment shall be consistent with the Purpose of this Conservation Easement, shall not affect its perpetual duration, and shall not result in any diminution of protection of the Conservation Values. Any such amendment shall be recorded in the official public records of Duval County, Florida. Nothing herein shall require the Holder to agree to any amendment.

I. ASSIGNMENT

1. Assignment Allowed. The Grantor and the Holder recognize and agree that the benefits and obligations of this Conservation Easement are in gross and assignable only in accordance with the terms of this section.
2. Qualified Assignee. The benefits and obligations of this Conservation Easement shall only be assigned to an organization that is, at the time of the assignment, both (a) a "qualified organization" as that term is defined in Section 170(h) of the code and (b) authorized to acquire and hold conservation easements under Section 704.06 of the Florida Statutes or any successor provision then applicable.
3. Terms of Assignment. The Holder shall require, as a condition of any assignment of the benefits and obligations of this Conservation Easement, that the assignee organization shall agree

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to continue to carry out in perpetuity, under substantially the same terms as contained in this Conservation Easement, the Purpose of this Conservation Easement.

4. Notice to the Grantor. The Holder agrees to give written notice to the Grantor of its intention to assign the benefits and obligations of this Conservation Easement at least sixty (60) days prior to the date of such assignment. The failure of the Holder to give such notice shall not affect the validity of such assignment, impair the validity of this Conservation Easement, or limit the enforceability of this Conservation Easement in any way.

J. DISCRETIONARY CONSENT

1. Notice and Approval. The Grantor shall notify the Holder before undertaking any activity in excess of those allowed by this Conservation Easement that may reasonably be expected to have a material adverse impact on the Conservation Values. Such notice shall be in writing and shall describe the proposed activity in sufficient detail to allow the Holder to judge the consistency of the proposed activity with the Purpose of this Conservation Easement. The Holder may permit such a proposed activity only if the Holder determines that such activity does not violate the Purpose of this Conservation Easement and either enhances or does not impair the Conservation Values.

Notwithstanding the foregoing, the Holder and the Grantor have no right or power to agree to any activity on the Protected Property that is inconsistent with the Purpose of this Conservation Easement.

2. Review Period. Whenever a consent or approval is required from either the Grantor or the Holder, the party seeking the consent or approval shall send a written request for such consent or approval to the other party as specified in Paragraph 8 of Section M hereof, and such other party shall respond to the request within thirty (30) business days of its receipt. In the event that the consenting or approving party fails to respond within the thirty (30) business day period, its consent or approval shall be implied, provided, however, that no consent or approval shall be implied for any activity on the Protected Property that is inconsistent with the Purpose of this Conservation Easement.

K. THE GRANTORS' REPRESENTATIONS AND WARRANTIES

1. Title. The Grantor covenants, represents, and warrants the following:

- (a) That the Grantor is the sole owner and is lawfully seized of the Protected Property in fee simple and has good right to grant and convey this Conservation Easement;
- (b) That the Protected Property is free and clear of any and all encumbrances, including but not limited to a mortgage or mortgages covering all or any part of the Protected Property;

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

- (c) That the Holder shall have the use of and enjoy all of the benefits derived from and arising out of this Conservation Easement; and
 - (d) That there is no pending or threatened litigation in any way affecting, involving, or relating to the Protected Property.
2. No Control of Protected Property by Holder. Nothing in this Conservation Easement shall be construed as giving rise, in the absence of a judicial decree, to any right or ability to Holder to exercise physical or managerial control over the day-to-day operations of the Protected Property, or any of Grantor's activities on the Protected Property, or otherwise to become an operator with respect to the Protected Property within the meaning of The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and any corresponding state statute.
3. Federal, State and Local Laws. Grantor covenants, represents and warrants that the Protected Property shall at all times comply with the requirements of all Federal, State, and local laws, regulations, and requirements applicable to the Protected Property, and all regulations promulgated by any authorized body pursuant thereto.
4. Environmental Representations. The Grantor covenants, represents, and warrants that, after investigation and to the best of their knowledge:
- (a) No substance defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirement as hazardous, toxic, polluting, or otherwise contaminating to the air, water, or soil, or in any way harmful or threatening to human health or the environment exists or has been released, generated, treated, stored, used, disposed of, deposited, abandoned, or transported in, on, from, or across the Protected Property;
 - (b) There are not now any underground storage tanks located on the Protected Property, whether presently in service or closed, abandoned, or decommissioned, and no underground storage tanks have been removed from the Protected Property in a manner not in compliance with applicable federal, state, and local laws, regulations, and requirements; and
 - (c) If, at any time, there occurs, or has occurred, a release in, on, or about the Protected Property of any substance now or hereafter defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirement as hazardous, toxic, polluting, or otherwise contaminating to the air, water, or soil, or in any way harmful or threatening to human health or the environment, Grantor shall take all steps necessary to assure its containment and remediation, including any cleanup that may be required, unless the release was caused by Holder, in which case Holder shall be responsible.

L. GENERAL PROVISIONS

1. Costs. The Grantor retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Protected Property,

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

including the maintenance of adequate comprehensive general liability insurance coverage. Grantor remains solely responsible for obtaining any applicable governmental permits and approvals for any construction or other activity or use permitted by this Conservation Easement, and all such construction or other activity or use shall be undertaken in accordance with all applicable federal, state, and local laws, regulations, and requirements. The Grantor shall keep the Protected Property free of any liens arising out of any work performed for, materials furnished to, or obligations incurred by the Grantor.

2. No possessory Rights. Grantor acknowledges that Holder has neither possessory rights in the Protected Property, nor any responsibility to control, maintain, or keep up the Protected Property. Grantor shall retain all responsibilities and shall bear all costs and liabilities of any nature related to the ownership, operation, upkeep, improvement, and maintenance of the Protected Property.

3. Taxes. If Grantor has an obligation to pay taxes, Grantor shall pay before delinquency all taxes, assessments, fees, and charges of whatever description levied on or assessed against the Protected Property by competent authority (collectively "taxes"), including any taxes imposed upon, or incurred as a result of, this Conservation Easement, and shall furnish Holder with satisfactory evidence of payment upon request.

4. Subsequent Transfers. The Grantor agrees to incorporate the terms of this Conservation Easement by reference in any deed or other legal instrument by which it divests itself of either the fee simple title or possessory interest in all or a portion of the Protected Property. The Grantor also agrees to notify the Holder in writing of any such transfer. The failure of the Grantor to perform any act required by this paragraph shall not impair the validity of this Conservation Easement or limit its enforceability in any way.

5. Successors. The covenants, terms, conditions, and restrictions of this Conservation Easement shall be binding upon and inure to the benefit of the parties hereto and their respective personal representatives, heirs, successors, and assigns and shall continue as a servitude running in perpetuity with the Protected Property. The terms "Grantor" and "Holder," wherever used herein, and any pronouns used in place thereof, shall include, respectively, the above-named Grantor and her personal representatives, heirs, successors, and assigns, and the above-named Holder and its successors and assigns.

6. Merger. The Grantor and the Holder agree that the terms of this Conservation Easement shall survive any merger of the fee and easement interest in Protected Property.

7. Notices. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other under the terms of this Conservation Easement shall be in writing and either served personally or sent by registered or certified mail, postage prepaid, to the following addresses, or such other address as either party may hereafter specify by written notice to the other:

GRANTOR:
5348 Timuquana Rd.
Jacksonville, Florida 32210

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

HOLDER:

The Public Trust Environmental Legal Institute of Florida, Inc.
2029 North Third Street
Jacksonville Beach, FL 32250

8. Annual Inspections. The Holder has the right to schedule annual inspections of the Protected Property to determine compliance with the terms of this Conservation Easement. In doing so, as long as Holder believes that the Grantor has not violated the terms of this Conservation Easement, the Grantor will be provided with no less than seven (7) days' written notice of any such inspection, and the Grantor will have the right to accompany the Holder on such inspection trips.

9. Re-recording. The Holder is authorized to record or file any notices or instruments appropriate to assuring the perpetual enforceability of this Conservation Easement in the official public records of Duval County, Florida, and the Grantor agrees to execute, acknowledge, and deliver such further instruments as may be reasonably required to assure the perpetual enforceability of this Conservation Easement.

10. Severability. If any provision of this Conservation Easement or the application thereof to any person or circumstance is found to be invalid, the remainder of the provisions of this Conservation Easement and the application of such provisions to persons or circumstances other than those as to which it is found to be invalid shall not be affected thereby.

11. Liberal Construction. Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of the grant to affect the purpose of this Conservation Easement. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purpose of this Conservation Easement that would render the provision valid shall be favored over any interpretation that would render it invalid.

12. Captions. The captions herein have been inserted solely for convenience of reference, are not a part of this Conservation Easement, and shall have no effect upon its construction or interpretation.

13. Counterparts. This agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute a single instrument.

14. Transfer of Initial Grantor's Interest. Larry W. Parks shall have the right to convey the Protected Property subject to the terms and conditions of this Conservation Easement. Larry W. Parks shall be fully, absolutely and unconditionally released from the performance of Larry W. Parks' obligations, duties and responsibilities arising subsequent to Larry W. Parks' conveyance of all his rights, title, and interests in the Protected Property. Larry W. Parks shall not be liable for any obligation hereunder arising after transfer of all his interest in the Protected Property, and subsequent to any such transfer, the Holder shall look solely and exclusively to the new fee simple owner of the Protected Property to perform all of the obligations, duties, liabilities, and responsibilities of Larry W. Parks hereunder.

EXHIBIT B TO CONTRACT FOR PURCHASE AND SALE

15. State Action. This Conservation Easement does not obligate the City of Atlantic Beach to defend any action by the State of Florida to ownership of all or a portion of Protected Property.

TO HAVE AND TO HOLD this Conservation Easement, together with all and singular the appurtenances and privileges belonging or in any way pertaining thereto, either in law or in equity, either in possession or expectancy, for the proper use and benefit of the Holder forever.

IN WITNESS WHEREOF, the said Grantor has caused these presents to be executed on the day and year aforesaid.

Signed, sealed and delivered
in the presence of:

Print: _____

Larry W. Parks

Print: _____

STATE OF FLORIDA
COUNTY OF DUVAL

The foregoing instrument was acknowledged before me this _____ of _____, 2013, by Larry W. Parks, a single man, who () is personally known to me; () has produced a _____ Driver's License as identification; or () has produced a _____ as identification.

(NOTARY SEAL)

Notary Signature
Print Name: _____
Notary Public, State and County Aforesaid
My commission expires: _____

February 4, 2013

MEMORANDUM

TO: The Honorable Mayor
and Members of the Commission

FROM: Jim Hanson
City Manager

SUBJECT: City Manager's Report

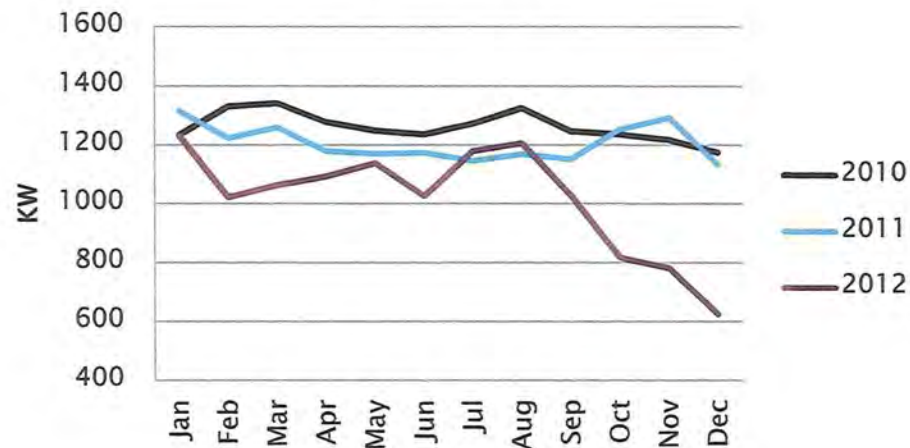
City Electrical Usage: JEA representatives met with City staff last month to discuss a number of issues of mutual concern including the City's electrical usage. They provided three graphs showing the amount of power used by the City and the price paid for that power. These are included on two attached pages entitled "Electric Statistics Three Year History" and "Electric Charges Three Year Trend".

The amount of power used by the City of Atlantic Beach for all of the City's combined accounts has been steadily declining since the beginning of 2012. The amount the City's paid for that power has also gone down. These savings are directly a result of two different projects. One was the energy grants that were recently completed that paid 100% of the costs for replacement of a number of HVAC units in various City buildings, the replacement of ball field lights and installation of switches in various offices that turn the lights off when no one is there. The savings from the electric retrofits in City buildings is estimated over \$50,000 per year.

The second big savings project is related to the wastewater plant upgrades. With the elimination of one of the two wastewater plants, and the replacement of large electric motors and blowers with newer, more efficient computer controlled units, the City's electric bill for wastewater treatment alone is going down by about \$230,000 per year.

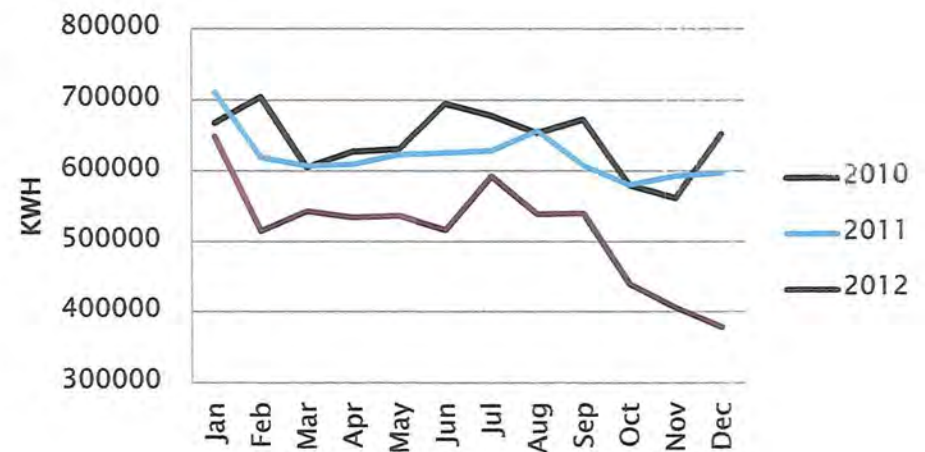
Electric Statistics Three Year History

Demand



What has been done differently to reduce demand and consumption in 2012?

Consumption



Electric Charges Three Year Trend

